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DEMAG
CRANES AG

Annual Report 2010/2011

Group key figures

The Demag Cranes Group manufactures products in the industrial cranes, crane components, harbour cranes and terminal automation technology sectors. It produces in a total of 16 countries on five continents and, through subsidiaries, agencies and a joint venture, operates an extensive sales and service network linking more than 220 service locations in over 60 countries. The Company has been majority owned by the US-based Terex Group since August 2011.

	1 October to 30 September		
Earnings in EUR million	**2010/2011**	2009/2010	Δ
Order intake	1,121.2	910.6	23.1%
Order book as at end of period	361.7	306.6	18.0%
Revenue	1,062.3	931.3	14.1%
Of which			
inside Germany	19.3%	20.5%	–1.3% pts
outside Germany	80.7%	79.5%	1.3% pts
Gross profit	308.1	244.9	25.8%
in % of revenue	29.0	26.3	2.7% pts
Operating EBITDA[1]	96.6	74.3	29.9%
Operating EBIT[1]	75.7	54.2	39.7%
in % of revenue	7.1	5.8	1.3% pts
EBIT	43.9	50.2	–12.6%
Operating net income after tax[2]	46.8	30.5	53.4%
Operating earnings per share (in EUR)[2]	2.21	1.44	53.4%
Net income after tax	6.5	27.8	–76.5%
Earnings per share (in EUR)	0.31	1.31	–76.7%
Cash flow in EUR million			
Cash flow from operating activities	14.1	23.3	–39.4%
Cash flow from investing activities	–27.3	–16.2	68.4%
Of which capital expenditure	–26.7	–17.2	55.1%
Free cash flow before financing	–13.2	7.0	n/a
Financial position in EUR million	**30 September 2011**	30 September 2010	Δ
Total assets	894.9	838.0	6.8%
Net working capital	251.9	225.3	11.8%
Net debt	21.8	–7.2	n/a
Equity	250.0	251.6	–0.6%
Equity ratio in %	27.9	30.0	–2.1% pts
Gearing in %	8.7	–2.8	11.5% pts
Employees			
Employees[3]	6,115	5,711	7.1%
Of which			
inside Germany	2,820	2,734	3.1%
outside Germany	3,295	2,977	10.7%
Shares			
Number of shares (in million)	21.2	21.2	–
Market capitalisation (in EUR million)	1,235.2	595.8	107.3%
Dividend per share (in EUR)	0.78[5]	0.60	–
Closing share price (in EUR)[4]	58.34	28.14	107.3%

[1] Adjusted to reflect the effects of operating adjustments

[2] Adjusted to reflect the effects of operating adjustments and tax effects

[3] Employees as at the end of the period, excluding tempoary employees, apprentices and trainees

[4] As per XETRA closing

[5] Dividend proposal for the Annual General Meeting 2012

Segment key figures

Industrial Cranes

In the Industrial Cranes segment, Demag Cranes manufactures high-quality components, such as rope and chain hoists, travel units and motors and complete cranes. We make a distinction between cranes that are made of standardised modules for industrial infrastructure applications (Standard Cranes), and cranes that are designed for use in the customer's specific production processes (Process Cranes). With its highly flexible KBK crane construction kit, which is primarily used in industries with changing production requirements (e.g. the automotive industry), Demag Cranes is the world market leader.

Earnings in EUR million	**2010/2011**	2009/2010	Δ
Order intake	514.8	412.2	24.9%
Order book as at end of period	201.5	180.0	11.9%
Revenue	489.8	440.8	11.1%
Operating EBIT[1]	10.8	4.8	125.4%
in % of revenue	2.2	1.1	1.1% pts
Employees[2]	**3,358**	**3,119**	**7.7%**

Port Technology

The Port Technology segment covers products and services for ports and terminals, which are sold under the Gottwald brand. The range extends from conventional cargo handling equipment such as Mobile Harbour Cranes to automated solutions for container transport and storage. In this segment, we also offer planning and consultancy services for port operators, software solutions as well as assembly and maintenance services. According to our own market research, we occupy the leading position in mobile harbour cranes with an installed base of around 1,400 cranes.

Earnings in EUR million	**2010/2011**	2009/2010	Δ
Order intake	267.3	197.0	35.7%
Order book as at end of period	105.6	76.9	37.2%
Revenue	239.0	189.9	25.8%
Operating EBIT[1]	9.2	0.6	1,453.8%
in % of revenue	3.8	0.3	3.5% pts
Employees[2]	**684**	**649**	**5.4%**

Services

Demag Cranes operates one of the world's largest service networks for cranes and hoists made by all manufacturers. This enables us to provide our customers quickly with comprehensive services to repair, refurbish and to ensure safe, efficient operation. Demag Cranes also supplies any spare parts required, and acts as an outsourcing partner to meet long-term full service contracts for its customers. With more than 660,000 electric cranes and hoists, Demag Cranes has the largest installed base in the world.

Earnings in EUR million	**2010/2011**	2009/2010	Δ
Order intake	339.1	301.5	12.4%
Order book as at end of period	54.6	49.6	10.1%
Revenue	333.5	300.6	10.9%
Operating EBIT[1]	66.2	58.3	13.5%
in % of revenue	19.8	19.4	0.5% pts
Employees[2]	**1,813**	**1,697**	**6.8%**

[1] Adjusted to reflect the effects of operating adjustments

[2] Employees as at the end of the period, excluding temporary employees, apprentices and trainees

Segments' proportion of total revenue in %

2010/2011
- 46.1 Industrial Cranes
- 31.4 Services
- 22.5 Port Technology

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Above-average growth in emerging markets

The emerging markets are the growth drivers of the global economy. Demag Cranes is pushing ahead business notably in the BIC countries (Brazil, India and China) and is preparing to meet ambitious growth targets with new products.

Expansion of the service business

While we already enjoy an excellent positioning worldwide with our service business, the growth potential remains huge. We are leveraging this potential by further increasing coverage of our own installed base, as well as winning new service contracts for cranes and hoists produced by other manufacturers.

Expanding our technology leadership

We see ourselves as the innovation and technology leader in our industry and aim to further extend that lead. Our clear focus is on providing benefit to customers, which we boost with pioneering improvements and new technologies.

CEO letter to our shareholders

Dear Shareholders,

In financial year 2010/2011, the Demag Cranes Group's business performance was once again on a clear upward trajectory. Thanks to ongoing Group integration, our independent market position and rigorous implementation of our strategy, we have put ourselves in an excellent position to attain our ambitious medium-term goals.

In operating business, we benefited from the generally positive economic trend. Thanks to the economic recovery, demand for our products and services noticeably improved. Our Group order intake increased by 23.1% compared with financial year 2009/2010 to EUR 1,121.2 million, with every segment making a positive contribution. We also boosted revenue year on year: at EUR 1,062.3 million, Group revenue was 14.1% up on the previous year and slightly above our forecast of EUR 1,060 million. Group operating EBIT came to EUR 75.7 million, up 39.7% on the previous year. The operating EBIT margin stood at 7.1%, higher than our forecast of around 6.4%. We thus substantially improved on our key performance indicators compared with the prior year and met our forecast – last updated in the third quarter of the financial year – in every respect, even surpassing it in terms of operating EBIT.

Given the positive performance of business in the past financial year, the Management Board and the Supervisory Board have jointly decided to propose a dividend of EUR 0.78 per share for financial year 2010/2011 at the Annual General Meeting.

We have also made significant progress during the past financial year in implementing our growth strategy in emerging markets. As announced, we launched the DC-Bas chain hoist, the first product for the high-growth mid-range product/price bracket, initially in China and India. Based on European standards, the new hoist is designed to meet the exact needs of customers in these countries. We plan to offer further products with this focus in the two largest Asian economies in the months ahead. As a second step, we plan market launches in regions such as Southeast Asia.

Growth in the People's Republic of China is especially important for Demag Cranes. We intend to increase our market share there to 10% by 2015. In January, we signed a letter of intent with the Weihua Group, one of China's biggest crane makers, for close cooperation and to forge a strategic alliance. The two companies have pledged exclusivity for further negotiations, which are still underway.

We also have more major contracts from the emerging markets to report from our operating business. In total, we boosted revenue by an above-average 33.0% in these markets in the past financial year. This success underscores that our growth strategy is delivering results. We report separately on further milestones in the implementation of our strategy in the past financial year in the next section of this Annual Report, beginning on page 14.

Aloysius Rauen
Chief Executive Officer (CEO)

Our success is first and foremost a team accomplishment and in particular serves to demonstrate that the Group integration process begun in 2009 is working. Through our functional management structure with global responsibilities, we have significantly boosted efficiency and leveraged potential. I would like to take this opportunity to thank our employees for their superb performance and dedicated hard work in the past financial year. After successfully weathering the last economic and financial crisis, our team quickly moved over to growth and increasing profitability, putting the Group back on track for success. This has substantially heightened our attractiveness not least on the capital market and made us a sought-after company.

Right at the start of the past financial year, we confirmed in a press release following media speculation that we had received non-binding expressions of interest from foreign companies. On 19 May, Terex Industrial Holding AG, a subsidiary of Terex Corporation, Westport, Connecticut, USA, then submitted an offer for all outstanding shares in Demag Cranes AG. After extensive concessions from Terex, including a marked increase in the offer price from EUR 41.75 to EUR 45.50 per share, far-reaching autonomy for Demag Cranes as a separate operating segment within the Terex Group, and a five-year guarantee to retain our German sites, the Management Board and Supervisory Board unanimously recommended shareholders to accept the improved offer. The tender offer consequently succeeded, significantly exceeding the 50% minimum take-up. At the end of the additional acceptance period, Terex reached a shareholding of 81.83%. Negotiations are currently underway for the signing of a domination and profit transfer agreement. We expect that the necessary negotiations can be completed in January 2012 and that it will be possible for a resolution on the domination and profit transfer agreement to be passed at the Annual General Meeting of Demag Cranes AG on 24 February 2012.

Ongoing Group integration, its independent market position and continuous review of strategic goals mean that Demag Cranes is outstandingly well placed for the opportunities and the challenges that lie ahead. We currently anticipate strong revenue growth for the next two financial years. There are plans to generate Group revenue of approximately EUR 1.1 billion in financial year 2011/2012. For financial year 2011/2012, the Management Board projects an operating EBIT margin of roughly 9.5%. By financial year 2012/2013, Group revenue is anticipated to be back up to around EUR 1.3 billion, thus exceeding the level achieved in the record financial year of 2007/2008 (EUR 1,225.8 million). In financial year 2014/2015, factors notably including the new product families for emerging markets, the recovery of the ports business – aided by the expected award of a number of pending large-scale projects for port terminals – and further growth in service business, primarily through greater penetration of the broad installed base, are set to add further momentum to revenue. Provided that the revenue projection is attained, the Group is expected to regain a Group operating EBIT margin of over 10% by as early as financial year 2012/2013.

The Demag Cranes Group is already well positioned in key markets. In the past few years, we have honed the competitive edge of Demag Cranes by investing in future-ready products and innovative services. Under our strategy, we are primarily targeting the expansion of our business activities in emerging markets. Significant growth potential and synergies from the business combination with the Terex Group can only result, however, after a domination and profit transfer agreement is signed and comes into force. For further details on the future development of the Demag Cranes Group, please turn to the Forecast report beginning on page 104.

Yours sincerely,

Aloysius Rauen
CEO

Thomas H. Hagen
Member of the Board with responsibility for Industrial Cranes and Port Technology (until 30 September 2011)

Rainer Beaujean
Member of the Board and Chief Financial Officer (CFO) (until 30 November 2011)

Report of the Supervisory Board

During the course of financial year 2010/2011, the Supervisory Board of Demag Cranes AG fulfilled its obligations as required by law, the Articles of Association and the Rules of Procedure and advised the Management Board in its management of the Company. For the purpose of monitoring the executive management, the Supervisory Board dealt regularly and in detail with the current position of the Company and the further development of the Demag Cranes Group.

The Management Board provided the Supervisory Board with regular, prompt and comprehensive information in verbal or written form, in particular on business development in the individual segments, the position of the Group, proposed business policies, corporate planning and strategy, the profitability of the Company, risk management and compliance. The Management Board discussed with the Supervisory Board in advance all transactions and issues of fundamental importance to the Company. Transactions requiring the approval of the Supervisory Board were presented to it by the Management Board in the proper manner.

The chairmen of the Supervisory Board regularly discussed and exchanged views and information on topics and issues of relevance to the Company with the Management Board, particularly the Chairman of the Management Board, also outside the Supervisory Board meetings. Thus, the chairmen of the Supervisory Board always learned immediately of any events that could be of significance for evaluating the Group's position and prospects.

During the course of financial year 2010/2011, the Management Board regularly reported to the Supervisory Board and coordinated with it in particular on developments related to the takeover by Terex Industrial Holding AG, Dortmund, an indirect subsidiary of Terex Corporation, Westport, Connecticut, USA (hereinafter together "Terex"). For this purpose, the Chairman of the Management Board maintained close contact primarily with Chairman of the Supervisory Board, Burkhard Schuchmann.

