KHD HUMBOLDT WEDAG

Half-Year Financial Report 2017

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KHD Humboldt Wedag International AG, Cologne, Germany

Half-year Financial Report 2017

ISIN: DE0006578008

GERMAN SECURITIES IDENTIFICATION NUMBER (WKN): 657800

Stock Exchange Symbol: KWG

www.khd.com

Summary of the First Half Year 2017

- Considerable increase in the order intake to € 79.3 million; order backlog increased for the first time since the 2012 financial year.
- Revenue decrease of 26.9% to € 48.7 million due to the low order intake in the previous periods
- Improvement of the adjusted gross profit to € 8.0 million (previous year: € 1.7 million.)
- Adjusted EBIT of € -9.8 million in particular due to low sales volume

Key Figures at a Glance

in € million	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016	Variance in %
Order Intake	79.3	19.3	310.9
Revenue	48.7	66.6	-26.9
Adjusted Gross Profit	8.0	1.7	370.6
Adjusted Gross Profit in %	*16.4*	*2.6*	
Adjusted EBIT	-9.8	-15.0	34.7
Adjusted EBIT margin (in %)	*-20.1*	*-22.5*	
EBT	-9.7	-15.4	37.0
Group net result for the period	-10.8	-17.3	37.6
EPS (in €)	-0.22	-0.35	37.1
Cash flow from operating activities	-2.1	-52.0	96.0
Cash flow from investing activities	2.3	2.5	8.0
Cash flow from financing activities	-0.3	-0.3	-
in € million	**June 30, 2017**	**Dec. 31, 2016**	**Variance in %**
Equity	159.7	172.2	-7.3
Equity ratio (in %)	*54.5*	*52.2*	
Cash and Intercompany loans *	176.9	178.1	-0.7
Net Working Capital **	10.4	13.4	-22.4
Order Backlog	150.7	131.5	14.6
Employees	681	707	-3.7

* Including intercompany loans of € 100 million, thereof € 50 million with entitlement to call for early repayment by giving 30 days' notice

** Difference between current assets (less cash and loans with a residual term of less than one year) and current liabilities

Please note that differences may occur for amounts and ratios rounded as all amounts have been rounded according to normal commercial practice.

MANAGEMENT REPORT TO THE INTERIM GROUP FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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 combined management report of December 31, 2016, pp. 15-22) during the first half-year 2017. In addition to continued expansion of business activities in the Plant Services segment, the focus is on strengthening the Capex segment by further expansion of sales activities, increasing competitiveness, supporting a culture of excellence and performance, and targeted research and development activities.

Management, monitoring and reporting within the Group continue to be based on financial indicators. With respect to the basic determination and calculation of these financial performance indicators, reference is made to the combined management report of December 31, 2016, page 19 et seq. The significant performance indicators of the Group are:

- 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.

For Group management purposes, KHD adjusts the EBIT as necessary with regard to special effects. The adjusted EBIT as of June 30, 2017 is determined as follows:

in € million	**June 30, 2017**	**June 30, 2016**
EBIT	**-14.1**	**-18.8**
Idle capacity costs	3.0	3.8
Expenses related to headcount reduction measures	1.3	-
Adjusted EBIT	**-9.8**	**-15.0**

In addition to the idle capacity costs of € 3.0 million (previous year: € 3.8 million) due to under-utilization of existing capacities, the adjustments include expenses related to headcount reduction measures in the amount of € 1.3 million.

Management and Supervision

Management Board

Mr. Yizhen Zhu, who has been a Management Board member for many years, resigned from his office effective June 30, 2017. The Supervisory Board appointed Mr. Dian Xie to the Management Board, effective July 1, 2017. Mr. Xie has many years of management experience in the areas of business development, sales and project execution.

Supervisory Board

After many years of service, Ms. Eliza Suk Ching Yuen resigned from her office as member of the Supervisory Board as of the conclusion of the annual general meeting on May 23, 2017. Based on the amendments to the articles of association decided at the annual general meeting, the Supervisory Board of KHD now consists of three people. Members of the Supervisory Board are the Chairman, Mr. Gerhard Beinhauer, the Deputy Chairman, Mr. Da Hua, and Ms. Yiqiong Zhang.

Economic Report

Market Environment

The International Monetary Fund (IMF) has now increased the outlook for global growth for 2017 to 3.5% (previous year: 3.1%). Due to the weak forecasts for some of the large economies, growth expectations for the developing countries as a whole have decreased. The situation in the raw materials markets, including the cutbacks in oil production, continues to have an adverse effect. In contrast, growth in industrialized countries is expected to increase due to the continuance of low interest rates and reinforced cyclical momentum.

According to an analysis by HSBC Global Research, global cement consumption increased only moderately in 2016. A stronger increase in demand is predicted for 2017 because growth in cement consumption in emerging countries is expected to nearly double in comparison with the previous year.

According to CW Research, KHD's core markets demonstrate differing tendencies with respect to expected cement consumption:

- In India, cement consumption increased by 7% in 2016. Projects started in order to expand infrastructure and to promote private residential construction are expected to contribute to further growth in cement demand in 2017 as well.
- The ongoing sanctions of Western countries will continue to hamper the Russian economy. After cement consumption decreased by about 13% in 2016, no considerable growth is expected in 2017. However, there is still a great deal of potential in Russia with regard to the modernization of Russian cement plants.
- Despite the political situation in Turkey, the cement market demonstrated resilience and grew by 8% in 2016. The 2017-2019 economic program promotes large infrastructure investments and will contribute significantly to further growth in demand.
- Despite the continuing growth of construction investments, cement demand in the USA increased by only 3%. Due to further increases in investments in infrastructure and increases in building permits, the moderate growth in cement consumption is expected to continue in 2017 as well.

Overall Assessment of the Economic Situation

Economic development as measured by revenue, and particularly with respect to profitability, was unsatisfactory in the first half-year 2017. However, the significant performance indicators, with the exception of revenue, are within the scope of planning. In contrast to previous years, order intake demonstrated considerable improvement.

Revenue of € 48.7 million was significantly lower than the previous year's value and below the budgeted value. The reason for the drop in revenue was primarily the low order backlog at the beginning of the financial year.

