

HALF-YEAR FINANCIAL REPORT

2023



ISIN: DE0006578008

GERMAN SECURITIES IDENTIFICATION NUMBER (WKN): 657800

Stock Exchange Symbol: KWG

www.khd.com

Summary of the First Half-Year 2023

- KHD is consistently continuing on its path to sustainable profitability
- Considerable improvement in gross profit – considerable improvement in gross profit margin
- Positive operating result (EBIT) (€ 1.2 million)
- Group earnings before taxes (EBT) of € 3.4 million – significantly better than earnings in the previous year (€ 0.6 million)

Key Figures at a Glance

in € million	Jan. 1 - June 30, 2023	Jan. 1 - June 30, 2022	Deviation	
			absolute	in %
Order intake	82.0	99.8	-17.8	-17.8
Revenue	104.7	93.1	11.6	12.5
Adjusted gross profit	16.7	12.2	4.5	36.9
<i>Adjusted gross profit margin (in %)</i>	<i>15.9</i>	<i>13.1</i>	<i>2.8</i>	
Adjusted EBIT	1.6	-1.4	3.0	217.7
<i>Adjusted EBIT margin (in %)</i>	<i>1.6</i>	<i>-1.5</i>	<i>3.1</i>	
EBT	3.4	0.6	2.8	461.6
Group net result for the period	2.3	-0.1	2.4	
EPS (in €)	0.05	0.00	0.05	
Operating cash flow	-3.9	-1.8	-2.1	
Cash flow from investing activities	16.0	1.7	14.3	
Cash flow from financing activities	-26.4	-1.2	-25.2	
in € million	Jun. 30, 2023	Dec. 31, 2022	Deviation	
			absolute	in %
Equity	94.4	92.4	2.0	2.2
<i>Equity ratio (in %)</i>	<i>41.4</i>	<i>36.4</i>	<i>5.0</i>	
Cash and intercompany loans *	85.8	137	-51.2	-37.3
Net working capital **	-10.9	-16.6	5.7	-34.4
Order backlog	228.1	254.6	-26.5	-10.4
Employees	800	791	9	1.1

* Including intercompany loan of € 10 million (previous year: € 35 million) with entitlement to call for early repayment by giving 30 days' notice

** Balance of current assets (less cash and cash equivalents, deposits and current loan receivables) and current liabilities (less short-term bank loans)

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, 2023

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, 2022, p. 13 et seq.) during the first half-year 2023. The strategic focus of KHD in 2023 is on implementing the six initiatives introduced during the Annual General Meeting:

- Benefit from the “green transition”;
- Go China/India and improving the presence in markets;
- EPC (Engineering, Procurement, Construction);
- Expanding the service portfolio and digitalization;
- Modernizing/upgrading of cement plants;
- Increasing our competitiveness and operational excellence.

Fully decarbonizing the cement industry will be obligatory by 2030 at the latest. A commensurate conversion of the cement plants will require investments in the billions. For this reason, the further development of products and concepts to reduce CO₂ emissions is of central importance to KHD with regards to innovation.

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. Moreover, KHD is in a position to participate in EPC tenders together with strategic partners as part of a consortium.

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, 2022, page 18 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 30,2023</u>	<u>Jan. 1- June 30,2022</u>
EBIT prior to adjustments	1.2	-1.4
Deconsolidation result	<u>0.4</u>	<u>0.0</u>
Adjusted EBIT	<u>1.6</u>	<u>-1.4</u>

As the European Union’s sanctions against Russia have tightened, the IFRS 10.7 criteria for control are no longer completely met regarding the Russian subsidiary KHD Humboldt Engineering OOO (“KHD OOO”), Moscow, Russia. Accordingly, since June 1, 2023 KHD OOO is no longer included in the consolidated financial statements by way of full consolidation, but as an associated company it is accounted for by using the equity method. The result from deconsolidation in accordance with IFRS 10.25–26 and B97–99 amounted to € -0.4 million.

Economic Report

Market Environment

Due to persistent inflation and turbulence in the financial sector, the hopes for a “soft landing” of the global economy that prevailed at the beginning of 2023 were not completely fulfilled. The International Monetary Fund (IMF) expects 2.8% growth in the global economic output for 2023 after 3.4% in 2022 (IMF World Economic Outlook April 2023). Besides Russia’s ongoing war of aggression against Ukraine, China’s faltering economic growth also impacts the global economy.

According to an analysis by CW Research (“Global Cement Volume Forecast Report 1H2023 update”), cement consumption declined by 4.9% worldwide in 2022, to a level of 4.0 billion tons in total. If China is disregarded, a 3.0% growth in cement consumption can be determined. In China, the cement market declined by 10.4% in 2022. Over the medium term, CW Research basically expects the worldwide cement consumption (without China) to pick up again slightly and increase by an average of 1.8% annually until 2027. China’s cement consumption is expected to decline by an average of 0.3%. Total cement consumption of 4.4 billion tons is expected for 2027.

Expectations for 2023 vary widely by region. A 5.0% increase in demand is assumed for Asia (without China), and CW Research expects a plus of 3.0% for the Middle East and 2.6% for Africa. In Western Europe, on the other hand, a 0.2% decline is projected, according to the expectations of CW Research. For North America, a 2.0% decline in demand is expected in 2023. For China, cement consumption is expected to decrease over the long term despite state infrastructure projects and the end of the Zero-COVID strategy. However, a slight increase of 0.5% is projected for 2023 following the sharp decline in the previous year.

