

# Explanatory Report of the Management Board

to the statements under Sections 289 (4), 315 (4) of  
the German Commercial Code (HGB – Handelsgesetzbuch)

The Management Report of the Company (p. 4 of the Management Report) and the Group Management Report (Annual Report p. 54 et seq.) contain statements according to Sections 289 (4), 315 (4) of the German Commercial Code (HGB – Handelsgesetzbuch). Pursuant to Sections 120 (3) Sentence 2, 175 (2) Sentence 1 of the German Stock Corporation Act (AktG – Aktiengesetz), in the version as amended by the Second Act to amend the German Act Regulating the Transformation of Companies (UmwG – Umwandlungsgesetz) dated 19 April 2007 (German Federal Law Gazette (BGBl – Bundesgesetzblatt) 2007 I, p. 542), the Management Board is obliged to explain these statements to the General Shareholders' Meeting. Such explanation is given in the following:

### 1. Subscribed Capital; Rights and Obligations Attaching to Shares

Demag Cranes AG has a subscribed capital (share capital) of EUR 21,172,993 as at 30 September 2008, divided into 21,172,993 no-par-value bearer shares. There are no different classes of shares. Each share has one vote at general meetings. In all other respects, the rights and obligations attaching to each share are as stipulated in the German Stock Corporations Act (AktG).

### 2. Restrictions on the Transfer of Securities and on Voting Rights

Shares in Demag Cranes AG are not subject to any restrictions on voting rights under the Articles of Association or by law. No restrictions on voting rights resulting from agreements between shareholders are known to the Management Board.

### 3. Holdings Relating to More Than 10 Percent of Voting Rights

No direct or indirect holdings in the Company's share capital that relate to more than 10 percent of voting rights are known to the Management Board.

### 4. Securities Carrying Special Rights

None of the shares issued by Demag Cranes AG carries special rights with regard to control of the Company.

### 5. How Rights Are Exercised on Shares under an Employee Share Scheme If Not Directly by Employees

No information is available on the exercise of voting rights on shares under an employee share scheme where the rights are not directly exercised by employees.

## 6. Appointment and Replacement of Members of the Management Board; Amendments to the Articles of Association

The statutory governing and representative body of Demag Cranes AG is the Management Board. Under Article 6 (1) of the Articles of Association, the Management Board consists of at least two members. The size of the Management Board is otherwise decided by the Supervisory Board. The Supervisory Board may appoint deputy members of the Management Board. If the Supervisory Board does not nominate a Management Board member as CEO, the Management Board elects a spokesperson from among its number.

The Management Board of the Company currently consists of Harald Joos (CEO and member with responsibility for Port Technology), Rainer Beaujean (CFO) and Thomas H. Hagen (member with responsibility for Industrial Cranes and Services).

Appointment and replacement of Management Board members takes place on the basis of Sections 84 and 85, AktG and Section 31 of the German Co-determination Act (MitbestG – Mitbestimmungsgesetz). In accordance with Section 84, AktG, members of the Management Board are appointed by the Supervisory Board for terms not exceeding five years. Management Board members may also be reappointed or their terms extended in increments not exceeding five years. The contracts with current members of the Management Board expire as follows:

Harald Joos: 30 April 2011

Rainer Beaujean: 31 May 2010

Thomas H. Hagen: 30 April 2010

Extension of terms and reappointment require a new resolution of the Supervisory Board, which can normally be adopted no earlier than one year before the end of the current term. The Supervisory Board may revoke the appointment of a member of the Management Board before the end of the member's term of office for cause, for example, in the event of gross breach of duty or of a vote of no confidence at a general meeting. The Company is represented by two Management Board members or by one Management Board member acting jointly with an authorised signatory (Prokurist).

In accordance with Section 179, AktG, amendments to the Articles of Association normally require a resolution of the general meeting. In departure from this general rule, amendments that solely affect the wording of the Articles of Association may be adopted by the Supervisory Board. The Company's Articles of Association provide that unless otherwise stipulated by law, general meeting resolutions require a simple majority of votes cast and, if the law stipulates a majority of represented capital, a simple majority of the share capital represented at the time of the vote.

## 7. Powers of the Management Board to Issue and Buy Back Shares

Under Article 4 (5) of the Articles of Association, the Management Board is authorised subject to Supervisory Board approval to increase the Company's share capital by issuing new no-par-value bearer shares for cash or non-cash consideration in one or more issues up to a total of EUR 10,586,496 by or before 18 May 2011; this is equivalent to 50 percent of the current share capital. The new shares may be taken up by one or more financial institutions determined by the Management Board subject to an undertaking that the shares will be offered to existing shareholders (indirect rights issue).

In certain circumstances, the Management Board is authorised to exclude existing shareholders' statutory right of pre-emption:

- *When issuing shares for non-cash consideration in order to provide shares for the purpose of acquiring a business, part of a business or ownership interests in a business or for the purpose of issuing shares to employees of the Company or to employees of its affiliates, in accordance with the law;*
- *To the extent needed to provide holders of warrants or convertible bonds issued by the Company or its subsidiaries with rights to new shares in the amount they would be entitled to on exercise of the right of purchase or conversion or on discharge of the conversion obligation or obligation to sell;*
- *To exclude any fractional amount arising in a rights issue;*
- *When issuing shares for cash consideration provided that, in accordance with Section 203 (1) and (2) and the fourth sentence of Section 186 (3), AktG, the issue price of the new shares is not significantly lower than the stock market price, at the time the final issue price is set by the Management Board, of existing listed shares of the same class and carrying the same rights and provided that the new shares for which the right of pre-emption is excluded do not together comprise more than 10 percent of the share capital at the time they are issued. The 10 percent maximum is reduced by any sales governed by the fifth sentence of Section 71 (1) 8 and the fourth sentence of Section 186 (3), AktG comprising sales of shares to the exclusion of existing shareholders' right of pre-emption during the lifetime of the authorisation and by any issues governed by Section 221 (4) and the fourth sentence of Section 186 (3), AktG comprising issues of shares in respect of which a right of conversion or purchase or a conversion obligation or obligation to sell exists by virtue of a convertible or warrant-linked bond issued since the granting of the authorisation to the exclusion of existing shareholders' right of pre-emption.*