In the current reporting period, KHD's adjusted gross profit amounts to € 8.0 million. Therefore, the adjusted gross profit was significantly above last year's level and reached approximately the value budgeted for the first half-year 2017. In the reporting period, the adjusted EBIT of € -9.8 million also improved considerably in comparison with the previous year's value of € -15.0 million and is within the outlook for the 2017 financial year published with the Group Annual Report. The unadjusted EBIT also improved in comparison with the previous year's value by € 4.7 million from € -18.8 million to € -14.1 million.

Cash flow from operating activities reached a value of € -2.1 million (previous year: € -52.0 million), which corresponds entirely with the submitted outlook.

In spite of the continuing unfavorable market conditions and margin situation, the KHD Group is convinced that, particularly due to considerable growth in business volume, a successful economic turnaround will be achieved in the medium term.

Business Development

In the first half-year 2017, order intake was € 79.3 million. This is considerably higher than the level reached in the previous year (€ 19.3 million). Although the order intake is within the scope of the outlook published together with the Group Annual Report, the customers' investment decisions and the delays in customers' investment decisions have nevertheless had a negative impact.

Orders of € 60.8 million were placed in the Capex segment in the first half-year (previous year: € 1.7 million). This value is considerably higher than the previous year's value and it is within the scope of the published outlook. In the Plant Services segment, the order intake of € 18.5 million (previous year: € 17.6 million) slightly exceeded the previous year's value and met the budget target. In comparison with the Capex business area, the Parts & Services business is relatively consistent and contributed 23.3% to order intake.

Based on the order intake volume achieved in the first half-year and taking the progress in execution of existing projects into consideration, the order backlog as of June 30, 2017 increased – compared with the figure of December 31, 2016 – by € 19.2 million to € 150.7 million. In contrast to the previous year, in this reporting period adjustments caused by the reduction or cancellation of order values (€ -9.7 million; previous year: € -6.5 million) and effects of exchange rate fluctuations (€ -1.6 million; previous year: € -3.3 million) are no longer reported within order intake, but instead as changes to the opening balance of the order backlog. In spite of the increased order intake, the current order backlog is still not sufficient to ensure full utilization of existing capacities. However, KHD expects that due to continued order intake in the financial year, the utilization of capacities will improve significantly starting from the 2018 financial year onwards.

Group Earning Situation

KHD's revenue, amounting to € 48.7 million, is considerably lower than the figure for the previous year (€ 66.6 million). Significant contributions to revenue came primarily from projects in India and North America. The main reason for the decrease of 26.9% is the low order backlog at the beginning of the financial year.

The gross profit for the first half-year 2017 was € 5.0 million (previous year: € -2.1 million). Cost of sales include € 3.0 million (previous year: € 3.8 million) of idle capacity costs due to under-utilization of existing capacities. Because these costs are not directly associated with the revenues recognized, they were corrected when determining the adjusted gross profit. The adjusted gross profit for the first half-year 2017 was € 8.0 million (previous year: € 1.7 million). In comparison with the previous year, the adjusted gross profit increased considerably, but it is still at an unsatisfactory level due to the low business volume. Moreover, the order backlog continues to be characterized by projects won in a highly competitive environment with strong margin pressure.

In contrast to the first six months of the financial year 2016, sales expenses increased by 21.0%, from € 6.2 million to € 7.5 million. In the context of the ongoing difficulties in the market environment, KHD consciously continued to invest in the expansion of sales activities in the 2017 financial year. From KHD's perspective, significant prerequisites for improving order intake include intensifying customer contacts and working on promising project tenders, even in markets that were previously not as intensively followed. For this reason, in addition to the activities in KHD's core markets, sales activities in the future-oriented Sub-Saharan African markets and in Southeast Asia were promoted. In comparison with the previous year, general and administrative expenses of € 7.2 million (previous year: € 8.1 million) have decreased by 11.1%. This reduction is in no small part due to the success of active cost management, including the implementation of headcount reduction measures. Other expenses increased from € 4.5 million to € 5.8 million. Besides € 1.2 million in expenses for research and development (previous year: € 1.8 million) and expenses for headcount reduction measures of € 1.3 million, other expenses also include, in particular, exchange rate effects of € 2.8 million (previous year: € 1.3 million). From an economic perspective, other income resulting from the effects of currency exchange rates on the foreign currency receivables (€ 0.5 million, previous year: € 1.3 million) and the income from fair value adjustments of foreign exchange forward contracts (€ 0.7 million; previous year: € 0.5 million) should be offset against the expenses from exchange rate effects. Expenses related to headcount reduction measures were considered as a one-time impact in the determination of the adjusted EBIT.

Earnings before interest and taxes (EBIT) improved from € -18.8 million in the previous year to € -14.1 million. Particularly the low sales volume and the related unsatisfactory gross profit, together with the idle capacity costs and expenses related to headcount reduction resulted in earnings that are still unsatisfactory. Despite the improvement in the absolute value of the EBIT, the EBIT margin decreased from -28.3% in the previous year to -29.0%. The adjusted EBIT (after eliminating idle capacity costs and expenses related to headcount reduction) improved from € -15.0 million to € -9.8.million.

The net finance income of the Group increased by € 1.0 million from € 3.4 million to € 4.4 million. Finance income of € 4.9 million (previous year: € 4.1 million), which includes interest received in the amount of € 3.0 million from two loans in the total amount of € 100.0 million extended to AVIC International (HK) Group Ltd. (AVIC HK) in the 2014 financial year, is offset by finance expenses of € 0.5 million (previous year: € 0.7 million) For the most part, the increase of € 0.8 million in finance income results from the interest earned on payment agreements concluded in 2016 for receivables due from AVIC Beijing. The reason for the decrease in finance expense by € 0.2 million is primarily due to the reduction of the interest rate applied for the measurement of pension benefit obligations.

The Group net result for the period was € -10.8 million (previous year: € -17.3 million), which translates into diluted and basic earnings per share of € -0.22 (previous year: € -0.35).