In the markets that are particularly relevant for KHD there is satisfactory demand overall for our portfolio of products and services. 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. Our products and concepts for avoiding CO₂ emissions offer our customers a significant contribution to the path towards decarbonization and are paramount for our development in the medium and long terms. Furthermore, 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 2023 exceeded our outlook published in March regarding the operating result (EBIT) and the Group earnings before taxes (EBT). For the entire year 2023, KHD expects to fully reach the forecast for order intake and revenue. For the adjusted EBIT and the adjusted EBIT margin, KHD expects positive values due to significant improvements.

In the first half-year 2023, order intake (€ 82.0 million) was below the level of the previous year (€ 99.8 million), as expected. KHD achieved revenue amounting to € 104.7 million, which was therefore 12.5% higher than the value of the first six months of the 2022 financial year (€ 93.1 million). This meets our forecast of revenue being above the previous year's level. The cost of sales totaled € 88.0 million (previous year: € 80.9 million). The gross profit increased by 36.9% to € 16.7 million (previous year: € 12.2 million). The gross profit margin was 15.9% (13.1% in the first half-year 2022). The EBIT improved to € 1.2 million, and the adjusted EBIT improved to € 1.6 million following € -1.4 million in the previous year.

After having already achieved positive earnings before tax (EBT) amounting to € 2.2 million in the 2022 financial year and concluding the first six months of the current financial year with positive EBT in the amount of € 3.4 million (previous year: € 0.6 million), we expect positive EBT for the entire 2023 financial year that will be significantly above the level of the previous year. With the six initiatives arising from the strategy implementation, we are convinced we will achieve sustainable profitability.

The cash flow from operating activities totaled € -3.9 million in the first six months (previous year: € -1.8 million).

Business Development

Order intake reached a value of € 82.0 million in the first half-year 2023 (previous year: € 99.8 million). Investment decisions of individual customers in the Capex segment were delayed. In the Plant Services segment, order intake was below the value of the previous year but within the scope of our planning.

New orders totaling € 61.6 million placed in the Capex segment in the first half-year 2023 did not reach the figure attained in the first half-year 2022 (€ 71.9 million). Orders from India in particular contributed to order intake in this segment. In the Plant Services segment, order intake during the reporting period amounted to € 20.4 million. This was below the value of the previous year (€ 27.9 million) but within the scope of our forecast. The spare parts and services business contributed 24.8% to the overall order intake (previous year: 28.0%).

Order backlog as of June 30, 2023, decreased by € 26.5 million in comparison with the figure of December 31, 2022, to € 228.1 million. Effects of exchange rate fluctuations, which are reported as an adjustment to order backlog, amounted to € -2.8 million (previous year: € 9.1 million).

Group Earning Situation

KHD's revenue of € 104.7 million was higher than the previous year's figure (€ 93.1 million). Significant contributions to revenue in the Capex segment came primarily from projects in India, the USA, and Asia (without China). With a 12.5% increase in revenue and an 8.8% increase in the cost of sales compared with the previous year, the gross profit for the first half-year 2023 of € 16.7 million was considerably above the level of the previous year (€ 12.2 million). The gross profit margin increased from 13.1% to 15.9%.

Sales expenses (€ 6.0 million) were 19.1% above the value of the first six months of the previous year (€ 5.0 million) and mostly result from the intensified market development, including higher travel expenses. The general and administrative expenses, on the other hand, were slightly reduced to € 7.4 million (previous year: € 7.6 million). At € 2.6 million, other expenses were slightly above the previous year's level (€ 2.4 million). In addition to increased research and development expenses of € 1.6 million (previous year: € 1.2 million), other expenses also include currency exchange rate fluctuations and changes in market value of derivative financial instruments of € 0.7 million (previous year: € 0.8 million). Expenses resulting from exchange rate effects are balanced by income from exchange rate effects in the amount of € 0.7 million (previous year: € 1.0 million).

As of June 1, 2023, KHD OOO ceased to be a fully consolidated company and has since been accounted for using the equity method. Effects from the deconsolidation amounted to € -0.4 million. The income from the update of the proportionate equity under the equity method totaled € 0.1 million.

Earnings before interest and taxes (EBIT) are positive at € 1.2 million, after a negative value in the previous year (€ -1.4 million). Adjusted for the deconsolidation effects, EBIT totals € 1.6 million. As a result, the EBIT margin of -1.5% in the previous year improved to 1.2%, or to an adjusted EBIT margin of 1.6%.

The Group's net finance income (€ 2.1 million) was at the level of the previous year (€ 2.1 million). Finance income of € 3.0 million (previous year: € 3.2 million) includes interest received in the amount of € 2.1 million (previous year: € 2.4 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 currently totaling € 60.0 million is 5.0% per annum. Finance expenses of € 0.8 million (previous year: € 1.1 million) includes interest expenses in the amount of € 0.5 million (previous year: € 0.2 million) for a bank loan amounting to € 25.0 million, which was fully repaid in June of the reporting year.

The first half-year 2023 concluded with € 2.3 million of net profit for the period. During the previous year, slightly negative Group net loss amounting to € -0.1 million was reported. Basic and diluted earnings per share totaled € 0.05 (previous year: € 0.00).

Segment Earnings Situation

Revenue in the Capex segment in the first half-year 2023 reached € 72.2 million, thus slightly above the previous year's figure (€ 70.9 million), as we expected. In the Plant Services segment, however, in comparison with the same period in the previous year revenue increased considerably from a total of € 22.2 million in the first six months of 2022 to a current figure of € 32.6 million, an increase of 46.8%. The Plant Services segment contributed 31.1% to the total revenue; during the same period in the previous year, it contributed 23.8%.

