

Half-Year Financial Report 2022



Summary of the First Half Year 2022

- Total order intake of € 99.8 million within our planning; very good order intake in the Plant Services segment
- Considerable improvement in gross profit with slightly higher revenue
- Positive Group earnings before taxes (EBT) of € 0.6 million – significantly better than in the previous year (€ -1.0 million)

Key Figures at a Glance

in € million	Jan. 1 -	Jan. 1 -	Deviation	
	June 30, 2022	June 30, 2021	absolute	in %
Order intake	99.8	118.9	-19.1	-16.1
Revenue	93.1	89.5	3.6	4.0
Adjusted gross profit	12.2	8.9	3.3	37.1
<i>Adjusted gross profit margin (in %)</i>	<i>13.1</i>	<i>9.9</i>	<i>3.2</i>	
Adjusted EBIT	-1.4	-3.8	2.4	63.2
<i>Adjusted EBIT margin (in %)</i>	<i>-1.5</i>	<i>-4.2</i>	<i>2.7</i>	
EBT	0.6	-1	1.6	
Group net result for the period	-0.1	-1.6	1.5	
EPS (in €)	0	-0.03	0.03	
Operating cash flow	-1.8	1.8	-3.6	
Cash flow from investing activities	1.7	2.0	-0.3	-15.0
Cash flow from financing activities	-1.2	-0.9	-0.3	-33.3
in € million	Jun. 30, 2022	Dec. 31, 2021	Deviation	
			absolute	in %
Equity	91.5	90.7	0.8	0.9
<i>Equity ratio (in %)</i>	<i>32.6</i>	<i>29.9</i>	<i>2.7</i>	
Cash and intercompany loans *	161.2	160.3	0.9	0.6
Net working capital **	-38.3	-37.5	-0.8	2.1
Order backlog	267.9	252.1	15.8	6.3
Employees	772	737	35	4.7

* Including intercompany loan of € 45 million (previous year: € 50 million) with entitlement to call for early repayment by giving 30 days' notice

** Balance of current assets (less cash equivalents) and current liabilities (less current borrowings)

Please note that rounding differences may result from the use of rounded amounts and percentages in accordance with commercial rounding practices.

MANAGEMENT REPORT REGARDING THE INTERIM GROUP FINANCIAL STATEMENTS AS OF JUNE 30, 2022

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, 2021, p. 12 et seq.) during the first half-year 2022. The strategic focus of KHD in 2022 is based on the three areas of China, innovation, and service. In China we want to take better advantage of the supply market on one hand and to secure more projects by providing the right products and solutions on the other. Climate neutrality continues to become more important for cement producers. For this reason, the further development of products and concepts to reduce CO₂ emissions is of central importance with regards to innovation – even above and beyond the development of digital solutions. We are seeking to strengthen our Plant Services segment by integrating spare parts supply into expanded service concepts and improving customer loyalty. As in previous years, sales activities in the Capex segment will be implemented in a targeted manner with regard to projects where the position of KHD as a technology leader can be applied appropriately. Increasing competitiveness and supporting a culture of excellence and performance remain important objectives.

Management, monitoring, and reporting within the Group continue to be based on the financial indicators listed below. With respect to the basic determination and calculation of these financial performance indicators, reference is made to the combined management report of December 31, 2021, page 17 et seq. The significant performance indicators of the Group are:

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

For Group management purposes, KHD adjusts EBIT as necessary with regard to special items. The adjusted EBIT for the reporting period is as follows:

in € thousand	<u>Jan. 1- June 30,2022</u>	<u>Jan. 1- June 30,2021</u>
EBIT prior to adjustments	-1.4	-4.0
Idle capacity costs	<u>0.0</u>	<u>0.2</u>
Adjusted EBIT	<u><u>-1.4</u></u>	<u><u>3.8</u></u>

In contrast to the reporting period in the previous year, in the first six months of 2022 there were no idle capacity costs due to under-utilization of existing capacities to be considered (previous year: € 0.2 million).

Economic Report

Market Environment

2022 began with a fresh optimism because the COVID-19 pandemic appeared to be under control and macroeconomic indicators were well on their way to recovery and to achieve pre-pandemic levels by 2023. When the war in Ukraine started in February, these expectations became irrelevant. According to OECD estimates, increasing prices and the negative effects on capital markets will reduce global economic growth by approx. 1% in 2022. The International Monetary Fund (IMF) revised its growth forecast for global economic performance from 4.9% to 3.6% respectively for both 2022 and 2023.

According to an analysis by CW Research (“Global Cement Volume Forecast Report 1H2022 update”), cement consumption differed in various regions in 2021 due to the pandemic. While Latin America achieved an increase of 9.8%, cement consumption decreased in the Middle East by 1.6% and in China by 0.6%. The forecasts for 2022 are similarly varying. Another reduction in cement consumption is expected for China (-0.4%) as well as in Eastern Europe and in CIS (-4.7%). For the countries of Asia without China, however, an increase of 5.3% is expected.

In the markets that are particularly relevant for KHD there is satisfactory demand for our portfolio of products and services. In our estimation, only very limited business activities are possible the Russian market even though this market is important and prospective in general. KHD condemns the Russian invasion of Ukraine in the strongest terms and is strictly adhering to existing sanctions and restrictions. Nevertheless, the discontinuation of business relationships with customers in Russia is not seen as an appropriate, responsible action.

Good business opportunities are available to the Group, particularly in increasing cement plant efficiency and reducing energy consumption, in the use of alternative fuels and the greater attention paid to environmental issues, and in the area of niche products. Even though the investment tendency of our customers and the financial options available to them for investment projects are still not at completely satisfactory level, the major factors for a future increase in cement consumption remain unchanged. The increase in population, the need for additional housing, infrastructure projects, increasing industrialization, and last, but not least, the greater purchasing power of consumers in emerging and developing countries will contribute to an improvement in the market environment in the medium term.

Overall Assessment of the Economic Situation

The economic development of the Group for the first half-year 2022 met our expectations. The profitability of KHD, however, despite positive EBT, remains at an unsatisfactory level. Even though all of the improvement potential has not yet been tapped to its full extent, KHD expects to reach the levels forecast for order intake and revenue as well as adjusted EBIT and adjusted EBIT margin in full over the entire year.