Segment Earnings Situation

Revenue in the Capex segment in the six-month period reached only € 29.9 million (previous year: € 47.3 million). The considerable reduction in revenue in the Capex segment is the result of the low order backlog at the beginning of the financial year. The relatively stable business in the Plant Services segment achieved revenues of € 18.8 million (previous year: € 19.3 million), just slightly below the comparable figure from the previous year.

The Capex segment achieved a break-even gross profit in the reporting period. Although this represented a considerable increase over the disappointing value of the previous year, € -8.2 million, the gross profit margin in the Capex segment remained unsatisfactory due to the execution of projects with low margins. In the Plant Services segment, a gross profit of € 5.0 million was achieved (previous year: € 6.1 million). As the idle capacity costs incurred apply only to the Capex segment, the adjusted gross profit for this segment amounts to € 3.0 million (previous year: € -4.4 million). As a result, the adjusted gross profit margin in the Capex segment was 10.0% (previous year: -9.3%), achieving a positive value for the first time after several reporting periods. The Plant Services segment achieved a positive gross profit margin of 26.5% (previous year: 31.6%).

In the reporting period, EBIT in the Capex segment was € -15.5 million, a considerable improvement with respect to the previous year’s figure of € -21.4 million. However, EBIT in the segment remains at an unsatisfactory level and reflects the difficult economic environment of recent years as well as special effects resulting from idle capacity costs due to under-utilization of existing capacities and expenses related to headcount reduction measures. EBIT in the Plant Services segment of € 1.4 million decreased in comparison with the previous year’s figure (€ 2.6 million) in particular due to the tough competitive conditions as well as the lower revenue volume. Consequently, EBIT from Plant Services could offset the significantly negative result of the Capex segment only to a limited degree.

Financial Position and Net Assets

Liquidity

KHD’s total cash and cash equivalents remained nearly constant in the first half-year 2017. As of June 30, 2017, the cash and cash equivalents amounted to € 76.9 million (end of 2016: € 78.1 million). Following the considerable cash outflows in operational business in previous periods, the cash flow from operating activities of € -2.1 million (previous year: € -52.0 million) was at a nearly break-even level.

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

Cash flow effect from operating activities for the half year 2017	**in € thousand**
Cash flow from construction contracts in progress (including progress billings)	(7,916)
Cash flow from current liabilities/ invoices from subcontractors	(4,936)
Cash flow from changes in trade receivables	27,575
Cash flow from utilization of provisions and long term liabilities	(2,014)
Cash outflow from result (EBITDA)	(13,323)
Cash flow from tax payments made/ received	(2,158)
Other cash inflows and outflows	649
Cash flow from operating activities	**(2,123)**

The cash flow from investing activities of € 2.3 million (previous year: € 2.5 million) primarily includes interest payments from the loans extended to AVIC HK. Taking the effects of currency exchange rates in the amount of € -1.1 million into consideration, cash and cash equivalents as of June 30, 2017 now total € 76.9 million (December 31, 2016: € 78.0 million).

Total Assets

In comparison with the figure as at the end of 2016 (€ 330.1 million), the balance sheet total was reduced by € 37.0 million to € 293.1 million. This was primarily the result of the decrease in non-current and current trade receivables and other receivables of € 10.1 million and € 26.4 million, respectively. Other current and non-current assets differed only slightly.

Financing

On the liabilities side, non-current liabilities remained unchanged for the most part in comparison with the figure as of December 31, 2016, but current liabilities decreased with respect to the end of 2016 (€ 106.1 million) by € 23.9 million to € 82.2 million. Trade and other payables decreased by € 4.6 million to € 40.5 million and commitments under construction contracts decreased by € 15.8 million to € 19.5 million. The reason for this decrease in current liabilities is primarily the reduced business volume caused by the low order intake of the previous periods.

The net working capital – the difference between current assets (less cash and cash equivalents and loans with a residual term of less than one year) and current liabilities – decreased slightly from the figure reported on December 31, 2016 (€ 13.4 million) to € 10.4 million. Trade receivables dropped considerably in the reporting period, but at the same time, current liabilities decreased as well, so that the two opposing effects on the net working capital nearly balanced out.

Equity decreased by € 12.5 million from € 172.2 million to € 159.7 million. The reasons for this reduction were currency translation differences recognized in equity of € 1.7 million and the distinctly negative group net result for the period in the amount of € -10.8 million. Despite the reduction in equity, the equity ratio is at a very solid level and increased to 54.5%.

Non-Financial Performance Indicators

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

Target achievement in relation to non-financial performance indicators is measured with the help of various instruments, such as annual employee appraisals 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 is more important than short-term profit maximization.

The expenses for research and development in the KHD Group were € 1.2 million in the first half-year 2017 (previous year: € 1.8 million), remaining at a high level with respect to revenue. Despite the current unsatisfactory profitability situation, KHD invested in the further development of its technology for cement plants. In addition to improving significant plant components, the primary focus of research and development (R&D) is improving the efficiency of cement plants. Other crucial R&D topics include developing environmentally friendly products and solution concepts, with a particular emphasis on energy efficiency and emissions reduction, as well as using alternative fuels in cement plants. An important goal is to continue minimizing the CO_2 footprint associated with cement production.

The KHD Group had 681 employees (excluding trainees) at the end of June 2017 (end of 2016: 707). The headcount reduction primarily related to employees at the Group's location in Cologne. In order to regain competitiveness and improve the economic basis of KHD's business, cost-cutting measures in the form of headcount reductions were introduced and implemented.

Report on Events after the Reporting Period

Effective June 22, 2017, KHD concluded a loan contract for € 50.0 million with AVIC International Kairong Limited (AVIC Kairong), Hong Kong, as the borrower. This loan replaces another loan granted to AVIC HK three years ago, which was due for repayment on July 22, 2017. The conditions as well as the collateral security of the loan granted to AVIC Kairong correspond in all significant points with those for the loan granted to AVIC HK. This new loan has a term of three years and the loan is due for repayment on July 22, 2020. KHD has the right to demand early repayment of the loan at any time before the due date with a notice period of 30 days.