The gross profit in the Capex segment decreased from € 6.7 million to € 5.5 million, with slightly higher revenue in comparison with the previous year. The gross profit margin in this segment was 7.6% (previous year: 9.4%). The Plant Services segment doubled the gross profit with an amount of € 11.2 million compared with the previous year (€ 5.5 million). Accordingly, the gross profit margin reached 34.4% (previous year: 24.9%).

In the reporting period, EBIT in the Capex segment was € -6.8 million, a decrease of € 2.8 million in comparison with the previous year (€ -4.0 million). EBIT in the Plant Services segment, however, increased in the first half-year 2023 – primarily due to the considerably higher revenue in comparison with the previous year and the greatly improved margin – to € 8.0 million, following a figure of € 2.6 million in the same period in 2022.

Financial Position and Net Assets

Liquidity Statement

The total cash and cash equivalents decreased in the first half-year 2023 by € 14.9 million, from € 40.7 million as of December 31, 2022, to € 25.8 million as of June 30, 2023. Compared with the previous year, financial investment with a term of more than three months amounting to € 9.6 million are presented as other financial assets on the balance sheet date. Moreover, the negative cash flow from operating activities amounting to € -3.9 million (previous year: € -1.8 million) led to a reduction of cash and cash equivalents.

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

Cash flow from operating activities for the first half-year 2023	<u>in € thousand</u>
Cash flow from customer contracts with revenue recognition over time	967
Cash flow from current liabilities / invoices from subcontractors	(8,580)
Cash flow from changes in receivables	141
Cash flow from changes in provision and long-term liabilities	(1,092)
Cash inflow from result (EBITDA)	2,201
Cash flow from tax payments made / received	(829)
Other cash inflows and outflows	3,323
Cash flow from operating activities	<u>(3,869)</u>

Cash flow from investing activities of € 16.0 million was significantly above the previous year's figure (€ 1.7 million) and particularly included cash outflow for financial investments with a term of more than three months (€ 9.6 million) in addition to interest payments received for the loans granted to AVIC Kairong (€ 2.1 million) and the partial repayment of € 25.0 million received from AVIC Kairong for a loan granted. The cash and cash equivalents received were used to repay a bank loan of € 25.0 million in full. Accordingly, the cash flow of € -26.4 million from financing activities (previous year: € -1.2 million) shows a clearly negative value. Taking the effects of currency exchange rates in the amount of € -0.4 million (previous year: € 2.3 million) as well as changes in the scope of consolidation (€ -0.2 million; previous year: € 0.0 million) into consideration, unrestricted cash and cash equivalents as of June 30, 2023, totaled € 25.8 million (December 31, 2022: € 40.7 million).

Total Assets

The total assets of KHD decreased from the figure at the end of 2022 (€ 254.0 million) by € 26.0 million to a current total of € 228.0 million. The non-current assets of the Group as of June 30, 2023, amounted to € 26.0 million (December 31, 2022: € 26.4 million) and essentially contained property, plant, and equipment (€ 13.5 million; December 31, 2022: € 13.0 million); rights of use in accordance with IFRS 16 (€ 8.3 million; December 31, 2022: € 9.1 million) as well as goodwill (€ 2.1 million; December 31, 2022: € 2.2 million). Current assets also decreased in comparison with the balance sheet date of December 31, 2022 (€ 202.1 million; December 31, 2022: € 227.6 million). The biggest reduction in the current

assets came from the loans granted to AVIC Kairong, which amounted to € 85.0 million as of December 31, 2022, and € 60.0 million as of June 30, 2023. Contract assets increased from € 17.5 million at the end of 2022 to € 25.2 million. Trade receivables and other receivables, with a total value of € 45.2 million, were at the level of the figure at the end of 2022 (€ 45.3 million). Cash and cash equivalents decreased from € 40.7 at the end of 2022 to € 25.8 million as of June 30, 2023.

Financing

On the liabilities side, non-current liabilities decreased in comparison with December 31, 2022, by € 27.0 million to € 27.4 million. The primary reason was the full repayment of a bank loan amounting to € 25.0 million in June 2023.

Current liabilities at the end of the first half-year 2023 remained almost at their value as of December 31, 2022 (€ 107.2 million), with a total amount of € 106.2 million. At the same time, trade and other payables decreased by € 10.6 million to € 45.9 million, while contract liabilities and advance payments received increased from € 35.0 million at the end of 2022 to € 45.6 million as of June 30, 2023.

At € -10.9 million, the net working capital – the difference between current assets (less cash and cash equivalents, deposits, and current loan receivables) and current liabilities (less short-term bank loans) – deteriorated compared with the figure reported on December 31, 2022 (€ -16.6 million).

Equity increased during the reporting period by € 2.0 million from € 92.4 million as of December 31, 2022, to € 94.4 million. The reasons for this improvement include both the Group net result of € 2.3 million for the first half-year and the currency translation differences recognized in equity in the amount of € -0.3 million. The equity ratio improved to 41.4% (as of December 31, 2022: 36.4%).

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 € 1.6 million in the first half-year 2023 (previous year: € 1.2 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 800 employees (excluding trainees) at the end of June 2023 (end of 2022: 791). The targeted increases in human resources affected primarily the group company in India.

Report on Events after the Reporting Period

In July 2023, KHD AG and AVIC Kairong extended the loans granted to AVIC Kairong, which amount to € 60.0 million in total, by an additional three years. The agreed interest rate is still 5.0%.

There were no further substantial developments or events of particular significance after the balance sheet date of June 30, 2023.

