KHD | HUMBOLDT WEDAG

HALF-YEAR FINANCIAL REPORT 2015

KHD Humboldt Wedag International AG, Cologne, Germany

HALF-YEAR FINANCIAL REPORT 2015

ISIN: DE0006578008

GERMAN SECURITIES IDENTIFICATION NUMBER (WKN): 657800

Stock Exchange Symbol: KWG

www.khd.com

Key Figures at a Glance

in € million	Jan. 1 –June 30, 2015		Jan. 1 –June 30, 2014		Variance in %
Order Intake	65.7		52.0		26.3
Revenue	95.2		111.5	*	-14,6
Gross Profit	-0.6		12.7	*	
Gross Profit margin (in %)	-0.6		11.4	*	
EBIT	-20.6		-4.2	*	
EBIT margin (in %)	-21.6		-3.8	*	
EBT	-16.3		-3.5	*	
Group net result for the period	-17.9		-3.9	*	
EPS (in €)	-0.36		-0.08	*	
Cash flow from operating activities	-30.4		-2.7		
Cash flow from investing activities	2.4		-1.2		
Cash flow from financing activities	0.0	**	4.9	**	
in € million	**June 30, 2015**		**Dec. 31, 2014**		**Variance in %**
Equity	195.6		211.0	*	-7.3
Equity ratio (in %)	53.1		55.6	*	-4.5
Cash	99.0		123.6		-19.9
Intercompany Loan ***	100.0		100.0		0.0
Net working capital	11.7		3.3	*	
Order Backlog	177.8		207.1	*	-11.9
Employees	741		777		-4.6

* restated according to IAS 8, please refer to section 3 of the notes

** disclosure of interest received under cash flow from operating activities or cash flow from investing activities from 2015 financial year onwards

*** including intercompany loan of € 50 million with entitlement to call for early repayment by giving 30 days' notice

Please note that the use of rounded amounts and percentage figures may result in differences due to commercial rounding.

MANAGEMENT REPORT TO THE INTERIM GROUP FINANCIAL STATEMENTS AS OF JUNE 30, 2015

Fundamental Group Principles

KHD Humboldt Wedag International AG (hereinafter also referred to as “KHD” or the “Group”) made no fundamental changes to its business model, strategy or management system (see Group management report of December 31, 2014, pp. 14–20) during the first half-year 2015. In addition to further expansion of business activities in the segment Parts & Services (Plant Management Services), the focus is on strengthening the business unit Capex by increasing competitiveness, intensifying research and development activities and supporting a culture of excellence and performance.

Management, monitoring and reporting within the Group are based on the following financial indicators:

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

Management and Supervision

Management Board

In the first six months of the 2015 financial year, KHD has repositioned itself by implementing a new management team. Since January 1, 2015 Daniel Uttelbach is in charge of Sales & Technology, as member of the Management Board. In February, Johan Cnossen was appointed to the Management Board, effective May 1, 2015. Mr. Cnossen took over the position of Chief Executive Officer (CEO) held by Jouni Salo, who resigned from the Management Board as of April 30, 2015. Effective April 10, 2015, Jürgen Luckas was appointed to the Management Board. Mr. Luckas took over the position of Chief Financial Officer (CFO) previously held by Ralph Quellmalz.

Supervisory Board

At the KHD annual general meeting on May 28, 2015, shareholders passed a resolution to increase the number of Supervisory Board members from three to six. In addition to the Supervisory Board members already being in office Mr. Hubert Keusch, Ms. Eliza Suk Ching Yuen and Mr. Kangning Zou, the shareholders elected Mr. Xiaofeng Liu, Ms. Yiqiong Zhang and Mr. Tao Xing to the Supervisory Board. Mr. Keusch was confirmed in his position as Chairman of the Supervisory Board at the constitutional meeting of the Supervisory Board on July 3, 2015. Mr. Liu was elected as the Deputy Chairman of the Supervisory Board.

Significant Events

Correction of Errors in the KHD Group Financial Statements

In June 2015 errors in the measurement of individual projects in the 2014 financial year were identified at the U.S. subsidiary of KHD, Humboldt Wedag, Inc., Norcross, USA. Immediately after identification of the errors, KHD initiated internal investigations. The results of the investigations show that in three projects of the U.S. subsidiary, estimated costs to complete and, therefore, the total project costs were understated significantly.

The cost overruns were substantially caused by customer-driven changes in the scope of work, changes of time schedule, engineering changes as well as deviation from the originally planned concept for project execution. A major portion of these cost overruns should be covered by variation orders. However, reliable evidence as basis for increasing the contract values was not available by the date of finalizing the preparation of the 2014 Group financial statements. Due to deficiencies in organizational and procedural precautions within Humboldt Wedag, Inc., the project cost estimations were not adjusted. As a result, the stage of completion and the estimated gross profit for the three projects were incorrect. According to the method of profit recognition based on the percentage of completion method, revenue in the financial year 2014 was overstated by € 11,683 thousand and costs of sales were understated by € 2,018 thousand. In total the earnings figures were overstated by € 13,701 thousand.

Not considering the additional project costs resulted in errors in the KHD Group financial statements. The corrections were made according to the rules of IAS 8.41ff. in this Half-Year Financial Report 2015 by restating the comparative amounts for the prior periods (half-year period ending June 30, 2014 and financial year ending December 31, 2014). The effects from the retrospective correction of these errors are detailed in the notes (section 3).

Immediately after identification, the KHD Management Board took all measures necessary to prevent comparable errors in the future.

Economic Report

Market Environment

According to current findings, global economic growth remained at a moderate level during the first half-year 2015. The International Monetary Fund (IMF) is predicting global economic growth in 2015 of 3.3% (previous year: 3.4%) in a publication from July 2015.

In emerging and developing countries, growth in production decreased along with domestic demand due to lower prices for raw materials, stricter financing conditions and the economic consequences of geopolitical conflicts. Overall, the decrease in economic dynamics in the emerging countries has had a negative impact on cement consumption. In turn, this reduced cement manufacturers' willingness to invest.

KHD's most important sales markets demonstrated very different tendencies in relation to cement consumption:

- North America saw considerable growth in cement consumption. A significant driving force behind this development was growth in the private construction sector, divided equally between residential and commercial construction.
- Cement demand showed a slightly positive development in India, with some large price differences between regions. However, the entire utilization of cement plant capacity remains at a relatively low level of just over 70%.

- The Russian cement market experienced a downward trend as the environment for construction and infrastructure projects remained difficult, also due to the effects of the crisis in the Ukraine.
- Cement consumption in Turkey grew by 5%.
- With ongoing excess capacity and weak cement pricing, the Chinese cement industry has had a significant drop in cement demand.
- Development in Latin America varies by region. Due to state-run infrastructure programs, growth in cement demand is occurring in Colombia and Argentina, whereas Brazil felt a slight decrease.

Overall Assessment of the Economic Situation

Economic development as measured by order intake and revenue, and particularly with respect to profitability, was unsatisfactory in the first half-year 2015. Significant budget targets were not met.

While revenue of € 95.2 million was nearly 11% below the budgeted figure, KHD reported a negative gross profit of € -0.6 million, which represents a deviation of more than € 11 million from the amount budgeted for the first half-year of 2015. In terms of EBIT (€ -20.6 million) the negative difference with respect to the budget was more than € 14 million. The considerable deterioration in profitability far below the forecasted figures resulted in an unsatisfactory half-year result for KHD. In addition to limitations in the reliability of the forecast provided, variances were caused by major challenges while executing several individual projects, which resulted in unexpected cost overruns. As a result of the low order backlog, the internal capacity in some of the operational departments was not entirely utilized in the first half-year 2015. This caused idle capacity costs of approximately € 2.0 million.

Overall, the negative operating result as well as delays in payment for projects with challenges in execution resulted in a cash flow from operating activities of € -30.4 million while, according to the original budget, no significant outflows of funds were expected.

Despite the unfavorable market and margin situation, KHD is convinced that the Group will achieve a successful economic turnaround in the medium term.

Business Development

In the first half-year 2015, order intake was € 65.7 million. This is considerably higher than the level reached in the previous year (€ 52.0 million), but is still lower than the budgeted order intake. To a certain extent, KHD was affected by the delay in customer decisions to make investments. As a result, order intake in the Capex segment was just € 45.1 million in the first half-year (previous year: € 24.6 million). Budget targets were also not achieved in the Parts & Services segment. With € 20.6 million (previous year: € 27.4 million), the Parts & Services business contributed 31.4% to order intake.