The Supervisory Board held four ordinary and five extraordinary meetings in financial year 2010/2011. The ordinary meetings of the Supervisory Board were held on 3 December 2010, 1 March 2011, 6 May 2011 and 29 September 2011, and the extraordinary meetings on 23 May 2011, 27 May 2011, 31 May 2011, 15 June 2011 and 21 June 2011. On 11 November 2010, 20 May 2011, 10 June 2011 and 23 September 2011, the Supervisory Board also adopted resolutions in writing without meeting.

Due to the urgency of the matters in hand, the extraordinary Supervisory Board meetings were sometimes held by teleconference.

Main points of discussion at the meetings of the full Supervisory Board

On a quarterly basis, the Management Board reported to the Supervisory Board meetings on business development and the position of the Company. In this context, the Management Board also informed the Supervisory Board about instances where business had not developed in line with corporate planning, at the same time indicating the reasons for this. In addition, the committee chairmen regularly briefed the Supervisory Board meetings on the work being carried out by the committees.

On 11 November 2010, the Supervisory Board resolved to approve the proposal presented by the Management Board to refinance the Company.

At its meeting of 3 December 2010, the Supervisory Board approved both the Financial Statements and the Consolidated Financial Statements for financial year 2009/2010 and followed the Management Board proposal on the appropriation of net income for financial year 2009/2010. The Supervisory Board also received and approved the Management Board proposal regarding the convening of and agenda for the Company's forthcoming Annual General Meeting and adopted the Supervisory Board's proposals regarding the resolution of the items on the agenda.

As well as receiving the Management Board's report on current business developments, the Supervisory Board meeting of 1 March 2011 mainly prepared for the Annual General Meeting that was to take place after that Supervisory Board meeting.

On 2 May 2011, Terex Industrial Holding AG announced its plan to make a public tender offer to Demag Cranes AG shareholders for all outstanding shares in the Company against a payment of EUR 41.75 per share. The Terex Industrial Holding AG announcement was unsolicited. At its meeting of 6 May 2011 – a meeting already planned as part of the regular meeting schedule in place before 2 May 2011 – the Supervisory Board discussed the resulting situation for the Company with the Management Board, bringing in external consultants Deutsche Bank AG, Frankfurt am Main, and

Dr. Michael W. Ernestus
Chairman of the Supervisory Board

Rothschild GmbH, Frankfurt am Main, for the purpose. The Management Board also informed the Supervisory Board that another foreign entity had made contact, proposing exploratory talks with regard to a possible merger of the two companies. The Management Board regularly briefed the Supervisory Board on the further developments in this context both within and outside the subsequent Supervisory Board meetings and coordinated with it on the further course of action. In the end, the other foreign entity did not pursue this plan.

Furthermore, at its 6 May 2011 meeting, the Supervisory Board, at the suggestion of the General Committee, extended the term of office of Mr. Aloysius Rauen as a member of the Management Board and as Chief Executive Officer of the Company for an additional five years ending 30 April 2017. The Management Board contract with Mr. Aloysius Rauen was likewise renewed to 30 April 2017 by mutual agreement and revised with effect from 1 October 2011. The Supervisory Board consulted with an external remuneration expert in assessing the appropriateness of the remuneration agreed in the contract. At that meeting, the Management Board also informed the Supervisory Board about the terms of engagement of Deutsche Bank and Rothschild and reported on measures to improve earnings in the Standard and Process Cranes areas.

On 19 May 2011, Terex Industrial Holding AG published its offer document containing the voluntary public tender offer to the shareholders of Demag Cranes AG for the acquisition of all shares in Demag Cranes AG. The Management Board and Supervisory Board of the Company examined the offer. In particular, the adequacy of the consideration offered by the bidder was assessed by the Management Board and the Supervisory Board from a financial point of view and appraised and analysed on the basis of the current strategy and financial plan of Demag Cranes AG and with reference to other assumptions. As already mentioned, the Management Board was advised in this connection by Deutsche Bank and Rothschild. The Supervisory Board retained Lazard & Co. GmbH, Frankfurt am Main, as its own advisers by resolution of 20 May 2011. The Supervisory Board laid down the terms of Lazard's engagement at the Supervisory Board meeting of 23 May 2011. At the Supervisory Board meeting of 27 May 2011, the financial advisers presented the status of their evaluation work with regard to the tender offer from Terex Industrial Holding AG. The Management Board and the Supervisory Board also discussed the prepared draft statement on the tender offer from Terex Industrial Holding AG.

At a further meeting on 31 May 2011, the financial advisers presented the findings of their evaluation work and each submitted their fairness opinions. In these, Deutsche Bank and Rothschild, as advisers to the Management Board, and Lazard, as advisers to the Supervisory Board, concluded that, subject to the assumptions contained in them and at the time of their submission, the consideration offered was not adequate from a financial point of view. In its meeting of 31 May 2011, the Supervisory Board adopted a Joint Statement with the Management Board pursuant to Section 27 of the German Securities Acquisition and Takeover Act (WpÜG) on the voluntary public tender offer submitted by Terex Industrial Holding AG on 19 May 2011. In the Joint Statement, the Management Board and the Supervisory Board highlighted in particular that they did not consider the consideration offered of EUR 41.75 per share to be adequate from a financial point of view. The Management Board and the Supervisory Board recommended in their Joint Statement that the shareholders should not accept the 19 May 2011 tender offer from Terex Industrial Holding AG.

By resolution of 10 June 2011, the Management Board and the Supervisory Board published an addendum to their Joint Statement on the tender offer from Terex Industrial Holding AG, listing financial analysts' target prices and naming the Management Board and Supervisory Board members who held shares in the Company.

After Terex held out the prospect of a higher offer price and undertakings, among other things, to the workforce, the Management Board conducted exploratory talks with Terex. The Management Board reported in detail to the Supervisory Board on these exploratory talks and on a proposed Business Combination Agreement at the Supervisory Board meeting of 15 June 2011. The proposed Business Combination Agreement included an increase in the offer price from EUR 41.75 to EUR 45.50 per share. In the same Agreement, Terex pledged extensive operating and strategic independence for Demag Cranes AG following a majority takeover. The Agreement additionally contained specific and binding location and employment guarantees for Demag Cranes AG and its workforce and detailed arrangements with a view to a possible working relationship between Demag Cranes AG and Terex and a possible integration. At the Supervisory Board meeting of 15 June 2011, the financial advisers gave – to the extent possible at that point – initial indications concerning their assessment of the adequacy of the new offer price and the Supervisory Board approved the signing of the Business Combination Agreement. The Management Board thereupon signed the Business Combination Agreement with Terex on 16 June 2011.

On this basis, Terex's improved tender offer was discussed at the Supervisory Board meeting of 21 June 2011. At that meeting, Deutsche Bank and Rothschild, as advisers to the Management Board, and Lazard, as advisers to the Supervisory Board, presented the findings of their valuation work and submitted their fairness opinions in which, subject to the assumptions contained in them and at the time of their submission, the increased offer price of EUR 45.50 per share was stated to be considered adequate from a financial point of view. Taking into account the fairness opinions submitted by Lazard, Deutsche Bank and Rothschild, the Supervisory Board adopted the Joint Supplementary Statement with the Management Board pursuant to Section 27 of the German Securities Acquisition and Takeover Act on the amended offer document published by Terex Industrial Holding AG on 16 June 2011. In the Supplementary Statement, the Management Board and the Supervisory Board presented reasons for considering the improved offer from Terex Industrial Holding AG to be in the interests of Demag Cranes AG, its shareholders, its workforce and its other stakeholders. The Management Board and the Supervisory Board recommended that shareholders should accept the improved tender offer from Terex Industrial Holding AG.

On 23 September 2011, the Supervisory Board, meeting in the composition it had up to that date, adopted a further resolution in text form endorsing the minutes of the preceding extraordinary meetings of the Supervisory Board.

As all existing shareholder representatives resigned from their positions as members of the Supervisory Board of Demag Cranes AG with effect from 23 September 2011 and the new shareholder representatives were appointed by court with effect from 24 September 2011, the Supervisory Board meeting of 29 September 2011 had to appoint a new Supervisory Board chairman and new Supervisory Board committee members. At that meeting, I was elected as the new Chairman of the Supervisory Board. At the same meeting, the Supervisory Board approved the Annual Budget for 2011/2012 presented by the Management Board and the rolling multi-year planning. At the proposal of the General Committee, the Supervisory Board also adopted severance agreements with Mr. Rainer Beaujean and Mr. Thomas H. Hagen in connection with the exercise of their special right of termination in light of the tender offer from Terex Industrial Holding AG consummated on 16 August 2011 and the resulting change of control.

At the first Supervisory Board meeting of the current financial year, held on 29 November 2011, we approved both the Financial Statements and the Consolidated Financial Statements for financial year 2010/2011 and followed the Management Board proposal on the appropriation of net income for financial year 2010/2011. We also examined the report on the Company's relationships with affiliated companies (Dependent Company Report) prepared by the Management Board for the period from 16 August 2011 to 30 September 2011, received and approved the latest Management Board proposal regarding the convening of and agenda for the Company's forthcoming Annual General Meeting and adopted our proposals regarding the resolution of the items on the agenda. Furthermore, the auditor for financial year 2011/2012 was discussed. In addition, the Supervisory Board discussed the succession plan for the post of Chief Financial Officer and the change to the Rules of Procedure for the Management Board and, on the recommendation of the General Committee, decided on the targets for the variable remuneration of the Management Board for financial year 2011/2012. At the same meeting, the Management Board also reported to the Supervisory Board on the current status of the measures to improve earnings in the Standard and Process Cranes areas.

At the extraordinary Supervisory Board meetings on 23 May 2011 and 27 May 2011, one member of the Supervisory Board in each case sent apologies for his absence. The other Supervisory Board meetings were attended by all members of the Supervisory Board.

There were no conflicts of interest involving members of the Management or Supervisory Board in financial year 2010/2011. Further information can be found in the Corporate Governance Report on page 28 et seqq.

Activities and meetings of the committees

The Supervisory Board has formed a total of four committees. In addition to the Mediation Committee, whose formation is required by Section 27 (3) of the German Co-determination Act (MitbestG), there is the General Committee, the Audit Committee and the Nominations Committee. The committees primarily prepare topics and resolutions for meetings of the full Supervisory Board. In some cases, they also have decision-making powers transferred to them, insofar as the law permits, by the Supervisory Board. With the exception of the Nominations Committee, the committees each have four members, of whom two are employee representatives and two are shareholder representatives. The Nominations Committee comprises all six shareholder representatives on the Supervisory Board. The Mediation and General Committees are chaired by the Chairman of the Supervisory Board. Mr. Burkhard Schuchmann was therefore chairman of those committees until his resignation. On 29 September 2011, the Supervisory Board resolved that I would succeed him as Chairman of the Supervisory Board and chairman of those committees. Mr. Burkhard Schuchmann was also Chairman of the Nominations Committee until his resignation. On 29 November 2011, the Nominations Committee resolved to elect me new Chairman of the Nominations Committee. The Audit Committee was chaired by Prof. Dr. h. c. Karlheinz Hornung until his resignation. On 29 September 2011, the Supervisory Board resolved to elect Mr. Oren G. Shaffer as the new Chairman of the Audit Committee.

Specifically, the General Committee prepares the personnel-related decisions of the Supervisory Board, such as the terms of Management Board members' employment contracts including their remuneration, the appointment and dismissal of Management Board members and the nomination of the Chairman of the Management Board. Following the entry into force of the German Act on the Appropriateness of Management Board Remuneration (VorstAG), the full Supervisory Board takes the final decisions on issues relating to Management Board remuneration. Since the end of financial year 2009/2010, certain functions related to advising and monitoring the Management Board during transactions have also been transferred to the General Committee. The General Committee held four meetings during the reporting period. The main purpose of the first meeting of financial year 2010/2011 was to draw up proposals for the full Supervisory Board so that targets could be set for the variable remuneration of the Management Board for financial year 2010/2011. At its meeting of 14 January 2011, the General Committee was informed by the Management Board about the current status of existing transaction-related issues, in particular following the expressions of interest announced by the Company in October 2010 and in the context of the Company's expansion in China, and discussed with the Management Board the further course of action in this regard. In addition, at its meeting of 6 May 2011, the General Committee decided on its recommendations to the full Supervisory Board regarding the extension of the term of office and Management Board contract of Mr. Aloysius Rauen as a member of the Management Board and CEO of the Company by a further five years until 30 April 2017. At its last meeting of financial year 2010/2011, the General Committee discussed its recommendations to the full Supervisory Board regarding the adoption of the severance agreements with Mr. Rainer Beaujean and Mr. Thomas H. Hagen. In connection with the resignation of Mr. Thomas H. Hagen by mutual agreement with effect from 30 September 2011, the General Committee also resolved to release him from any further activity on behalf of Demag Cranes AG from that date.