Risk and Opportunities Report

KHD's approach to risk management ensures that changes in the risk position are promptly identified. To the extent required, balance sheet 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. 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 2022 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, 2022 (page 40 et seq. of the Group Annual Report).

Outlook

In its analysis ("Global Cement Volume Forecast Report 1H2023 update"), CW Research forecasts that global cement demand will grow continuously again until 2027, but at a moderate level. CW Research expects an average annual growth in global cement demand of 1.8%. Without taking China into consideration, the forecast for average annual global growth until 2027 is 4.0%.

KHD confirms the outlook provided in the 2022 annual report for the 2023 financial year regarding order intake, revenue, and operating cash flow. Regarding adjusted EBIT and the adjusted EBIT margin, the Group is aiming for figures above those given in the outlook from March 2023.

The forecast for order intake in the 2023 financial year is unchanged, with a volume moderately below the figure from 2022 (€ 219 million). With regard to revenue, KHD expects figures slightly above the level of the 2022 financial year (€ 210 million). KHD not only expects significant improvements in adjusted EBIT for the 2023 financial year in comparison with the 2022 financial year, but also positive values already in the current year (forecast: slightly negative). The figure for earnings before taxes (EBT) will reach a clearly positive

value that is further improved in comparison with the previous year. KHD continues to expect a positive operating cash flow in the single-digit millions range in the 2023 financial year.

In accordance with our budget, the financial and net assets position of KHD in the 2023 financial year will remain stable and will not change significantly in comparison with the 2022 financial 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, but also to continue to develop its portfolio of products and services on an ongoing basis. With the implementation of the six initiatives arising from the adjusted strategy, KHD is convinced that it will achieve sustainable positive results in the future.

Opportunities and Risks Relating to the Outlook for the Second Half-Year 2023

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 planned figures even in the case of short-term forecasts.

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 2023 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 2023 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 14, 2023

The Management Board

(s) Jianlong Shen
(Chairman)

(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, 2023

in € thousand	Jan.1 - Jun. 30, 2023	Jan.1 - Jun. 30, 2022
Revenue	104,749	93,103
Cost of sales	(88,047)	(80,893)
Gross profit	16,702	12,210
Other operating income	830	1,449
Sales expenses	(6,007)	(5,045)
General and administrative expenses	(7,399)	(7,610)
Other expenses	(2,624)	(2,424)
Other financial income	146	-
Other financial expense	(415)	-
Profit before interest and taxes (EBIT)	1,233	(1,420)
Finance income	2,955	3,190
Finance expenses	(818)	(1,132)
Net finance income	2,137	2,058
Profit before tax (EBT)	3,370	638
Income tax expense	(1,073)	(745)
Group net profit/ loss for the period	2,297	(107)
Of which are attributable to:		
Parent company shareholders	2,292	(97)
Non-controlling interests	5	(10)
	2,297	(107)
	Jan.1 - Jun. 30, 2023	Jan.1 - Jun. 30, 2022
Net result attributable to shareholders (in € thousand)	2,292	(97)
Weighted average number of shares outstanding	49,703,573	49,703,573
Basic (undiluted) and diluted earnings per share (in €)	0.05	(0.00)

**2 GROUP STATEMENT OF COMPREHENSIVE INCOME for
KHD Humboldt Wedag International AG
for the Period from January 1 to June 30, 2023**

in € thousand	<u>Jan.1 - Jun. 30, 2023</u>	<u>Jan.1 - Jun. 30, 2022</u>
Group net profit/ loss for the period	2,297	(107)
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Currency translation differences	<u>(266)</u>	<u>957</u>
Other comprehensive income	(266)	957
Group comprehensive income	<u>2,031</u>	<u>850</u>
Of which attributable to:		
Parent company shareholders	2,026	860
Non-controlling interests	<u>5</u>	<u>(10)</u>
	<u>2,031</u>	<u>850</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, 2023

<u>ASSETS</u>	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>
in € thousand		
Non-current assets		
Property, plant and equipment	13,470	12,957
Goodwill	2,127	2,229
Other intangible assets	944	962
Right of use	8,291	9,118
Trade and other receivables	4	4
Other financial assets	146	-
Deferred tax assets	994	1,107
Total non-current assets	25,976	26,377
Current assets		
Inventories	8,048	11,704
Contract assets	25,196	17,454
Trade and other receivables	45,215	45,282
Payments made in advance	14,492	12,824
Other financial assets	81,853	97,884
Income tax receivables	1,414	1,819
Cash and cash equivalents	25,840	40,670
Total current assets	202,058	227,637
Total assets	228,034	254,014

EQUITY AND LIABILITIES**June 30, 2023****Dec. 31, 2022**

in € thousand

Equity

Subscribed capital	49,704	49,704
Capital reserves	61,097	61,097
Currency translation differences recognized in equity	(13,163)	(12,899)
Retained earnings	(3,713)	(6,003)
Shares of equity attributable to shareholders of the parent company	93,925	91,899
Non-controlling interests	502	497
Total equity	94,427	92,396

Non-current liabilities

Other liabilities	4,141	4,140
Lease liabilities	7,183	7,986
Bank loan	-	25,000
Pension benefit obligation	11,548	12,147
Provisions	4,512	5,139
Total non-current liabilities	27,384	54,412

Current liabilities

Trade and other payables	45,903	56,523
Contract liabilities and advance payments received	45,599	34,956
Income tax liabilities	471	793
Provisions	14,249	14,934
Total current liabilities	106,222	107,206
Total equity and liabilities	228,034	254,014