Effective July 19, 2017, Humboldt Wedag GmbH, Cologne, a subsidiary of KHD Humboldt Wedag International AG, signed contracts for a total value of more than € 80 million regarding the supply of equipment, the execution of civil and erection work as well as supervision services for a cement plant in the western Sub-Sahara region. The contracts will be booked as order intake as soon as the pre-conditions for commencing project execution are fulfilled.

The Supervisory Board appointed Mr. Dian Xie to the Management Board, effective July 1, 2017. Mr. Xie has many years of management experience in the areas of business development, sales and project execution.

There were no further significant developments or events of particular importance after the balance sheet date of June 30, 2017.

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 a going concern, either individually or in combination.

In comparison with the balance sheet date in 2016, there has been no significant change as of the date of this Half-Year Report in the assessment of risks and opportunities.

For a detailed description of the risks and opportunities, please refer to the relevant section in KHD Group's combined management report as of December 31, 2016 (page 53 et seq. of the Group Annual Report).

Outlook

According to the market research institute CW Research, global cement consumption is expected to increase as a result of the ongoing worldwide macroeconomic recovery. Nevertheless, for 2017 and 2018 cement demand will continue to be negatively affected in some large markets such as Brazil and Russia.

As the global macroeconomic and political situation remains challenging, only a moderate increase in cement consumption is expected. Global cement consumption is expected to increase by 2% compared to last year and is expected to reach a total of 4.2 billion tons in 2017. In the long run, however, demographic trends and necessary investments in the construction and expansion of infrastructure in developing and emerging countries will remain the most significant drivers of growth in the cement industry.

As there is a strong dependency on order intake, the degree of uncertainty associated with the outlook is particularly high. This is also highlighted in the section titled 'Opportunities and Risks Relating to the Outlook for the 2017 Financial Year' in the combined management report of December 31, 2016 (page 70 et seq. of the Group Annual Report).

To a large extent, the KHD Group confirms the outlook provided for the 2017 financial year in the 2016 Group Annual Report. This means that KHD continues to expect an order intake and order backlog for the 2017 financial year that will be considerably higher than the previous year's figures (€ 83.0 million and € 131.5 million, respectively), and that as a result, capacity utilization should be improved significantly starting from the 2018 financial year onwards.

However, due to delays in order intake, the reduction in order values, and customer changes to project execution schedules, revenue for the 2017 financial year will be about 20% lower than the previous year's value.

KHD confirms the outlook for EBIT and the EBIT margin. This means that a significantly negative EBIT is expected in the 2017 financial year, though it will improve considerably compared with the previous year's figure (€ -33.2 million).

Due to cash inflow from payment of receivables, improvements in the management of the working capital, and advance payments related to expected order intake, the KHD Group expects that no significant cash outflows will affect the operating cash flow for the entire 2017 financial year, despite the currently negative earnings situation.

Despite the considerably negative impacts resulting from the profit situation in the 2017 financial year, our outlook shows that KHD's financial and net asset position will remain stable. As the liquidity situation and the high equity ratio remain at a comfortable level, 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 Outlook for the Second Half-Year 2017

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 planned 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 2017 financial year. Despite close collaboration with customers during the tendering process, customer investment decisions and the awarding of individual projects to the KHD Group can only be forecast with substantial uncertainty, which can lead to either a higher or 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 Plant Services segment. The risks and opportunities relating to the planned revenue and earnings figures are nevertheless significant in the second half-year of the financial year 2017 as well, since delays or accelerations in project execution, postponement of awarding projects included in planned order intake and unexpected movements in gross profit of individual projects can affect these figures.

Cologne, Germany, August 11, 2017

The Management Board

Gerold Keune	Jürgen Luckas	Dian Xie

INTERIM GROUP FINANCIAL STATEMENT

1 GROUP INCOME STATEMENT of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2017

in € thousand	**Jan. 1 - June 30, 2017**	**Jan. 1 - June 30, 2016**
Revenue	48,747	66,567
Cost of sales	(43,717)	(68,684)
Gross profit	**5,030**	**(2,117)**
Other operating income	1,353	2,028
Sales expenses	(7,512)	(6,202)
General and administrative expenses	(7,248)	(8,050)
Other expenses	(5,766)	(4,487)
Earnings before interest and taxes (EBIT)	**(14,143)**	**(18,828)**
Finance income	4,961	4,125
Finance expenses	(519)	(722)
Net finance income	**4,442**	**3,403**
Earnings before tax (EBT)	**(9,701)**	**(15,425)**
Income tax expense	(1,147)	(1,898)
Group net result for the period	**(10,848)**	**(17,323)**
Of which attributable to:		
Parent company shareholders	(10,835)	(17,336)
Non-controlling interests	(13)	13
	(10,848)	**(17,323)**

Earnings per Share	**Jan. 1 - June 30, 2017**	**Jan. 1 - June 30, 2016**
Net result attributable to shareholders (in € thousand)	10,835	(17,336)
Weighted average number of shares outstanding	49,703,573	49,703,573
Basic (undiluted) and diluted earnings per share (in €)	(0.22)	(0.35)

2 GROUP STATEMENT OF COMPREHENSIVE INCOME for KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2017

in € thousand	**Jan. 1 -June 30, 2017**	**Jan. 1 -June 30, 2016**
Group net result for the period	**(10,848)**	**(17,323)**
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Currency translation differences	(1,652)	(1,208)
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	-	(1,458)
Other comprehensive income	**(1,652)**	**(2,666)**
Group comprehensive income	**(12,500)**	**(19,989)**
Of which attributable to:		
Parent company shareholders	(12,487)	(20,002)
Non-controlling interests	(13)	13
	(12,500)	**(19,989)**

As in the previous year, no income taxes on currency translation differences were applicable. There are no deferred tax assets or liabilities related to actuarial gains and losses (previous year: deferred tax assets in the amount of € 701 thousand).