The Audit Committee prepares the Supervisory Board's decision on the adoption of the Financial Statements and the approval of the Consolidated Financial Statements. To this end, it is responsible for conducting the preliminary audit of the Financial Statements and Consolidated Financial Statements, the combined Management Report and the proposal on the appropriation of net income. The Audit Committee also discusses the half-yearly and quarterly financial reports with the Management Board prior to their publication and deals in particular with risk management and compliance issues. The Audit Committee met four times in total in financial year 2010/2011. At its first meeting of the past financial year, it dealt with the preliminary audit of the 2009/2010 Financial Statements and Consolidated Financial Statements, the combined Management Report and the Management Board proposal on the appropriation of net income. At that meeting, the Management Board also reported on the results of the restructuring programme as at 30 September 2010. In addition, the Audit Committee decided on its recommendation for the proposal to elect the auditors for financial year 2010/2011. Under Section 319 a (1) 4 of the German Commercial Code (HGB), the audit partner of the existing auditing firm must be excluded from the audit of a company if he has already been responsible for the audit of the company for several years. Furthermore, the Audit Committee believed it appropriate to change the auditing firm at certain intervals. In view of this and after carrying out a selection process, the Audit Committee recommended that the Supervisory Board propose to the Annual General Meeting that Warth & Klein Grant Thornton AG

Wirtschaftsprüfungsgesellschaft, Düsseldorf, be elected as auditors for financial year 2010/2011. The full Supervisory Board followed this proposal at its meeting of 3 December 2010. At the subsequent meetings, the Audit Committee discussed the preliminary quarterly results and also obtained information in particular on the current status of risk management and compliance. The Audit Committee meeting of 2 May 2011 dealt in particular with the report by Warth & Klein Grant Thornton AG on the results of an informal review as at 31 March 2011. In May 2011, the Management Board, in consultation with the Supervisory Board, engaged a consulting firm specialising in compliance to conduct a thorough external review of Demag Cranes AG's compliance management system. The results of the review and the identified potential for enhancement were presented by the external consultant and discussed at the Audit Committee meeting of 4 August 2011. The overall finding of the assessment was that the compliance management system fulfils the relevant provisions of the law, the Articles of Association and the German Corporate Governance Code. The former and the new Chairman of the Audit Committee have at no time been a member of the Company's Management Board, are independent and, as a result of their education and professional experience, have appropriate accounting and auditing expertise.

The Nominations Committee did not meet in financial year 2010/2011.

Once again, there was no reason during the past financial year to convene a meeting of the Mediation Committee pursuant to Section 27 (3) of the German Co-determination Act (MitbestG).

The first meeting of the Audit Committee in current financial year 2011/2012 took place on 28 November 2011. Here, the Audit Committee dealt in particular with the preliminary audit of the Financial Statements and Consolidated Financial Statements of the Company for financial year 2010/2011, the combined Management Report, the Management Board proposal on the appropriation of net income and the Dependent Company Report for the period from 16 August 2011 to 30 September 2011. Furthermore, the auditor for financial year 2011/2012 was discussed.

At its first extraordinary meeting in current financial year 2011/2012, on 23 November 2011, the General Committee discussed the succession plan for the post of Chief Financial Officer. At its second meeting, on 29 November 2011, the General Committee also discussed the succession plan for the post of Chief Financial Officer and the change to the Rules of Procedure for the Management Board. Furthermore, the General Committee decided on its recommendation to the full Supervisory Board regarding the targets to be set for variable remuneration of the Management Board for financial year 2011/2012.

The Nominations Committee also met on 29 November 2011. At this meeting, the Nominations Committee elected me to be its Chairman and decided on its recommendation for the Supervisory Board's proposal to the Annual General Meeting regarding the election of Supervisory Board members.

Audit of the Financial Statements, Consolidated Financial Statements and Dependent Company Report

On 2 March 2011, the Annual General Meeting resolved to elect Warth & Klein Grant Thornton AG as auditors for financial year 2010/2011. The Supervisory Board commissioned Warth & Klein Grant Thornton AG to conduct the audit, concluded an agreement with Warth & Klein Grant Thornton AG regarding the latter's fee and followed the Audit Committee's recommendations in specifying the points on which audit activities should focus. The audit of the Financial Statements and Consolidated Financial Statements as at 30 September 2011 focused on the following: presentation and explanation of significant financial risks related to financial covenants (Section 315 (1) German Commercial Code (HGB), German Accounting Standard (GAS) 15, GAS 5; IFRS 7.18 et seq. and IFRS 7.31); recoverability of assets (incl. goodwill), including note disclosures and clear documentation (plausibility of assumptions used to determine recoverable amount, including replacement cost of capital); the Group Management Report, including opportunity and risk reporting (Section 315 (1) HGB, GAS 15, GAS 5); presentation of key assumptions about the future and estimation uncertainty (IAS 1.125 et seqq.); intangible assets: capitalised development costs (IAS 38), assessment of the recognition criteria, subsequent measurement and recoverability in accordance with IAS 36, documentation.

Warth & Klein Grant Thornton AG audited and issued an unqualified audit opinion on the Financial Statements and Consolidated Financial Statements prepared by the Management Board for the financial year from 1 October 2010 to 30 September 2011, the combined Management Report and the Dependent Company Report prepared by the Management Board for the period from 16 August 2011 to 30 September 2011.

The financial statement documents, the Dependent Company Report and the auditors' audit reports were submitted to all members of the Supervisory Board in good time. At the Audit Committee meeting of 28 November 2011 and the Supervisory Board meeting of 29 November 2011, the documents were discussed and examined in detail in the presence of the auditors. At both meetings, the auditors reported on the material findings of their audits, answered questions and were available to provide any further information. In doing so, the auditors confirmed that no material weaknesses had been identified in the internal control and risk management system in relation to the financial reporting process and that there were no circumstances that would call into question the auditors' impartiality. The auditors also reported that, in addition to performing the financial statement audits, they had conducted an informal review as at 31 March 2011 and other services amounting to EUR 40,000 in financial year 2010/2011.

Having thoroughly examined the Financial Statements and Consolidated Financial Statements, the combined Management Report and the proposal on the appropriation of net income, the Supervisory Board approved the findings of the auditors' audit. It did not raise any objections on completion of its examination. The Supervisory Board followed the Audit Committee's recommendation and approved the Financial Statements and Consolidated Financial Statements. The Financial Statements were thus adopted. The Supervisory Board also approved the Management Board's proposal on the appropriation of net income.

On 28 November 2011, the auditors, Warth & Klein Grant Thornton AG, issued the following auditors' report on the Dependent Company Report:

“On completion of our audit and assessment in accordance with professional standards, we confirm that

1. the factual statements in the report are correct,
2. the consideration paid by the Company in connection with the transactions listed in the report was not unreasonably high or any disadvantages incurred were compensated,
3. in respect of the measures listed in the report, there are no circumstances providing grounds for a materially different assessment to that of the Management Board.”

At its meeting of 28 November 2011, the Audit Committee dealt in detail with the Dependent Company Report and received the report of the auditors. Following its own careful examination, the Audit Committee did not raise any objections to the Dependent Company Report. At the Supervisory Board meeting of 29 November 2011, the Chairman of the Audit Committee reported on the audit of the Dependent Company Report by the Audit Committee. The Supervisory Board examined in detail the completeness and accuracy of the Dependent Company Report, including the findings of the auditors and the Audit Committee, approved the auditors' audit findings and concluded that no objections needed to be raised to the declaration issued by the Management Board at the end of the statement on relations with affiliated enterprises.

Personnel changes on the Supervisory Board

In financial year 2010/2011, there were a number of changes to the membership of the Supervisory Board. Following Dr. Martin Posth's resignation from the Supervisory Board with effect from 15 October 2010, Mr. Jens Tischendorf was appointed a member of the Supervisory Board in a ruling by the Düsseldorf local court dated 21 October 2010. Mr. Tischendorf was appointed by the court to serve until the close of the next Annual General Meeting. At the Annual General Meeting held on 2 March 2011, Mr. Tischendorf was elected to the Supervisory Board of Demag Cranes AG.

Mr. Burkhard Schuchmann resigned as a member and Chairman of the Supervisory Board with effect from 23 September 2011. He did so after the EU gave regulatory approval for the voluntary public tender offer from Terex Industrial Holding AG on 5 August 2011, from which time the transaction was expected to be completed.

The Supervisory Board would like to thank Mr. Burkhard Schuchmann for his dedicated cooperation over the last few years and for his successful leadership of the Board. He provided advice and support in the creation and development of the Demag Cranes Group from 2006 onwards as a member of the Supervisory Board and from 2008 as Chairman of the Supervisory Board.

In addition to Mr. Burkhard Schuchmann, the other shareholder representatives Professor Dr. h. c. Karlheinz Hornung, Robert J. Koehler, Dr. Herbert Meyer, Dr. Rudolf Rupprecht and Jens Tischendorf also resigned as members of the Supervisory Board of Demag Cranes AG with effect from 23 September 2011. In a ruling handed down on 14 September 2011, the Düsseldorf local court appointed Mr. Axel Arendt, Mr. Kevin A. Barr, Dr. Michael W. Ernestus, Mr. Brian J. Henry, Dr. Michael Leue and Mr. Oren G. Shaffer to serve as members of the Supervisory Board with effect from 24 September 2011 until the close of the next Annual General Meeting.

We would like to thank the former members of the Supervisory Board for their dedicated and successful cooperation over the last few years.

There were no changes to the membership of the Management Board in financial year 2010/2011. However, on 22 August 2011, Mr. Rainer Beaujean and Mr. Thomas H. Hagen gave written notice to terminate their Management Board contracts with effect from 30 November 2011 on the basis of their special right of termination in the event of a change of control. A change of control occurred as a result of Terex Industrial Holding AG acquiring over 81.83% of the voting rights in the Company on 16 August 2011. By mutual agreement, Mr. Thomas H. Hagen resigned as a member of the Management Board prematurely with effect from 30 September 2011 and from that date was released by the General Committee from any further activity on behalf of Demag Cranes AG. Mr. Rainer Beaujean stepped down from the Management Board today at the end of his three-month period of notice.

The Supervisory Board would like to thank Mr. Rainer Beaujean and Mr. Thomas H. Hagen for their outstanding work and wish them all the best and every success for the future.

Corporate governance

In financial year 2010/2011, the Supervisory Board again devoted considerable attention to the Company's corporate governance. Pursuant to Clause 3.10 of the German Corporate Governance Code of 26 May 2010, the Management and Supervisory Boards report on corporate governance within the Demag Cranes Group in the Corporate Governance Report on pages 28 to 39 of this Annual Report. On 30 November 2011, the Management and Supervisory Boards issued an updated Declaration of Compliance in accordance with Section 161 of the German Stock Corporations Act (AktG), which the Supervisory Board adopted at its meeting of 29 November 2011. This declaration is published both on pages 38 to 39 of this Annual Report and on the Internet at www.demagcranes-ag.com.

Financial year 2010/2011 was a particularly eventful year for the Demag Cranes Group. The Supervisory Board would like to express its thanks and recognition to the Management Board, the employees and the employee representatives of all Group member companies and associated companies for their work.

Düsseldorf, 30 November 2011
The Supervisory Board
Dr. Michael W. Ernestus
Chairman

Milestones for strategy implementation

Demag Cranes AG has a clear strategy with ambitious goals, targeting in particular above-average growth in the emerging markets, the expansion of our service business and an increase in our technology leadership. We reached multiple milestones on the road to implementing our strategy in financial year 2010/2011. Expectations were high, and we delivered.

Above-average growth in the emerging markets

Our objective: we want to permanently increase the proportion of revenue generated in emerging markets to over 40%.

The emerging markets are the growth drivers of the global economy. The BIC countries (Brazil, India and China) in particular are pushing industrialisation ahead with great dynamism. New factories and port facilities are springing up, tracks are being laid and bridges built. Levels of prosperity are rising fast in these regions. People can afford more and are demanding premium products from all over the world. Globalisation makes this possible. We want to maximise the benefits of this dynamic growth for our business, with new products tailored to the specific needs of these countries, with innovative solutions that meet the needs of our customers, and with our vision, which drives us forward: "we want to be the first choice in our markets."

To read about our successes in financial year 2010/2011, please see pages 16 and 17.

Expansion of service business

Our objective: we want to increase the global service coverage of our installed base, which is the largest in the world.

More than 660,000 electric cranes and hoists around the globe display the Demag logo and need regular maintenance. Not only is that a world record, it also holds huge potential for our service business. We constantly increase coverage of our own installed base, as well as win more and more service contracts for cranes and hoists produced by other manufacturers. More than this, we offer our customers one-stop, end-to-end solutions from the moment we deliver the crane or hoist. Complete crane refurbishment, computerised remote diagnostic and remote servicing as well as 24-hour availability are just a few of the key words that illustrate our aim: to retain partnerships with customers for as long as possible.

→ To read about the milestones we reached in financial year 2010/2011, please see pages 18 and 19.

Expanding our technology leadership

Our objective: we want to stay right at the top and extend our lead over our competitors through innovation.