Due to lower order intake volume and the progress in execution of existing orders, the order backlog as of June 30, 2015 decreased – compared with the restated value of December 31, 2014 – by € 29.3 million to € 177.8 million. Consequently, the order backlog is below € 200 million and does not ensure the full utilization of existing capacities.

Group Earning Situation

KHD's revenue amounting to € 95.2 million is considerably less than the figure for the previous year (€ 111.5 million). Reasons for the decrease of 14.6 % are the relatively low order backlog at the beginning of the year and delays in the execution of several challenging projects.

Gross profit continues to be characterized by projects won in a highly competitive environment with strong margin pressure. In addition, some individual large projects showed a significant increase in costs to complete, resulting in a considerable increase in the estimated total costs. As consequence of these effects, a negative gross profit of € -0.6 million in the first half-year 2015 (previous year: € 12.7 million) had to be recorded.

Sales expenses decreased by 6.8%, from € 5.1 million to € 4.8 million compared with the first six months of 2014, as the sales activities focused on strategically important projects in KHD's core markets. The increase in general and administrative expenses of 4.7% from € 9.0 million to € 9.4 million is attributable to a large extent to higher personnel expenses. Other expenses amounting to € 9.0 million (previous year: € 3.3 million) include research and development expenses of € 2.6 million (previous year: € 2.0 million) and fair value adjustments of foreign exchange forward contracts for hedging exposure on foreign currency receivables (€ 2.5 million; previous year: € 0.0 million) and currency exchange effects (€ 0.7 million; previous year: € 0.3 million). From an economic perspective, the other income resulting from the effects of currency exchange rates on the foreign currency receivables (€ 2.5 million, previous year: € 0.0 million) should be offset against the expenses from fair value adjustments of foreign exchange forward contracts. Idle capacity costs in the amount of € 2.0 million (previous year: € 0.0 million) were also reported as other expenses in the first half-year 2015. As a result of the low order backlog, internal capacity in some operational departments was not fully utilized in the first half-year 2015; the resulting idle capacity costs were reclassified and subtracted from cost of sales.

For the reporting period earnings before interest and taxes (EBIT) amounted to € -20.6 million (previous year: € -4.2 million), this corresponds to an EBIT margin of -21.6% (previous year: -3.8%).

Net finance income rose considerably by € 3.6 million from € 0.7 million to € 4.3 million. To a large extent, the reason for this significant increase is the interest received in an amount of € 3.0 million from two loans in a total amount of € 100 million extended in the 2014 financial year to AVIC International (HK) Group Ltd. (AVIC HK).

Earnings before interest and tax (EBIT) decreased from € -4.2 million in the previous year to the current € -20.6 million. The net result for the period was € -17.9 million (previous year: € -3.9 million), which translates into diluted and basic earnings per share of € -0.36 (previous year: € -0.08).

Segment Earnings Situation

Revenue in the Capex segment in the six-month period at € 68.5 million (previous year: € 84.0 million) did not achieve the forecasted figure. In the Parts & Services segment, revenue amounted to € 26.7 million (previous year: € 27.5 million). This development was mainly due to stable customer demand in the spare parts business.

While gross profit of € -7.7 million (previous year: € 4.3 million) in the Capex segment was unsatisfactory, due to the execution of projects with low margins and particularly due to high unexpected cost overruns in current projects, the Parts & Services segment generated gross profit of €7.1 million (previous year: € 8.4 million). As a result the gross profit margin in the Capex segment was -11.4% (previous year: 5.1%), whereas the Parts & Services segment achieved a positive gross profit margin of 26.6% (previous year: 30.5%).

EBIT in the Capex segment of € -25.4 million (previous year: € -10.5 million) reflects the difficult economic environment of recent years, high unexpected margin deterioration and idle capacity costs, which resulted from under-utilization of existing capacities. The EBIT in the Parts & Services segment of € 4.8 million (previous year: € 6.3 million) only partly offset the significantly negative result of the Capex segment.

Financial Position and Net Assets

Liquidity

KHD's total cash and cash equivalents decreased considerably in the first half-year. As at June 30, 2015, this figure amounted to € 99.0 million (end of 2014: € 123.6 million). The main reason for this development is the notable decrease in cash flow from operating activities, which amounted to € -30.4 million during the reporting period (previous year: € -2.7 million). The root causes for the significant outflow of funds in the operational business included not only unexpectedly high payments to suppliers as a result of cost overruns on some large projects, but also payment delays by customers for projects with particular challenges in execution.

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

Cash flow effect from operating activities for the half year 2015	in € thousand
Cash flow from construction contracts in progress (including progress billings)	4,817
Cash flow from current liabilities/ invoices from subcontractors	(7,725)
Cash flow from changes in receivables	(2,284)
Cash flow from utilization of provisions and long term liabilities	(3,090)
Cash outflow from result (EBITDA)	(19,621)
Cash flow from tax payments made/ received	(1,522)
Other cash inflows and outflows	(1,013)
Cash flow from operating activities	**(30,438)**

Cash flow from investing activities amounting to € 2.4 million can be attributed to both the outflow of funds for investments in the expansion of the IT environment and the inflow of funds due to interest received. The interest received results mainly from the two loans in a total amount of € 100.0 million, which were granted to AVIC HK in 2014. In the previous year this interest received was reported under cash flow from financing activities.

Total Assets

In comparison with the end of 2014 (€ 379.4 million), the balance sheet total was reduced by € 11.2 million to € 368.2 million. This was primarily the result of the decrease in liquid funds of € 24.6 million with a simultaneous increase in the gross amount due from customers for contract work of € 10.9 million as well as an increase in receivables of € 3.2 million. Other current and non-current assets changed only slightly.

Financing

On the liabilities side, trade and other payables decreased by € 7.5 million to € 73.0 million and provisions shown as current liabilities decreased by € 3.6 million to € 14.1 million. At the same time, however the commitments under construction contracts increased considerably by € 15.3 million to € 50.1 million. The main reason for this increase is high progress billings for individual large projects, which exceeded the aggregate amount of project costs incurred and recognized profits. As a result, current liabilities increased in comparison with the amount shown at the end of 2014 (€ 134.7 million) by € 4.3 million to € 139.0 million.

The net working capital – the difference between current assets (less cash) and current liabilities – increased considerably from the figure reported on December 31, 2014 (€ 0.3 million) to € 11.7 million.

Equity sank by € 15.4 million from € 211.0 million to € 195.6 million. The primary reason for this was the distinctly negative result for the first half-year 2015 in the amount of € -17.9 million. As a result, the equity ratio also decreased to the current 53.1%.

Non-Financial Performance Indicators

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

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

KHD spent € 2.6 million on research and development in the first half-year 2015 (previous year: € 2.0 million), increasing once again the research and development activities, already at a high level in recent years. 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.

The KHD Group had 741 employees (excluding trainees) at the end of June 2015 (end of 2014: 777). As a reaction to the unsatisfactory order intake, positions vacated due to usual employee fluctuation were not filled and planned hiring was postponed. By taking these actions, KHD management wants to reduce existing excess capacity and the threat of increasing idle capacity costs.

Report on Events after the Reporting Period

On July 7, 2015 Humboldt Wedag India Private Ltd. (HW India), New Delhi, India, and Humboldt Wedag GmbH (HWG), Cologne, two subsidiaries of KHD, have signed contracts in a total amount between € 55 and € 60 million for the delivery of equipment and services for eight slag grinding units. As significant component each slag grinding unit includes two KHD roller presses with a total capacity of 180 tons per hour. The respective projects are recorded in the order intake as soon as the pre-conditions for project execution are fulfilled.

After concluding the internal investigations regarding the significant measurement errors in the 2014 financial year, KHD published the results as well as the corrections to be made on August 11, 2015. The effects of the retrospective correction of the errors on the Group's half-year financial statements as of June 30, 2014 and on the Group's 2014 annual financial statements are disclosed in the notes (section 3).

There were no further developments or events of particular significance after the balance sheet date June 30, 2015.

Risk and Opportunities Report

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

Project risks have already been described on page 45 of the KHD Group management report as of December 31, 2014. The growing complexity of the contractual obligations combined with the expansion of performance obligations and rising customer demands had resulted in an increase in the risk assessment already in the 2014 financial year. The risk remaining after risk mitigation was classified as "high" in December 2014 and is still assessed at the same level.

The methods and tools employed in project management and project controlling together with the organizational and procedural precautions are undergoing improvements. For effective risk management it is of particular importance to identify possible cost variances as early as possible, to estimate the effect on costs to complete and to initiate mitigation actions in a timely manner. In the first half-year 2015 the newly formed Management Board carried out a critical review of all major projects and re-evaluated the project risks.

