



**Declaration of compliance 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 the Supervisory Board of KHD Humboldt Wedag International AG hereby declare that since the last declaration of compliance on February 28, 2013 the recommendations of the German Corporate Governance Code (the "Code") as amended on May 13, 2013 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 but no deductible has been agreed upon (Code item 3.8 para. 3).

The Company and the Supervisory Board are fully aware and fully accept the due care and diligence required from a prudent and conscientious Supervisory Board 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 Supervisory Board members perform their duties and functions.

- The payments to be made to a Management Board member on premature termination of the employment contract are not limited to two years' compensation and the remaining term of the employment contract (Code item 4.2.3 para. 4).

In the 2013 financial year the Company did comply with the other recommendations of Code item 4.2.3, except for the recommendation of item 4.2.3 para. 4 as mentioned above. In particular, the compensation structure for all members of the Management Board comprises of fixed and variable compensation elements corresponding to the employment contracts valid in the 2013 financial year. In accordance with the accounting rules of the German Commercial Code ("HGB") the bonus component in the 2013

financial year is presented as a fixed compensation element because the variable compensation elements were substantiated by determining a fixed bonus prior to the end of the 2013 financial year.

Two of the three management employment contracts do not include an explicit regulation on severance. The other contract limits the severance payment at the normal end of the term of the employment contract and in case of premature termination by the Company without serious cause entitling the Company to terminate the contract without notice, to two years' fixed compensation. 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 the 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 additional severance, has to be paid. The management employment contracts do not provide for such a limitation as the Supervisory Board had deemed this as not advisable. Amicable rescission of a management employment contract having a remaining term of more than two years is hindered significantly in case of a severance cap as 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 Supervisory Board has not defined an age limit for its members as recommended by the Code (Code item 5.4.1 para. 2 first sentence).

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

Cologne, February 28, 2014

For the Management Board

For the Supervisory Board

(s) Jouni Salo

(s) Ralph Quellmalz

(s) Hubert Keusch

(s) Yizhen Zhu