As expected, order intake of € 99.8 million in the first half-year 2022 did not fully reach the level of the previous year (€ 118.9 million). At € 93.1 million, revenue was 4.0% higher than the figure for the first six months of the 2021 financial year (€ 89.5 million). The costs of sales totaled € 80.9 million, remaining at the level of the previous year (€ 80.8 million). As a result, the adjusted gross profit of € 12.2 million was 37% higher than the previous year's figure (€ 8.9 million). The adjusted gross profit margin was 13.1% (9.9% in the first half-year 2021). Due to the slightly higher structural costs in comparison with the previous year, this positive trend did not spill over completely into adjusted EBIT, which improved to € -1.4 million following € -3.8 million in the previous year.

The cash flow from operating activities totaled € -1.8 million in the first six months (previous year: € 1.8 million). Due to further expected payments to suppliers in the second half-year, a negative operating cash flow in the low, single-digit millions is anticipated for the entire 2022 financial year.

By taking measures to increase competitiveness and support a culture of excellence and performance, KHD is convinced that sustainable positive results will be achieved again. After having already achieved positive earnings before tax (EBT) in the 2021 financial year (€ 0.7 million) and concluding the first six months of the current financial year with positive EBT in the amount of € 0.6 million, we expect positive EBT for the entire 2022 financial year with even more improvement in comparison with the 2021 financial year.

Business Development

Order intake reached a value of € 99.8 million in the first half-year 2022 (previous year: € 118.9 million). Despite ongoing uncertainty and customer restraint with regard to investment in the cement sector, in total we achieved order intake within the bounds of our expectations. Similar to the previous year, cement producers in India continue to demonstrate an increased investment tendency in order to have production capacities available in time to meet rising cement consumption.

New orders totaling € 71.9 million placed in the Capex segment in the first half-year 2022 did not reach the figure attained in the first half-year 2021 (€ 100.7 million). Orders from India made a highly significant contribution to order intake in the segment. In the Plant Services segment, order intake of € 27.9 million was significantly higher than the planning figure and considerably higher than the previous year's figure (€ 18.3 million). The spare parts and services business thus contributed 28.0% to the overall order intake (previous year: 15.4%).

Order backlog as of June 30, 2022 increased by € 15.8 million in comparison with the figure of December 31, 2021 to € 267.9 million. As in the previous year, there were no adjustments due to the reduction of order values for this reporting period. Effects of exchange rate fluctuations, which are reported as an adjustment to order backlog, amounted to € 9.1 million (previous year: € 4.3 million).

Group Earning Situation

KHD's revenue of € 93.1 million was higher than the previous year's figure (€ 89.5 million). Significant contributions to revenue in the Capex segment came primarily from projects in India, the USA, and Asia (without China). The primary reason for the revenue development is progress in execution among projects in the order backlog, which could have been even greater if there had not been supply chain disruptions.

The gross profit for the first half-year 2022 of € 12.2 million with slightly higher revenue and nearly the same costs of sales was considerably above the level of the previous year (€ 8.7 million; adjusted gross profit: € 8.9 million). In contrast to the previous year, the first half-year 2022 was not marked by unexpected cost overruns in the execution of older projects. The adjusted gross profit margin increased from 9.9% to 13.1%.

Sales expenses of € 5.1 million were nearly unchanged in comparison with the first six months of the previous year. General and administrative expenses of € 7.6 million, however, were above the level of the previous year (€ 6.4 million) and are primarily due to higher personnel expenses. At € 2.4 million, other expenses are slightly below the previous year's level (€ 2.7 million). In addition to research and development expenses of € 1.2 million (previous year: € 1.5 million), other expenses also include currency exchange rate fluctuations and changes in market value of derivative financial instruments of € 0.8 million (previous year: € 1.0 million). Expenses resulting from exchange rate effects are balanced by revenue from exchange rate effects in the amount of € 1.0 million (previous year: € 0.7 million).

Earnings before interest and taxes (EBIT) were negative again at € -1.4 million, but show a considerable improvement in comparison with the corresponding period in the previous year (€ -4.0 million). As a result, the EBIT margin improved from -4.5% in the previous year to -1.5%.

The Group's net finance income decreased in the first half-year 2022 from € 3.0 million in the same period in the previous year to a current figure of € 2.1 million. Finance income of € 3.2 million (previous year: € 3.4 million) includes interest received in the amount of € 2.4 million (previous year: € 2.5 million) from two loans extended in the 2017 financial year to AVIC International Kairong Limited ("AVIC Kairong"), Hong Kong. The interest rate for each of these two loans totaling € 95.0 million (previous year: € 100.0 million) is 5.0% per annum, respectively. Finance expenses of € 1.1 million (previous year: € 0.4 million) include

unrealized share price losses in the amount of € 0.7 million (previous year: € 0.0 million) from a stock position.

The Group net result at the conclusion of the first half-year 2022 was slightly negative at € -0.1 million (previous year: € -1.6 million). Basic and diluted earnings per share totaled € 0.00 (previous year: € -0.03).

Segment Earnings Situation

Revenue in the Capex segment in the first half-year 2022 reached € 70.9 million, which was slightly lower than the previous year's figure (€ 74.1 million). In the Plant Services segment, however, in comparison with the same period in the previous year revenue increased considerably from a total of € 15.3 million in the first six months of 2021 to a current figure of € 22.2 million, an increase of 45.1%. The Plant Services segment contributed 23.8% to the total revenue; during the same period in the previous year, it contributed 17.2%.

The gross profit in the Capex segment improved despite slightly lower revenue to € 6.7 million in comparison with € 4.0 million in the previous year. The gross profit margin in the Capex segment was 9.4% (previous year: 5.4%). After an adjustment of € 0.2 million in idle capacity costs, the adjusted gross profit margin for the previous year was 5.7%. A gross profit of € 5.5 million was achieved in the Plant Services segment, (previous year: € 4.7 million). This is equivalent to a gross profit margin of 24.9%, less than the previous year's figure of 30.7%.