Beyond the opportunities disclosed in the 2014 Group Annual Report, significant opportunities are expected from the agreement in the nuclear dispute between the Islamic Republic of Iran and the Western countries reached in Vienna in July 2015. Based on the agreement reached, the economic sanctions by the Western countries could be incrementally revoked starting at the end of 2015. KHD is optimistic that as the substantial investment backup in Iran will gradually disappear, both orders for new cement plants and modernization projects will materialize. The Group wants to get back to the strong market position it had before the sanctions were introduced.

There have been no further significant changes from December 31, 2014 in the assessment of KHD's risk and opportunities. Please refer to the relevant section in the KHD Group management report as of December 31, 2014 (page 39 ff. of the Group Annual Report).

Outlook

The market research firm CW Group expects an increase in global cement demand in 2015 of 2.9% (previous year: 2.6%) to 4.29 billion tons. A report recently published by the Portland Cement Association (PCA) predicts that cement consumption will continue to grow in the current year and in 2016. With a growth rate of 2.2% for 2015 (3.7% for 2016), this forecast is below the growth rate for the current year as mentioned above.

The strongest increase in cement consumption is expected in North America, while a slowdown of economic growth and growth in cement demand is expected in Asia. Moderate growth is expected this year in Europe, followed by stronger growth in 2016 and the years following. Overall, cement consumption in KHD's most important sales markets should grow slightly in the second half of the year.

In the course of updating the forecast, KHD had to make adjustments, some significant, with regard to the forecast values for the 2015 financial year that had been disclosed in the outlook on the Group's economic development described in the 2014 Group Annual Report.

Despite the unsatisfactory first half-year, for the 2015 financial year the Group continues to expect a significantly higher volume of new orders and forecasts to at least double the order intake in comparison to the 2014 financial year. In the Capex segment, we expected an order intake of more than € 150 million and in the Parts & Services segment an order intake above the value of the 2014 financial year (€ 53 million).

Due to the low order backlog at the beginning of the financial year, revenue in 2015 will remain significantly below the level of the previous year. In accordance with the updated forecast, KHD expects revenue in a range between € 170 million and € 190 million. Revenue in the Capex segment should be between € 110 million and € 140 million and in the Parts & Services segment revenue of approximately € 50 million is forecasted.

Challenges in the execution of individual large projects and resulting unexpected cost overruns affected the gross profit margin that will be significantly lower than that of the previous year. KHD is forecasting only a slightly positive gross profit margin for the 2015 financial year. The gross profit margin will be considerably negative in the Capex segment, but we do expect improvement in comparison with the first half-year 2015.

Due to the decline in the gross profit margin along with the current excess capacity and the associated idle capacity costs, EBIT for the 2015 financial year will be significantly negative. In accordance with the updated forecast, KHD expects an EBIT in a range between € -30 million and € -35 million. The EBIT for the Capex segment should be in a range between € -37 million and € -43 million, while in the Parts & Services segment, an EBIT of more than € 6 million is planned.

In consideration of a net finance income of more than € 7 million, a significantly negative EBT is anticipated overall.

Due to the high cash outflows in the operational business, the forecast for cash flow from operating activities also has to be corrected downwards. Unexpectedly high payments to suppliers as a result of cost overruns on some large projects, payment delays by customers for projects with challenges in execution and lower advance payments received due to delayed order intake will result in a decline in operating cash flow. The Group is currently anticipating a significantly negative cash flow from operating activities for the 2015 financial year, which will continue to decrease in comparison to the value as of June 30, 2015 (€ -30.4 million).

Despite the considerably negative impacts from earnings and decreased liquidity, our forecast supports that KHD's financial and net asset position will remain stable. In comparison with the first half-year, we expect significant improvements in the second half-year of the 2015 financial year. As the liquidity situation and the high equity ratio remain comfortable this provides us with the flexibility to successfully cope with difficult market phases as well as the current, unsatisfactory earnings situation. In spite of the unfavorable market and margin situation, KHD is convinced that the Group will achieve a successful economic turnaround in the medium term. We will continue to develop our service and product portfolio and use opportunities for internal and external growth.

Opportunities and Risks Relating to the Forecast for the Second Half-Year 2015

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

Significant risks and opportunities regarding the forecast values exist for order intake, particularly in the Capex segment. The awarding of individual large contracts to the KHD Group can significantly affect the order intake in the second half of the 2015 financial year. Despite close collaboration with customers during the tendering process, customers' investment decision and the awarding of individual projects to the KHD Group can only be forecast with substantial potential deviations, possibly leading to either a significantly higher or significantly lower order intake.

The revenue and earnings forecast is mainly based on the order backlog in the Capex segment and on the planning of the relatively stable business in the Parts & Services segment. The risks and opportunities relating to the planned revenue and earnings figures are nevertheless significant, since delays or accelerations in project execution as well as delays or accelerations in planned order intake and unexpected cost overruns can affect these figures.

Cologne, Germany, August 14, 2015

The Management Board

(s) Johan Cnossen (s) Jürgen E. Luckas (s) Yizhen Zhu

(s) Daniel Uttelbach

INTERIM GROUP FINANCIAL STATEMENT

1 GROUP INCOME STATEMENT of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2015

in € thousand	**Jan. 1-June 30, 2015**	**Jan. 1-June 30, 2014**	
Revenue	95,225	111,512	*
Cost of sales	(95,862)	(98,805)	
Gross profit	**(637)**	**12,707**	*
Other operating income	3,189	488	
Sales expenses	(4,782)	(5,133)	
General and administrative expenses	(9,385)	(8,960)	
Other expenses	(9,031)	(3,262)	
Profit before interest and taxes (EBIT)	**(20,646)**	**(4,160)**	*
Finance income	4,601	1,383	
Finance expenses	(305)	(689)	
Net finance income	**4,296**	**694**	
Profit before tax (EBT)	**(16,350)**	**(3,466)**	*
Income tax expense	(1,579)	(471)	
Group net result for the period	**(17,929)**	**(3,937)**	*
Of which are attributable to:			
Parent company shareholders	(18,005)	(4,051)	*
Non-controlling interests	76	114	
	(17,929)	**(3,937)**	*

Earnings per share

	Jan. 1-June 30, 2015	**Jan. 1-June 30, 2014**	
Group net result for the period attributable to shareholders (in € thousand)	(18,005)	(4,051)	*
Weighted average number of shares outstanding	49,703,573	49,703,573	
Basic and diluted earnings per share (in €)	(0.36)	(0.08)	*

***** restated according to IAS 8, please refer to section 3 of the notes

2 GROUP STATEMENT OF COMPREHENSIVE INCOME for KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2015

in € thousand	**Jan. 1 - June 30, 2015**	**Jan. 1 - June 30, 2014**	
Group net result for the period	**(17,929)**	**(3,937)**	*
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Currency translation differences	2,281	804	*
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains and losses related to defined benefit obligations less deferred taxes related thereto	246	(871)	
Other comprehensive income	**2,527**	**(67)**	*
Group comprehensive income	**(15,402)**	**(4,004)**	*
Of which attributable to:			
Parent company shareholders	(15,478)	(4,118)	*
Non-controlling interests	76	114	
	(15,402)	**(4,004)**	*

***** restated according to IAS 8, please refer to section 3 of the notes

As in the previous year, no income taxes on currency translation differences were applicable. Deferred income taxes relating to actuarial gains and losses amount to € -118 thousand (previous year: € 419 thousand).

