

# Report by the Management Board to the General Meeting

pursuant to section 71 para. 1 no. 8 sentence 5 in conjunction with  
section 186 para. 4 sentence 2 German Stock Corporation Act (AktG)  
on agenda item 8

The logo for DEMAG CRANES AG is located in the bottom right corner. It consists of the word "DEMGAG" in a bold, black, sans-serif font, positioned above a dark blue horizontal bar. Inside this bar, the words "CRANES AG" are written in a white, bold, sans-serif font. The logo is partially framed by a thick dark blue horizontal line that spans the width of the page at the bottom.

**DEMGAG**  
**CRANES AG**

Report by the Management Board to the General Meeting pursuant to section 71 para. 1 no. 8 sentence 5 in conjunction with section 186 para. 4 sentence 2 German Stock Corporation Act (AktG) on agenda item 8

The report by the Management Board pursuant to section § 71 para. 1 no. 8 sentence 5 in conjunction with section 186 para. 4 sentence 2 German Stock Corporation Act (AktG) on agenda item 8 is available for inspection by shareholders at the business premises of Demag Cranes AG in 40597 Düsseldorf, Forststraße 16, Germany, as from the time of convening the General Meeting as well as during the General Meeting itself. Such documents are also accessible via the Company's website at [http://www.demagcranes-ag.de/en/Investor\\_Relations/Annual\\_General\\_Meeting/Annual\\_General\\_Meeting\\_2009.jsp](http://www.demagcranes-ag.de/en/Investor_Relations/Annual_General_Meeting/Annual_General_Meeting_2009.jsp). Upon request, a copy will be furnished and sent to each shareholder free of charge.

The contents of the report are disclosed as follows:

**a) General**

On 6 March 2008 the General Meeting had authorized the Company to acquire Company shares of up to 10 percent of the Company's share capital on or before 5 September 2009. As the authorization of 6 March 2008 will expire prior to the Annual General Meeting 2010, such authorization shall be replaced by the proposed new authorization effective until 2 September 2010.

Under the proposed authorization, the Company will be enabled to acquire Company shares in the interest of the Company and its shareholders in the amount of 10 percent of the Company's share capital in different ways and at a price based on the respective stock exchange quotation for such shares, and to resell such shares. The principle of equality of treatment of shareholders pursuant to section 53a German Stock Corporation Act (AktG) must be respected with regard to the acquisition and sale of Company shares. The acquisition of Company shares pursuant to section 71 para. 1 no. 8 German Stock Corporation Act (AktG) must not be made for the purpose of trading in Company shares or continuous stabilization of the share price. In addition, when exercising the authorization to acquire Company shares, the limits in section 71 para. 2 German Stock Corporation Act (AktG) must be observed. According to this provision, the Company shares which are acquired must not, together with other Company shares acquired and still held by the Company, exceed 10 percent of the share capital.

The Management Board will decide on exercising the proposed authorization and using Company shares based on its reasonable business judgment. The Management Board will comply with its obligations to report to the next General Meeting in accordance with section 71 para. 3 sentence 1 German Stock Corporation Act (AktG).

**b) Acquisition of Company shares and exclusion of a potential right to offer shares**

Initially, the Company shares may be acquired on the stock exchange, by way of a public offer made to all shareholders of the Company or by way of a public invitation to all shareholders of the Company to submit offers for sale. Under a public offer or a public invitation to submit offers for sale, the situation may arise that the number of shares offered by the shareholders exceeds the number of shares the Company intended to acquire. In this case, acceptance must be based on quotas. For this, preferential acceptance of small sell offers of up to 100 shares may be provided for. This possibility serves to avoid small remaining shareholdings; also a potential de facto discrimination against small shareholders can be thwarted in this way. In addition, allotment may take place in proportion to the shares offered (proportion offered) rather than in proportion to the shares held, since this allows to technically effect the purchase process in an economically viable manner. Furthermore, rounding in accordance with commercial rules to avoid arithmetic fractional shares may be provided for. In this respect, the number of shares to be purchased from the individual shareholder may be rounded off as necessary to represent the purchase of whole shares in the processing system. In the aforementioned cases, the Management Board, in agreement with the Supervisory Board, is convinced that an exclusion of any further-reaching right to tender shares is justified in view of the circumstances and reasonable from the shareholders' perspective.

**c) Use of acquired Company shares and exclusion of subscription rights**

Pursuant to the proposed authorization, the Company shares acquired by the Company may either be redeemed – with or without a decrease in the share capital – or be resold by way of a public offer made to all shareholders or on the stock exchange. Hereby, the shareholders' rights to equal treatment are reserved also in the case of a sale of the shares. In selling Company shares on the stock exchange, no shareholders' subscription rights exist. However, pursuant to section 71 para. 1 no. 8 sentence 4 German Stock Corporation Act (AktG), the sale of Company shares on the stock exchange fulfills the requirements of the principle of equal treatment in section 53 a German Stock Corporation Act (AktG).

In selling Company shares by means of a public offer made to all shareholders, the Management Board shall have the right, with the consent of the Supervisory Board, to exclude shareholders' subscription rights for fractional amounts. The exclusion of subscription rights for fractional amounts is necessary in order to make the sale of acquired Company shares by way of a offer for sale technically feasible. The Company shares excluded as free fractions from shareholders' subscription rights are either sold on the stock exchange or are otherwise sold for the Company based upon the best terms and conditions available.