Demag Cranes has already registered more than 1,000 patents for its two brands, Demag and Gottwald. And the number of pioneering technological improvements and new developments is constantly increasing. In this way, we set our products and solutions ever further apart from the competition – and set the benchmark with outstandingly high productivity, low operating costs, superior quality and reliability. Increasingly, there is also a focus on developing environmentally friendly products. Constantly reducing energy consumption as well as CO_2 and noise emissions has long been a core brief of our research and development unit.

→ To read about our contribution in this area in financial year 2010/2011, please see pages 20 and 21.

Above-average growth in the emerging markets

The continuous expansion of business activities in the emerging markets is one of the cornerstones of our Group strategy.

We have set ourselves the goal of generating more than 40% of our revenue in these markets by 2015. In order to meet this target, we address the specific situation of our customers in the various markets with tailored solutions. Local requirements can vary dramatically. Hence, precisely analysing value chains and understanding the intricacies of local business practices is critical to success. We place more and more emphasis on the localisation of development and production units, which reduces production and logistics costs in the long run. In addition, our expertise as a technology leader gives us a competitive edge, particularly in highly complex tasks. This is especially true for emerging markets. It is not just demand for Demag Cranes' premium products that is rising steadily in these markets. Over the next few years, we expect the fastest growth to come from the mid-range product/price bracket. As such, we also want to establish our range of products and services in this market.

We made good progress in implementing our growth strategy in financial year 2010/2011, as illustrated by the following examples:

China: Immense growth opportunities

China is not just the most populous country in the world, with more than 1.3 billion people, it is also one of the fastest growing regions on earth. Yet the country has a lot of catching up to do with regard to further developing its infrastructure or private consumption. New factories are springing up all over the place – whether in the automotive, steel or power generation industries – which depend on lifting and materials handling systems for their production processes. For Demag Cranes, this spells immense growth opportunities, which we intend to exploit not least with our mid-segment strategy. After all, that is where we expect the fastest growth to come from.

Market launch of the new DC-Bas chain hoist in China and India

With the launch of its DC-Bas chain hoist in China and India, Demag Cranes completed an important step as part of its mid-segment strategy focusing on the emerging markets. Based on European standards, DC-Bas is designed to meet the exact needs of customers in these countries. In financial year 2011/2012, the DR-Bas rope hoist, the LC-Bas light crane system, drive components, crane sets and complete cranes in various designs will be launched successively in the two largest Asian markets. As a second step, the Bas product family is also to be launched in Southeast Asia.

The development of the new chain hoist was primarily entrusted to local engineers so as to take particular account of local demands. The market environment in China and India differs substantially from that of Europe in terms of dynamics and customer needs. Demag Cranes has steadily increased its presence in both countries over the last few years, creating international teams that ensure a perfect mix of local expertise and European technology.

▲ **The DC-Bas chain hoist is designed to meet the exact needs of customers in the emerging markets**

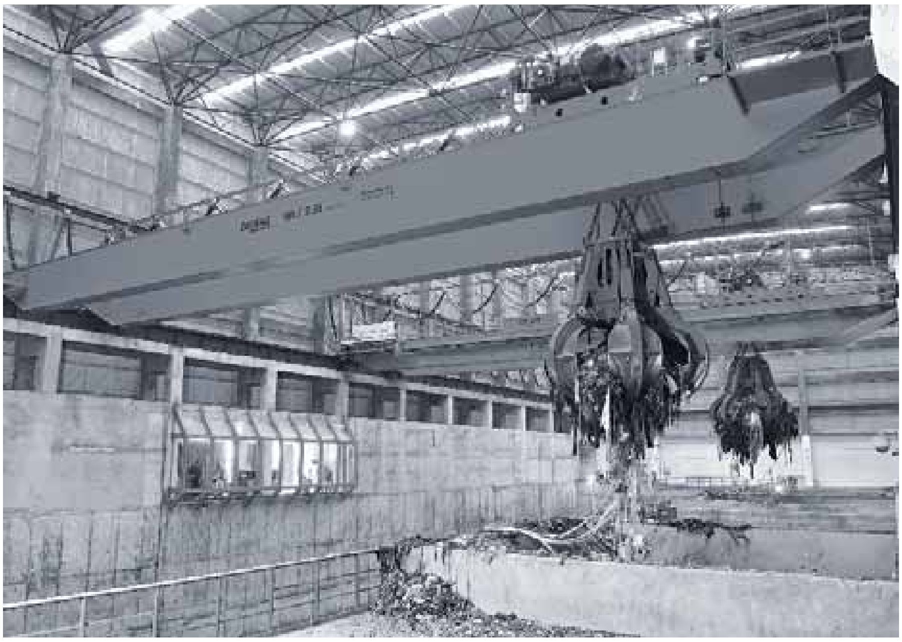
Demag Cranes equips new customer locations with enhanced technology

Not just major international customers expanding into emerging markets rely on Demag Cranes' enhanced technology. More and more local companies are also trusting in the technology leader's expertise for complex tasks.

"We grow with our customers."

In China, for example, Demag Cranes has received four orders for the delivery of a total of twelve semi- and fully automated Process Cranes for use in refuse incineration facilities. All of the cranes will be used to serve refuse bunkers including preparation of the refuse and feeding of the incineration lines. Besides the facilities in the economic centres Shanghai, Tianjin and Shenzhen, the new refuse incineration plant in Laogang (Shanghai municipality), which will be one of the largest of its kind in the world, will also benefit from state-of-the-art Demag Process Crane engineering.

▸ Two Demag suspension cranes fitted with four rope hoists operating in tandem for precise and reliable handling at John Deere, Russia



▴ Demag Process Cranes are used to store incoming refuse and feed it to the incineration lines

In Russia, we have equipped John Deere's new production location with crane technology. The volume of the order comprised 35 crane installations which operate on two assembly lines run by the world's largest manufacturer of agricultural machinery. The project was managed by the Russian regional subsidiary of the Demag Cranes Group, which also co-ordinated the local steelwork, assembly and erection work.

Caterpillar, the world's largest construction equipment manufacturer, commissioned Demag Cranes in Brazil to equip a new factory with crane technology. The package covers 102 Standard Cranes to be integrated in the production lines for backhoe loaders and small wheel loaders. In securing this and other major projects, local expertise built up over decades was a crucial factor. Demag Cranes has had a regional subsidiary in Brazil since 1972.

Expansion of service business

With a global service presence and the world's largest installed base of over 660,000 electric cranes and hoists, Demag Cranes has enormous business potential in the profitable field of services.

With our service strategy, we pursue a product life cycle approach. The aim is, by developing relevant service solutions, to enable customers to achieve optimum utilisation of their plant and machinery throughout its entire life cycle as well as maximum availability of their Demag Cranes products. We do this in part by making the channels to our customers short, through an extensive network of service centres, and in part by using cutting-edge technology in order to directly analyse and respond to any problems that arise.

One focus of our service strategy remains on continuously boosting profitability in our spare parts business. This is also helped by the cost-effective production of spare parts for older product lines. The plan is for the Services segment to generate more than one third of Demag Cranes' total revenue by 2015.

▲ Service from Demag Cranes guarantees maximum availability of cranes and components

Group integration milestone: teamwork boosts new business

Integration proceeds apace. The Group integration launched in 2009 enables us to leverage substantial efficiency potential, including in the Services segment. The close cooperation between Gottwald and Demag service experts means we can ensure more dense coverage geographically and be closer to our customers. The service structures have already been integrated in seven countries.

▲ Swissterminal's Frenkendorf facility with Gottwald gantry cranes

The fact that this pays dividends can be seen in an example from Switzerland, where the customer Swissterminal operates three Gottwald Portal Cranes along the Rhine, in the regions between Basel and Zurich. In the past, the company had service agreements with local partners and, due to the distance between the Port Technology location in Düsseldorf and the customer's terminals, was hesitant to conclude a service agreement with Demag Cranes. At the same time, Demag Cranes has had an Industrial Cranes subsidiary in Switzerland for some time, which also offered services. Using an integrated team approach, it was possible to convince the customer of the effectiveness of combining product expertise and customer proximity. Demag Cranes is now responsible for the annual inspection of all of Swissterminal's cranes.

"Successful integration adds value for customers"

The intensive cooperation between Demag and Gottwald experts in such an early phase was crucial to the success of the project. And the success is clearly measurable: discussions with the customer after completion of the first inspections have led to further orders, comprising repairs, upgrades and the purchase of spare parts.

Further expansion of the service network: customer focus is critical

The availability of cranes and hoists is a vital economic factor. We place great emphasis on preventive and condition-based maintenance. Should any fault arise, we can remedy it quickly thanks to our close proximity to the customer. For this reason, a dense service network is a top priority. We currently have more than 220 service centres with more than 2,200 service staff on five continents. We are continuously expanding this global coverage – and with success. We further increased the coverage of our own installed base of electric cranes and hoists again in the financial year and won a growing number of service contracts for cranes and hoists produced by other manufacturers.

▲ **Our service network – worldwide coverage**

Selection of service orders in financial year 2010/2011

Refurbishment contract in Turkey

Turkey has long been an important target market for the Port Technology segment. In the last two financial years alone, we have increased our installed base by more than ten Mobile Harbour Cranes. An excellent basis for our service business. This once again underlines the considerable trust placed in the Gottwald brand. In financial year 2010/2011, we were awarded a large refurbishment contract for three customers. The focus is on the external power supply for six Mobile Harbour Cranes.

Maintenance contract in Brazil

Brazil is also a key growth market for our service business. The country is the hub of our successful Central and South American activities, which in financial year 2010/2011 grew by almost 55% across the Group. In the reporting period, we took over on-site service for our customer Votorantim Metais. Three service engineers working full time on the customer's premises maintain a total of nine cranes and almost 60 hoists, including products from third-party suppliers.

Maintenance contract in Australia

Australia is a continent of vast distances. Rail transport is therefore key when it comes to ensuring that supplies reach even the remotest of regions. In the past financial year, we entered into an annual service contract for 96 cranes and hoists with our Australian customer UGL Rail Main-Train. We ensure that the products are available to the infrastructure services provider so train maintenance operations never miss a beat.

Extending our technology leadership

We aim to further extend our technology leadership and set trends by focusing on customers and successful innovations.

With our products and services, we aim to offer customers maximum benefits and the ultimate in efficiency. Demag Cranes' guiding principle is to strive to create effective, reliable, high-quality products that are geared to meeting market requirements. This same guiding principle underlies our research and development activities. As a technology leader, we therefore feel a permanent obligation to develop ground-breaking solutions and constantly enhance our product portfolio.

In this context, we are expanding the global footprint of activities such as research and development into areas that are the focus of the Company's growth. In countries such as India, China and South Africa, we have established international teams of engineers who pay close attention to the market conditions and customer requirements specific to their region.

As far as product development is concerned, we are focusing ever more closely on environmentally friendly technologies and see ourselves as a driver of innovation in our industry. Demag Cranes also pursues the goal of offering its customers more systems integration, whereby our own product portfolio can be readily used and supplemented with third-party products. We made great progress in all these areas in the last financial year.

Demag Cranes strengthens its position in the bulk handling market

During the financial year, Demag Cranes further strengthened its position in the bulk handling market. Through our Dutch IT subsidiary TBA, we have taken over the British company DB Controls, based in Doncaster (South Yorkshire, UK). DB Controls comes with accredited software and consulting competence related to bulk materials handling automation and won the IBJ Award IT Solutions for Bulk Handling in 2010.

"The bulk-handling market offers huge potential"

The acquisition is part of our strategy of expanding our bulk handling capabilities in the Port Technology segment. Thanks to the complementary service portfolio of DB Controls, we are expanding our range of software and consultancy services, previously geared to port and hinterland container terminals, to include bulk materials handling. As a result, customers throughout the world receive a complete package from a single source. The strategy is working. We recorded strong demand for Mobile Harbour Cranes for bulk handling again in the financial year, for instance, from Canada, where the cranes are used for loading raw materials.

Gottwald Model 6 Mobile Harbour Crane for professional bulk handling

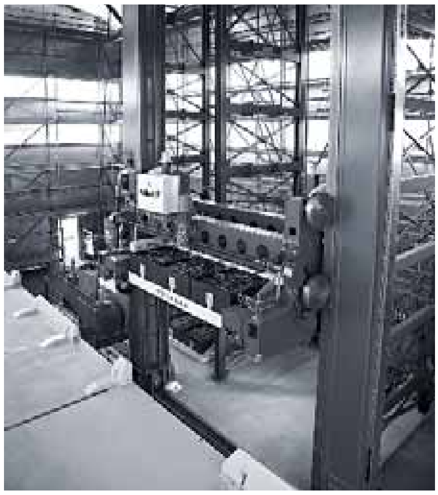
The Battery AGV improves economic efficiency and sustainable environmental protection in automated container terminals

A step closer to the zero-emissions terminal: Battery AGV a success in fleet operation

Following successful testing of the first battery-powered AGVs (Battery AGVs) in financial year 2009/2010, these emission-free transporters were put into regular fleet service at HHLA Container Terminal Altenwerder (CTA) in the reporting period. A fully automatic battery changing station which ensures a constant power supply to the Battery AGVs was also commissioned. This brings us a good deal closer to our aim of eradicating exhaust gas in the terminal.