3 GROUP BALANCE SHEET of KHD Humboldt Wedag International AG as of June 30, 2015

ASSETS	June 30, 2015	Dec. 31, 2014	
in € thousand			
Non-current assets			
Property, plant and equipment	4,068	3,937	
Goodwill	5,162	5,162	
Other intangible assets	1,559	2,167	
Other financial asses	100,000	100,000	
Deferred tax assets	7,649	6,548	
Total non-current assets	**118,438**	**117,814**	
Current assets			
Inventories	1,802	2,378	
Gross amount due from customers for contract work	46,960	36,047	*
Trade and other receivables	86,904	83,742	
Payments made in advance	11,563	12,110	
Other financial assets	588	569	
Income tax assets	2,892	3,150	
Cash and cash equivalents	99,029	123,627	
Total current assets	**249,738**	**261,623**	*
Total assets	**368,176**	**379,437**	*

***** restated according to IAS 8, please refer to section 3 of the notes

EQUITY AND LIABILITIES	June 30, 2015	Dec. 31, 2014	
in € thousand			
Equity			
Subscribed capital	49,704	49,704	
Capital reserves	61,097	61,097	
Currency translation differences recognized in equity	(4,029)	(6,310)	*
Retained earnings	87,516	105,275	*
Shares of equity attributable to shareholders of the parent company	194,288	209,766	*
Non-controlling interests	1,295	1,229	
Total equity	**195,583**	**210,995**	*
Non-current liabilities			
Other liabilities	4,915	5,077	
Pension benefit obligations	24,355	25,284	
Deferred tax liabilities	1,611	1,318	
Provisions	2,697	2,020	
Total non-current liabilities	**33,578**	**33,699**	
Current liabilities			
Trade and other payables	73,023	80,546	
Commitments under construction contracts	50,128	34,792	
Income tax liabilities	1,805	1,741	
Provisions	14,059	17,664	
Total current liabilities	**139,015**	**134,743**	
Total equity and liabilities	**368,176**	**379,437**	*

***** restated according to IAS 8, please refer to section 3 of the notes

4 GROUP STATEMENT OF CASH FLOW for KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2015

in € thousand	Jan. 1- June 30, 2015	Jan. 1- June 30, 2014	
Cash flow from operating activities			
Group net result for the period	(17,929)	(3,937)	*
Income tax expense recognized in the income statement	1,579	471	
Net finance income recognized in the income statement	(4,296)	(694)	
Earnings before interest and taxes (EBIT)	**(20,646)**	**(4,160)**	*
Amortization and depreciation of non-current assets	1,033	922	
Book gain on disposal of fixed assets	-	(3)	
Increase(-)/decrease in trade receivables and financial assets	(3,162)	52	
Increase(-)/decrease in inventories and gross amount due from customers for contract work	(10,337)	14,666	*
Increase(-)/decrease in payments made in advance and other financial assets	528	2,384	
Increase(+)/decrease in trade and other payables and in commitments under construction contracts	7,811	(8,321)	*
Increase(+)/decrease in pension benefit obligations	(929)	(420)	
Increase(+)/decrease in provisions and non-current liabilities	(3,090)	(5,235)	
Other non-cash-transactions	(1,690)	(761)	*
Dividends received	-	47	
Interest received	1,566	-	
Income tax paid	(1,522)	(1,848)	
Cash flow from operating activities	**(30,438)**	**(2,677)**	
Cash flow from investing activities			
Interest received from Intercompany loans	3,017	-	
Cash outflow for intangible assets	(34)	(186)	
Cash outflow for property, plant and equipment	(630)	(1,002)	
Cash inflow from the disposal of property, plant and equipment	-	7	
Cash flow from investing activities	**2,353**	**(1,181)**	

***** restated according to IAS 8, please refer to section 3 of the notes

in € thousand	Jan. 1- June 30, 2015	Jan. 1- June 30, 2014
Cash flow from financing activities		
Interest received	-	1,336
Payment for purchase of shares from non-controlling interests	(7)	(67)
Cash inflow from sale of treasury shares	-	1,477
Change in restricted cash (collateral for bank guarantees)	-	2,106
Cash flow from financing activities	**(7)**	**4,852**
Change in unrestricted cash and cash equivalents	**(28,092)**	**994**
Opening balance of unrestricted cash and cash equivalents	123,541	200,066
Exchange rate effects	3,494	971
Closing balance of unrestricted cash and cash equivalents	**98,943**	**202,031**

in € thousand	June 30, 2015	June 30, 2014
Composition of unrestricted cash and cash equivalents		
Current bank accounts and cash	42,849	103,021
Short-term bank deposits and restricted cash	56,180	125,007
Total cash and cash equivalents	**99,029**	**228,028**
Restricted cash (collateral for bank guarantees)	(86)	(25,997)
Closing balance of unrestricted cash and cash equivalents	**98,943**	**202,031**

5 GROUP STATEMENT OF CHANGES IN EQUITY of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2015

in € thousand	Subscribed capital	Capital reserves	Treasury shares	Currency translation differences recognized in equity	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total
Dec.31, 2013	**49,704**	**59,841**	**(221)**	**(6,579)**	**118,797**	**221,542**	**908**	**222,450**
Group net result for the period	-	-	-	-	(4,051)	(4,051)	114	**(3,937)**
Actuarial gains and losses	-	-	-	-	(871)	(871)	-	**(871)**
Currency translation differences	-	-	-	804	-	804	-	**804**
Group comprehensive income	**-**	**-**	**-**	**804**	**(4,922)**	**(4,118)**	**114**	**(4,004)**
Other changes	**-**	**-**	**-**	-	8	8		**8**
Sale of treasury shares	**-**	**1,256**	**221**	-	-	1,477	-	**1,477**
Purchase of non-controlling interests	-	-	-	-	-	-	(67)	**(67)**
Jun.30, 2014	**49,704**	**61,097**	**-**	**(5,775)**	**113,883**	**218,909**	**955**	**219,864**
Group net result for the period *****	-	-	-	-	(8,509)	(8,509)	325	**(8,184)**
Actuarial gains and losses	-	-	-	-	(90)	(90)	-	**(90)**
Currency translation differences *****	-	-	-	(535)	-	(535)	-	**(535)**
Group comprehensive income*	**-**	**-**	**-**	**(535)**	**(8,599)**	**(9,134)**	**325**	**(8,809)**
Other changes	-	-	-	-	(9)	(9)	-	**(9)**
Purchase of non-controlling interests	-	-	-	-	-	-	(51)	**(51)**
Dec.31, 2014	**49,704**	**61,097**	**-**	**(6,310)**	**105,275**	**209,766**	**1,229**	**210,995**
Group net result for the period	-	-	-	-	(18,005)	(18,005)	76	**(17,929)**
Actuarial gains and losses	-	-	-	-	246	246	-	**246**
Currency translation differences	-	-	-	2,281	-	2,281	-	**2,281**
Group comprehensive income	**-**	**-**	**-**	**2,281**	**(17,759)**	**(15,478)**	**76**	**(15,402)**
Other changes	**-**	**-**	**-**	**-**	**-**	-	(3)	**(3)**
Purchase of non-controlling interests	-	-	-	-	-	-	(7)	**(7)**
Jun.30, 2015	**49,704**	**61,097**	**-**	**(4,029)**	**87,516**	**194,288**	**1,295**	**195,583**

***** restated according to IAS 8, please refer to section 3 of the notes

6 Notes to the Group Financial Statements of KHD Humboldt Wedag International AG as of June 30, 2015

1. Group structure and affiliated companies

KHD Humboldt Wedag International AG ("KHD" or "Group") is one of the world's leading providers of equipment and services for cement producers. In its capacity as the managing holding company of the Group, KHD holds a 100% interest in KHD Humboldt Wedag GmbH, Cologne/Germany on June 30, 2015, unchanged since December 31, 2014. The core business areas of KHD's 13 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 and providing a comprehensive range of services.

2. Reporting principles

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

These consolidated financial statements and the Group management report for the first half-year 2015 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, 2014, unless changes are described. The methods are described in detail in KHD's Group Annual Report on the IFRS consolidated financial statements as of December 31, 2014 on pages 62ff.

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. Over time, the estimates and assumptions can change and significantly affect the net assets, financial position and result of operations of KHD. Although the estimates and assumptions are made carefully and conscientiously, it cannot be excluded that the actual amounts might deviate from the estimates used in the interim financial statements.

The assumptions and estimates apply for the most part to the group-wide determination of economic useful life, the assumption used as basis for the impairment test of the goodwill, the measurement of provisions, the usability of tax loss carryforwards as well as the estimation of project costs and the percentage of completion in case of construction contracts.

KHD operates in the area of plant engineering and construction and determines the result of construction contracts according to the percentage of completion (POC) method based on the stage of completion. The POC method leads to profit recognition based on the stage of completion corresponding to the ratio of costs incurred to the estimated overall project costs. Expected losses from construction contract are immediately recorded as an expense. With this method, the estimate of the stage of completion is particularly important; moreover, it can include estimates with regard to the scope of deliveries and services required to meet the contractual obligations. These significant estimates also include the overall project costs, the overall project revenues, the project risks and other relevant figures. According to the POC method, changes in estimates can lead to an increase or decrease in revenue.

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

3. Error correction in accordance with IAS 8

In June 2015 significant errors in the recognition and measurement of individual projects in the 2014 financial year were identified at the U.S. subsidiary of KHD, Humboldt Wedag, Inc., Norcross, USA. These projects are accounted for as construction contracts in accordance with IAS 11, revenue and profit are recognized in accordance with the stage of completion (POC-method).