In the reporting period, EBIT in the Capex segment was € -4.0 million, an increase of € 1.9 million in comparison with the previous year (€ -5.9 million). EBIT in the Plant Services segment increased in the first half-year 2022 based on the considerably higher revenue in comparison with the previous year and despite the decrease in the gross profit margin to € 2.6 million, following a figure of € 1.9 million in the same period in 2021.

Financial Position and Net Assets

Liquidity Statement

The total cash and cash equivalents increased, also due to the effects of exchange rate fluctuations, in the first half-year 2022 by € 0.9 million, from € 65.3 million as of December 31, 2021 to € 66.2 million as of June 30, 2022. Negative cash flow from operating activities in the amount of € -1.8 million (previous year: € 1.8 million) and cash flow from financing activities of € -1.2 million (previous year: € -0.9 million) were not compensated in full by positive cash from investing activities in the amount of € 1.7 million (previous year: € 2.0 million).

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

Cash flow from operating activities for the first half-year 2022	<u>in € thousand</u>
Cash flow from customer contracts with revenue recognition over time	38,604
Cash flow from current liabilities / invoices from subcontractors	-42,624
Cash flow from changes in receivables	3,388
Cash flow from changes in provision and long-term liabilities	838
Cash inflow from result (EBITDA)	77
Cash flow from tax payments made / received	-819
<u>Other cash inflows and outflows</u>	<u>-1,250</u>
Cash flow from operating activities	<u><u>-1,786</u></u>

Cash flow from investment activities of € 1.7 million was slightly lower than the previous year's figure (€ 2.0 million) and primarily included interest payments received for the loans extended to AVIC Kairong (€ 2.4 million) and cash outflow for investments in fixed assets (€ 0.7 million). Cash flow from financing activities (€ -1.2 million; previous year: € -0.9 million) is significantly affected by cash outflows of € 0.9 million related to the reported lease liabilities (previous year: € 0.7 million). In addition, as in the previous year, interest payments for a bank loan in the amount of € 0.2 million were due and payable. Taking the effects of currency exchange rates in the amount of € 2.3 million into consideration, cash and cash equivalents as of June 30, 2022 amounted to € 66.2 million (December 31, 2021: € 65.3 million).

Total Assets

The total balance of KHD decreased from the figure at the end of 2021 (€ 303.7 million) by € 23.1 million to a current total of € 280.6 million. The Group's non-current assets in the amount of € 121.0 million (as of December 31, 2021: € 114.9 million) are still based on two loans to AVIC Kairong totaling € 95.0 million). The interest rate for both loans is 5.0% per annum. The figure for rights of use from the application of IFRS 16 was € 8.5 million, which was considerably higher than at the end of 2021 (€ 2.6 million) due to a long-term rental agreement that must also be taken into consideration. In contrast to non-current assets, current assets decreased from € 188.8 million (December 31, 2021) to a current figure of € 159.6 million. Within the current assets, primarily the contract assets decreased by € 29.4 million and the trade receivables and other receivables decreased by € 5.5 million, while the advance payments increased by € 3.2 million. Cash and cash equivalents increased from € 65.3 at the end of 2021 to € 66.2 million as of June 30, 2022.

Financing

On the liabilities side, non-current liabilities increased in comparison with December 31, 2021 by € 5.4 million to € 32.3 million. The primary reason was the considerable increase in lease liabilities (€ 6.0 million) due to a long-term rental agreement.

Current liabilities decreased during the reporting period from € 186.0 million (December 31, 2021) to € 156.7 million as of June 30, 2022. At the same time, trade and other payables decreased by € 41.6 million to € 66.9 million, while contract liabilities and advance payments received increased from € 35.6 million at the end of 2021 to € 47.0 million as of June 30, 2022.

At € -38.3 million, the net working capital – the difference between current assets (less cash and cash equivalents) and current liabilities (less short-term loans) – improved slightly from the figure reported on December 31, 2021 (€ -37.5 million).

Equity increased during the reporting period by € 0.8 million from € 90.7 as of December 31, 2021 to € 91.5 million. The reasons for this reduction include both the Group net result of € -0.1 million for the first half-year and the differences due to currency translation in the amount of € 1.0 million reported in equity. The equity ratio improved to 32.6% (as of December 31, 2021: 29.9%).

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 performance indicators.

Target achievement in relation to non-financial performance indicators is measured with the help of various instruments, such as annual employee appraisal, 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 and the minimization of our products' impact on the environment are 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 2022 (previous year: € 1.5 million). KHD invests over the long-term in targeted further development of its technology for cement plants. 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 especially important goal is to continue to minimize the CO₂ footprint associated with cement production in addition to reducing nitrogen oxide emissions (NO_x). In addition, the KHD Group is working on localizing the machine components for procurement and manufacturing in China as well as developing product versions oriented specifically toward the Chinese market. Moreover, improving major plant components and, above all, increasing the efficiency of cement production plants are ongoing subjects of research and development.

The KHD Group had 772 employees (excluding trainees) at the end of June 2022 (end of 2021: 737). The targeted increases in human resources affected primarily the group company in India.

Report on Events after the Reporting Period

Humboldt Wedag India Private Limited (“HW India”), New Delhi, India, concluded a package of major contracts with the customer UltraTech Cement Limited on August 10, 2022. The contract package relates to two new pyro lines and eight clinker grinding units (one with a slag grinding unit) with KHD roller presses. The order volume of more than € 50 million includes engineering and supply of equipment as well as supervision services related to erection and commissioning.

There were no further substantial developments or events of particular significance after the balance sheet date of June 30, 2022.

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.

The Russian invasion of Ukraine began on February 24, 2022. Extensive sanction packages against Russia were gradually imposed as a result, and consequently, counter-sanctions and other restrictions have been enacted. Further consequences of the existing uncertainty along with the sanctions and countermeasures include fluctuations on the capital markets, supply chain disruptions, and limitations with regard to the Russian supply of natural gas. The war in Ukraine along with the resulting international tensions and uncertainty continues at the current time. We will have to wait and see which specific effects it will have on the markets.

