KHD HUMBOLDT WEDAG INTERNATIONAL AG

Cologne

ANNUAL GENERAL MEETING 2011

Reports relating to agenda items

The following report by the Management Board will be available for review by shareholders in the Company's offices at Colonia-Allee 3, 51067 Cologne, from the date when the invitation to the General Meeting of Shareholders is announced in the electronic Federal Gazette, and a copy will also be sent promptly and free of charge upon request in return for proof of shareholder status. It will also be available from this date on the Company's website at http://www.khd.com, and will be available for review by shareholders at the General Meeting of Shareholders.

Management Board report relating to agenda item 6 concerning the reasons for exclusion of subscription rights on the basis of §§ 186 Paragraph 4 Clause 2, 203 Paragraph 1, 2 of the German Stock Corporation Act (AktG)

Pursuant to § 203 Paragraph 2 in combination with § 186 Paragraph 4 Clause 2 of the German Stock Corporation Act (AktG), the Management Board has issued a written report relating to the reasons for the exclusion of subscription rights, and the issue amount. The report is announced as follows:

Under agenda item 6, the Management and Supervisory boards propose that the Management Board be authorised, subject to Supervisory Board approval, to increase the Company's share capital, once or on several occasions, by a total of up to € 24,851,786.00 against cash and/or non-cash capital contributions through the issue of new ordinary bearer shares. The Management Board shall be hereby authorised to exclude shareholders' statutory subscription rights. The authorisation is to be issued for the period of five years calculated from the date when the resolution is passed by the General Meeting of Shareholders.

The proposed authorisation to issue new shares from Approved Capital is intended to increase the Company's flexibility and to enable the Management Board, subject to the Supervisory Board's approval, to respond rapidly to financing requirements that arise at short notice in connection with the implementation of strategic decisions. It is also intended to improve the overall attractiveness of KHD Humboldt Wedag International AG on the capital market.

Shareholders are to generally enjoy subscription rights if a capital increase is implemented by way of utilisation of approved capital. Such subscription rights may also be implemented by way of indirect subscription rights pursuant to § 186 Paragraph 5 of the German Stock Corporation Act (AktG). The Management Board is to be authorised, however, and subject to Supervisory Board approval, to exclude subscription rights in certain cases.

(i) Accordingly, shareholders' subscription rights can be excluded in the case of cash capital increases in the scope of up to 10% of the Company's share capital existing at the date when the authorisation becomes effective, or is exercised, if the issue price of new shares is not significantly less than the stock market price of the Company's shares of the same class and endowments that are already traded on the stock market

(§ 186 Paragraph 3 Clause 4 of the German Stock Corporation Act [AktG], simplified exclusion of subscription rights).

This authorisation is intended to enable the Company to respond rapidly to favourable capital market situations as they arise, and to be able to place new shares rapidly, in other words, without the requirement for a subscription offer lasting for at least 14 days, among institutional or strategic investors, and to thereby achieve the highest possible selling amount, and the greatest possible strengthening of equity, through a price fixing that is close to market levels, and without the discount that is otherwise usual for rights issues. As a consequence, and due to the more rapid ability to act, this can frequently generate a greater inflow of funds for the Company than an offer to all shareholders that upholds shareholders' subscription rights. For this reason, the proposed authorisation lies in the interests of the Company and its shareholders.

The simplified exclusion of subscription rights also relates to a normal case that is provided for by the law where shareholder subscription rights may be excluded. Shareholders' protection requirements relating to the percentage dilution of their interests is restricted due to the 10% limitation applying to the share capital existing at the date when the authorisation becomes effective, or is exercised. Shareholders who wish to retain their percentage interest can prevent their interests being reduced by making purchases through the stock market. This maximum limit also includes other instances of the simplified exclusion of subscription rights: shares that were issued, or are to be issued, or participation rights with conversion or option rights, to service warrant or convertible bonds, to the extent that these bonds were issued in corresponding application of § 186 Paragraph 3 Clause 4 of the German Stock Corporation Act (AktG) under exclusion of subscription rights, and treasury shares that were sold during the approved capital term under exclusion of shareholders' subscription rights pursuant to §§ 71 Paragraph 1 Number 8 Clause and will five, 186 Paragraph 3 Clause 4 of the German Stock Corporation Act (AktG).