Immediately after identification of the errors, KHD initiated internal investigations. The results of the investigations show that in three projects of the U.S. subsidiary, estimated costs to complete and, therefore, the total project costs were understated significantly. Information about the increase of costs to complete and total project costs as at the closing date were available by the end of the period for adjusting subsequent events. In a careful assessment of the facts this information should have been reflected, i.e. these cost overruns should have already been taken into consideration in the Group's half-year financial statements as of June 30, 2014 as well as in the Group's annual financial statements as of December 31, 2014 (subjective scope of information).

The increase in total estimated costs was substantially caused by customer-driven changes in the scope of work, significant changes to the time schedule, engineering changes as well as deviations from the originally planned concept for execution of these projects. A major portion of these cost overruns should be covered by variation orders. However, reliable evidence as basis for increasing the contract values was not available by the date of finalizing the preparation of the 2014 Group financial statements. Due to deficiencies in organizational and procedural precautions within Humboldt Wedag, Inc., the project cost estimations were not adjusted on a timely basis. As a result, the costs to complete and the total estimated costs were assessed significantly too low, whereas the calculation of the stage of completion and the estimated gross profit for the three projects were significantly too high. According to the method of profit recognition based on the percentage of completion method, the revenue recognized in the 2014 financial year were overstated by € 11,683 thousand and the cost of sales were understated by € 2,018 thousand – amounts converted into euro. In total the earnings figures were overstated by

€ 13,701 thousand. Of the above-mentioned total effect an amount of € 3,297 thousand relates to revenue that was already overstated in the first half of the financial year 2014.

Not considering the additional project costs resulted in errors in the KHD Group financial statements. The corrections were made according to the rules of IAS 8.41ff. in this Half-Year Financial Report 2015 by restating the comparative amounts for prior periods (half-year period ending on June 30, 2014 as well as 2014 financial year ending December 31, 2014). Thus, the correction of the errors does not have any impact on the profit and loss in the reporting period (first half-year 2015). Due to the corrections, the revenue in the Capex segment (North American region) is reduced by € 11,683 thousand, whereas cost of sales are increased by € 2,018 thousand in the 2014 financial year. At the same time, the gross amount due from customers for contract work as of December 31, 2014 is reduced by € 14,887 thousand. Due to different exchange rates for the income statement and for the balance sheet of Humboldt Wedag, Inc., currency translation differences amounting to € 1,186 thousand occurred, which did not impact profit and loss, but were recorded under "currency translation differences recognized in equity" within equity.

Due to the retrospective adjustment of revenue in the 2014 financial year, the order backlog as of December 31, 2014 increased by € 11.7 million to € 207.1 million.

The root cause of the errors was an increase in project costs to complete, which should have been determined partially in the first as well as in the second half of the 2014 financial year. For this reason, the errors do not affect reporting periods prior to the 2014 financial year. Consequently, there are no adjustments to the opening balances as of January 1, 2014.

In this half-year financial report, the Management Board of KHD meets its obligation to perform complete and timely correction of errors. Thus, the corrections of the Group income statement, the Group statement of comprehensive income, the Group balance sheet and the Group statement of cash flows for the 2014 financial year are included in the interim financial report as of June 30, 2015 as listed below. As far as the correction affects mandatory disclosure notes of the interim financial report, this is explained in the respective section of the notes.

3.1. Correction of the Group Financial Statements for the 2014 financial year

Correction of the Group Income Statement for KHD for the 2014 financial year:

in € thousand	Jan. 1.-Dec.31, 2014 (as reported)	restatement according to IAS 8	Jan. 1-Dec. 31, 2014 (restated)
Revenue	240,190	(11,683)	228,507
Cost of sales	(207,921)	(2,018)	(209,939)
Gross profit	**32,269**	**(13,701)**	**18,568**
Other operating income	5,635	-	5,635
Sales expenses	(9,955)	-	(9,955)
General and administrative expenses	(17,732)	-	(17,732)
Other expenses	(9,132)	-	(9,132)
Profit before interest and taxes (EBIT)	**1,085**	**(13,701)**	**(12,616)**
Finance income	4,514	-	4,514
Finance expenses	(1,628)	-	(1,628)
Net finance income	**2,886**	**-**	**2,886**
Profit before tax (EBT)	**3,971**	**(13,707)**	**(9,730)**
Income tax expense	(2,391)	-	(2,391)
Group net result for the year	**1,580**	**(13,701)**	**(12,121)**
Of which are attributable to:			
Parent company shareholders	1,141	(13,701)	(12,560)
Non-controlling interests	439	-	439
	1,580	**(13,701)**	**(12,121)**

Correction of earnings per share

	Jan. 1.-Dec.31, 2014 (as reported)	restatement according to IAS 8	Jan. 1-Dec. 31, 2014 (restated)
Net result attributable to shareholders (in € thousand)	1,141	(13,701)	(12,560)
Weighted average number of shares outstanding	49,703,573	49,703,573	49,703,573
Basic (undiluted) and diluted earnings per share (in €)	0.02	(0.28)	(0.25)

Correction of the Group Statement of Comprehensive Income for KHD for the 2014 financial year:

in € thousand	2014 (as reported)	restatement according to IAS 8	2014 (restated)
Group net result for the year	**1,580**	**(13,701)**	**(12,121)**
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Currency translation differences	1,455	(1,186)	269
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains and losses related to defined benefit obligations less deferred taxes related thereto	(961)	-	(961)
Other comprehensive income	**494**	**(1,186)**	**(692)**
Group comprehensive income	**2,074**	**(14,887)**	**(12,813)**
Of which attributable to:			
Parent company shareholders	1,635	(14,887)	(13,252)
Non-controlling interests	439	-	439
	2,074	**(14,887)**	**(12,813)**

Correction of the Group Balance Sheet for KHD for the 2014 financial year:

ASSETS	Dec. 31, 2014 (as reported)	restatement according to IAS 8	Dec. 31, 2014 (restated)
in € thousand			
Non-current assets	**117,814**	**-**	**117,814**
Current assets			
Inventories	2,378	-	2,378
Gross amount due from customers for contract work	50,934	(14,887)	36,047
Trade and other receivables	83,742	-	83,742
Payments made in advance	12,110	-	12,110
Other financial assets	569	-	569
Income tax assets	3,150	-	3,150
Cash and cash equivalents	123,627	-	123,627
Total current assets	**276,510**	**(14,887)**	**261,623**
Total assets	**394,324**	**(14,887)**	**379,437**

EQUITY AND LIABILITIES	Dec. 31, 2014 (as reported)	restatement according to IAS 8	Dec. 31, 2014 (restated)
in € thousand			
Equity			
Subscribed capital	49,704	-	49,704
Capital reserves	61,097	-	61,097
Treasury shares	-	-	-
Currency translation differences recognized in equity	(5,124)	(1,186)	(6,310)
Retained earnings	118,976	(13,701)	105,275
Shares of equity attributable to shareholders of the parent company	224,653	(14,887)	209,766
Non-controlling interests	1,229	-	1,229
Total equity	**225,882**	**(14,887)**	**210,995**
Non-current liabilities	**33,699**	-	**33,699**
Total current liabilities	**134,743**	**-**	**134,743**
Total equity and liabilities	**394,324**	**(14,887)**	**379,437**

Correction of the Group Statement of Cash Flow for KHD for the 2014 financial year

in € thousand	Dec. 31, 2014 (as reported)	restatement according to IAS 8	Dec. 31, 2014 (restated)
Cash flow from operating activities			
Group net result for the year	1,580	(13,701)	(12,121)
Income tax expense recognized in the income statement	2,391	-	2,391
Net finance income recognized in the income statement	(2,886)	-	(2,886)
Earnings before interest and taxes (EBIT)	**1,085**	**(13,701)**	**(12,616)**
Amortization and depreciation of non-current assets	1,898	-	1,898
Book gain (-)/loss on disposal of fixed assets	25	-	25
Increase(-)/decrease in trade receivables and financial assets	1,060	-	1,060
Increase (-)/decrease in inventories and gross amount due from customers for contract work	11,056	14,887	25,943
Increase (-)/decrease in payments made in advance and other financial assets	8,054	-	8,054
Increase (+)/decrease in trade and other payables and in commitments under construction contracts	(20,788)	-	(20,788)
Increase (+)/decrease in pension benefit obligations	594	-	594
Increase (+)/decrease in provisions and non-current liabilities	(7,562)	-	(7,562)
Other non-cash-transactions	(5,032)	(1,186)	(6,218)
Dividends received	47	-	47
Income tax received	2,454	-	2,454
Income tax paid	(3,854)	-	(3,854)
Cash flow from operating activities	**(10,963)**	**-**	**(10,963)**
Cash flow from investing activities	**(102,696)**	**-**	**(102,696)**
Cash flow from financing activities	**33,843**	**-**	**33,843**
Change in unrestricted cash and cash equivalents	**(79,816)**	**-**	**(79,816)**
Opening balance of unrestricted cash and cash equivalents	200,066	-	200,066
Exchange rate effects	3,291	-	3,291
Closing balance of unrestricted cash and cash equivalents	**123,541**	**-**	**123,541**