3 GROUP BALANCE SHEET of KHD Humboldt Wedag International AG as of June 30, 2017

ASSETS	**June 30, 2017**	**Dec. 31, 2016**
in € thousand		
Non-current assets		
Property, plant and equipment	5,835	3,905
Goodwill	5,162	5,162
Other intangible assets	597	805
Trade receivables and other receivables	9,542	19,641
Other financial assets	6	6
Deferred tax assets	2,379	3,023
Total non-current assets	**23,521**	**32,542**
Current assets		
Inventories	3,884	3,696
Gross amount due from customers for contract work	13,678	16,354
Trade and other receivables	66,511	92,925
Payments made in advance	7,050	5,261
Other financial assets	101,002	100,789
Income tax assets	543	504
Cash and cash equivalents	76,946	78,075
Total current assets	**269,614**	**297,604**
Total assets	**293,135**	**330,146**

EQUITY AND LIABILITIES	June 30, 2017	Dec. 31, 2016
in € thousand		
Equity		
Subscribed capital	49,704	49,704
Capital reserves	61,097	61,097
Currency translation differences recognized in equity	(5,022)	(3,370)
Retained earnings	52,575	63,411
Shares of equity attributable to shareholders of the parent company	158,354	170,842
Non-controlling interests	1,367	1,379
Total equity	**159,721**	**172,221**
Non-current liabilities		
Other liabilities	2,754	2,744
Loans	25,000	25,000
Pension benefit obligations	21,881	22,421
Deferred tax liabilities	206	277
Provisions	1,335	1,335
Total non-current liabilities	**51,176**	**51,777**
Total current liabilities		
Trade and other payables	40,451	45,022
Commitments under construction contracts	19,450	35,252
Income tax liabilities	1,269	2,782
Provisions	21,068	23,092
Total current liabilities	**82,238**	**106,148**
Total equity and liabilities	**293,135**	**330,146**

4 GROUP STATEMENT OF CASH FLOW for KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2017

in € thousand	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Cash flow from operating activities		
Group net result for the period	(10,848)	(17,323)
Income tax expense recognized in the income statement	1,147	1,898
Net finance income recognized in the income statement	(4,442)	(3,403)
Earnings before interest and taxes (EBIT)	**(14,143)**	**(18,828)**
Amortization and depreciation of non-current assets	820	859
Book gain (-)/loss on disposal of fixed assets	(2)	(6)
Increase(-)/decrease in trade receivables and financial assets	34,616	(22,652)
Increase (-)/decrease in inventories and gross amount due from customers for contract work	2,488	3,328
Increase (-)/decrease in payments made in advance and other financial assets	(2,002)	5,304
Increase (+)/decrease in trade and other payables and in commitments under construction contracts	(20,373)	(6,861)
Increase (+)/decrease in pension benefit obligations	(540)	(540)
Increase (+)/decrease in provisions and non-current liabilities	(2,014)	(11,703)
Other non-cash-transactions	(532)	1,920
Interest received	1,732	1,092
Interest paid	(15)	(53)
Income tax received	-	70
Income tax paid	(2,158)	(3,965)
Cash flow from operating activities	**(2,123)**	**(52,035)**
Cash flow from investing activities		
Cash outflow for intangible assets	(162)	(143)
Cash outflow for property, plant and equipment	(576)	(427)
Cash inflow from the disposal of property, plant and equipment	4	19
Interest received from loans to affiliated companies	3,017	3,033
Cash flow from investing activities	**2,283**	**2,482**

in € thousand	Jan. 1 -June 30, 2017	Jan. 1 -June 30, 2016
Cash flow from financing activities		
Interest paid for loans*	(264)	(267)
Cash flow from financing activities	**(264)**	**(267)**
Change in unrestricted cash and cash equivalents	**(104)**	**(49,820)**
Opening balance of unrestricted cash and cash equivalents	77,989	112,587
Exchange rate effects	(1,025)	(1,144)
Closing balance of unrestricted cash and cash equivalents	**76,860**	**61,623**

in € thousand	June 30, 2017	June 30, 2016
Composition of unrestricted cash and cash equivalents		
Current bank accounts and cash on hand	51,283	35,180
Short-term bank deposits and restricted cash	25,663	26,529
Total cash and cash equivalents	**76,946**	**61,709**
Restricted cash (collateral for bank guarantees)	(86)	(86)
Closing balance of unrestricted cash and cash equivalents	**76,860**	**61,623**

* In the first half-year of the previous year interest paid for loans amounting to € 267 thousand was reported within cash flow from operating activities. In the reporting period the amounts shown in the column for the previous year were changed. As a result, interest paid for loans is now reported within cash flow from financing activities.

5 GROUP STATEMENT OF CHANGES IN EQUITY of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2017

in € thousand	Subscribed capital	Capital reserve	Treasury shares	Currency translation differences recognized in equity	Retained earnings	Equity attributable to shareholders of the parent company	Non-controlling interests	Total
Dec. 31, 2015 / Jan. 1, 2016	**49,704**	**61,097**	**-**	**(4,341)**	**95,548**	**202,008**	**1,348**	**203,356**
Group net result for the period	-	-	-	-	(17,336)	(17,336)	13	**(17,323)**
Actuarial gains and losses*	-	-	-	-	(1,458)	(1,458)		**(1,458)**
Currency translation differences	-	-	-	(1,208)	-	(1,208)		**(1,208)**
Group comprehensive income	**-**	**-**	**-**	**(1,208)**	**(18,794)**	**(20,002)**	**13**	**(19,989)**
June 30, 2016	**49,704**	**61,097**	**-**	**(5,549)**	**76,754**	**182,006**	**1,361**	**183,367**
Group net result for the period	-	-	-	-	(11,860)	(11,860)	19	**(11,841)**
Actuarial gains and losses*	-	-	-	-	(1,484)	(1,484)		**(1,484)**
Currency translation differences	-	-	-	2,179	-	2,179		**2,179**
Group comprehensive income	**-**	**-**	**-**	**2,179**	**(13,344)**	**(11,165)**	**19**	**(11,146)**
Other changes	**-**	**-**	**-**	-	1	1		**1**
Purchase of non-controlling interests	-	-	-	-	-	-	(1)	**(1)**
Dec. 31, 2016 / Jan. 1, 2017	**49,704**	**61,097**	**-**	**(3,370)**	**63,411**	**170,842**	**1,379**	**172,221**
Group net result for the period	-	-	-	-	(10,835)	(10,835)	(13)	**(10,848)**
Currency translation differences	-	-	-	(1,652)	-	(1,652)		**(1,652)**
Group comprehensive income	**-**	**-**	**-**	**(1,652)**	**(10,835)**	**(12,487)**	**(13)**	**(12,500)**
Other changes	**-**	**-**	**-**	**-**	(1)	(1)	1	**-**
June 30, 2017	**49,704**	**61,097**	**-**	**(5,022)**	**52,575**	**158,354**	**1,367**	**159,721**