4 GROUP STATEMENT OF CASH FLOWS for
KHD Humboldt Wedag International AG
for the Period from January 1 to June 30, 2023

in € thousand	Jan.1 - June 30, 2023	Jan.1 - June 30, 2022
Cash flow from operating activities		
Group net profit/ loss for the year	2,297	(107)
Income tax expense recognized in the income statement	1,073	745
Net finance income recognized in the income statement	(2,137)	(2,058)
Earnings before interest and taxes (EBIT)	1,233	(1,420)
Amortization and depreciation of non-current assets	1,543	1,497
Book gain (-) / loss on disposal of fixed assets	(1)	-
Changes in valuation of investments accounted for using the equity method	(146)	-
Increase (-) / decrease in trade receivables and financial assets	416	5,286
Increase (-) / decrease in inventories and contract assets	(4,086)	28,019
Increase (-) / decrease in payments made in advance and other financial assets	(1,139)	(3,220)
Increase (+) / decrease in trade and other payables and contract liabilities and advance payments received	219	(30,180)
Increase (+) / decrease in pension benefit obligations	(601)	(602)
Increase (+) / decrease in provisions and non-current liabilities	(1,092)	838
Changes in the scope of consolidation	415	-
Other non-cash-transactions	214	(995)
Other translation differences	(274)	(1,297)
Interest received	412	1,130
Interest paid	(152)	(23)
Income tax paid	(829)	(819)
Cash flow from operating activities	(3,868)	(1,786)
Cash flow from investing activities		
Cash outflow for intangible assets	(140)	(37)
Cash outflow for property, plant and equipment	(1,384)	(690)
Cash inflow from the disposal of property, plant and equipment	1	-
Interest payments received from loans granted to related companies	2,117	2,388
Cash proceeds from repayments of loans granted to related companies	25,000	-
Disbursements due to investments in short-term deposits	(9,572)	-
Cash flow from investing activities	16,022	1,661

	Jan.1 - June 30, 2023	Jan.1 - June 30, 2022
in € thousand		
Cash flow from financing activities		
Cash outflow from repayment of bank loans	(25,000)	-
Cash outflow for the redemption portion of lease liabilities	(855)	(937)
Dividend payments	-	(13)
Interest paid for loans	(550)	(240)
Cash flow from financing activities	(26,405)	(1,190)
Change in unrestricted cash and cash equivalents	(14,251)	(1,315)
Opening balance of unrestricted cash and cash equivalents	40,670	65,282
Changes to the cash and cash equivalents due to changes in the scope of consolidation	(198)	-
Exchange rate effects	(381)	2,254
Closing balance of unrestricted cash and cash equivalents	25,840	66,221
in € thousand	June 30, 2023	June 30, 2022
Composition of unrestricted cash and cash equivalents		
Current bank accounts and cash	23,047	33,576
Short-term bank deposits	2,793	32,645
Total cash and cash equivalents	25,840	66,221
Closing balance of unrestricted cash and cash equivalents	25,840	66,221

5 GROUP STATEMENT OF CHANGES IN EQUITY for KHD Humboldt Wedag International AG

for the Period from January 1 to June 30, 2023

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, 2021/ Jan. 1, 2022	49,704	61,097	-	(10,737)	(9,862)	90,202	504	90,706
Group net loss 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
Group net profit for the period	-	-	-	-	380	380	13	393
Actuarial gains and losses and other effects on the group comprehensive income	-	-	-	-	3,576	3,576	2	3,578
Currency translation differences	-	-	-	(3,119)	-	(3,119)	-	(3,119)
Group comprehensive income	-	-	-	(3,119)	3,956	837	15	852
Other changes	-	-	-	-	1	1	1	2
Dec. 31, 2022	49,704	61,097	-	(12,899)	(6,003)	91,899	497	92,396
Group net profit for the period	-	-	-	-	2,292	2,292	5	2,297
Currency translation differences	-	-	-	(264)	(2)	(266)	-	(266)
Group comprehensive income	-	-	-	(264)	2,290	2,026	5	2,031
June 30, 2023	49,704	61,097	-	(13,163)	(3,713)	93,925	502	94,427

6 NOTES TO THE INTERIM GROUP FINANCIAL STATEMENTS of KHD Humboldt Wedag International AG as of June 30, 2023

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 continues to hold a 100% interest in KHD Humboldt Wedag GmbH (“KHD GmbH”), Cologne, Germany, as its major investment. The core business areas of the 10 (previous year: 11) Group companies of KHD AG are industrial plant engineering and providing related services. The strategic and operational focus of the companies is on plant design and the supply of equipment for cement plants and providing a comprehensive range of services.

As the European Union’s sanctions against Russia have tightened, the IFRS 10.7 criteria for control are no longer completely met regarding the Russian subsidiary KHD OOO. Accordingly, since June 1, 2023 KHD OOO is no longer included in the consolidated financial statements by way of full consolidation, but as an associated company it is accounted for by using the equity method. The result from deconsolidation in accordance with IFRS 10.25–26 and B97–99 amounted to € -0.4 million and is recognized under “Other financial expense.” The income from the update of the proportionate equity under the equity method is shown under “Other financial income.” The carrying amount of the investment in KHD OOO is presented in the Group balance sheet under “Other financial assets” within non-current assets. In principle, other financial expenses and other financial income are allocated to the Capex and Plant Services segments, with each segment receiving half.

2. Reporting Principles

The interim financial statements of KHD are prepared using uniform accounting and measurement 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 condensed consolidated financial statements and the Group management report for the first half-year 2023 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, 2022, 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, 2022, on page 62 et seq.