Indirect effects of the war in Ukraine include price increases and delivery delays for some components on one hand and a significant loss in value of a stock position held by KHD on the other. In our estimation, the Russian market is important and prospective in general, but only very limited business activities are possible there at the current time. KHD condemns the Russian invasion of Ukraine in the strongest terms and is strictly adhering to existing sanctions and restrictions. Nevertheless, the discontinuation of business relationships with customers in Russia is not seen as an appropriate, responsible action. The business

activities undertaken by KHD in Russia are currently at a low level in a multi-year comparison, so these risks appear manageable in the 2022 financial year.

Moreover, as of the date of this half-year report, there has been no significant change in the assessment of risks and opportunities in comparison with the 2021 balance sheet date.

For a detailed description of the risks and opportunities, please refer to the relevant section in the Group's combined management report as of December 31, 2021 (page 39 et seq. of the Group Annual Report).

Outlook

In its analysis (CW Research, "Global Cement Volume Forecast Report 1H2022 update"), CW Research forecasts that global cement demand will grow continuously again until 2026, but at a moderate level. CW Research expects an average annual growth in global cement demand of 1.6%. Without taking China into consideration, the forecast for average annual global growth until 2026 is 3.9%.

KHD confirms the outlook provided in the 2021 annual report for the 2022 financial year in its entirety. The forecast for order intake in the 2022 financial year was for a volume less than € 200 million. However, order intake in the first half-year in connection with the package of orders concluded by HW India as specified in the Report on Events after the Reporting Period provides an opportunity to achieve order intake greater than the forecast.

KHD also confirms the forecast with regard to revenue and expects revenue at about the same level of the 2021 financial year. Although KHD expects further improvement in both EBIT and adjusted EBIT for the 2022 financial year in comparison with the 2021 financial year, the figures will remain slightly negative. The figure for earnings before taxes (EBT) will be positive and will continue to improve in comparison with the previous year. Due to planned, project-related cash outflows, KHD continues to expect a negative operating cash flow in the single-digit millions range in the 2022 financial year.

In accordance with our budget, the financial and net assets position of KHD in the 2022 financial year will remain stable and will not change significantly in comparison with the previous year. The liquidity situation and the high equity ratio remain at a comfortable level, which provides KHD with the flexibility needed not only to cope with difficult market phases and the current, unsatisfactory earnings situation, but also to continue to develop its portfolio of products and services on an ongoing basis. The strategy adjustment made to focus on the markets and products with which we offer customers real added value is having a positive effect over the long term. In connection with further measures to increase competitiveness and support a culture of excellence and performance along with implementing our "Go China" strategy, KHD is convinced that sustainable positive results will be achieved again in the future.

Opportunities and Risks Relating to the Outlook for the Second Half-Year 2022

While the risk management system is, in principle, oriented toward the medium and long term, during the planning process special consideration 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 the short-term outlook.

There are risks, but also significant opportunities with regard to the predicted figures for order intake, particularly in the Capex segment. The awarding of individual large projects to KHD can significantly affect the order intake in the second half of the 2022 financial year. Despite close collaboration with customers during the tendering process, customer investment decisions and the awarding of individual projects to the Group can only be forecast with substantial uncertainty, which can lead to either higher or lower order intake.

The revenue and earnings forecast is mainly based on order backlog in the Capex segment and on the planning of business in the Plant Services segment, which is significantly less cyclical.

The risks and opportunities relating to the planned revenue and earnings figures are nevertheless significant in the second half-year of the 2022 financial year as well, since delays or accelerations in project execution, postponement of awarding projects included in the planned order intake, and unexpected changes in the results of specific projects can affect these figures.

Cologne, Germany, August 12, 2022

The Management Board

(s) Jianlong Shen
(Chair)

(s) Jürgen Luckas

(s) Dr. Matthias Jochem

(s) Tao Xing

(s) Matthias Mersmann

INTERIM GROUP FINANCIAL STATEMENTS

1 GROUP INCOME STATEMENT of KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2022

in € thousand	<u>Jan.1 - Jun. 30, 2022</u>	<u>Jan.1 - Jun. 30, 2021</u>
Revenue	93,103	89,475
Cost of sales	<u>(80,893)</u>	<u>(80,771)</u>
Gross profit	12,210	8,703
Other operating income	1,449	1,461
Sales expenses	(5,045)	(5,091)
General and administrative expenses	(7,610)	(6,368)
Other expenses	<u>(2,424)</u>	<u>(2,689)</u>
Profit before interest and taxes (EBIT)	(1,420)	(3,985)
Finance income	3,190	3,405
Finance expenses	<u>(1,132)</u>	<u>(431)</u>
Net finance income	2,058	2,974
Profit before tax (EBT)	638	(1,011)
Income tax expense	<u>(745)</u>	<u>(560)</u>
Group net result for the period	<u>(107)</u>	<u>(1,571)</u>
Of which are attributable to:		
Parent company shareholders	(97)	(1,582)
Non-controlling interests	<u>(10)</u>	<u>11</u>
	<u>(107)</u>	<u>(1,571)</u>
	<u>Jan.1 - Jun. 30, 2022</u>	<u>Jan.1 - Jun. 30, 2021</u>
Net loss attributable to shareholders (in € thousand)	(97)	(1,582)
Weighted average number of shares outstanding	49,703,573	49,703,573
Basic (undiluted) and diluted earnings per share (in €)	(0.00)	(0.03)

**2 GROUP STATEMENT OF COMPREHENSIVE INCOME for
KHD Humboldt Wedag International AG
for the Period from January 1 to June 30, 2022**

in € thousand	<u>Jan.1 - Jun. 30, 2022</u>	<u>Jan.1 - Jun. 30, 2021</u>
Group net result for the period	(107)	(1,571)
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Currency translation differences	957	526
	<hr/>	<hr/>
Other comprehensive income	957	526
Group comprehensive income	<u>850</u>	<u>(1,045)</u>
Of which attributable to:		
Parent company shareholders	860	(1,056)
Non-controlling interests	<u>(10)</u>	<u>11</u>
	<u>850</u>	<u>(1,045)</u>

As in the previous year, no income taxes on currency translation differences were applicable. As in the previous year, there are no deferred tax assets or liabilities related to actuarial gains and losses.