* The recognition of actuarial gains and losses is disclosed in other comprehensive income with simultaneous recognition of the corresponding deferred taxes. In the previous financial year addition to actuarial losses in the amount of € 963 thousand, an amount of € -1,979 thousand resulting from de-recognition of the deferred tax assets based on actuarial losses recognized in previous years was also disclosed in other comprehensive income.

6 NOTES TO THE GROUP FINANCIAL STATEMENTS of KHD Humboldt Wedag International AG as of June 30, 2017

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, 2017, unchanged since December 31, 2016. 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 2017 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, 2016, 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, 2016 on page 80 et seq.

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.

The KHD Group 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 recognition of profit based on the stage of completion corresponding to the proportion of contract costs incurred to the estimated total contract costs. Expected losses from construction contracts 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 contract revenues, the contract 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. 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).

The following standards and/or changes to standards were published by the IASB during the reporting period.

- The IASB published IFRS 17, “Insurance Contracts”, in May 2017. In general, IFRS 17 deals with an industry-specific standard for the insurance industry. IFRS 17 replaces IFRS 4, designed as a transition standard, and will apply for financial years that start on or after January 1, 2021. Neither the new nor the old standard significantly affect the financial statements of KHD.

- The IASB published IFRIC 23, “Uncertainty over Income Tax Treatments”, in June 2017. The interpretation closes the gap in regulation in IAS 12 and clarifies the consideration of probability in the accounting for uncertainties in income taxes. It is to be used for reporting periods that begin on or after January 1, 2019. According to current assessment, the clarifications in IFRS 23 do not significantly affect the KHD Group financial statements.

For further information regarding standards, interpretations and amendments that have been published, but are not yet applicable, please see section 1 of the Group notes to the Group Annual Report 2016.

4. Consolidation

Subsidiaries are the companies in which investments are held and in which KHD has power over the investee, has an exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of KHD's returns. At KHD this is regularly the case when 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	Voting rights and equity interest in % June 30, 2017	Voting rights and equity interest in % Dec. 31, 2016		Currency	Subscribed Capital June 30, 2017	Subscribed Capital Dec. 31, 2016
<u>Subsidiaries</u>								
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	91.26	91.26	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	2,010,000	1,050,000
KHD Humboldt Engineering OOO	Moscow, Russia	Plant engineering	100.00	100.00	I	RUB	3,350,000	3,350,000
Humboldt Wedag Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	Plant engineering	100.00	100.00	I	MYR	500,000	500,000
Humboldt Wedag Do Brasil Servicos Technicos Ltda.	Belo Horizonte, Brazil	Sales entity	100.00	100.00	I	BRL	801,847	200,000

D = Directly owned

I = Indirectly owned

* The company has been operating under the name KHD Humboldt Wedag Vermögensverwaltungs-AG since July 2017

5. Segment Reporting

For KHD, reporting is done in two separate segments. Segment reporting is oriented towards internal Group management and control as well as internal financial reporting, i.e. it is based on the management approach. The business activities of the two reportable segments include the following activities and services:

- **Capex (project business)**
  In the Capex segment, the KHD Group reports all revenues and expenses resulting from supplying equipment for cement plants and providing services that are in direct linked to the equipment supply. This encompasses process technology, design, engineering, project management and the supply of technology and equipment. In addition, supervision of erection and commissioning of cement plants are allocated to this segment. General and administrative expenses, sales expenses and other expenses (in particular research and development costs) are allocated to this segment, accordingly.

- **Plant Services**
  The Plant Services segment comprises all revenues and expenses resulting from supplying spare parts and providing services to existing cement plants. Services include optimizing cement plants, maintenance services, carrying out plant audits, creating optimization concepts and training plant personnel. General and administrative expenses, sales expenses and other expenses are allocated to the segment accordingly.

Management and controlling of the KHD Group is based in particular on key figures for the balance sheet and income statement. However, for the operating segments key figures are determined only for the income statement and for 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 or rather adjusted EBIT).

The following table provides an overview of the business for the 2017 and 2016 financial half-years.

in € million	Capex Jan. 1 - June 30, 2017	Plant Services Jan. 1 - June 30, 2017	Total Group Jan. 1 - June 30, 2017	Capex Jan. 1 - June 30, 2016	Plant Services Jan. 1 - June 30, 2016	Total Group Jan. 1 - June 30, 2016
Order Intake	60.8	18.5	79.3	1.7	17.6	19.3
Revenue	29.9	18.8	48.7	47.3	19.3	66.6
Cost of sales	(29.9)	(13.8)	(43.7)	(55.5)	(13.2)	(68.7)
Gross Profit	0.0	5.0	5.0	(8.2)	6.1	(2.1)
Other expenses / other income (net)	(15.5)	(3.6)	(19.1)	(13.2)	(3.5)	(16.7)
Earnings before interest and taxes (EBIT)	(15.5)	1.4	(14.1)	(21.4)	2.6	18.8
Net finance income			4.4			3.4
Earnings before tax			(9.7)			(15.4)
For information only: Depreciation	(0.8)		(0.8)	(0.9)		(0.9)

The recognition and measurement principles used for the reportable segments are in line with the IFRS principles described above that are used for the Group financial statements. Revenue and segment-related expenses are directly allocated to the respective segment. Expenses and income which cannot be allocated directly to the segments (e.g. general and administrative expenses) are allocated to the segments using appropriate allocation keys.

In its segment reporting, the KHD Group reports only revenue from external customers, i.e. revenue between the two segments is eliminated. Currently the segments do not recognize revenue with the respective other segment.