3.2. Correction of the Group Financial Statements for the half year period 2014

Correction of Group Income Statement for the Period from

January 1 to June 30, 2014.

in € thousand	Jan. 1 – June 30, 2014 (as reported)	restatement according to IAS 8	Jan. 1 – June 30, 2014 (restated)
Revenue	114.809	(3.297)	111.512
Cost of sales	(98.805)	-	(98.805)
Gross profit	**16.004**	**(3.297)**	**12.707**
Other operating income	488	-	488
Sales expenses	(5.133)	-	(5.133)
General and administrative expenses	(8.960)	-	(8.960)
Other expenses	(3.262)	-	(3.262)
Profit before interest and taxes (EBIT)	**(863)**	**(3.297)**	**(4.160)**
Finance income	1.383	-	1.383
Finance expenses	(689)	-	(689)
Net finance income	**694**	**-**	**694**
Profit before tax (EBT)	**(169)**	**(3.297)**	**(3.466)**
Income tax expense	(471)	-	(471)
Group net result for the year	**(640)**	**(3.297)**	**(3.937)**
Of which are attributable to:			
Parent company shareholders	(754)	(3.297)	(4.051)
Non-controlling interests	114	-	114
	(640)	**(3.297)**	**(3.937)**

Correction of earnings per share

	Jan. 1 – June 30, 2014 (as reported)	restatement according to IAS 8	Jan. 1 – June 30, 2014 (restated)
Net result attributable to shareholders (in € thousand)	(754)	(3.297)	(4.051)
Weighted average number of shares outstanding	49.703.573	49.703.573	49.703.573
Basic (undiluted) and diluted earnings per share (in €)	(0,02)	(0,07)	(0,08)

Correction of Group Statement of Comprehensive Income for the Period from January 1 to June 30, 2014

in € thousand	Jan. 1 – June 30, 2014 (as reported)	correction according to IAS 8	Jan. 1 – June 30, 2014 (restated)
Group net result for the year	**(640)**	**(3.297)**	**(3.937)**
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Currency translation differences	809	(5)	804
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains and losses related to defined benefit obligations less deferred taxes related thereto	(871)	-	(871)
Other comprehensive income	**(62)**	**(5)**	**(67)**
Group comprehensive income	**(702)**	**(3.302)**	**(4.004)**
Of which attributable to:			
Parent company shareholders	(816)	(3.302)	(4.118)
Non-controlling interests	114	-	114
	(702)	**(3.302)**	**(4.004)**

Correction of Group Balance Sheet as of June 30, 2014

ASSETS	June 30, 2014 (as reported)	restatement according to IAS 8	June 30, 2014 (restated)
in € thousand			
Non-current assets	**15.313**	**-**	**15.313**
Current assets			
Inventories	3.266	-	3.266
Gross amount due from customers for contract work	49.074	(2.638)	46.436
Trade and other receivables	84.750	-	84.750
Payments made in advance	17.686	-	17.686
Other financial assets	1.147	-	1.147
Income tax assets	5.239	-	5.239
Cash and cash equivalents	228.028	-	228.028
Total current assets	**389.190**	**(2.638)**	**386.552**
Total assets	**404.503**	**(2.638)**	**401.865**

EQUITY AND LIABILITIES	June 30, 2014 (as reported)	restatement according to IAS 8	June 30, 2014 (restated)
in € thousand			
Equity			
Subscribed capital	49.704	-	49.704
Capital reserves	61.097	-	61.097
Currency translation differences recognized in equity	(5.770)	(5)	(5.775)
Retained earnings	117.180	(3.297)	113.883
Shares of equity attributable to shareholders of the parent company	222.211	(3.302)	218.909
Non-controlling interests	955	-	955
Total equity	**223.166**	**(3.302)**	**219.864**
Non-current liabilities	**33.843**	**-**	**33.843**
Trade and other payables	77.329	-	77.329
Commitments under construction contracts	50.296	664	50.960
Income tax liabilities	822	-	822
Provisions	19.047	-	19.047
Total current liabilities	**147.494**	**664**	**148.158**
Total equity and liabilities	**404.503**	**(2.638)**	**401.865**

Correction of Group Statement of Cash Flow for the Period from

January 1 to June 30, 2014

in € thousand	Jan. 1 – June 30, 2014 (as reported)	correction according to IAS 8	Jan. 1 – June 30, 2014 (restated)
Cash flow from operating activities			
Group net result for the year	(640)	(3.297)	(3.937)
Income tax expense recognized in the income statement	471	-	471
Net finance income recognized in the income statement	(694)	-	(694)
Earnings before interest and taxes (EBIT)	**(863)**	**(3.297)**	**(4.160)**
Amortization and depreciation of non-current assets	922	-	922
Book gain (-)/loss on disposal of fixed assets	(3)	-	(3)
Increase(-)/decrease in trade receivables and financial assets	52	-	52
Increase (-)/decrease in inventories and gross amount due from customers for contract work	12.028	2.638	14.666
Increase (-)/decrease in payments made in advance and other financial assets	2.384	-	2.384
Increase (+)/decrease in trade and other payables and in commitments under construction contracts	(8.985)	664	(8.321)
Increase (+)/decrease in pension benefit obligations	(420)	-	(420)
Increase (+)/decrease in provisions and non-current liabilities	(5.235)	-	(5.235)
Other non-cash-transactions	(756)	(5)	(761)
Dividends received	47	-	47
Income tax received	-	-	-
Income tax paid	(1.848)	-	(1.848)
Cash flow from operating activities	**(2.677)**	**-**	**(2.677)**
Cash flow from investing activities	**(1.181)**	**-**	**(1.181)**
Cash flow from financing activities	**4.852**	**-**	**4.852**
Change in unrestricted cash and cash equivalents	**994**	**-**	**994**
Opening balance of unrestricted cash and cash equivalents	200.066	-	200.066
Exchange rate effects	971	-	971
Closing balance of unrestricted cash and cash equivalents	**202.031**	**-**	**202.031**

4. Applying new or revised International Financial Reporting Standards

In the reporting period, the Group applied all International Accounting Standards Board (IASB) standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations required to be applied, provided that the standards and interpretations have already been adopted by the European Union (EU).

- Annual Improvements - Cycle 2010-2012 and 2011-2013:

  The changes from the two annual improvement projects 2010-2012 and 2011-2013 are to be applied for the first time in the half-year reporting period. The two collective standards are related to the IASB process for the annual implementation of small improvements of standards and interpretations (Annual Improvements Cycles). The initial application of the new rules did not affect the half-year statement in any way.

- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans – Employee Contributions:

  The changes affect the provisions with respect to plan contributions from employee or third parties, which are associated with the length of employment and clarify the respective rules for assigning such contributions to the employment periods. The initial application of this rule did not affect the interim financial statements in any way.

In addition, the IASB adopted new financial reporting announcements in the form of further relevant standards, which, however, are not required to be applied yet and have, in part, not yet been adopted by the EU.

The IASB published IFRS 15 “Revenue from Contracts with Customers” in May 2014. The new standard summarizes the previous regulations on revenue recognition and transfers these to a uniform model of revenue recognition. IFRS 15 applies to the reporting of contracts with customers for the provision of services and the sale of goods and therefore also encompasses the reporting of construction contracts previously regulated in IAS 11.

The new uniform model for revenue recognition introduces a five-step model, on the basis of which the amount of revenue and the time, or period, of the recognition of the revenue are determined:

- Identify the contract(s) with a customer;
- Identify the separate performance obligations;
- Determine the transaction price;
- Allocate the transaction price to the separate performance obligations in the contract;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The application of IFRS 15 – provided it is endorsed into EU law – is mandatory for financial years beginning on or after January 1, 2017. Earlier application of the regulation is permitted. The first application will be done retrospectively, although various reliefs are permitted under IFRS 15.