One core field of interest is the gradual replacement of diesel-electric AGVs with more efficient, ecologically compatible battery-powered AGVs. The project was subsidised by the German federal government and is also supported by the Institute for Vehicle Technology (ika) at the RWTH Aachen University and the Institute for Energy and Environmental Research Heidelberg GmbH (ifeu).

As we concentrate on our strategy of further developing and offering as many eco-friendly products as possible, the Battery AGV represents a key milestone along that road. Use of the battery-powered drive train is not restricted to AGVs; indeed, drives of this kind offer tremendous potential in connection with other cargo-handling machinery in ports, heavy-load vehicles at airports and within industrial sites. Visionary innovations are the foundation of technology leadership.



Fully-automated battery-changing and recharging station for Battery AGVs at the HHLA Container Terminal Altenwerder

Award for innovative technology from the IBJ judges

Demag Cranes receives award for innovative technology

During the financial year, Demag Cranes was awarded a prize for exceptional innovative development. International Bulk Journal (IBJ), a leading trade journal for the maritime bulk handling industry, awarded the Group subsidiary Gottwald Port Technology GmbH the IBJ Award 2010 in the Innovative Technology (Cargo Handling) category for its new hybrid drive that can be fitted to Mobile Harbour Cranes.

This new hybrid drive for Gottwald Mobile Harbour Cranes was launched in March 2010. It improves energy efficiency and, as a result, makes it easier to operate Mobile Harbour Cranes in an environmentally compatible manner. Thanks to the use of the latest diesel engines in combination with electrostatic short-term storage devices (ultracaps), fuel consumption can be reduced by a two-digit percentage figure.

The new hybrid drive has been successfully trialled under real terminal conditions as part of a pilot project using a converted diesel-electric crane. This new drive technology is of particular interest to operators in the field of professional bulk handling, where greater focus is being brought to bear on reducing emissions. The technology enables terminal operators to reduce not only fuel consumption and costs but also exhaust gas emissions sustainably.

Products at a glance

Leading position

Technology leaders: Demag Cranes makes automated crane systems for automated paper roll warehouses. Alongside the proven vacuum-lift technology in use for many years, a new generation of mechanical clamps now developed further boosts handling rates by picking several ready-packed paper rolls at a time.

Linking processes

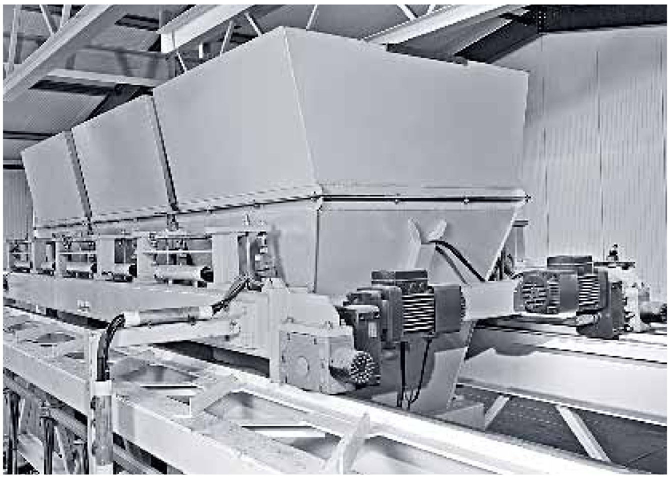
We create integrated intralogistics to customer specification, with crane systems at three levels. Demag provides assembly line cranes to move material around the factory, equips assembly stations with handling aids and loads the finished article for transport.

Mobile and universal

Maximum mobility for universal and special cargo terminals: Mobile Harbour Cranes from Demag Cranes ensure efficient handling of bulk containers, unit loads and project cargo. With around 1,400 Mobile Harbour Cranes sold, we consider ourselves the world marked leader.

Effective and efficient

Automated Guided Vehicles (AGVs) with their sophisticated management and navigation software are the essence of efficient container handling. The development of battery-powered drive systems for AGVs (Battery AGVs) now means operators can implement zero exhaust emission terminals.



Single source

From components to systems: the extensive, modular Demag Cranes product range keeps things moving. Alongside cranes for conventional needs, countless applications call for a custom solution, implemented with Demag drive technology.

Global service

Service made to measure – from regular servicing to complete overhauls – keeps customers' cranes up and running. The Demag Cranes network is among the biggest in the industry, providing full life-cycle service both for Demag and for third-party cranes.

Intermodal handling

Wide Span Gantries from Demag Cranes excel at intermodal cargo handling for seamless transfer between road, rail and ship. These versatile cranes also serve in container stackyards and as part of integrated terminal logistics systems.

Securing value

Our customer-focused service philosophy: maximise availability, and make the customers' investment last. Highly qualified service personnel secure the availability of high-performance equipment around the clock.

Demag Cranes AG shares[1]

Capital market environment

At the start of financial year 2010/2011, the global economy grew continually, driven by the above-average positive performance of emerging markets. However, in the further course of the year, it was chiefly the uncertainties surrounding the debt crisis in Europe and the USA, the political unrest in the Arab world and North Africa, and the catastrophic earthquake in Japan that put a damper on the global economy.

In the first half of the reporting period, the capital market mood was quite positive for reasons including the resurgence in the global economy. Germany's benchmark index, the DAX, and the MDAX® exhibited a strong upward trend. Yet share prices worldwide took a drastic fall following the catastrophic earthquake in Japan and the resulting Fukushima nuclear plant disaster in March 2011. Nonetheless, capital markets were able to recover quickly and saw stable performance in the summer months. On 2 May 2011, the DAX reached a high of 7,527 points for the reporting period. The worsening of the European debt crisis coupled with the threat of insolvency of the USA and the associated credit downgrade by Standard & Poors led to a sharp drop in the indices in August 2011. This triggered a dramatic decline on capital markets in August. On 8 August 2011, the DAX dipped below the psychologically important 6,000-point mark for the first time since September 2010. Following its purchases of Greek, Portuguese and Irish bonds, the European Central Bank (ECB) began buying Italian and Spanish government bonds, thus ensuring a period of calm, albeit a short one. Then, on 12 September, the DAX temporarily fell below the 5,000-point mark and reached its low for the reporting period of 5,072 points.

Mirroring these developments, the DAX benchmark index was down around 12% from 1 October 2010 to 30 September 2011 and closed at 5,502 points on 30 September 2011. The performance of the MDAX® stock index was similar. After initially hitting 10,000 points in December 2010 and even topping the 11,000-point mark on 1 July 2011, the index closed at just 8,341 points on 30 September 2011, down nearly five percent from the start of the reporting period.

Performance of Demag Cranes AG shares

In the past financial year, Demag Cranes AG's shares performed very well despite considerable volatility. After a positive start to the 2010/2011 financial year, our share price rose from EUR 28.73 on 1 October 2010 to EUR 58.34 on 30 September 2011, an increase of over 107%. Not only was this an improvement on the strong share price performance of the previous financial year, but our shares also bucked the general trend exhibited by the DAX and MDAX® indices. It should, however, be noted that this share price performance was positively influenced by the Terex takeover.

After Demag Cranes AG's shares had reached their high for 2010 of EUR 38.96 on 15 October 2010 due to takeover rumours, performance was solid in the following months.

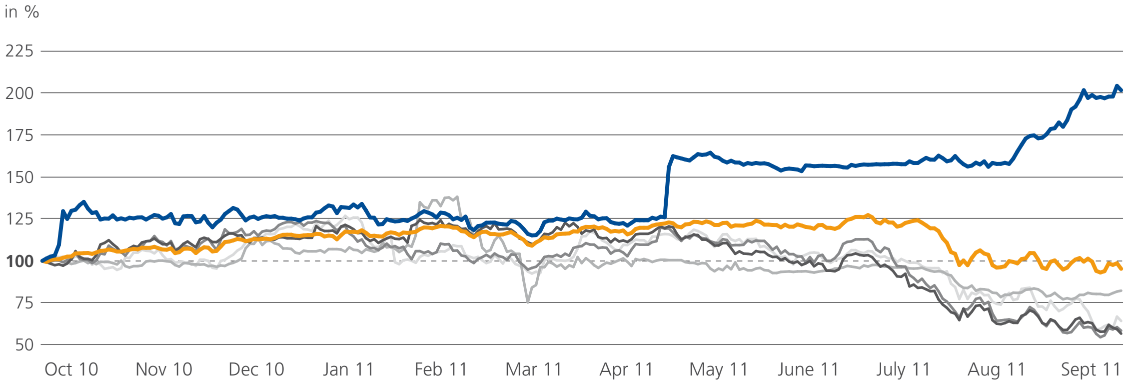
On 7 December 2010, we held our annual press conference on the Company's financials, where the positive results of financial year 2009/2010 were presented. Demag Cranes AG slightly surpassed its Group revenue and EBIT forecasts thanks to systematic implementation of the restructuring programme and an improvement in the order situation.

At the start of the 2011 calendar year, the indices also performed well, due among other factors to the continued economic growth in emerging economies. Demag Cranes AG's shares initially paralleled this development, then trended slightly sideways.

The Annual General Meeting in Düsseldorf on 2 March 2011 was attended by shareholders representing 48.02% of the share capital. The shareholders voted by a large majority in favour of all resolutions on the individual agenda items. On 3 March 2011, Demag Cranes AG again distributed a dividend amounting to EUR 0.60 per share.

[1] As per XETRA closing

Development of the share price from 1 October 2010 to 30 September 2011, competitors and MDAX®



- **Demag Cranes AG**
- MDAX®
- Konecranes
- Cargotec
- Kito
- Columbus McKinnon

The earthquake in Japan, the subsequent tsunami and the resulting disaster at the Fukushima nuclear power plant led to a deep plunge in share prices on stock markets in March 2011. Demag Cranes AG's shares were unable to decouple from this development. Our share price dropped to its 2011 low of EUR 33.15 on 16 March, but rebounded quickly.

On 2 May 2011, Terex Industrial Holding AG, a subsidiary of Terex Corporation, Westport, Connecticut, USA ("Terex") announced its intention to submit a voluntary public tender offer of EUR 41.75 per share to the shareholders of Demag Cranes AG. This made the share price leap to EUR 45.00, nearly 24% above the 29 April 2011 closing price. On 19 May 2011, Terex published the offer document and fixed the acceptance period as running to 30 June 2011. As is normal for a takeover situation, the ensuing weeks saw heavy trading in Demag Cranes shares. The share price stood at EUR 47.49 on 16 May 2011. The price of Demag Cranes shares then moved sideways during the acceptance period for the tender offer. According to information from Terex, the acceptance rate at the end of the acceptance period on 30 June 2011 was 71.79%. Deutsche Börse accordingly announced an unscheduled adjustment to the free float of Demag Cranes AG from 100% to 27.19% with effect from 8 July 2011. The acceptance rate on expiry of the additional acceptance period on 19 July 2011 came to 80.81% taken together with the 1.02% shareholding that Terex had acquired previously, this gave Terex an 81.83% shareholding. The granting of regulatory approval in Europe meant that the last requirement for completion of the takeover was satisfied. All shares tendered to Terex by shareholders of Demag Cranes AG following the voluntary public tender offer were accordingly transferred on 16 August 2011 to the new majority owner, which consequently then held 81.87% of Demag Cranes in total.

From the end of August, and notably from 5 September 2011, when Terex Germany GmbH & Co. KG, an indirect subsidiary of Terex Corporation and sole shareholder of Terex Industrial Holding AG, and Demag Cranes announced their intention to sign a domination and profit transfer agreement, the share price followed a strong uptrend. On 20 September 2011, it temporarily exceeded EUR 60.00 during trading, marking its highest level since it was first listed on the stock exchange in June 2006. On 29 September, the XETRA share price closed at EUR 59.10, its highest price in the reporting period.

On 5 September 2011, Deutsche Börse announced that Demag Cranes was to be excluded from the MDAX® and from Deutsche Börse selection indices as a whole as Demag Cranes AG's free float had dropped below ten percent following the takeover by Terex, and the 10.08% held by the Elliott Group which is also excluded from the free float (A detailed overview of the shareholder structure can be found on page 27). According to Deutsche Börse rules, a company must satisfy several conditions in order to be listed in a selection index (DAX, MDAX, SDAX or TecDAX). Among other things, there must be a free float of at least ten percent of shares so as to ensure a minimum of trading. This adjustment took effect on 19 September 2011.

With regard to the planned signing of a domination and profit transfer agreement between Demag Cranes and Terex Germany GmbH & Co. KG as the controlling entity, the two companies expect that the necessary negotiations can be completed in January 2012 and that it will be possible for a resolution on the domination and profit transfer agreement to be passed at the Annual General Meeting of Demag Cranes AG to be held in Düsseldorf on 24 February 2012.

At the end of the financial year, our share price fluctuated between EUR 57.00 and EUR 58.00, closing at EUR 58.34 on 30 September 2011.