The following 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, 2017**	**Jan. 1 - June 30, 2016**	**June 30, 2017**	**Dec. 31, 2016**
India	19,909	24,541	3,180	1,039
Americas	7,131	19,064	126	185
Rest of Asia / Oceania	7,128	4,073	19	25
Middle East	4,770	8,622	-	-
Africa	4,641	1,422	-	-
Rest of Europe	2,123	2,761	-	-
Germany	1,546	2,656	5,234	5,588
Russia	1,499	3,428	3,035	3,035
	48,747	**66,567**	**11,594**	**9,872**

	Order intake		Order backlog	
in € thousand	**Jan. 1 - June 30, 2017**	**Jan. 1 - June 30, 2016**	**June 30, 2017**	**Dec. 31, 2016**
Africa	31,735	1,649	38,416	11,322
India	19,785	8,714	63,567	64,748
Rest of Asia / Oceania	16,582	(2,713)	18,901	9,449
Middle East	4,045	2,993	15,195	15,919
Americas	2,235	3,132	5,773	13,117
Rest of Europe	1,964	2,198	925	8,918
Russia	1,862	2,215	7,830	7,466
Germany	1,094	1,153	69	522
	79,302	**19,341**	**150,676**	**131,461**

6. 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, 2017**	**Dec. 31, 2016**
Costs incurred to date for construction contracts	126,406	214,506
Proportionate profits under these contracts recognized to date	10,256	22,014
Total costs incurred and proportionate profits recognized	136,662	236,520
Less recognized contract losses	(3,275)	(12,128)
Less progress billings	(133,979)	(237,303)
Balance of construction contracts account	**(592)**	**(12,911)**
This amount is comprised as follows:		
Gross amount due from customers for contract work	13,678	16,354
Gross amount due to customers for contract work	(14,270)	(29,265)
	(592)	**(12,911)**
Gross amount due to customers for contract work	(14,270)	(29,265)
Advances received under construction contracts (before related work is performed)	(5,180)	(5,987)
Commitments under construction contracts	**(19,450)**	**(35,252)**

Of the revenue of € 48,747 thousand recognized in the reporting period (previous year, as of June 30, 2016: € 66,567 thousand), € 29,298 thousand (previous year, as of June 30, 2016: € 54,331 thousand) is attributable to construction contracts for which revenue was recognized on the basis of the stage 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 incurred costs 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, changes in estimates have a direct effect on the recognized result from construction contracts. There were no significant effects from changes in estimates in the first half-year of 2017.

7. Cash and Cash Equivalents

The Group reports cash and cash equivalents in the amount of € 76,946 thousand (previous year, as of Dec. 31, 2016: € 78,075 thousand).

in € thousand	June 30, 2017	Dec. 31, 2016
Bank balances and cash on hand	51,283	44,176
Short-term bank deposits	25,577	33,813
Restricted Cash (collateral for guarantees)	86	86
	76,946	**78,075**

8. Other expenses

in € thousand	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Research and development	1,153	1,760
Exchange rate losses and expenses from foreign exchange forward contracts	2,786	1,328
Miscellaneous expenses	1,827	1,399
	5,766	**4,487**

Miscellaneous expenses in the reporting period include expenses associated with headcount reduction measures in the amount of € 1,295 thousand.

9. Income tax expenses

The expenses booked in the first half-year 2017 for income taxes amounts to € 1,147 thousand (previous year, as of June 30, 2016: € 1,898 thousand). The income tax expense is composed as follows:

in € thousand	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Current tax expense	532	1,364
Deferred tax expenses	615	534
Tax expense for the year	**1,147**	**1,898**

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

10. Transactions with associated companies and persons

As defined by IAS 24, in addition to the subsidiaries of KHD, the related companies also include those companies that have a controlling or joint management interest in KHD or exercise considerable influence as well as those other related companies of AVIC Group that are affiliated with these. As business transactions between KHD and its consolidated subsidiaries were eliminated in the consolidation process, the following presents only the transactions with respect to direct and indirect parent companies of KHD and the other related companies or persons that were not eliminated.

Relationships to parent entities

There has been a cooperation agreement with AVIC Beijing since 2010, reinforced since February 2011 by the capital interest in KHD amounting to 20% that is held by Max Glory Industries Limited (Max Glory), an AVIC Beijing group company. As a consequence of a public takeover offer, AVIC Beijing further increased its indirect share in KHD in the 2014 financial year. As of June 30, 2017, AVIC Beijing indirectly holds the majority of KHD shares with 89.02%. Among others, the strategic partnership between AVIC Beijing and KHD resulted in joint projects in Malaysia, Venezuela, Turkey and the western Sub-Sahara region.

Relationships to other related entities

The cooperation between the KHD Group and the AVIC Group was expressed in the conclusion of two loan contracts in the financial year 2014, each in an amount of € 50.0 million, with AVIC International (HK) Group Ltd. as the borrower. The interest on the loans amounts to 6% per annum. Both loans have a term of three years. For the loan extended 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 corporate guarantee from AVIC.

The following transactions took place with related companies in the first half-year 2017:

Income

in € thousand	Jan. 1 - June 30, 2017	Jan. 1 - June 30, 2016
Indirect parent entities	2,319	7,395
Other related entities	3,017	3,033
	5,336	10,428

Income with indirect parent companies primarily relate to revenue from projects in South America in which the cooperation partner AVIC Beijing is KHD's customer as well as interest income on receivables due to a deferred payment agreement with AVIC Beijing. is Income from other affiliated companies exclusively comprises interest income from the loans extended to AVIC HK in the amount of € 3,017 thousand.

In the financial year, the expenses from transactions with related entities total € 0 thousand (previous year: € 25 thousand).

Current assets

in € thousand	June 30, 2017	Dec. 31, 2016
Indirect parent entities	19,104	14,802
Other related entities	100,230	100,230
	119,334	115,032

As of June 30, 2017, current assets due from the companies of the AVIC Group amounted to € 119,334 thousand (previous year, as of December 31, 2016: € 115,032 thousand). These assets result from payments made in advance, project receivables, refund claims and interest claims in a total amount of € 19,104 thousand (previous year: € 14,802 thousand). Receivables due from AVIC HK in the amount of € 100,000 thousand consist of two loans granted, which are reported under current assets because, according to the contract, they are due for repayment within the 2017 financial year.