In July 2014 the IASB published the final version of IFRS 9, after publishing the three phases of the new standard over the last few years. The new standard notably introduces major changes relating to the classification and measurement of financial assets, with classification to be based on the type of business model and on contractual cash flows. In the same connection, impairment assessment is extended from an incurred loss model to an expected loss model. A new hedge accounting model is also introduced that aims to bring hedge accounting more closely into line with the risk management activities of the entity. The complete overhaul of IAS 39 with the publication of IFRS 9 results in additional disclosures. The standard is applicable for annual periods beginning on or after January 1, 2018. Initial application is retrospective, although transitional provisions apply. Earlier application is permitted. EU endorsement is still pending.

The remaining IFRS pronouncements issued by the IASB have no major relevance to the KHD Group and are therefore not expected to have a material impact on the Consolidated Financial Statements. These include, in particular:

- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”: “Clarification of Acceptable Methods of Depreciation and Amortization”

- Amendments to IAS 1, “Presentation of Financial Statements”: “Disclosure Initiatives”
- Annual Improvements - Cycle 2012-2014

KHD is currently analyzing the extent to which the application of the new standards and interpretations will affect the Group’s net assets, financial position, and result of operations. The Group cannot yet finally evaluate what effects the initial application of the standard will have.

5. Consolidation

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

Besides KHD AG, the Group includes:

Name of company	Registered office	Main Business	Capital and voting rights in % June 30, 2015	Capital and voting rights in % Dec. 31, 2014		Currency	Subscribed capital June 30, 2015	Subscribed capital Dec. 31, 2014
Subsidiaries								
KHD Humboldt Wedag GmbH	Cologne, Germany	Holding function	100,00	100,00	D	€	15,339,300	15,339,300
Humboldt Wedag GmbH	Cologne, Germany	Plant engineering	100,00	100,00	I	€	7,000,000	7,000,000
ZAB Zementanlagenbau GmbH Dessau	Dessau, Germany	Plant engineering	100,00	100,00	I	€	2,000,000	2,000,000
Blake International Ltd.	Road Town, British Virgin Islands	Holding function	100,00	100,00	I	USD	1,000	1,000
KHD Humboldt Wedag Industrial Services AG	Cologne, Germany	Services	91.25	91.18	I	€	3,600,000	3,600,000
EKOF Flotation GmbH	Bochum, Germany	Flotation technology	100,00	100,00	I	€	51,129	51,129
Humboldt Wedag Australia Pty Ltd.	Braeside, Australia	Sales entity	100,00	100,00	I	AUD	200,002	200,002
Humboldt Wedag Inc.	Norcross, USA	Plant engineering	100,00	100,00	I	USD	1,000	1,000
Humboldt Wedag India Private Ltd.	New Delhi, India	Plant engineering	100,00	100,00	I	INR	19,200,000	19,200,000
KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd	Beijing, China	Sales entity	100,00	100,00	I	USD	1,050,000	1,050,000
KHD Humboldt Engineering OOO	Moscow, Russia	Plant engineering	100.00	100	I	RUB	3,350,000	3,350,000
Humboldt Wedag Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	Plant engineering	100.00	100	I	MYR	500,000	500,000
Humboldt Wedag Do Brasil Servicos Technicos Ltda.	Belo Horizonte, Brazil	Sales entity	100.00	100	I	BRL	801,847	200,000

D = directly owned

I = indirectly owned

6. Segment reporting

External reporting at KHD takes place in two separate segments Capex (project business) and Parts & Services.

Segment reporting is done in line with the management approach, i.e. it is following the way of management control within the Group and internal financial reporting. Segment allocation is based on the type of products and services.

The business activities of the two operating segments include the following activities and services:

- **Capex (project business)**
  In the Capex segment, KHD reports all revenues and expenses resulting primarily from supplying equipment for cement plants. This encompasses process technology, design, engineering, project management and the supply of technology and equipment. General and administrative expenses, sales expenses and other expenses (primarily research and development costs) are allocated to the segment, accordingly.

- **Parts & Services**
  The Parts & Services segment comprises all revenues and expenses resulting from supplying spare parts and providing services to cement plants. Services include supervising the erection and commissioning of cement plants and related equipment, optimization of cement plants, plant audits, and training plant personnel. General and administrative expenses, sales expenses and other expenses are allocated to the segment, accordingly.

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

The following table provides an overview of the business for the 2015 and 2014 financial half-years:

in € million	**Capex** **Jan. 1-June 30, 2015**	**Parts & Services** **Jan. 1-June 30, 2015**	**Total Group** **Jan. 1-June 30, 2015**	**Capex** **Jan. 1-June 30, 2014**	**Parts & Services** **Jan. 1-June 30, 2014**	**Total Group** **Jan. 1-June 30, 2014**
Order intake	45	21	66	25	27	52
					-	
Revenue	68	27	95	84	28	112 *
Cost of sales	(76)	(20)	(96)	(79)	(20)	(99) *
Gross profit	(8)	7	(1)	5	8	13 *
Expenses / other income (net)	(18)	(2)	(20)	(15)	(2)	(17)
Earnings before interest and taxes (EBIT)	(26)	5	(21)	(10)	6	(4) *
Net finance income			4			1
Profit before tax (EBT)			(17)			(3) *
for information: depreciation and amortization	1	-	1	1	-	1

***** restated according to IAS 8, please refer to section 3 of the notes

The accounting and measurement methods of the segments in which reporting is required correspond with the Group accounting and measurement methods according to IFRS as described above. Revenue and expenses by segment are directly allocated to the respective segments. Expenses and earnings that cannot be directly allocated to the segments (e.g. general administrative costs) are appropriately distributed among the segments.

In its segment reporting, KHD reports only revenue with external customers, i.e. revenue between the two segments has already been eliminated. In the first half-year of 2015 the Parts & Services segment recognized revenue of € 9.0 million with the Capex segment. The Capex segment did not record any revenue with the segment Parts & Services. The transactions between the segments are in line with market conditions.

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

	Revenue		Non-current assets	
in € thousand	**Jan. 1- June 30, 2015**	**Jan. 1- June 30, 2014**	**June 30, 2015**	**Dec. 31, 2014**
Germany	2,983	2,635	6,538	7,110
Russia	23,843	15,816	3,036	3,038
Rest of Europe	3,220	4,778	-	-
North America	39,510	17,888	147	87
South America	2,847	6,377	46	55
Middle East	12,388	11,814	-	-
India	5,984	35,301	964	920
China	387	734	34	37
Rest of Asia	2,202	11,525	24	19
Africa	2,001	2,177	-	-
Other	(140)	2,467	-	-
	95,225	**111,512**	**10,789**	**11,266**

	Order intake		Order backlog		
in € thousand	**Jan. 1 - June 30, 2015**	**Jan. 1 - June 30, 2014**	**June 30, 2015**	**Dec. 31, 2014**	
Germany	1,224	6,878	4,057	5,816	
Russia	3,415	8,676	31,563	51,991	
Rest of Europe	3,053	3,098	7,197	7,364	
North America	7,319	8,114	23.538	55.729	*
South America	1,584	1,098	8,942	10,205	
Middle East	5,803	10,530	16,673	23,258	
India	36,617	7,817	67,414	36,781	
China	(17)	55	49	453	
Rest of Asia	5,417	964	17,793	14,578	
Africa	1,638	2,329	603	966	
Other	(217)	2,442	(8)	-	
	65,836	**52,001**	**177.821**	**207,141**	

* Previous year figure restated according to IAS 8, please refer to section 3 of the notes

7. 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, 2015**	**Dec. 31, 2014**	
Costs incurred to date for construction contracts	515,273	432,956	*
Proportionate profits under these contracts recognized to date	19,200	19,190	*
Total costs incurred and profits recognized	534,473	452,146	*
Less recognized contract losses	(26,550)	(16,962)	*
Less progress billings	(506,565)	(430,346)	
Balance of construction contracts account	**1,358**	**4,838**	*
This amount is comprised as follows:			
Gross amount due from customers for contract work	46,960	36,047	*
Gross amount due to customers for contract work	(45,602)	(31,209)	
	1,358	**4,838**	*
Gross amount due to customers for contract work	(45,602)	(31,209)	
Advances received under construction contracts (before related work is performed)	(4,526)	(3,583)	
Commitments under construction contracts	**(50,128)**	**(34,792)**	

* Previous year figure restated according to IAS 8, please refer to section 3 of the notes

The balance of the construction contracts decreased from € 4,838 thousand by € 3,480 thousand to € 1,358 thousand. Of the revenue of € 95,225 thousand recognized in the period under review (previous year, as of June 30, 2014: € 111,512 thousand), € 84,240 thousand (previous year, as of June 30, 2014: € 97,971 thousand) is attributable to construction contracts for which revenue was recognized on the basis of the percentage of completion.