These interim 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 in future 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 stage of completion in case of customer contracts with revenue recognition over time.

The KHD Group operates in the area of plant engineering. 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. As a 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 recognized in full as an expense immediately. When revenue is recognized over time, the estimate of the stage of completion is particularly important. Significant estimates include, in particular, the total project costs, total 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 financial statements of the Group 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 the standards of the International Accounting Standards Board (IASB) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) whose application is mandatory, 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 time in the 2023 financial year:

- Amendments to IAS 1: Disclosure of accounting policy information, published in February 2021, initial application in the 2023 financial year.
- Amendments to IAS 8: Changes related to 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.
- Amendments to IAS 12: Amendments to provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes, published in May 2023, initial application in the 2023 financial year.

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

The IASB has published a variety of standards, interpretations, and amendments to them, 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 2024 financial year.
- Amendment to IAS 1: Amendments regarding the classification of debt with covenants, published in October 2022, initial application in the 2024 financial year.
- Amendments to IFRS 16: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions, published in September 2022, initial application in the 2024 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. Scope of 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. Regarding KHD OOO, please see our statements under section 1 of these notes. 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 measurement principles of KHD. Non-controlling interests are presented and commented on separately.

Besides KHD AG, the KHD Group comprises:

Name of company	Registered office	Main Buisness	Capital and voting rights in % June 30, 2023	Capital and voting rights in % Dec. 31, 2022		Currency	Subscribed capital June. 30, 2023	Subscribed capital Dec. 31, 2022
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	Plant engineering	100.00	100.00	D	USD	2,100,000	2,100,000
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 adjusted operating result (adjusted earnings before interest and taxes – adjusted EBIT).

The following table provides an overview of business development for the 2023 and 2022 financial half-years.

in € thousand	Capex Jan. 1 - June 30, 2023	Plant Services Jan. 1 - June 30, 2023	Total Group Jan. 1 - June 30, 2023	Capex Jan. 1 - June 30, 2022	Plant Services Jan. 1 - June 30, 2022	Total Group Jan. 1 - June 30, 2022
Order intake	61,643	20,368	82,011	71,906	27,933	99,839
Revenue	72,191	32,558	104,749	70,940	22,163	93,103
Cost of sales	(66,689)	(21,358)	(88,047)	(64,242)	(16,651)	(80,893)
Gross profit	5,502	11,200	16,702	6,698	5,512	12,210
Other operating income	830	-	830	1,449	-	1,449
Sales expenses	(4,528)	(1,479)	(6,007)	(3,629)	(1,416)	(5,045)
General and administrative expenses	(5,896)	(1,503)	(7,399)	(6,106)	(1,504)	(7,610)
Other expenses	(2,624)	-	(2,624)	(2,424)	-	(2,424)
Other financial income	73	73	146	-	-	-
Other financial expense	(157)	(259)	(415)	-	-	-
Earnings before interest and taxes (EBIT)	(6,800)	8,033	1,233	(4,012)	2,592	(1,420)
Net finance income			2,137			2,058
Profit before tax			3,370			638
Income tax expense			(1,073)			(745)
Group net profit/ loss for the period			2,297			(107)
<i>for information:</i>						
<i>depreciation and amortization</i>	-		(1,543)	-		(1,497)

The accounting 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 principle, the deconsolidation proceeds shown under “Other financial expense” are allocated to the Capex and Plant Services segments, with each segment receiving half. By contrast, the impairment of goodwill of € 102 thousand recognized in connection with the deconsolidation of KHD OOO was allocated completely to the Plant Services segment. The income from the update of the proportionate equity under the equity method is shown under “Other financial income” and allocated to the Capex and Plant Services segments, with each segment receiving half.

KHD only reports revenue from external customers in its segment reports, i.e., revenue between the two segments is already eliminated. Currently, neither segment recognizes revenue with the other. 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, 2023	Jan.1 - Jun. 30, 2022	June 30, 2023	Dec. 31, 2022
India	61,618	42,203	12,911	12,342
North America	16,105	23,500	653	866
Rest Asia	9,337	12,823	-	-
Middle East	3,565	3,169	-	-
Rest of Europe	2,791	3,152	-	102
Russia	7,199	3,018	-	-
South America	453	2,123	156	207
Germany	1,172	1,285	8,053	11,749
Africa	1,272	907	-	-
China	1,110	399	-	-
Other	127	524	3,060	-
	104,749	93,103	24,833	25,266

in € thousand	Order Intake		Order Backlog	
	Jan.1 - Jun. 30, 2023	Jan.1 - Jun. 30, 2022	June 30, 2023	Dec. 31, 2022
India	40,751	52,839	100,067	122,181
North America	8,520	16,009	38,114	39,293
Rest of Europe	1,807	15,536	12,552	17,944
Rest of Asia	11,930	4,861	40,856	45,972
China	11,927	4,158	13,609	5,247
Middle East	438	1,818	8,327	11,621
Germany	631	1,534	871	1,540
Africa	1,178	1,214	1,273	1,257
South America	3,592	954	6,220	3,270
Russia	984	726	5,019	5,146
Other	253	190	1,237	1,113
	82,011	99,839	228,145	254,584

6. Contract Assets and Contract Liabilities and Advance Payments Received

The recognition of customer contracts with revenue recognition over time is based on the cost of sales plus proportionate profits in line with the stage of completion less progress billings. Expected contract losses from ongoing customer contracts are reported under provisions.