Non-current assets

No non-current assets due from affiliated companies are recorded as of June 30, 2017. A non-current receivable due from an indirect parent company in the amount of € 7,676 thousand was reported under non-current assets as of December 31, 2016.

Liabilities

in € thousand	June 30, 2017	Dec. 31, 2016
Indirect parent entities	1,956	1,745
Other related entities	386	396
	2,342	2,141

Liabilities due to affiliated companies in the amount of € 2,342 thousand (previous year: € 2,141 thousand), which mainly affect project and financial obligations, are reported as of June 30, 2017.

11. Additional Notes on Financial Instruments

List of Financial Assets and Liabilities by Category

June 30, 2017	**Financial assets**				**Financial Liabilities**				
in € thousand	Available for sale	Held for trading purposes	Loans and receivables	Not in the scope of application IFRS 7	Held for trading purposes	Carried at amortized acquisition costs	Not in the scope of application IFRS 7	Carrying amount June 30, 2017	Fair value June 30, 2017
Non-current assets	-	-	9,548	-	-	-	-	9,548	-
Trade receivables	-	-	40,835	-	-	-	-	40,835	-
Intercompany receivables			18,294					18,294	-
Gross amount due from customers for contract work	-	-	13,678	-	-	-	-	13,678	-
Other financial assets	-	1,002	100,000	-	-	-	-	101,002	100,211
Derivatives		486			-	-	-	486	486
Other receivables	-	-	4,755	2,141	-	-	-	6,896	-
Cash and cash equivalents	-	-	76,946	-	-	-	-	76,946	-
Total financial assets	**-**	**1,488**	**264,056**	**2,141**	**-**	**-**	**-**	**267,685**	**100,697**
Financial liabilities						93		93	-
Loans	**-**	**-**	**-**	**-**	**-**	25,000	-	25,000	25,000
Gross amount due to customers for contract work	**-**	**-**	**-**	**-**	**-**	14,270	-	14,270	-
Other liabilities	**-**	**-**	**-**	**-**	**-**	5,586	2,754	8,340	-
Derivatives	**-**	**-**	**-**	**-**	171	-	-	171	171
Trade payables	**-**	**-**	**-**	**-**	**-**	32,845	**-**	32,845	-
Total financial liabilities	**-**	**-**	**-**	**-**	**171**	**77,794**	**2,754**	**80,719**	**25,171**

Dec. 31, 2016	**Financial assets**				**Financial Liabilities**				
in € thousand	Available for sale	Held for trading pur-poses	Loans and receiv-ables	Not in the scope of app-lication IFRS 7	Held for trading pur-poses	Carried at amortized acquis-ition costs	Not in the scope of app-lication IFRS 7	Carrying amount Dec. 31, 2016	Fair value Dec. 31, 2016
Non-current assets	-	-	19,647	-	-	-	-	19,647	-
Trade receivables	-	-	72,921	-	-	-	-	72,921	-
Intercompany receivables			14,298					14,298	-
Gross amount due from customers for contract work	-	-	16,354	-	-	-	-	16,354	-
Other financial assets	-	789	100,000	-	-	-	-	100,789	101,411
Other receivables	-	-	3,763	1,943	-	-	-	5,706	-
Cash and cash equivalents	-	-	78,075	-	-	-	-	78,075	-
Total financial assets	**-**	**789**	**305,058**	**1,943**	**-**	**-**	**-**	**307,790**	**101,411**
Financial liabilities						93		93	-
Loans	-	-	-	-	-	25,000	-	25,000	25,000
Gross amount due to customers for contract work	-	-	-	-	-	29,265	-	29,265	-
Other liabilities	-	-	-	-	-	5,311	2,744	8,055	-
Derivatives	-	-	-	-	392	-	-	392	392
Trade payables	-	-	-	-	-	38,758	-	38,758	-
Total financial liabilities	**-**	**-**	**-**	**-**	**392**	**98,427**	**2,744**	**101,563**	**25,392**

As long as there is no explicit disclosure, the carrying amounts reported on June 30, 2017 correspond in general to the fair values.

The fair values for the financial assets and liabilities held for trading purposes and for the long term guaranteed loan to AVIC HK accounted for with respect to amortized costs are classified within the hierarchy described below:

- The fair values of the listed securities that are held for trading are determined by reference to quoted market prices.
- The fair value of derivatives is calculated on the basis of discounted cash flow analyses, using corresponding yield curves for the term to maturity of the instruments concerned.
- The fair values for the loan receivables from AVIC HK and the loan liability from the Bank of China are calculated based on the present value method. The future cash flows from the loan are discounted using a risk-adjusted market interest rate that takes the specific country, credit rating and guarantee risks into consideration.

Financial assets and financial liabilities	**Fair value**		**Hie-rar-chy**	**Measurement method**	**Significant unobservable input(s)**
	June 30, 2017	**Dec. 31, 2016**			
Derivatives	Financial assets: 486 € thousand Liabilities: € 171 thousand	Financial assets: 0 € thousand Liabilities: € 392 thousand	Level 2	Discounted cash flow	N/A
Securities	Financial assets: € 1,002 thousand	Financial assets: 789 € thousand	Level 1	Listed price on active market	N/A
Loans	Financial assets: € 100,211 thousand Liabilities: € 25,000 thousand	Financial assets: € 100,622 thousand Liabilities: € 25,000 thousand	Level 3	Discounted cash flow	Credit risk for the borrower

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

12. Other Information

Within the scope of its normal business activities, the KHD 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. The arranged bank guarantee credit facilities allow individual KHD Group companies to provide bank guarantees for its customers worldwide. Within the scope of these bank guarantee credit facilities, the Group has provided bank guarantees in the amount of € 26.8 million (previous year, as of Dec. 31, 2016: € 33.6 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, 2017.

13. 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 11, 2017

The Management Board

Gerold Keune Jürgen Luckas Dian Xie