Demag Cranes shares are traded on the Berlin/Bremen, Düsseldorf, Frankfurt am Main, Munich and Stuttgart stock exchanges as well as on XETRA. Due to the takeover by Terex and the major investment by Elliott, the trading volume of Demag Cranes AG's shares during the reporting period was high. The average daily trading volume was 139,859 shares compared with roughly 141,740 shares in the prior-year period.

Key share data	Financial year	**2010/2011**	2009/2010	2008/2009
Number of shares	in millions	21.17	21.17	21.17
Year-end closing price (XETRA closing prices on 30 Sept 2011, 30 Sept 2010, 30 Sept 2009)	EUR	58.34	28.14	24.54
Market capitalisation (on 30 Sept 2011, 30 Sept 2010, 30 Sept 2009)	in EUR million	1,235.2	595.8	519.6
Average daily trading volume on XETRA	shares	139,859	141,740	199,020
Share price: annual high	EUR	59.10	28.76	26.25
Share price: annual low	EUR	28.73	21.33	12.43
Earnings per share	EUR	0.31	1.31	0.04
Operating earnings per share	EUR	2.21	1.44	2.01
Dividend per share (2010/2011: proposed dividend)	EUR	0.78	0.60	n/a

Communication with the capital market

We continued to communicate with the capital market throughout financial year 2010/2011. In keeping with our principles of providing transparent, timely and regular information to retail investors, institutional investors, analysts and interested members of the public, we conducted roadshows in the USA, Canada and Australia, as well as in major European financial centres including Frankfurt am Main, Germany. Emphasis was placed on informing our existing investors about current developments in the Demag Cranes Group and winning over potential investors by convincing them of our business model. In addition, the Management Board and Investor Relations team attended various capital market conferences and met with analysts at our German sites in Wetter an der Ruhr and Düsseldorf-Benrath to introduce them to our production facilities.

Demag Cranes AG received several awards for its transparent and detailed financial reporting in the past financial year. The print version of the 2009/2010 Annual Report garnered a platinum award (first place) and the online version of the Report won a silver award (third place) in the "Equipment, Machinery and Instruments" category of the international annual report competition held by the League of American Communications Professionals LLC (LACP). Demag Cranes AG's online annual report also took second place among all DAX and MDAX online reports in a study published by Kirchhoff Consult AG.

In the context of the takeover of Demag Cranes AG by Terex, we provided the capital market with full information in accordance with statutory reporting requirements and through our press releases. All publications relating to the takeover of Demag Cranes AG are available on our website at www.demagcranes-ag.com/tender_offer.

In connection with the majority takeover by Terex and the resulting exclusion from Deutsche Börse's selection indices, ten bank houses have now discontinued their coverage. An overview of the current analyst opinions is available on our Investor Relations website at www.demagcranes-ag.com/analystsrecommendations.

Ownership structure

According to the voting rights notifications sent to us by the time of writing this report on 25 November 2011, the following people and institutions held more than three percent of Demag Cranes AG shares:

Person/company	Shareholding (%)	Number of votes		Notification date
Terex total	**81.87**	**17,333,318**		**16 August 2011**
Terex Industrial Holding AG, Düsseldorf, Germany	81.87	17,333,318	direct	16 August 2011
Terex Germany GmbH & Co. KG, Dortmund, Germany	81.87	17,333,318	indirect	16 August 2011
Terex Verwaltungs GmbH, Dortmund, Germany	81.87	17,333,318	indirect	16 August 2011
Terex European Holdings B.V. (NL), Amsterdam, The Netherlands	81.87	17,333,318	indirect	16 August 2011
Terex Netherlands Holding B.V. (NL), Amsterdam, The Netherlands	81.87	17,333,318	indirect	16 August 2011
Terex Corporation, Westport, CT, USA	81.87	17,333,318	indirect	16 August 2011
Elliott total	**10.08**	**2,133,794**		**19 August 2011**
Paul E. Singer, USA	10.08	2,133,794	indirect	19 August 2011
Of which	6.28	1,328,786	indirect	19 August 2011
Braxton Associates, Inc., New York, NY, USA	10.08	2,133,794	indirect	19 August 2011
Elliott Asset Management LLC, New York, NY, USA	10.08	2,133,794	indirect	19 August 2011
Elliott Capital Advisors, L.P., New York, NY, USA	10.08	2,133,794	indirect	19 August 2011
Elliott International Capital Advisors Inc., New York, NY, USA	5.04	1,066,860	indirect	8 August 2011
Hambledon, Inc., George Town, Grand Cayman, Cayman Islands	5.04	1,066,860	indirect	8 August 2011
Elliott International, L.P., George Town, Grand Cayman, Cayman Islands	5.04	1,066,860	indirect	8 August 2011
Elliott International Limited, George Town, Grand Cayman, Cayman Islands	5.04	1,066,860	indirect	8 August 2011
Maidenhead LLC, New York, NY, USA	5.03	1,066,860	direct	8 August 2011
Elliott Special GP, LLC, New York, NY, USA	3.02	638,590	indirect	8 August 2011
Elliott Associates L.P., New York, NY, USA	3.02	638,590	indirect	8 August 2011
Warrington LLC, New York, NY, USA	3.01	637,590	direct	8 August 2011

Identification Numbers and Codes	
WKN (German securities identification number)	DCAG01
ISIN	DE000DCAG010
Reuters	D9CGn.DE
Bloomberg	D9C GY

The current shareholder structure of Demag Cranes AG is available on the Company's website at www.demagcranes-ag.com/shareholder_structure.

If you would like further information, please visit our website or call us:

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Corporate governance

Corporate governance is a fundamental element of our working relationship with shareholders, employees and business partners and as such is accorded great importance at Demag Cranes AG. Through responsible management, the Management Board and Supervisory Board ensure the Company's ability to continue as a going concern and to generate sustainable value.

The German Corporate Governance Code summarises the rules for successful corporate governance and hence for good and responsible management. The Government Commission on the German Corporate Governance Code appointed by the Federal Ministry of Justice adopted the Code on 26 February 2002 and reviews it at least once a year to see whether any amendments are required. The German Corporate Governance Code was last revised on 26 May 2010.

Responsible cooperation between Management Board and Supervisory Board

The Management Board is responsible for managing the Company. The Supervisory Board monitors and regularly advises the Management Board in its management of the business. The two boards work closely together in the interests of the Company.

Management Board

The Management Board is the Company's executive body and in financial year 2010/2011 had three members: Aloysius Rauen as Chief Executive Officer (CEO), Rainer Beaujean and Thomas H. Hagen. In light of the tender offer from Terex Industrial Holding AG consummated on 16 August 2011 and the resulting change of control, Rainer Beaujean exercised his special right of termination with effect from 30 November 2011. Thomas H. Hagen likewise exercised his special right of termination with effect from 30 November 2011; by mutual agreement with the Supervisory Board, he subsequently laid down his office on the Management Board with effect from 30 September 2011. More information on the individual members of the Management Board can be found online at www.demagcranes-ag.com/managementboard.

The Management Board develops the Company's strategic orientation, agrees the strategy with the Supervisory Board and ensures its implementation. The Management Board provides the Supervisory Board with regular, full and timely information about all issues important to the Company with regard to planning, business development, the risk situation, risk management and compliance. It also reports to the Supervisory Board at least once annually on proposed business policies, the budget for the financial year ahead and medium-term planning for subsequent years.

The work of the Management Board – and in particular the responsibilities of individual members, matters reserved for the Management Board as a whole and the majority required for Management Board resolutions – is governed by the Rules of Procedure for the Management Board issued by the Supervisory Board. The Rules of Procedure also define key measures for which the Management Board must obtain approval from the Supervisory Board. The Management Board normally makes decisions by resolution passed with a simple majority.

Management Board members are required to disclose any conflicts of interest to the Supervisory Board without delay and to notify the remaining members of the Management Board. No conflicts of interest arose during the reporting period. Similarly, no transactions were entered into during the reporting period between the Company and members of the Management Board or individuals or companies with whom they have a close personal association.

We attach great importance to our international scope and diversity. This is underpinned by our human resources strategy. International recruitment and appointment policies allow us to foster intercultural skills among the workforce, reap synergies, promote best practices and support cultural diversity across the Group. We are also working to increase the proportion of women in the workforce. Diversity is likewise a guiding principle in appointments to management bodies within Demag Cranes AG. In keeping with this principle, on our website we will link up the job search databases of all country-level subsidiaries in the Demag Cranes Group.

Supervisory Board

The Supervisory Board of Demag Cranes AG consists of twelve members. In accordance with the law governing listed companies and co-determination, six members are shareholders and six are employee representatives. Further information on the composition of the Supervisory Board is provided online at www.demagcranes-ag.com/supervisoryboard. The Report of the Supervisory Board beginning on page 6 et seqq. of the Annual Report 2010/2011, available online at www.demagcranes-ag.com/financialreport2010/2011, provides details on the activities of the Supervisory Board and its committees during the reporting period.

The Supervisory Board has adopted specific objectives regarding its composition that take into account the business situation while making provision for the Company's international activities, potential conflicts of interest, an age limit for Supervisory Board members, and diversity. Supplementary to stipulations in its Rules of Procedure, the Supervisory Board has laid down the following specific objectives for its future composition:

- International scope
  As a global player, Demag Cranes manufactures in 16 countries on five continents and operates a worldwide sales and service network with a presence in over 60 countries through subsidiaries, representative offices and a joint venture. The Supervisory Board reflects these international activities in its composition.

  The Supervisory Board should therefore continue to include at least two members with several years' international expertise.

- Potential conflicts of interest
  Provision is also made in the composition of the Supervisory Board for potential conflicts of interest involving Supervisory Board members. Accordingly, members of the Supervisory Board each pledge for the duration of their term of office to comply with the German Corporate Governance Code's recommendations and suggestions on conflicts of interest. Additionally, before submission of the annual Compliance Statement, members of the Supervisory Board are each required to declare to the Chairman of the Supervisory Board that no conflicts of interest involving them have arisen in the past year.

- Stipulated age limit
  The composition of the Supervisory Board reflects the stipulated age limit. The rule is that Supervisory Board members are not normally allowed to remain in office beyond the close of the Annual General Meeting following their 70th birthday. Reasons must be given for any Supervisory Board nomination for election in departure from the stipulated age limit.

- Diversity
  The composition of the Supervisory Board takes account first and foremost of appropriate qualification and diversity and seeks to ensure the appropriate representation of women. The Supervisory Board is therefore to include suitably qualified woman members in the near future. The Supervisory Board will take this aim into account in nominations of shareholder representatives for Supervisory Board election. The same applies in the event of judicial appointment.

The Supervisory Board currently includes a number of members whose careers have given them several years' international expertise. There are no women on the Supervisory Board at the present time.

Conflicts of interest involving Supervisory Board members must be disclosed to the Chairman of the Supervisory Board. There were no such conflicts of interest in the reporting period. The members of the Supervisory Board each declared on adoption of this year's Compliance Statement that no conflicts of interest involving them had arisen in the past year.

It is noted for the record that Supervisory Board member Jens Tischendorf, who stepped down from the Supervisory Board with effect from 23 September 2011, was simultaneously a Partner at Cevian Capital. Through investment vehicles, Cevian Capital had an approximate 10.07% shareholding in Demag Cranes AG. This fact was known to all members of the Supervisory Board. Kevin A. Barr and Brian J. Henry, Senior Vice Presidents of Terex Corporation, and Oren G. Shaffer, member of the Board of Directors of Terex Corporation, were appointed as members of the Supervisory Board by court order with effect from 24 September 2011. Following consummation of the tender offer from Terex Industrial Holding AG, Terex Corporation has an approximate 81.87% (Notification 16 August 2011) indirect shareholding in Demag Cranes AG. This fact is likewise known to all members of the Supervisory Board. In the opinion of the Supervisory Board, however, association with a major shareholder does not necessarily constitute a conflict of interest. Similarly, no conflict of interest was found to have arisen for Jens Tischendorf in the Supervisory Board's consultations on the tender offer from Terex Industrial Holding AG or in particular in the adoption of the Supervisory Board resolution on the statements on the tender offer required to be submitted under Section 27 of the German Securities Acquisition and Takeover Act (WpÜG). Cevian Capital was affected by the tender offer in the same way as other shareholders. Jens Tischendorf therefore took part in the Supervisory Board meetings and resolutions on the tender offer from Terex Industrial Holding AG.

The Supervisory Board regularly discusses business performance and plans together with strategy and its implementation with the Management Board. The Supervisory Board and the Management Board likewise discuss interim financial reports prior to their publication. The Supervisory Board must be involved in decisions of fundamental importance to the Company. The Supervisory Board has issued Rules of Procedure governing its own work.

No former members of the Management Board of Demag AG are members of the Supervisory Board. There were no contracts for consulting work or other services between the Company and members of the Supervisory Board during the reporting period. Members of the Supervisory Board take care to ensure that they have sufficient time to perform their mandate. No member of the Supervisory Board holds a directorship or similar position with or performs consulting work for any major competitor.