The Management Board is authorised subject to Supervisory Board approval to decide the remaining details of the increase in share capital and its conduct, including the nature of rights attached to shares and the conditions of share issue.

By resolution of the Annual General Meeting of 6 March 2008 in accordance with Section 71 (1) 8, AktG, Demag Cranes AG is authorised until 5 September 2009 to purchase its own shares of any class up to a maximum of 10 percent of the share capital at the time of the resolution. The authorisation may be exercised either in whole or in part, and if in part, on one or more occasions. The shares may be purchased on the stock market, by way of an offer to buy made to all shareholders, or by way of an invitation to submit offers to sell extended to all shareholders. The purchase price must be in the range set in the resolution granting the authorisation.

- *If shares are purchased on the stock market, the consideration paid per share (net of transaction costs) must not be more than 10 percent above or below the arithmetic mean closing price of the same class of shares in the Company in the Frankfurt Stock Exchange Xetra trading system (or a functionally comparable successor system) over the last three trading days preceding the purchase.*

- *If shares are purchased by way of an offer to buy extended to all shareholders, the offered price per share must not be more than 20 percent above or below the arithmetic mean closing price of the same class of shares in the Company in the Frankfurt Stock Exchange Xetra trading system (or a functionally comparable successor system) over the last three trading days preceding publication of the offer. Provision may be made for preferential purchase of small numbers of shares not exceeding 100 shares per shareholder.*
- *If shares are purchased by way of an invitation to submit offers to sell extended to all shareholders, the price per share paid by the Company must not be more than 20 percent above or below the arithmetic mean closing price of the same class of shares in the Company in the Frankfurt Stock Exchange Xetra trading system (or a functionally comparable successor system) over the last three trading days preceding acceptance of the offers. Provision may be made for preferential purchase of small numbers of shares not exceeding 100 shares per shareholder.*

The shares in the Company purchased by virtue of this authorisation may be sold on the stock market or by way of an offer extended to all shareholders or may be used subject to Supervisory Board approval for the following purposes:

- *To list shares in the Company on a foreign stock exchange where they are not yet listed for trading; in such instances, the existing shareholders' right of pre-emption is excluded;*
- *To transfer shares in the Company to a third party in connection with a business combination or with the acquisition of a business, part of a business or ownership interests in a business; in such instances, the existing shareholders' right of pre-emption is excluded;*
- *To retire shares in the Company; the retirement and the performance of the retirement do not require an additional resolution of the general meeting;*
- *To sell shares in the Company other than on the stock market and other than by way of an offer extended to all shareholders, provided that the sale is for cash consideration at a price not significantly below the stock market price, at the time of the sale, of Company shares of the same class. This authorisation is restricted to the sale of shares representing in total not more than 10 percent of the share capital. The 10 percent maximum is reduced by the proportion of share capital represented by any shares sold during the lifetime of this authorisation in a stock issue to the exclusion of existing shareholders' rights of pre-emption in accordance with the fourth sentence of Section 186 (3), AktG and by the proportion of share capital represented by any shares to be issued to settle warrant-linked or convertible bonds carrying a right of purchase or right of conversion or to be issued to meet a conversion obligation provided that the bonds have been issued during the lifetime of this authorisation to the exclusion of the existing shareholders' right of pre-emption in application, mutatis mutandis, of the fourth sentence of Section 186 (3), AktG. In such instances, the existing shareholders' right of pre-emption is excluded.*

The price at which, under the granted authorisation, shares in the Company are first listed on a foreign stock exchange or sold to a third party for cash consideration, must not be more than 5 percent above or below the arithmetic mean closing price of the same class of shares in the Company in the Frankfurt Stock Exchange Xetra trading system (or a functionally comparable successor system) over the last five trading days preceding the listing on the foreign stock exchange or the conclusion of a binding agreement with the third party.

The above options for the use of treasury shares may be used on one or more occasions, in whole or in multiple parts, separately or in combination.

It is standard practice in German listed companies for an authorisation to purchase the company's own shares to be renewed at the Annual General Meeting. The Management Board and Supervisory Board will submit a proposal for renewal of the authorisation at the Annual General Meeting on 3 March 2009. The Company made no use of the authorisation for the purchase of its own shares or for the use of treasury shares in financial year 2007/2008.

#### 8. Significant Agreements Conditional upon a Change of Control Following a Takeover Bid

Demag Cranes AG is not party to any significant agreement that takes effect, alters or terminates upon a change of control of the Company following a takeover bid.

#### 9. Agreements with Members of the Management Board or Employees for the Event of a Takeover Bid

Demag Cranes AG is not party to any agreement providing for compensation for members of the Management Board or for employees in the event of a takeover bid.

Düsseldorf, 16 January 2009

Demag Cranes AG  
The Management Board



Harald J. Joos



Rainer Beaujean



Thomas H. Hagen