in € thousand	<u>June 30, 2023</u>	<u>Dec. 31, 2022</u>
Costs incurred to date for construction contracts with realization of revenues over time	385,263	333,651
Proportionate results under these contracts recognized to date	12,589	10,588
Total costs incurred and profits recognized	397,853	344,239
Less progress billings	(408,947)	(351,944)
Balance of contract assets and contract liabilities	<u>(11,094)</u>	<u>(7,705)</u>
This amount is comprised as follows:		
Contract assets	25,196	17,454
Contract liabilities	(36,290)	(25,159)
	<u>(11,094)</u>	<u>(7,705)</u>
Disclosure on the credit side of the balance sheet		
Contract liabilities	(36,290)	(25,159)
Advance payments received	(9,309)	(4,747)
Contract liabilities and advance payments received	<u>(45,599)</u>	<u>(29,906)</u>
Advance payments made	<u>14,492</u>	<u>12,824</u>

The net position of contract assets and contract liabilities and advance payments received decreased by € 3,389 thousand from € -7,705 thousand to € -11,094 thousand. Of the revenue amounting to € 104,749 thousand recognized in the reporting period (half-year 2022: € 93,103 thousand), € 79,580 thousand (half-year 2022: € 75,464 thousand) result from customer contracts with revenue recognition over time according to the stage of completion.

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 estimates with respect to project revenue and project costs. Here in particular, costs to complete (and therefore, total 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 € 25,840 thousand (as of December 31, 2022: € 40,670 thousand).

in € thousand	June 30, 2023	Dec. 31, 2022
Bank balances and cash on hand	23,047	22,009
Short-term bank deposits	2,793	18,661
	25,840	40,670

8. Other Expenses

in € thousand	Jan.1 - Jun. 30, 2023	Jan.1 - Jun. 30, 2022
Research and development	1,636	1,224
Exchange rate losses and expenses from derivatives	719	838
Miscellaneous expenses	269	362
	2,624	2,424

9. Deconsolidation of KHD OOO and measurement using the equity method

Since June 1, 2023 KHD OOO is no longer included in the consolidated financial statements by way of full consolidation, but as an associated company it is accounted for by using the equity method. The effect from deconsolidation on earnings amounted to € -415 thousand and is recognized in the income statement under "Other financial expense." The income from the update of the proportionate equity under the equity method (€ 146 thousand) is shown under "Other financial income."

The assets and liabilities disposed of were as follows:

in € thousand	<u>June 1, 2023</u>
Goodwill	(102)
Inventories	(16)
Trade and other receivables	(65)
Payments made in advance	(73)
Cash and cash equivalents	<u>(198)</u>
Total assets	<u>(454)</u>
Trade and other payables	151
Contract liabilities and advance payments received	63
Provisions	<u>215</u>
Total current liabilities	<u>429</u>
Value of assets and liabilities disposed of	(25)
Realization of a currency translation difference through profit or loss	<u>(391)</u>
Total result from the deconsolidation of the company	<u>(415)</u>

10. Income Tax Expenses

The expenses recognized in the first half-year 2023 for income taxes amount to € 1,073 thousand (first half-year 2022: € 745 thousand). The income tax expense is composed as follows:

in € thousand	Jan. 1- June 30, 2023	Jan. 1- June 30, 2022
Current tax expense	(970)	(710)
Deferred tax expense	(103)	(35)
Tax expense for the year	(1,073)	(745)

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

11. 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 the AVIC Group that are affiliated with the aforementioned companies. Because business transactions between KHD and its consolidated subsidiaries are 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 International Beijing Company Limited ("AVIC Beijing") since the end of 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, 2023, 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, € 154 thousand (previous year: € 145 thousand) was recorded by KHD AG as expenses for consulting services provided in the period from January 1 through June 30, 2023. The liabilities due to 4-stream consulting GmbH as of June 30, 2023, total € 31 thousand (as of December 31, 2022: € 54 thousand).

After the loss of control of the Russian subsidiary KHD OOO, that company has been accounted for using the equity method in the consolidated financial statements since June 1, 2023. KHD OOO is treated as related company. The company provides goods and services both in the Capex and in the Plant Services segment.

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, 2023, based on repayments, the first loan amounted to € 10,000 thousand (December 31, 2022: € 35,000 thousand). The second loan has been reported at € 50,000 thousand since its term began. Interest on the two loans amounts to 5.0% per annum. In July 2023, KHD AG and AVIC Kairong extended both loans by an additional three years. The agreed interest rate is still 5.0%.

Both loans are secured by a corporate guarantee from AVIC.

The following transactions took place with related companies in the first half-year 2023:

Income

in € thousand	Jan. 1- June 30, 2023	Jan. 1- June 30, 2022
Indirect parent company	536	2,197
Other related companies	7,109	2,388
	<u>7,645</u>	<u>4,585</u>

The income with indirect parent companies relates exclusively to income from project business. Revenue from project business amounting to € 5,031 thousand (previous year: € 0 thousand) as well as interest income from the loans extended to AVIC Kairong in the amount of € 2,078 thousand (previous year: € 2,388 thousand) is reported under income with other related companies.

Expenses

in € thousand	Jan. 1- June 30, 2023	Jan. 1- June 30, 2022
Associates	75	-
	<u>75</u>	<u>-</u>

Current Assets

in € thousand	June 30, 2023	Dec. 31, 2022
Indirect parent company	1,730	3,015
Associates	10	-
Other related companies	<u>60,000</u>	<u>85,000</u>
	<u>61,740</u>	<u>88,015</u>

As of June 30, 2023, current assets due from the companies of the AVIC Group amounted to € 1,730 thousand (as of December 31, 2022: € 3,015 thousand). These were exclusively the result of project receivables.