**3 GROUP BALANCE SHEET of
KHD Humboldt Wedag International AG
as of June 30, 2022**

<u>ASSETS</u>	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>
in € thousand		
Non-current assets		
Property, plant and equipment	11,189	10,806
Goodwill	3,851	3,851
Other intangible assets	1,044	1,162
Right of use	8,535	2,615
Trade and other receivables	210	297
Other financial assets	95,000	95,000
Future Income Tax Assets	1,134	1,150
Total non-current assets	120,963	114,881
Current assets		
Inventories	7,138	5,766
Contract assets	13,164	42,555
Trade and other receivables	43,076	48,616
Payments made in advance	26,962	23,718
Other financial assets	1,471	1,495
Income tax assets	1,594	1,386
Cash and cash equivalents	66,221	65,282
Total current assets	159,626	188,818
Total assets	<u>280,589</u>	<u>303,699</u>

<u>EQUITY AND LIABILITIES</u>	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>
in € thousand		
Equity		
Subscribed capital	49,704	49,704
Capital reserves	61,097	61,097
Currency translation differences recognized in equity	(9,780)	(10,737)
Retained earnings	(9,960)	(9,862)
Shares of equity attributable to shareholders of the parent company	91,061	90,202
Non-controlling interests	481	504
Total equity	91,542	90,706
Non-current liabilities		
Other liabilities	4,103	4,101
Lease Liabilities	7,663	1,703
Pension benefit obligation	16,265	16,867
Deferred tax liabilities	-	-
Provisions	4,310	4,308
Total non-current liabilities	32,341	26,979
Current liabilities		
Trade and other payables	66,905	108,495
Borrowings	25,000	25,000
Contract liabilities and advance payments received	47,018	35,608
Income tax liabilities	612	574
Provisions	17,171	16,337
Total current liabilities	156,706	186,014
Total equity and liabilities	280,589	303,699

**4 GROUP STATEMENT OF CASH FLOW for
KHD Humboldt Wedag International AG
for the Period from January 1 to June 30, 2022**

in € thousand	Jan.1 - June 30, 2022	Jan.1 - June 30, 2021
Cash flow from operating activities		
Group net result for the period	(107)	(1,571)
Income tax expense recognized in the income statement	745	560
Net finance income recognized in the income statement	(2,058)	(2,974)
Earnings before interest and taxes (EBIT)	(1,420)	(3,985)
Amortization and depreciation of non-current assets	1,497	1,336
Book gain (-)/loss on disposal of fixed assets	-	-
Increase(-)/decrease in trade receivables and financial assets	5,286	1,554
Increase (-)/decrease in inventories and gross amount due from customers for contract work	28,019	(12,955)
Increase (-)/decrease in payments made in advance and other financial assets	(3,220)	(10,577)
Increase (+)/decrease in trade and other payables and contract liabilities and advance payments	(30,180)	27,036
Increase (+)/decrease in pension benefit obligations	(602)	(601)
Increase (+)/decrease in provisions and non-current liabilities	838	681
Other non-cash-transactions	(995)	(586)
Other translation differences	(1,297)	(422)
Interest received	1,130	988
Interest paid	(23)	(119)
Income tax paid	(819)	(505)
Cash flow from operating activities	(1,786)	1,845
Cash flow from investing activities		
Cash outflow for intangible assets	(37)	(73)
Cash outflow for property, plant and equipment	(690)	(411)
Cash inflow from the disposal of property, plant and equipment	-	1
Interest received from Intercompany loans	2,388	2,514
Repayment of loans from affiliated companies	-	-
Extention of loans to affiliated companies	-	-
Non-cash increase of restricted cash	-	-
Cash flow from investing activities	1,661	2,031

in € thousand	June 30, 2022	June 30, 2021
Cash flow from financing activities		
Cash out for repayment of loans	-	-
Cash in for extension of loans	25,000	-
Redemption of lease liabilities	(937)	(669)
Dividends paid to parent company shareholders	(13)	-
Interest paid for loans	(240)	(240)
Cash flow from financing activities	23,810	(909)
Change in unrestricted cash and cash	(1,315)	2,961
Opening balance of unrestricted cash and cash equivalents	65,282	68,035
Exchange rate effects	2,254	948
Closing balance of unrestricted cash and cash equivalents	66,221	71,944

in € thousand	June 30, 2022	June 30, 2021
Composition of unrestricted cash and cash equivalents		
Current bank accounts and cash	33,576	39,012
Short-term bank deposits and restricted cash	32,645	32,932
Total cash and cash equivalents	66,221	71,944
Closing balance of unrestricted cash and cash equivalents	66,221	71,944

5 GROUP STATEMENT OF CHANGES IN EQUITY for KHD Humboldt Wedag International AG for the Period from January 1 to June 30, 2022

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, 2020/ Jan. 1, 2021	49,704	61,097	-	(13,132)	(9,028)	88,641	495	89,136
Group net result for the period	-	-	-	-	(1,582)	(1,582)	11	(1,571)
Currency translation differences	-	-	-	526	-	526	-	526
Group comprehensive income	-	-	-	526	(1,582)	(1,056)	11	(1,045)
June 30, 2021	49,704	61,097	-	(12,606)	(10,610)	87,585	506	88,091
Group net result for the period	-	-	-	-	443	443	11	454
Actuarial gains and losses and other effects on the group comprehensive income	-	-	-	-	305	305	-	305
Currency translation differences	-	-	-	1,869	-	1,869	-	1,869
Group comprehensive income	-	-	-	1,869	748	2,617	11	2,628
Dividend payments	-	-	-	-	-	-	(13)	(13)
Dec. 31, 2021	49,704	61,097	-	(10,737)	(9,862)	90,202	504	90,706
Group net result for the period	-	-	-	-	(97)	(97)	(10)	(107)
Currency translation differences	-	-	-	957	-	957	-	957
Group comprehensive income	-	-	-	957	(97)	860	(10)	850
Other changes	-	-	-	-	(1)	(1)	-	(1)
Dividend payments	-	-	-	-	-	-	(13)	(13)
June 30, 2022	49,704	61,097	-	(9,780)	(9,960)	91,061	481	91,542

6 NOTES TO THE INTERIM GROUP FINANCIAL STATEMENTS of KHD Humboldt Wedag International AG as of June 30, 2022

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 AG holds a 100% interest in KHD Humboldt Wedag GmbH ("KHD GmbH"), Cologne, Germany as of June 30, 2022, unchanged since December 31, 2021. The core business areas of the 11 Group companies of KHD AG are industrial plant engineering and providing related services. The strategic and operational focus of the companies is on planning plants and supplying equipment for 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 2022 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, 2021, 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, 2021 on page 61 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 made that impact 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 ruled out 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 assumptions for the impairment test of goodwill, the measurement of provisions, and the usability of tax loss carryforwards as well as the estimation of project costs and the percentage of completion in case of customer contracts with revenue recognition over time.