Members of the Supervisory Board receive appropriate support from Demag Cranes AG in undertaking the training and development activities required to perform their duties.

Supervisory Board committees

The Supervisory Board is supported in its work by committees. In accordance with the Rules of Procedure for the Supervisory Board, the Supervisory Board has formed a General Committee, an Audit Committee, a Nominations Committee and a Mediation Committee in accordance with Section 27 (3) of the German Co-determination Act (MitbestG).

The General Committee, the Audit Committee and the Mediation Committee each have four members, of which two are shareholder representatives and two are employee representatives. The Nominations Committee consists of all shareholder representatives on the Supervisory Board.

The Chairman of the Supervisory Board also chairs the General and the Mediation Committees. The Supervisory Board elects a chairman of the Audit Committee and the Nominations Committee elects its chairman from among the shareholder representatives. The Chairman of the Nominations Committee was Burkhard Schuchmann until 23 September 2011. At its meeting of 29 November 2011, the Nominations Committee elected Dr. Michael W. Ernestus as its new Chairman. The Chairman of the Audit Committee was Prof. Dr. h. c. Karlheinz Hornung until 23 September 2011. Oren G. Shaffer has been Chairman of the Audit Committee since 29 September 2011. The former and the new Chairman of the Audit Committee have at no time been a member of the Company's Management Board, are independent and, as a result of their education and professional experience, have appropriate accounting and auditing expertise. The detailed composition of the Supervisory Board committees is presented beginning on page 196 of the Annual Report 2010/2011.

The Audit Committee has four regular meetings each calendar year and the General Committee two, although four meetings of the General Committee took place in the past financial year. The Nominations and the Mediation Committees meet as required. The Nominations and the Mediation Committees did not meet during the past year.

The responsibilities of the General Committee include preparing the Supervisory Board's personnel decisions. To the extent permitted by law, it also governs legal relations between the Company and the members of the Management Board. Certain functions relating to M&A transactions are delegated to the General Committee.

The Audit Committee is primarily responsible for questions of financial reporting, the internal control system and risk management as well as for ensuring the required auditor independence. The Audit Committee also supports the Supervisory Board in supervising the Management Board in its management of the Company, focusing in particular in this regard on risk management and compliance issues.

The Nominations Committee proposes suitable candidates to the Supervisory Board for the latter's nominations for election at the Annual General Meeting. The Mediation Committee has the responsibilities laid down in Sections 27 and 31, MitbestG.

Further information on the work of the committees can be found in the Report of the Supervisory Board, which is included in the Annual Report 2010/2011, available online at www.demagcranes-ag.com/financialreport2010/2011.

Transparency

Shareholders, capital market participants, analysts, shareholders' associations and the media are all furnished with regular and timely information about the Company's situation and any significant changes. To ensure that all parties are informed consistently and on a timely basis, Demag Cranes AG primarily publishes information on its website. This includes annual and quarterly reports, invitations to and information on Annual General Meetings, press releases, ad hoc announcements and the Company's financial calendar. Information on the tender offer from Terex Industrial Holding AG is likewise provided on the website. Demag Cranes AG also maintains close relations with shareholders through active investor relations work.

Directors' dealings

Under Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and Supervisory Board of Demag Cranes AG, certain employees with managerial responsibilities, and persons closely associated with them must disclose any purchases and sales of shares in Demag Cranes or related financial instruments if the total value of transactions conducted by any member of the group of individuals referred to or by a person closely associated with them attains or exceeds EUR 5,000.00 by the end of a calendar year (directors' dealings). Directors' dealings were reported as follows in the reporting period:

Directors' dealings in financial year 2010/2011

Disclosure of directors' dealings for financial year 2010/2011 in accordance with Section 15a of the German Securities Trading Act (WpHG)

No.	Disclosing individual	Date and location of transaction	Position	Type of instrument	WKN/ISIN	Type of transaction	Number of instruments	Price each (in EUR)	Size of transaction (in EUR)
1.	Robert J. Koehler	16 Dec 2010 Frankfurt-XETRA (Euro ad hoc)	Member of administrative or supervisory body	Shares	DE000DCAG010	Sale	454	36.30	16,480.20
2.	Aloysius Rauen	27 June 2011 Off exchange	Member of management body	Shares	DE000DCAG010	Sale	4,950	45.50	225,225.00
3.	Thomas Hagen	27 June 2011 Off exchange	Member of management body	Shares	DE000DCAG010	Sale	1,072	45.50	48,776.00
4.	Burkhard Schuchmann	29 June 2011 Off exchange	Member of administrative or supervisory body	Shares	DE000DCAG010	Sale	4,545	45.50	206,797.50
5.	Prof. Dr. h. c. Karlheinz Hornung	30 June 2011 Off exchange	Member of administrative or supervisory body	Shares	DE000DCAG010	Sale	1,363	45.50	62,016.50

The sales listed as items 2 to 5 were in connection with accepting the tender offer from Terex Industrial Holding AG.

Reporting and audit of the financial statements

The Demag Cranes Group has prepared the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS). The Financial Statements of Demag Cranes AG have been prepared in accordance with the German Commercial Code.

The Annual General Meeting appointed Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany, as auditors of the Financial Statements and Consolidated Financial Statements for financial year 2010/2011.

Adequate control and risk management

Good corporate governance includes responsible management of risks by the Company. The Management Board ensures adequate risk management and risk control in the Company. For this purpose, Demag Cranes AG has set up systematic risk management to ensure that risks are identified and assessed at an early stage and existing risk exposure is optimised. Risk management and risk control are continually refined and adapted to changing circumstances. The key features of Demag Cranes AG's control and risk management system are set out on page 95 et seq. of the Annual Report 2010/2011, available on the Company website at www.demagcranes-ag.com/financialreport2010/2011.

Compliance

Demag Cranes AG has a comprehensive compliance management system, which the Management Board and the Company's Compliance Officers continuously refine and adapt to changing requirements.

The aim of the compliance management system is to prevent employees from violating and to help them properly comply with the law and corporate policies. Key instruments of the system include the compliance policies and the Code of Conduct, which lay down minimum standards of conduct for all Group employees.

Group-wide compliance activities focus on antitrust law and combating corruption. Other issues addressed by the Company's compliance efforts include preventing infringement of insider trading rules, occupational health and safety, corporate security and IT security. Company employees receive regular training on individual compliance policies.

The Management Board of Demag Cranes AG, in consultation with the Supervisory Board, commissioned a consulting firm specialised in compliance in financial year 2010/2011 to conduct a comprehensive review of Demag Cranes AG's compliance management system. As of 1 May 2011, the review date, the consulting firm assessed the design, appropriateness, implementation and effectiveness of and any scope for improvement in the Company's compliance management system.

The overall assessment finding was that the compliance management system complied with the relevant requirements under the law, the Company's Articles of Association and the German Corporate Governance Code. The consultant also noted that any need for further development or scope for improvement in the compliance management system at Demag Cranes AG did not call into question the overall finding.

The review findings and the scope for improvement identified were presented to and discussed with the Management Board and the Audit Committee of the Demag Cranes AG Supervisory Board. The compliance management system is being further developed on a continuous basis following the recommendations made.

The recommendations for further development mainly relate to the areas of compliance risk management, further development of compliance policies and the training programme, and record keeping.

Remuneration report

With regard to commercial law disclosure requirements, the following Remuneration Report also forms an integral part of the Notes to the Consolidated Financial Statements and Group Management Report.

Compensation for the Management Board

Overall Management Board compensation comprises a fixed salary, a performance-based bonus, the normal fringe benefits and pension benefits. Rainer Beaujean and Thomas H. Hagen additionally participate in the Company's Matching Stock Program (MSP).

In light of the tender offer from Terex Industrial Holding AG consummated on 16 August 2011 and the resulting change of control, Rainer Beaujean exercised his special right of termination with effect from 30 November 2011. Thomas H. Hagen likewise exercised his special right of termination with effect from 30 November 2011; by mutual agreement with the Supervisory Board, he subsequently laid down his office on the Management Board on 30 September 2011.

The appropriate level of compensation to be received by members of the Management Board overall is determined by the full Supervisory Board at the proposal of the General Committee based on a performance review. Criteria for the appropriateness of compensation include the responsibilities of each member, his or her personal performance, the economic situation, the success of the Company and its future prospects, and the normal level of compensation taking into account the competitive environment and the compensation structure that otherwise applies in the Company. The compensation includes activities for Group companies.

Aloysius Rauen's contract as member of the Management Board, signed with effect from 1 May 2009, was renewed until 30 April 2017 and revised with effect from 1 October 2011 by resolution of the Supervisory Board on 6 May 2011. The compensation arrangements for Rainer Beaujean and Thomas H. Hagen remained unchanged throughout the reporting period.

- Non-performance-related compensation and pension benefits

  The non-performance-related component of compensation comprises basic compensation and fringe benefits. For Rainer Beaujean and Thomas H. Hagen it also includes contributions towards an external pension plan and, for the CEO Aloysius Rauen, vested pension benefits from his 65th birthday. The amount of this pension is determined on the basis of the length of Mr. Rauen's service at Demag Cranes AG and amounts to up to 40% of his final gross fixed salary. The basic compensation is paid out on a monthly basis. In addition, members of the Management Board receive fringe benefits in the form of non-cash compensation, primarily comprising insurance premiums (e.g. contributions to private health and long-term care insurance to the extent prescribed by social security legislation, and group accident insurance) and use of a company car. There is also a directors' and officers' liability insurance (D&O) policy for members of the Management Board, which provides for a suitable deductible. For each claim, the members of the Management Board being claimed for personally meet ten percent of the loss up to a maximum amount for all claims made within one year of 150% of the Management Board member's fixed annual compensation (deductible).

  All fringe benefits granted to members of the Management Board must be taxed as compensation components.

- Performance-related compensation and long-term incentive components

  The performance-related compensation partly consists of a bonus. Irrespective of this bonus, Rainer Beaujean and Thomas H. Hagen additionally participate in the Matching Stock Program (MSP).

  The MSP entitles participants to subscribe for phantom shares if they have acquired Demag Cranes AG shares (MSP share). For each MSP share acquired in the MSP, participants received five tranches – one tranche a year issued in June of each year from 2006 to 2010 – of six phantom shares each. The phantom shares allocated are subject to a two-year lock-up period from allocation of each tranche and are exercised automatically thereafter at the base price if a specific performance threshold is attained. The base price of phantom shares in the first tranche is 110% of the issue price. The base price of the second to fifth tranche is the average closing price of Demag Cranes AG shares on the Frankfurt Stock Exchange XETRA trading platform in the last 60 trading days before allocation of the phantom shares, plus a ten percent mark-up. The base price is EUR 24.20 for the first tranche, EUR 52.73 for the second, EUR 37.98 for the third, EUR 17.70 for the fourth and EUR 28.40 for the fifth. The performance threshold is attained if the exercise price of the allocated phantom shares, being the average unweighted closing price on the XETRA trading platform in the last 60 trading days before exercise of the phantom shares, is above the base price. On attainment of the performance threshold, for each phantom share, an amount equal to the difference between the base price and the exercise price, less payroll tax and social insurance contributions, is disbursed in shares in Demag Cranes AG, which can be freely disposed of after a two-year lock-up period. If the gain to all participants, computed as the difference between the base price and the exercise price when all phantom shares in a tranche of the MSP are exercised, exceeds EUR 4,000,000, the gain to all participants is subjected to a pro rata MSP cap such that the gross MSP gain to all participants after application of the cap does not exceed EUR 4,000,000. Phantom shares expire if they are not exercised within seven years of the MSP's inception. The phantom shares allocated to Rainer Beaujean and Thomas H. Hagen in summer 2010 but not yet exercised will, in accordance with the MSP rules, remain in place after termination of their holders' contracts and become exercisable, subject to the MSP requirements, in summer 2012. Shares provided on exercise of phantom shares can be withdrawn at the end of the contract term. The number of rights granted to Rainer Beaujean and Thomas H. Hagen and the fair value of these rights as at the date they were granted are stated below under “Management Board compensation for 2010/2011”. In the context of the departure of Rainer Beaujean and Thomas H. Hagen out of the Management Board it was agreed that they would continue to participate in the Matching Stock Program and not lose their claim.

The bonus consists of a target bonus and an additional bonus. For CEO Aloysius Rauen, under the contract in force until 30 September 2011, the maximum target bonus before deductions was 100% of his annual fixed salary. From 1 October 2011, the maximum annual target bonus for Mr. Rauen is EUR 800,000. For Rainer Beaujean and Thomas H. Hagen, the maximum annual target bonus is EUR 585,000 each. The maximum annual additional bonus is EUR 440,000 for the CEO and EUR 320,000 each for Mr. Beaujean and Mr. Hagen.

The target bonus is linked to the attainment of targets defined by the Supervisory Board relating to operating EBIT (50% weighting) and operating net income after tax (50% weighting). If the targets are attained in full, 100% of the target bonus is paid out. If the targets fail to be met by 20% or less, the bonus paid out is reduced accordingly on a straight-line basis, with a final figure of 25% of the target bonus being reached if 80% of the target is met. If one of the targets fails to be met by more than 20%, there is no entitlement to the bonus, in which event the Supervisory Board decides whether to grant a bonus and the amount of the bonus at its own discretion.