The measurement of construction contracts is affected by estimations with respect to project revenue and project costs. Here, particularly in terms of the additional costs still to be incurred up to completion and, therefore, the total project costs, changes in estimates can occur. Changes in estimates for projects are recorded in the calculation of the amount for earnings and expenses in the profit or loss for the period in which the change was made as well as in the following periods. In this way, change in estimates have a direct effect on the recognized result from construction contracts. There were negative effects from changes in estimates in an amount of high single digit millions in the first half-year of 2015.

8. Cash and cash equivalents

The Group reports cash and cash equivalents in the amount of € 99,029 thousand (previous year, as of December 31, 2014: € 123,627 thousand).

in € thousand	June 30, 2015	Dec.31, 2014
Bank balances and cash on hand	42,849	85,177
Short-term bank deposits	56,094	38,364
Restricted Cash (collateral for guarantees)	86	86
	99,029	**123,627**

9. Other expenses

in € thousand	Jan. 1- June 30, 2015	Jan. 1- June 30, 2014
Research and development	2,600	2,040
Exchange rate losses and expenses from foreign exchange forward contracts	3,261	337
Miscellaneous expenses	3,170	885
	9,031	**3,262**

A significant portion of the miscellaneous expenses are costs associated with idle capacity due to under-utilization in some operating departments in the amount of € 2,007 thousand (previous year: € 0 thousand).

10. Income tax

The expenses booked in the first half-year 2015 for income taxes amounts to € 1,579 thousand (previous year, as of June 30, 2014: € 471 thousand). The income tax expense is composed as follows:

in € thousand	Jan. 1 - June 30, 2015	Jan. 1 - June 30, 2014
Current tax expense	(2,248)	(1,582)
Deferred tax income	669	1,111
Tax expense for the year	**(1,579)**	**(471)**

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

11. Litigation

In the 2014 Group Financial Statements KHD reported on arbitration and judicial proceedings against a customer in Malaysia. In the meantime, both proceedings were resolved by the parties outside of court and therefore, have concluded. All of the claims and obligations from the arrangement were taken into consideration in these half-year financial statements.

All other litigation is unchanged to what had been reported in the 2014 Group Financial Statements.

12. Transactions with associated companies and persons

Relationships to parent entities

Since the end of 2010 there has been a cooperation agreement with AVIC International Beijing Company Limited (AVIC Beijing). The agreement is substantiated by a participating interest in KHD by Max Glory Industries Limited (Max Glory), a group company of AVIC Beijing in the amount of 20%. As a result of a public takeover offer, AVIC Beijing has increased its indirect stake in KHD in the 2014 financial year. As of June 30, 2015, AVIC Beijing indirectly continues to hold the majority of KHD shares, 89.02%.

Pursuant to the cooperation agreement with AVIC, joint projects in Malaysia, Venezuela and Turkey, among others, are in process.

Relationships to other related entities

The cooperation between the KHD Group and the AVIC Group was expressed during the financial year in the conclusion of two loan contracts, each regarding € 50.0 million, with AVIC International (HK) Group Ltd. (AVIC HK) as the borrower. The interest on the loans amounts to 6% per annum. Both loans have a term of three years. For the loan granted in June 2014, KHD has the right to demand loan repayment at any time before the due date with a notification period of 30 days. The loans granted to AVIC HK are secured by a guarantee by the AVIC Group.

The following transactions took place with related companies in the first half-year 2015:

Income

in € thousand	Jan. 1 - June 30, 2015	Jan. 1 - June 30, 2014
Indirect parent entities	-	-
Other related entities	3,892	1,485
	3,892	1,485

Expenses

in € thousand	Jan. 1 - June 30, 2015	Jan. 1 - June 30, 2014
Indirect parent entities	9,382	8,313
Other related entities	1,757	-
	11,139	8,313

Current assets

in € thousand	June 30, 2015	June 30, 2014
Indirect parent entities	4.058	110
Other related entities	4.090	3,914
	8.148	4,024

Liabilities

in € thousand	June 30, 2015	June 30, 2014
Indirect parent entities	15.028	-
Other related entities	4,409	894
	19.437	894

13. Additional notes on financial instruments

List of Financial Assets and Liabilities by Category

June 30, 2015	Financial assets				Financial liabilities				
in € thousand	Available for sale	Held for trading	Loans and receivables	Not in IFRS 7 application area	Held for trading	Amortized cost	Not in IFRS 7 application area	Carrying amount June 30, 2015	Fair value June 30, 2015
Non-current financial assets	-	-	100,000	-		-	-	100,000	100,000
Trade receivables	-	-	73,313	-		-	-	73,313	73,313
Other financial assets	-	588	-	-		-	-	588	588
Derivatives	-	350	-	-		-	-	-	350
Other receivables	-	-	6,667	1,843		-	-	8,510	8,510
Cash and cash equivalents	-	-	99,029	-		-	-	99,029	99,029
Total financial assets	**-**	**938**	**279,009**	**1,843**	**-**	**-**	**-**	**281,440**	**281,790**
Other liabilities	-	-	-	-		6,029	4,915	10,944	10,944
Derivatives	-	-			2,118			2,118	2,118
Trade payables	-	-	-	-		63,958	-	63,958	63,958
Total financial liabilities	**-**	**-**	**-**	**-**	**2,118**	**69,987**	**4,915**	**77,020**	**77,020**

Dec. 31, 2014	Financial assets				Financial liabilities				
in € thousand	Available for sale	Held for trading	Loans and receivables	Not in IFRS7 application area	Held for trading	Amortized cost	Not in IFRS7 application area	Carrying amount Dec 31, 2014	Fair value Dec. 31, 2014
Non-current financial assets	-	-	100,000	-	-	-	-	100,000	100,000-
Trade receivables	-	-	69,280	-	-	-	-	69,280	69,280
Other financial assets	-	.569	-	-	-	-	-	569	569
Other receivables	-	-	6,507	2,868	-	-	-	9,375	9,375
Cash and cash equivalents	-	-	123,627	-	-	-	-	123,627	123,627
Total financial assets	**-**	**.569**	**299,414**	**2,868**	**-**	**-**	**-**	**302,851**	**302,851**
Other liabilities	**-**	**-**	**-**	**-**	**-**	6,586	5,077	11,663	11,663
Derivatives	**-**	**-**	**-**	**-**	1,706	-	-	1,706	1,706
Trade payables	**-**	**-**	**-**	**-**	**-**	71,683	**-**	71,683	71,683
Total financial liabilities	**-**	**-**	**-**	**-**	**1,706**	**78,269**	**5,077**	**85,052**	**85,052**

The carrying amounts reported on June 30, 2015 correspond mainly with fair values.

The fair values for the financial assets and liabilities held for trading purposes are classified within the hierarchy described below:

- The fair values for the securities listed on the stock exchange which are held for trading purposes are determined in consideration of the quoted market prices.
- The fair value of the derivatives is calculated by using quoted market prices or based on discount cash flow analyses using corresponding yield curves for the term to maturity of the instruments concerned.

Non-current financial assets accrue interest at standard market conditions.

Financial assets and financial liabilities	Fair value June 30, 2015	Dec. 31, 2014	Level	Measurement method	significant unobservable input(s)	relationship of significant unobserv-able inputs to fair value
Derivatives	Financial assets: € 350 thousand Financial liabilities: € 2,118 thousand	Financial assets: € 0 thousand Financial liabilities: € 1,1076 thousand	level 2	Discounted cash flow	N/A	N/A
Securities	Financial assets: € 588 thousand	Financial assets: € 569 thousand	level 1	Listed price on active market	N/A	N/A

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

14. 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. Within the scope of its normal business activities, the Group has provided bank guarantees in the amount of € 42.6 million (previous year, as of Dec. 31, 2014: € 54.1 million).

With respect to events that occurred after the closing date for the financial statements, please refer to the corresponding section in the Management Report regarding the Interim Group Financial Statements as of June 30, 2015.

15. Responsibility statement

To the best of our knowledge we assure that, in accordance with the applicable reporting standards for interim financial reporting, the interim consolidated financial statements, in accordance with the accounting standards generally accepted in Germany, give a true and fair view of the net assets, financial position, and result of operations of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group along with a description of the principal opportunities and risks associated with the expected development of the Group for the remainder of the financial year.

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

Cologne, Germany, August 14, 2015

The Management Board

(s) Johan Cnossen　　(s) Jürgen E. Luckas　　(s) Yizhen Zhu

(s) Daniel Uttelbach