The KHD Group operates in the area of plant engineering and construction. Contracts in this area are frequently customer contracts with revenue recognition over time. In these cases, KHD determines the result and revenue according to the stage of completion based on the cost-to-cost method which calculates the stage of completion from the proportion of contract costs already incurred to the estimated total contract costs, i. e. an input method is applied. In the result, the revenue recognition over time for customer contracts is equivalent to the recognition of profit based on the stage of completion. An expected loss from customer contracts with revenue recognition over time is immediately recorded in full as an expense. When revenue is recognized over time, the estimate of the stage of completion is particularly important. Significant estimates include, in particular, the overall project costs, overall contract revenues, contract risks, and other relevant figures. When revenue is recognized over time, 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 endorsed by the European Union (EU).

Initial Application of Recently Published Standards

The following regulations were to be applied for the first in time in the 2022 financial year:

- IFRS 3: Amendments to update a reference to the conceptual framework.
- IFRS 9: Amendments resulting from the annual improvement cycle 2018-2020 (Fees in the '10 percent' test for derecognition of financial liabilities).
- Amendment to IFRS 16 to extend the application period in which lessees are provided with an exemption from assessing whether a COVID-19-related rent concession is a lease modification, published in March 2021, initial application in the 2022 financial year.
- IAS 16: Amendments prohibiting a company from deducting from the cost of property, plant and equipment from the income received from selling items produced while the company is preparing the asset for its intended use.
- IAS 37: Amendments regarding the costs to include when assessing whether a contract is onerous.

The application of these rules and amendments does not significantly affect the Group's net assets, financial position, and result of operations.

Published Standards for Which Application is Not Yet Required

In the current reporting period, the IASB has published a variety of standards, interpretations and changes to standards and interpretations, the application of which is not yet mandatory and which, in part, still require endorsement into EU law.

- Amendments to IAS 1: “Classification of liabilities as current or non-current”, published in January 2020, initial application in the 2023 financial year.
- Amendments to IAS 1: “Disclosure of Accounting and Measurement Principles”, published in February 2021, initial application in the 2023 financial year.
- Amendments to IAS 8: “Changes in Accounting Estimates”, published in February 2021, initial application in the 2023 financial year.
- Amendments to IAS 12: Amendments with regard to deferred taxes on leases and decommissioning provisions, published in May 2021, initial application in the 2023 financial year.

KHD does not expect these amendments to result in any significant effects on the Group's net assets, financial position, and result of operations.

4. Consolidation

Subsidiaries are the companies in which investments are held and in which KHD AG 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 AG this is regularly the case when KHD AG 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 AG 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:

<u>Name of company</u>	<u>Registered office</u>	<u>Main business</u>	<u>Capital and voting rights in % June 30, 2022</u>	<u>Capital and voting rights in % Dec. 31, 2021</u>		<u>Currency</u>	<u>Subscribed capital June 30, 2022</u>	<u>Subscribed capital Dec. 31, 2021</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 Vermögensverwaltungs-AG	Cologne, Germany	Asset management	91.26	91.26	I	€	3,600,000	3,600,000
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	100.00	100.00	D	USD	2,100,000	2,100,000
KHD Humboldt Engineering OOO	Moscow, Russia	Plant engineering	100.00	100.00	I	RUB	3,722,222	3,722,222
Humboldt Wedag Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	Sales	100.00	100.00	I	MYR	500,000	500,000
Humboldt Wedag Do Brasil Servicos Technicos Ltda.	Belo Horizonte, Brazil	Sales	100.00	100.00	I	BRL	801,847	801,847

D = directly owned

I = indirectly owned

5. Segment Reporting

For KHD, reporting is done in two separate segments. The Capex segment (project business) is differentiated from the Plant Services segment (after sales business). Segment reporting is oriented towards internal Group management control and internal financial reporting, i. e. it is based on the management approach. The business activities of the two reportable segments include the following 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 directly linked to the equipment supply. This encompasses process technology, design, engineering, project management, and the supply of technology and equipment. In addition, the supervision of erection and commissioning of cement plants is allocated to this segment. General and administrative expenses, sales expenses, and other expenses (particularly 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.

The key figures of the balance sheet and income statement in particular form the basis for the management and controlling of the KHD Group. For the operating segments, however, key figures are determined only for the income statement and for order intake, 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 business development for the 2022 and 2021 financial half-years.

in € thousand	Capex	Plant Services	Total Group	Capex	Plant Services	Total Group
	Jan. 1 - June 30, 2022	Jan. 1 - June 30, 2022	Jan. 1 - June 30, 2022	Jan. 1 - June 30, 2021	Jan. 1 - June 30, 2021	Jan. 1 - June 30, 2021
Order intake	71,906	27,933	99,839	100,662	18,274	118,936
Revenue	70,940	22,163	93,103	74,129	15,345	89,475
Cost of sales	(64,242)	(16,651)	(80,893)	(70,133)	(10,638)	(80,771)
Gross profit	6,698	5,512	12,210	3,996	4,707	8,703
Other operating income	1,449	-	1,449	1,461	-	1,461
Sales expenses	(3,629)	(1,416)	(5,045)	(3,506)	(1,585)	(5,091)
General administrative expenses	(6,106)	(1,504)	(7,610)	(5,115)	(1,254)	(6,368)
Reorganization costs	-	-	-	-	-	-
Other expenses	(2,424)	-	(2,424)	(2,689)	-	(2,689)
Earnings before interest and taxes (EBIT)	(4,012)	2,592	(1,420)	(5,853)	1,868	(3,985)
Net finance income			3,190			2,974
Profit before tax			(1,132)			(1,011)
<i>for information:</i>						
<i>depreciation and amortization</i>	-		(1,497)	-		(1,332)

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.