In the case of the simplified exclusion of subscription rights, the issue price of the new shares must not be significantly below the stock market price. Any discount from the current stock market price will prospectively not exceed 3% of the stock market price, although a maximum discount of 5% will apply. This also takes into account shareholders' protection requirements relating to the value dilution of their interests. This fixing of the issue price close to the stock market price ensures that the value of the subscription right for the new shares falls to practically zero.

(ii) As part of Authorized Capital, the Management Board is also to be authorised, subject to Supervisory Board approval, to exclude subscription rights for capital increases against non-cash capital contributions in order to grant shares for the purpose of acquiring companies, part of companies, participating interests in companies, or other assets (such as rights to intangible assets).

This authorisation to exclude subscription rights serves the purpose of enabling the acquisition of companies, parts of companies, participating interests in companies or other assets in return for granting the Company's shares. The Company faces competition on a global basis. It must at all times be able to act rapidly and flexibly on international markets in its shareholders' interests. This also includes the option of acquiring companies, part of companies, participating interests in companies, or other assets, in order to improve its competitive position. In individual cases, the optimal implementation of this option in the interests of shareholders and the Company consists of acquiring a company, a part of a company, a participating interest in a company, or another asset through the granting of shares in the acquiring company. Instead of paying the purchase price for companies or participating interests exclusively in cash, there are also manifold reasons for also granting shares to sellers, or shares only. In particular, this can spare the Company's liquidity, avoid the raising of debt, and allow the seller/sellers to participate in the combined company's future share price potential. Practice shows that owners of attractive acquisition objects frequently demand voting shares in the acquiring company as consideration for a sale.

The Company must have the opportunity to grant its own shares as consideration in order to also acquire such companies. As a consequence, the proposed authorisation to exclude subscription rights enhances the Company's competitive opportunities in acquisitions, and offers it the requisite scope to rapidly and flexibly exploit opportunities as they arise to acquire companies, part of companies, participating interests in companies, or other assets. The proposed exclusion of shareholders' subscription rights reflects this.

Although the exclusion of subscription rights reduces existing shareholders' relative participation levels and relative voting right shares, the acquisition of companies, parts of companies, or participating interest in companies, in return for the granting of shares would be impossible if shareholders' subscription rights were also to be granted, and the related advantages would not be achievable for the Company and its shareholders. Under consideration of the circumstances mentioned above, the Management and Supervisory boards regard the exclusion of subscription rights in the above-mentioned cases as objectively justified and appropriate for the stated reasons, including when considering the dilution effect that arises to the detriment of shareholders.

There are currently no specific acquisition plans for which this option would be used. If specific opportunities arise to acquire companies, parts of companies, participating interests, or other assets, the Management Board will examine carefully whether it should utilise Authorized Capital for the purpose of acquiring companies, parts of companies, participating interest in companies, or other assets in return for issuing new shares in the Company. It will then only do so if the acquisition of companies or participating interests against the granting of shares in the Company lies in the well-understood interest of the Company. The Supervisory Board will only issue the requisite approval if this precondition is satisfied. Neutral corporate valuation surveys produced by auditing companies and/or international investment banks will form the basis for valuing the Company's shares, on the one hand, and the companies, participating interests or other assets to be acquired, on the other hand.

(iii) When issuing new shares against cash, the Management Board shall also be authorised, subject to Supervisory Board approval, to exclude fractional amounts. Fractional amounts may result from the scope of the respective volume of the capital increase, and the fixing of a practicable subscription ratio. The planned exclusion of subscription rights of fractional amounts is required in order to achieve a clean subscription ratio, and to facilitate the technical processing of the issue. The free fractional amounts excluded from shareholders' subscription rights will be realised in the best possible manner for the Company either through sale, through the stock market, or in another way. The potential dilution effect is minor due to its limitation to fractional amounts. The Management and Supervisory board regarding exclusion of subscription rights for this reason as objectively justified, and appropriate for the shareholders.

The Management Board will submit a corresponding report at the subsequent Annual General Meeting of Shareholders if it makes use of this authorisation during the business year.

Cologne, April 2011
KHD Humboldt Wedag International AG

The Management Board