Pursuant to the statutory provisions in section 71 para. 1 no. 8 sentence 4 German Stock Corporation Act (AktG), the proposed authorization provides that, in addition to selling acquired Company shares on the stock exchange or by offer to all shareholders, the Company shares may be used for any of the following purposes:

aa) Under the authorization, the Company shall be authorized to use Company shares under exclusion of subscription rights for the purpose of listing such shares on any foreign stock exchanges where they have not been admitted to trading yet. Listing shares of the Company on foreign stock exchanges would broaden the shareholder base, further increase the attractiveness of Company shares to investors, and secure a reasonable equity capital base for the Company. A reasonable equity capital base is of considerable importance for the Company's finances and, above all, the continued international expansion. By providing that the price at which shares of the Company are initially listed on a foreign exchange may not fall below the arithmetic mean of the final auction prices quoted for Company shares of the same share class on the electronic trading platform Xetra on the last five trading days prior to the date of listing on the stock exchange by more than 5 percent, it is ensured that the proceeds to be realized by the Company will be reasonable and that shareholders' pecuniary interests – in particular through protection from dilution of their shareholdings – will be adequately protected. Due to the limitation of volume to 10 percent of the share capital and the possibility to acquire shares on the market on roughly the same terms and conditions, any relevant losses in the proportions of their shareholdings can also be ruled out from the viewpoint of the shareholders.

bb) Furthermore, the Company shall be allowed to have Company shares at its disposal to be able to offer such shares – under exclusion of subscription rights – as consideration in the event of business combinations or in connection with the acquisition of companies, parts of companies or interests in companies. Thereby, the Company is put in the position to utilize its Company shares as acquisition currency. National and international competition frequently demands this form of consideration for such transactions. The authorization proposed herein is intended to allow the Company to seize opportunities for the acquisition of companies, parts of companies or interests in companies swiftly and flexibly. The interests of shareholders are, on the one hand, protected by the limitation of volume to 10 percent, which excludes any further-reaching losses in the proportions of their shareholdings. On the other hand, the pecuniary interests of the shareholders are safeguarded by the Management Board's obligation when exercising the authorization to issue the new shares in accordance with section 255 para. 2 German Stock Corporation Act (AktG) at an issue price that is in reasonable proportion to the contribution in kind. The Management Board shall use the stock exchange price as guideline to determine the value of the shares granted as consideration. The schematic tying in with the stock exchange price shall, however, not be required, in particular to avoid that negotiation results once achieved be jeopardized by fluctuations of the stock exchange price.

cc) The proposed resolution is also intended to enable the Company to sell Company shares against cash payment under exclusion of subscription rights by means other than on the stock exchange or an offer to the shareholders at a price not substantially lower than the stock exchange quotation for shares of the Company. This would allow the Company, in particular, to offer Company shares to institutional investors and thereby to obtain additional domestic or foreign shareholders. The Company is also put in a position where it can flexibly adjust its equity capital to the business requirements and can swiftly and flexibly react to favorable stock market situations. By setting a price close to market levels, the amount of cash raised shall be as high as possible, thus resulting in the largest possible addition to the Company's capital resources. In the event of an offer for sale made to all shareholders, the subscription price could, pursuant to section 186 para. 2 sentence 2 German Stock Corporation Act (AktG), be announced on the third day prior to the expiration of the subscription period at the latest. However, even with full utilization of this time limit, there would exist a risk of price change over several days, which would result in safety margins being deducted when determining the sales price. Furthermore, the Company would not be able to respond quickly to favorable market conditions due to the length of the subscription period. Shareholders' pecuniary interests and voting rights are reasonably safeguarded. The pecuniary interests, in particular shareholders' protection from a dilution of the value their shareholding, is accounted for by the fact that Company shares may only be sold at a price not substantially lower than the stock exchange quotation for shares of the Company of the same share class. Any discount on the stock exchange price upon sale will, if possible, amount to less than 3 percent, but not exceed 5 percent in any event. The decisive market price shall be the current stock exchange price at the time the purchase price is determined by the Management Board. Since, due to the volatility of the markets, fluctuations in prices within shortest time cannot be excluded, it shall not be determined in advance whether the point of reference should rather be the then current average market price, comprising only a few days, or the then current market price at a specific point in time. This must be determined in each individual case. It will be the endeavor of the Management Board to achieve the highest sales price possible and to keep any discount on the stock exchange price at which the current shareholders can buy additional shares as low as possible. Moreover, the authorization is limited to a maximum of 10 percent of the Company's share capital. Thereby it can be ensured that the total number of the acquired shares which can be sold in this way does not exceed, in aggregate, 10 percent of the share capital; this corresponds to the requirements of section 71 para. 1 no. 8 in conjunction with section 186 para. 3 sentence 4 German Stock Corporation Act (AktG). Furthermore, the Management Board will exercise the present authorization only in a manner that the limit of 10 percent of the share capital stipulated in section 186 para. 3 sentence 4 German Stock Corporation Act (AktG), adding all measures to which section 186 para. 3 sentence 4 German Stock Corporation Act (AktG) applies (correspondingly), will not be exceeded. Due to the limitation of volume and the possibility to acquire shares on the market on roughly the same terms and conditions, any relevant losses in the proportions of their shareholdings can therefore also be ruled out from the viewpoint of the shareholders.