KHD only reports revenue from external customers in its segment reports, i. e. revenue between the two segments is already eliminated. Currently, the segments do not recognize revenue with the respective, other segment. Transactions between the two segments are in line with market conditions.

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

in € thousand	Revenue		Non-current assets	
	Jan.1 - Jun. 30, 2022	Jan.1 - Jun. 30, 2021	June 30, 2022	Dec. 31, 2021
	India	42,203	17,662	10,081
North America	23,500	44,730	791	780
Rest Asia	12,823	8,730	-	-
Rest of Europe	3,169	2,266	-	-
Middle East	3,152	2,033	-	-
Russia	3,018	2,670	1,729	1,728
China	2,123	6,875	47	104
Germany	1,285	537	11,970	6,074
Africa	907	1,075	-	-
South America	399	629	-	-
Other	524	2,268	-	-
	93,103	89,475	24,618	18,434

in € thousand	Order Intake		Order Backlog	
	Jun. 30, 2022	Jun. 30, 2021	June 30, 2022	Dec. 31, 2021
	India	52,839	86,454	109,647
Rest of Asia	16,009	9,305	48,746	45,017
Middle East	15,536	3,655	16,373	3,989
North America	4,861	8,061	59,444	72,494
Rest of Europe	4,158	5,103	8,002	7,014
Russia	1,818	2,094	12,358	13,242
China	1,534	2,094	5,418	5,832
Africa	1,214	153	5,175	4,866
South America	954	1,020	1,008	400
Germany	726	532	577	1,137
Other	190	466	1,145	1,477
	99,839	118,937	267,893	252,073

6. Contract Assets and Contract Liabilities and Advance Payments Received

The measurement of customer contracts with revenue recognition over time takes the cost of sales plus proportionate profits depending on the stage of completion less progress billings into consideration. Expected contract losses from ongoing customer contracts are reported in the provisions.

in € thousand	<u>June 30, 2022</u>	<u>Dec. 31, 2021</u>
Costs incurred to date for construction contracts with realization of revenues over time	289,189	260,655
Proportionate results under these contracts recognized to date	9,368	12,269
Total costs incurred and profits recognized	<u>298,557</u>	<u>272,924</u>
Less progress billings	<u>(319,902)</u>	<u>(256,870)</u>
Balance of contract assets and contract liabilities	<u>(21,345)</u>	<u>16,054</u>
This amount is comprised as follows:		
Contract assets	13,164	42,555
Contract liabilities	<u>(34,509)</u>	<u>(26,501)</u>
	<u>(21,345)</u>	<u>16,054</u>
Disclosure on the credit side of the balance sheet		
Contract liabilities	(34,509)	(26,501)
Advance payments received	<u>(12,509)</u>	<u>(9,107)</u>
Contract liabilities and advance payments received	<u>(47,018)</u>	<u>(35,608)</u>

The net position of contract assets and contract liabilities and advance payments received decreased by € 37,399 thousand from € 16,054 thousand to € -21,345 thousand. Of the revenue of € 93,103 thousand recognized in the reporting period (first half-year 2021: € 89,475 thousand), € 75,464 thousand is attributable to customer contracts with revenue recognition over time based on the stage of completion (first half-year 2021: € 73,732 thousand).

The impairment of contract assets for expected credit rating losses recognized in the reporting period is insignificant.

The measurement of customer contracts with revenue recognition over time is affected by estimations with respect to project revenue and project costs. Here particularly costs to complete and, therefore, total estimated costs are subject to changes in estimates. Changes in estimates for projects are included in the calculation of the amount of revenue and expenses recognized in 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 directly affect the recognized result from customer contracts with revenue recognition over time.

7. Cash and Cash Equivalents

The Group discloses cash and cash equivalents in the amount of € 66,221 thousand (as of December 31, 2021: € 65,282 thousand).

in € thousand	June 30, 2022	Dec. 31, 2021
Bank balances and cash on hand	33,576	44,305
Short-term bank deposits	32,645	20,977
	66,221	65,282

8. Other Expenses

in € thousand	Jan. 1- June 30, 2022	Jan. 1- June 30, 2021
Research and development	1,224	1,467
Exchange rate losses and expenses from derivatives	838	1,008
Miscellaneous expenses	362	214
	2,424	2,689

9. Income Tax Expenses

The expenses recognized in the first half-year 2022 for income taxes amount to € 745 thousand (first half-year 2021: € 560 thousand). The income tax expense is composed as follows:

in € thousand	Jan. 1- June 30, 2022	Jan. 1- June 30, 2021
Current tax expense	(710)	(519)
Deferred tax expense / income	(35)	(41)
Tax expense for the year	(745)	(560)

For the interim financial statements, the taxes are calculated using the estimated effective tax rate of the respective company.

10. Transactions with Related Parties

As defined by IAS 24, in addition to the subsidiaries of KHD, the related companies also include both 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 the aforementioned companies. Because 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 Indirect Parent Companies

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, 2022, AVIC Beijing continues to hold the majority of KHD stocks indirectly (89.02%).

Relationships to other Related Companies

KHD AG concluded a consulting contract in the 2019 financial year with 4-stream consulting GmbH, Roetgen, considered an affiliated company because of its connection to Dr. Matthias Jochem (Management Board member since June 1, 2019). According to the contractual agreement, € 145 thousand was recorded by KHD AG as expenses for consulting services provided in the period from January 1 through June 30, 2022. The liabilities due to 4-stream consulting GmbH as of June 30, 2022 total € 24 thousand (as of December 31, 2021: € 24 thousand).

KHD AG granted two loans to AVIC International Kairong Limited (AVIC Kairong), Hong Kong, each for € 50,000 thousand, in the 2017 financial year. According to the contractual agreement of June 30, 2020, the term of the two loans was extended by three years. As of June 30, 2022, based on payments of € 5,000 thousand, the first loan still amounts to € 45,000 thousand, unchanged since December 31, 2021. The second loan is reported at € 50,000 thousand since its term began. Interest on the two loans since the beginning of the extended terms (July 22, 2020 and November 13, 2020) amounts to 5.0% per annum.