Current assets also include the two loans granted to AVIC Kairong for a total of € 60,000 thousand (as of December 31, 2022: € 85,000 thousand).

Liabilities

in € thousand	June 30, 2023	Dec. 31, 2022
Indirect parent company	2,902	1,975
Associates	90	-
Other related companies	<u>2,365</u>	<u>-</u>
	<u>5,357</u>	<u>1,975</u>

Liabilities due to indirect parent companies amount to € 2,902 thousand (as of

December 31, 2022: € 1,975 thousand). Liabilities due to other related companies amount to € 2,365 thousand (December 31, 2022: € 0 thousand).

12. Additional Notes on Financial Instruments

List of the Financial Assets and Liabilities by Category

June 30, 2023	Financial assets Measurment according to IFRS 9				Financial liabilities Measurment according to IFRS 9				
in € thousand	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	Carrying amount Dec. 31, 2021	Fair value Dec. 31, 2021
Non-current financial assets	-	-	4	-	-	-	-	4	-
Trade receivables	-	-	38,803	-	-	-	-	38,803	-
Related party receivables	-	-	1,737	-	-	-	-	1,737	-
Contract assets	-	-	25,196	-	-	-	-	25,196	-
Other financial assets	-	658	81,195	-	-	-	-	81,853	59,724
Derivatives	-	-	-	-	-	-	-	-	-
Other receivables	-	-	2,665	2,010	-	-	-	4,675	-
Cash and cash equivalents	-	-	25,840	-	-	-	-	25,840	-
Total financial assets	-	658	175,440	2,010	-	-	-	178,108	59,724
Financial liabilities	-	-	-	-	-	-	-	-	-
Loan	-	-	-	-	-	-	-	-	-
Contract liabilities	-	-	-	-	-	45,599	-	45,599	-
Other liabilities	-	-	-	-	-	5,232	4,141	9,373	-
Derivatives	-	-	-	-	-	153	-	153	153
Trade payables	-	-	-	-	-	38,235	-	38,235	-
Total financial liabilities	-	-	-	-	-	89,219	4,141	93,360	153

	Financial assets				Financial liabilities				
Dec. 31, 2022	Measurement according to IFRS 9				Measurement according to IFRS 9				
in € thousand	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	Carrying amount Dec. 31, 2022	Fair value Dec. 31, 2022
Non-current financial assets	-	-	4	-	-	-	-	4	-
Trade receivables	-	-	37,058	-	-	-	-	37,058	-
Related party receivables	-	-	3,015	-	-	-	-	3,015	-
Contract assets	-	-	17,454	-	-	-	-	17,454	-
Other financial assets	-	698	97,186	-	-	-	-	97,884	83,840
Derivatives	-	-	-	-	-	-	-	-	-
Other receivables	-	-	2,598	2,611	-	-	-	5,209	-
Cash and cash equivalents	-	-	40,670	-	-	-	-	40,670	-
Total financial assets	-	698	197,985	2,611	-	-	-	201,294	83,840
Financial liabilities		-	-	-	-	24	-	24	-
Loans	-	-	-	-	-	25,000	-	25,000	25,000
Contract liabilities	-	-	-	-	-	34,956	-	34,956	-
Other liabilities	-	-	-	-	-	7,560	4,140	11,700	-
Derivatives	-	-	-	-	-	170	-	170	170
Trade payables	-	-	-	-	-	46,832	-	46,832	-
Total financial liabilities	-	-	-	-	-	114,542	4,140	118,682	25,170

The carrying amounts reported as of June 30, 2023, 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		Level	Measurement method	significant unobservable input(s)
	June 30, 2023	Dec. 31, 2022			
Derivatives	Financial assets: € 0 thousand Financial liabilities: € 153 thousand	Financial assets: € 0 thousand Financial liabilities: € 170 thousand	Level 2	Discounted cash flow	N/A
Securities	Financial assets: € 658 thousand	Financial assets: € 698 thousand	Level 1	Listed price on active market	N/A

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

13. 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 € 60.9 million (December 31, 2022: € 63.1 million).

14. 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 14, 2023

The Management Board

(s) Jianlong Shen
(Chairman)

(s) Jürgen Luckas

(s) Dr. Matthias Jochem

(s) Tao Xing

(s) Matthias Mersmann

List of abbreviations

AVIC Beijing	AVIC International Beijing Company Limited, Beijing, China
AVIC Kairong	AVIC International Kairong Limited, Hong Kong, Hong Kong
AVIC Engineering	AVIC International Engineering Holdings Pte. Ltd., Singapore, Singapore
AVIC INTL	AVIC International Holdings Limited, Shenzhen, China
HWG	Humboldt Wedag GmbH, Cologne, Germany
HW Inc.	Humboldt Wedag, Inc., Norcross (Georgia), USA
HW India	Humboldt Wedag India Private Ltd., New Delhi, India
KHD	KHD Humboldt Wedag International AG, Cologne, Germany – Group
KHD AG	KHD Humboldt Wedag International AG, Cologne, Germany
KHD Beijing	KHD Humboldt Wedag Machinery Equipment (Beijing) Co. Ltd., Beijing, China
KHD GmbH	KHD Humboldt Wedag GmbH, Cologne, Germany
KHD OOO	KHD Humboldt Engineering OOO, Moscow, Russia
KHD VV	KHD Humboldt Wedag Vermögensverwaltungs-AG, Cologne, Germany
Max Glory	Max Glory Industries Ltd., Hong Kong, Hong Kong

KHD Humboldt Wedag International AG

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