

**SZA**  
**SCHILLING, ZUTT & ANSCHÜTZ**

FRANKFURT • MANNHEIM

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**Counterproposal according to Sec. 126 of the German  
Stock Corporation Act (AktG) to the Annual General  
Meeting 2013 of KHD Humboldt Wedag International  
AG, Agenda item number 2: “Appropriation of avail-  
able net earnings”**

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Frankfurt/Main, May 7, 2013

Dear Sirs,

We are acting in the name and behalf of

**1. Sterling Strategic Value Ltd**  
Vanterpool Plaza  
2nd Floor, Wickhams Cay 1  
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Tortola  
British Virgin Islands

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Christian Gehling, Dr. Stephan Harbarth, Hans-Joachim Hellmann, Dr. Max Hirschberger,  
Dr. Georg Jaeger, Dr. Thomas Liebscher, Dr. Marc Löbbe, Dr. Thomas Nägele, Dr. Nicolas Ott,  
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2. **Monolith N.V.**  
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1077 DB Amsterdam  
The Netherlands
  
3. **RWC European Focus Master Inc.**  
**RWC European Focus Fund L.P.**  
60 Petty France  
London SW1H 9EU

in their capacity as shareholders (“**Requesting Shareholders**”) of KHD Humboldt Wedag International AG (the “**Company**“ or “**KHD**”). In the name and on behalf of the Requesting Shareholders, we hereby submit the following counterproposal to agenda item number 2 “Appropriation of available net earnings” of the Annual General Meeting on May 29, 2013:

**Sterling Strategic Value Limited, Monolith N.V. and RWC European Focus Master Inc. and RWC European Focus Fund L.P. propose to distribute the net earnings (*Bilanzgewinn*) of EUR 4,761,620.89 for the fiscal year 2012 as follows:**

<b>Distribution to the shareholders by paying a</b>	<b>EUR 4,473,321.57</b>
<b>dividend of EUR 0.09 per no-par value share</b>	
<b>carrying dividend rights</b>	
 <b>Appropriation to other earnings reserves</b>	 <b>EUR 0,00</b>
 <b>Profit to be carried forward</b>	 <b>EUR 288,299.32</b>

The number of no-par value shares carrying dividend rights may change before the date of the Annual General Meeting. In this case, an adjusted appropriation proposal will be submitted to the Annual General Meeting providing for an unchanged dividend per non-par value share carrying dividend rights and a correspondingly adjusted profit brought forward.

**Explanation:**

As a general line and basis for a sustainable dividend policy, a dividend distribution of 40 to 45 per cent of the group net profit seems appropriate. However, the specific situation of the Company induces to moderately increase the 2012 dividend by 3 Eurocent per share.

1. The capital increase in 2011 led to an inflow of liquid funds of approximately EUR 75m. The Company did not need so much financial resources for the reasons mentioned in the listing prospectus, since it showed liquid funds of EUR 293.1m as of Dec. 31, 2010, already prior to the capital increase. The Company did not yet report that and how it has used the proceeds from the capital increase. It is so far evident only that the proceeds were not used as indicated in the listing prospectus (research and development activities; standardization of plant equipment; co-investment into a design institute and manufacturing entity in China). Furthermore, the Group Annual Financial Statements as per December 31, 2012, show that the Company has liquid funds at its disposal of more than EUR 282m. The Management Board has over years not given account of its plans and intentions to use the liquid funds for the current business or strategic development.
2. The Management Board and the Supervisory Board have requested the Annual General Meeting on October 5, 2012, to authorize the Company to acquire treasury shares of up to a maximum of 10 per cent of the share capital. They explained in the invitation that the Company “intend[s] to create the legal prerequisites for the repurchase of treasury shares.” Notwithstanding the low market price of the KHD shares, the Management Board has neither conducted the proposed share buyback nor even considered to use the buyback authorization. A share buyback would have mitigated the massive decline of the EPS and increased the dividend per share.
3. The counterproposal affiliates with the decision taken on profit distribution in the Annual General Meeting on October 5, 2012. The Management Board and the Supervisory Board proposed to pay out substantially the whole net profit as dividend. As the underlying situation did not change since October 2012, there is no reason to appropriate any additional amounts to earning reserves.
4. This is in particular true because the Management Board and the Supervisory Board have already retained more than 40 per cent of the 2012 group net profit in group companies which prevents the shareholders from having the possibility to decide on the disposal of a part or all of the group’s net profit.

We hereby request you to make available to other shareholders in compliance with applicable German law the counterproposal of the shareholders represented by us including the reasons given for the counterproposal.

Sterling Strategic Value Limited, since May 18, 2011, has been holding at least 2,345,031 no-par-value common bearer shares of KHD Humboldt Wedag International AG. Monolith N.V. holds 1,005,336 no-par-value common bearer shares of the Company. RWC European Focus Master Inc. holds 707,982 and RWC European Focus Fund L.P. holds 616,139 no-par-value common bearer shares of the Company. Please, find in

**Annex 1**

the respective bank confirmations. They show that the shareholders represented by us hold more than 500,000 shares for a period of more than three months. More than 500,000 shares are blocked until expiry of the Ordinary Annual Meeting.

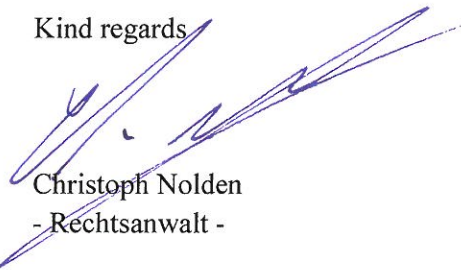
Please find in

**Annex 2**

a copy of the powers of attorney.

Please, contact us if you need further information to fully comply with our request.

Kind regards



Christoph Nolden  
- Rechtsanwalt -