KHD has the right to demand full or partial repayment of the first loan (€ 45,000 thousand) at any time before the due date with a notification period of 30 days. Both loans are secured by a corporate guarantee from AVIC.

The following transactions took place with related companies in the first half-year 2022:

Income

in € thousand	Jan. 1- June 30, 2022	Jan. 1- June 30, 2021
Indirect parent company	2,197	5,377
Other related companies	2,388	2,514
	<u>4,585</u>	<u>7,891</u>

The income with indirect parent companies relates exclusively to income from project business. Only interest income from the loans extended to AVIC Kairong in the amount of € 2,388 thousand (previous year: € 2,514 thousand) is reported under income with other affiliated companies.

Expenses

In the first half-year 2022, as in the previous year, there were no expenses from transactions with indirect parent companies.

Current Assets

in € thousand	June 30, 2022	Dec. 31, 2021
Indirect parent company	3,929	3,526
	<u>3,929</u>	<u>3,526</u>

As of June 30, 2022, current assets due from the companies of the AVIC Group amounted to € 3,929 thousand (as of December 31, 2021: € 3,526 thousand). These were exclusively the result of project receivables.

Non-current Assets

Non-current assets include the two loans granted to AVIC Kairong for a total of € 95,000 thousand (as of December 31, 2021: € 95,000 thousand).

Liabilities

Liabilities due to indirect parent companies amount to € 4,389 thousand (as of December 31, 2021: € 2,789 thousand).

in € thousand	June 30, 2022	Dec. 31, 2021
Indirect parent company	4,389	2,789
	<u>4,389</u>	<u>2,789</u>

11. Additional Notes on Financial Instruments

List of the Financial Assets and Liabilities by Category

June 30, 2022	Financial assets Measurement according to IFRS 9				Financial liabilities Measurement according to IFRS 9			Carrying amount June 30, 2022	Fair value June 30, 2022
	Fair value through OCI	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Fair value through P&L	Amortized cost	Not in IFRS 9 application area		
Non-current financial assets	-	-	95,210	-	-	-	-	95,210	93,545
Trade receivables	-	-	35,805	-	-	-	-	35,805	-
Related party receivables	-	-	3,029	-	-	-	-	3,029	-
Contract assets	-	-	13,164	-	-	-	-	13,164	-
Other financial assets	-	473	998	-	-	-	-	1,471	473
Derivatives	-	-	-	-	-	-	-	-	-
Other receivables	-	-	2,676	1,566	-	-	-	4,242	-
Cash and cash equivalents	-	-	66,221	-	-	-	-	66,221	-
Total financial assets	-	473	217,103	1,566	-	-	-	219,142	94,018
Financial liabilities	-	-	-	-	-	18	-	18	-
Loan	-	-	-	-	-	25,000	-	25,000	25,000
Contract liabilities	-	-	-	-	-	47,018	-	47,018	-
Other liabilities	-	-	-	-	-	5,297	4,103	9,400	-
Derivatives	-	-	-	-	-	-	-	-	-
Trade payables	-	-	-	-	-	59,319	-	59,319	-
Total financial liabilities	-	-	-	-	-	136,652	4,103	140,755	25,000

Dec. 31, 2021	Financial assets Measurement according to IFRS 9				Financial liabilities Measurement according to IFRS 9			Carrying amount Dec. 31, 2021	Fair value Dec. 31, 2021
	Fair value through OCI	Fair value through P&L	Amortized cost	Not in IFRS 9 application area	Fair value through P&L	Amortized cost	Not in IFRS 9 application area		
in € thousand									
Non-current financial assets	-	-	95,297	-	-	-	-	95,297	94,928
Trade receivables	-	-	38,474	-	-	-	-	38,474	-
Related party receivables	-	-	3,527	-	-	-	-	3,527	-
Contract assets	-	-	42,555	-	-	-	-	42,555	-
Other financial assets	-	1,168	327	-	-	-	-	1,495	1,168
Derivatives	-	-	-	-	-	-	-	-	-
Other receivables	-	-	2,234	4,381	-	-	-	6,615	-
Cash and cash equivalents	-	-	65,282	-	-	-	-	65,282	-
Total financial assets	-	1,168	247,696	4,381	-	-	-	253,245	96,096
Financial liabilities	-	-	-	-	-	20	-	20	-
Loan	-	-	-	-	-	25,000	-	25,000	25,000
Contract liabilities	-	-	-	-	-	35,608	-	35,608	-
Other liabilities	-	-	-	-	-	5,918	4,101	10,019	-
Derivatives	-	-	-	-	-	62	-	62	62
Trade payables	-	-	-	-	-	100,621	-	100,621	-
Total financial liabilities	-	-	-	-	-	167,229	4,101	171,330	25,062

The carrying amounts reported as of June 30, 2022 are equivalent to the fair values in the instances where there is no explicit disclosure.

The fair values for the financial assets and liabilities held for trading purposes and for the long term guaranteed loan to AVIC Kairong 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.

Financial Assets and Financial Liabilities	Fair value		Hierarchy	Measurement method	Significant unobservable input(s)
	June 30, 2022	Dec. 31, 2021			
Derivatives	Financial assets: € 0 thousand Financial liabilities: € 180 thousand	Financial assets: € 0 thousand Financial liabilities: € 62 thousand	Level 2	Discounted cash flow	N/A
Securities	Financial assets: € 473 thousand	Financial assets: € 1,168 thousand	Level 1	Listed price on an active market	N/A

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. As part of these guarantee facilities, the Group has provided bank guarantees within the scope of its normal business activities in the amount of € 63.8 million (as of December 31, 2021: € 55.8 million).

13. Responsibility Statement

We assure that, to the best of our knowledge and in accordance with the applicable reporting standards for half-year financial reporting, the Group's half-year financial statements give a true and fair view of the net assets, financial position, and result of operations of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group 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 in addition to further applicable International Accounting Standards and the applicable interpretations of the IFRS Interpretations Committee.

Cologne, Germany, August 12, 2022

The Management Board

(s) Jianlong Shen
(Chair)

(s) Jürgen Luckas

(s) Dr. Matthias Jochem

(s) Tao Xing

(s) Matthias Mersmann