

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

The Management Board and Supervisory Board of KHD Humboldt Wedag International AG hereby declare that since the last declaration of compliance on March 23, 2001 the recommendations of the German Corporate Governance Code (the “Code”) as amended on May 26, 2010 have been 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 and functions.

- The payments to be made on premature termination of the employment contract without serious cause are not limited to two years’ compensation (Code item 4.2.3 para. 4).

The employment contracts of both members of the Management Board indeed include a severance payment cap in case of termination of the employment contract without serious cause. One of the employment contracts does already not include a regulation on severance, whereas the other one limits the severance payment to two years’ fixed compensation less regular payments for the remaining term of the contract. In case of premature termination of a management employment contract without serious cause more than two years prior to the normal end of the term of the employment contract both employment contracts do not limit the payments to the value of two years’ compensation. In this case compensation for the remaining term of the employment contract, but no severance, has to be paid. The management

employment contracts do not provide for such a limitation as the SVB deems this as not advisable. 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 payment cap in case of conclusion or prolongation of the respective management employment contract it cannot be ruled out that a payment exceeding such a limitation will be subject to negotiations in case of premature termination of the contract. Furthermore, amicable rescission of a management employment contract having a remaining term of more than two years is hindered significantly in case of a payment cap. In such cases acceptance of the limitation would be disadvantageous to the Management Board member compared with adherence to the employment contract and claiming the ongoing compensation.

- 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 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 Company finds it appropriate to award fixed remuneration only.

The following recommendations of the German Corporate Governance Code ("the Code") have not been complied with in the entire financial year 2011, but the Management Board and Supervisory Board of KHD Humboldt Wedag International AG have implemented these recommendations during the financial year 2011:

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

The SVB had decided that no committees shall be established as the SVB consisted of only three members until amendment of the articles of association. The issues normally delegated to committees had been jointly handled by all three SVB members whereby each member of the SVB reported to the SVB as a whole on those topics specifically allocated to his/her responsibility. After amendment of the articles of association the SVB now consists of six members. An Audit Committee, Nomination and Corporate Governance Committee as well as a Compensation and Strategy Committee have been established.

- The SVB had 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. An Audit Committee has been established.

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

Reference is made to the explanation given in connection with item 5.3.1 of the Code. A Nomination and Corporate Governance Committee has been established.

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

After expanding the SVB to six members and establishing Committees the SVB newly decided on the allocation of the compensation among the SVB members, considering the exercising of the Chair and Deputy Chair positions as well as the Chair position and the membership in the Committees.

Cologne, March 2, 2012

For the Management Board:

For the Supervisory Board:

(s) Jouni Salo

(s) Yizhen Zhu

(s) Gerhard Beinhauer