

**Declaration by the Management Board and Supervisory Board
of KHD Humboldt Wedag International AG
in accordance with § 161 of the German Stock Corporation Act (“AktG”)
on the recommendations of the
“Government Commission on the German Corporate Governance Code”**

Pursuant to § 161 para. 1.1 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of a listed company must declare every year that the recommendations of the “Government Commission on the German Corporate Governance Code” published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been or are being complied with or which recommendations have not been or are not being complied with and why not.

The Management Board and Supervisory Board of KHD Humboldt Wedag International AG hereby declare that the recommendations of the German Corporate Governance Code (“the Code”) as amended on 26 May 2010 have been complied with or are being complied with and will be complied with in future with the following exceptions:

- The Company has concluded directors' and officers' (D&O) insurance for the members of the Supervisory Board (“SVB”) but no deductible has been agreed upon (Code item 3.8 para. 3).

The Company and the SVB are fully aware and fully accept the due care and diligence required from a prudent and conscientious SVB member, but they do not see the agreement of a deductible as a suitable measure for enhancing the motivation and sense of responsibility with which the SVB members perform their duties.

- The severance payment (to be made on termination of the employment

contract) is fixed in the employment contracts of the Management Board members. The employment contracts limit the severance payment to one and two years' fixed compensation, respectively, but they do not limit the severance payment to the compensation for the remaining term of the contract (Code item 4.2.3 para. 4).

Mr. Salo's employment contract does not include a severance pay cap in case of termination of the employment contract without serious cause. As the SVB deems such a cap as not advisable the management employment contract does not provide for a severance pay cap. In general a premature termination of a management employment contract can only be achieved by amicable rescission of the contract. Even in case the SVB would insist on a severance pay cap in case of conclusion or prolongation of the respective management employment contract it cannot be ruled out that the severance pay will be subject to negotiations in case of premature termination of the contract. Furthermore, amicable rescission of the contract is hindered significantly for management employment contracts including a severance pay cap and having a remaining term of more than two years. In such cases adherence to the severance pay cap would be disadvantageous to the Management Board member compared with adherence to the employment contract and claiming the ongoing compensation.

- The SVB has not established any committees (Code item 5.3.1).

As the SVB consists of only three members, the SVB decided that no committees shall be established. The issues normally delegated to committees are jointly handled by all three SVB members whereby each member of the SVB reports to the SVB as a whole on those topics specifically allocated to his/her responsibility.

- The SVB has not established an Audit Committee as recommended by the Code (Code item 5.3.2).

Reference is made to the explanation given in connection with item 5.3.1 of the Code. The objective of Code item 5.3.2 is still met as all SVB members are independent and no member of the SVB is a former member of the Management Board of the Company. At least one member of the SVB has specialist knowledge and experience in the application of accounting principles and internal control

processes.

- The SVB has not established a nomination committee as recommended by the Code (Code item 5.3.3).

Due to its small size the SVB has not formed any committees. Nevertheless, the objective of Code item 5.3.3 is met, because all members of the SVB are shareholder representatives.

- The SVB has not defined an age limit for its members as recommended by the Code (Code item 5.4.1 para. 2 first sentence).

The SVB considers extensive business experience from a long business career as beneficial for the competence of the SVB and the interests of the Company. Therefore, the SVB decided not to define a specific age limit for its members.

- The compensation of the members of the SVB does not consider the exercising of the Chair and Deputy Chair positions (Code item 5.4.6 para. 1).

The SVB considered the equal roles and responsibilities as executed in a SVB with just three members. Therefore, the SVB decided that an equal allocation of the compensation among the SVB members does best reflect the actual roles and responsibilities.

- The remuneration of the members of the SVB does not include any performance-related compensation elements as recommended by the Code (Code item 5.4.6 para. 2).

The SVB members receive a fixed compensation. In view of the SVB's supervisory and advisory function the corporation finds it appropriate to award fixed remuneration only.

The following recommendation of the German Corporate Governance Code ("the Code") has not been complied with in the fiscal year 2010, but the Management Board and Supervisory Board of KHD Humboldt Wedag International AG aim for complying with this recommendation in future:

- The half-year Consolidated Financial Statements were published 48 days after the end of the reporting period instead of publishing them within 45 days as recommended by the Code (Code item 7.1.2).

The Company published the respective report within the period stipulated in the German Securities Trading Act (WpHG), which deviates from the reporting period recommended by the Code. The short delay was caused by the reorganization of the internal reporting process following the listing of the Company on the regulated market (General Standard) of the Frankfurt Stock Exchange as of end of March 2010. In future the Company will publish the respective reports within the timeframe recommended by the Code.

Cologne, 23 March 2011

For the Management Board:

For the Supervisory
Board:

(s) Jouni Salo

(s) Manfred Weinandy

(s) Gerhard Beinhauer

The current declaration of compliance with the German Corporate Governance Code is available on the Company's website under www.khd.com.