The granting and size of the additional bonus depend on attainment of highly demanding targets set by the Supervisory Board for the key performance indicators of operating EBIT and operating net income after tax.

Management Board member Aloysius Rauen will be paid a target bonus of EUR 550,000 and an additional bonus of EUR 352,000 for financial year 2010/2011, which ended on 30 September 2011.

Two thirds of the target and additional bonuses for the first of three financial years is paid out for Rainer Beaujean and Thomas H. Hagen after the first financial year. The remaining third is only paid out after the third financial year if and to the extent that the relevant targets for the second and third financial years are attained. For the target bonus, the amount of the remaining third to be paid out is calculated on the basis of the average target attainment for the second and third financial years. This two-year average must be at least 80%, with the individual target attainment figures for the two years capped at a maximum of 100%. The average figure calculated in this way is multiplied by the as yet unpaid portion of the target bonus (one third) from the first financial year to determine the amount to be paid for the first financial year. Just as for the target bonus, only two thirds of the additional bonus is paid out after the first financial year. The remaining third is paid out after the third financial year if and to the extent that the special targets for the additional bonus for the second and third financial years are attained, based on the average attainment of targets for the additional bonus. This staggered pay-out arrangement additionally applies to CEO Aloysius Rauen from 1 October 2011.

The target bonus for Rainer Beaujean and Thomas H. Hagen amounted to EUR 585,000 each for the reporting period; the additional bonus amounted to EUR 256,000 each. Under the staggered pay-out arrangements as described above, only two thirds of the target and additional bonuses for the first of three financial years will be paid out after the first financial year. The remaining third will be paid out after the third financial year subject to the above conditions. Rainer Beaujean and Thomas H. Hagen will therefore each be paid a target bonus of EUR 390,000 and an additional bonus of EUR 170,000 for their work in the reporting period.

- Surviving dependants' pensions
  The contracts for Management Board members also provide for surviving dependants' pensions. In the event of the death of a member of the Management Board, his surviving dependants receive a life-long widow's pension and, in the cases of Management Board members Rainer Beaujean and Thomas H. Hagen, an orphan's pension. In the case of CEO Aloysius Rauen, the widow's pension amounts to 60% of the last paid retirement pension or 60% of the pension that would have been due to Mr. Rauen if the contract had ended on the date of his death. For Rainer Beaujean und Thomas H. Hagen, the widow's pension amounts to up to 20% of the basic compensation of the deceased member of the Management Board and is paid pro rata temporis if the member's contract is terminated early. An orphan's pension is only paid until the child turns 18 or completes his or her education (but not beyond the age of 27) and amounts to up to ten percent of the deceased Management Board member's basic compensation.

- Management Board compensation for 2010/2011
  In total, members of the Management Board received compensation of EUR 4,299,000 in financial year 2010/2011, including non-cash compensation. EUR 1,350,000 of this relates to fixed compensation, EUR 2,795,000 to variable compensation and EUR 154,000 to other compensation.

The table below provides a breakdown of the compensation received by each member of the Management Board:

	Fixed compensation	Variable compensation		Other	**Total compensation 2010/2011**	Total compensation 2009/2010
in EUR thousand		Payment due short-term	Deferred, conditional payment			
Aloysius Rauen	550	988	–	17	1,555	1,426
Rainer Beaujean	400	602	301	68	1,372	1,278
Thomas H. Hagen	400	602	301	68	1,372	1,276
Total	**1,350**	**2,193**	**602**	**154**	**4,299**	**3,979**

- Pensions and surviving dependants' pensions for members of the Management Board
  The tables below provide a breakdown of the pensions and surviving dependants' pensions received by each member of the Management Board:

Pensions and surviving dependants' pensions for members of the Management Board according to IFRS

	Expense		Provision	
in EUR thousand	**2010/2011**	2009/2010	**30 September 2011**	30 September 2010
Aloysius Rauen	168	138	324	233
Rainer Beaujean	23	78	78	78
Thomas H. Hagen	35	123	123	123
Total	**227**	**339**	**525**	**434**

At 30 September 2011, the Consolidated statement of financial position included pension provisions in accordance with IFRS of EUR 133,000 (30 September 2010: 152,000) for a former member of the Management Board.

Pensions and surviving dependants' pensions for members of the Management Board according to the German Commercial Code

	Expense		Provision	
in EUR thousand	**2010/2011**	2009/2010	**30 September 2011**	30 September 2010
Aloysius Rauen	205	32	303	89
Rainer Beaujean	41	9	70	26
Thomas H. Hagen	64	29	112	44
Total	**310**	**71**	**486**	**159**

At 30 September 2011, the Consolidated statement of financial position included pension provisions in accordance with the German Commercial Code of EUR 118,000 (30 September 2010: 72,000) for a former member of the Management Board.

- Matching Stock Program (MSP)

The members of the Management Board received the following share-based compensation under the Matching Stock Program (MSP):

MSP Program according to IFRS

	2010/2011		2009/2010		At grant date
	Outstanding phantom shares (number)*	Expense (EUR thousand)	Outstanding phantom shares (number)*	Expense (EUR thousand)	Fair value of outstanding phantom shares (EUR thousand)
Rainer Beaujean	39,000	325	78,000	134	112
Thomas H. Hagen	39,468	329	78,936	135	113
Total	**78,468**	**655**	**156,936**	**269**	**225**

* The members of the Management Board did not receive new phantom shares in the financial years 2010/2011 and 2009/2010.

MSP program according to the German Commercial Code (HGB)

	2010/2011		2009/2010		At grant date
	Outstanding phantom shares (number)*	Expense (EUR thousand)	Outstanding phantom shares (number)*	Expense (EUR thousand)	Fair value of outstanding phantom shares (EUR thousand)
Rainer Beaujean	39,000	733	78,000	190	112
Thomas H. Hagen	39,468	742	78,936	192	113
Total	**78,468**	**1,475**	**156,936**	**382**	**225**

* Members of the Management Board received no new phantom shares in financial years 2009/2010 and 2008/2009.

- Arrangements for the event of termination of office

  If the appointment of a member of the Management Board is prematurely revoked without cause for termination of the employment contract, the departing member of the Management Board receives by way of financial compensation the fixed salary for the originally planned contract term and a target bonus pro rata temporis to the end of the contract term, assuming 100% target attainment, but no more than two times the total annual compensation (severance cap). If the Company has good cause to terminate the employment contract without notice within the meaning of Section 626 of the German Civil Code (BGB), claims for compensation are excluded and the Management Board member does not receive any bonus payments, pro rata temporis or otherwise, for the then current financial year.

  In the event of a change of control, members of the Management Board each have the right to terminate their Management Board contracts within six months at three months' notice to the end of a month. A change of control is deemed to take place when either (i) a shareholder acquires control of the Company within the meaning of Section 29 of the German Securities Acquisition and Takeover Act (WpÜG) by holding at least 30% of the voting rights in the Company, including voting rights attributable to the shareholder under Section 30 WpÜG, or (ii) an intercompany agreement within the meaning of Section 291 of the German Stock Corporation Act (AktG) under which the Company is a dependent company is entered into and comes into force or (iii) the Company is merged with another legal entity pursuant to Section 2 of the German Transformation Act (UmwG), unless based on the agreed exchange ratio the value of the other legal entity is less than 50% of the value of the Company.

  If the special termination right is exercised, the Management Board member receives by way of financial compensation the fixed salary up to the planned end of the contract term and a target bonus pro rata temporis up to the end of the contract term, assuming 100% target attainment, but no more than two times the total annual compensation. In light of the tender offer from Terex Industrial Holding AG consummated on 16 August 2011 and the resulting change of control, the two Management Board members Rainer Beaujean and Thomas H. Hagen exercised their special right of termination with effect from 30 November 2011. The amount of the compensatory payment due on 30 November 2011 to Rainer Beaujean and Thomas H. Hagen for the time from 1 December 2011 to the end of their contract terms (30 September 2014) is EUR 2,790,833 each.

Supervisory Board compensation

Supervisory Board compensation is governed by the Articles of Association of Demag Cranes AG. Contrary to Clause 5.4.6 of the German Corporate Governance Code as amended on 26 May 2010, members of the Supervisory Board of Demag Cranes AG only receive basic annual compensation of EUR 25,000; the Chairman of the Supervisory Board receives 2.5 times and each vice chairman receives 1.5 times that amount. Members of committees – except for the Mediation Committee required under Section 27 (3) MitbestG and the Nominations Committee – additionally receive 0.1 times their basic compensation for each committee on which they sit.

Chairmen of committees additionally receive 0.25 times their basic compensation; this does not apply to the Chairman of the Supervisory Board, the Chairman of the Mediation Committee required under Section 27 (3) MitbestG or the Chairman of the Nominations Committee. In addition to their basic annual compensation, members of the Supervisory Board receive an attendance fee of EUR 1,500 for each Supervisory Board and committee meeting they attend, but no more than EUR 1,500 per calendar day. Reasonable out-of-pocket expenses are refunded on presentation of receipts.

For financial year 2010/2011, members of the Supervisory Board received compensation totalling EUR 553,000 for their activities on the Supervisory Board of Demag Cranes AG.

Fixed compensation is stipulated for the Supervisory Board in view of the independence it must have to be able to carry out its monitoring function. The performance of this function should not be tied to any monetary incentives.

The compensation for each individual member of the Supervisory Board breaks down as follows:

	Demag Cranes AG		Supervisory Board compensation from subsidiaries		**Total compensation 2010/2011**	Total compensation 2009/2010
in EUR	Fixed compensation	Attendance fee	Fixed compensation	Attendance fee		
Axel Arendt	479.45	1,500.00	–	–	1,979.45	–
Josef Berger*	42,500.00	19,500.00	9,000.00	1,000.00	72,000.00	68,000.00
Gerd-Uwe Boguslawski*	25,000.00	13,500.00	6,000.00	1,000.00	45,500.00	40,000.00
Dr. Michael W. Ernestus	684.93	1,500.00	–	–	2,184.93	–
Harry Hansen*	25,000.00	13,500.00	6,000.00	1,000.00	45,500.00	17,979.45
Prof. Dr. h. c. Karlheinz Hornung	30,650.68	18,000.00	–	–	48,650.68	41,750.00
Robert J. Koehler	26,972.60	12,000.00	–	–	38,972.60	38,000.00
Dr. Michael Leue	479.45	1,500.00	–	–	1,979.45	–
Dr. Herbert Meyer	24,520.55	12,000.00	–	–	36,520.55	32,500.00
Reinhard Möller*	25,000.00	13,500.00	6,000.00	1,000.00	45,500.00	40,000.00
Dr. Martin Posth	1,027.40	–	–	–	1,027.40	32,500.00
Dr. Rudolf Rupprecht	24,520.55	12,000.00	–	–	36,520.55	31,000.00
Hubert Rosenthal*	30,000.00	21,000.00	6,000.00	1,000.00	58,000.00	50,500.00
Burkhard Schuchmann	61,301.37	19,500.00	–	–	80,801.37	77,500.00
Oren G. Shaffer	513.70	1,500.00	–	–	2,013.70	–
Horst Thelen	25,000.00	13,500.00	–	–	38,500.00	21,821.92
Jens Tischendorf	23,150.68	12,000.00	–	–	35,150.68	–
Total	**366,801.36**	**186,000.00**	**33,000.00**	**5,000.00**	**590,801.36**	**522,873.29****

* The employee representatives declare that they contribute the compensation they receive for their work on the Supervisory Board to the Hans-Böckler Foundation in compliance with the policies laid down by the German Trade Union Federation (DGB)

** Including the total 2009/2010 compensation for the members of the Supervisory Board, Klaus Ginsel and Alfred Hack, who stepped down in financial year 2009/2010

Supervisory Board members Kevin A. Barr and Brian J. Henry waived their Supervisory Board compensation for financial year 2010/2011.

In financial year 2010/2011, expenses of EUR 20,000 (2009/2010: EUR 20,000) were reimbursed. No compensation or benefits were granted for services rendered by Supervisory Board members, notably advisory and intermediation services.

Compliance statement

Under Section 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of listed German stock corporations are required to declare each year that the recommendations of the Government Commission on the German Corporate Governance Code published by the Federal Ministry of Justice in the official section of the electronic Bundesanzeiger (Federal Gazette) have been and will be complied with or, if not, which recommendations have not been or will not be applied, and why.

The Management Board and Supervisory Board of Demag Cranes AG last issued the following Compliance Statement in accordance with Section 161 of the German Stock Corporation Act (AktG) on 30 November 2011:

"Demag Cranes AG can confirm that since issuing the last declaration of conformity on 7 December 2010 in accordance with the Code in force on 26 May 2010, the recommendations published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette with regard to the Government Commission on the German Corporate Governance have been complied with in full with the following exceptions.

a) Clause 3.8 provides for the agreement of a deductible if the Company takes out a D&O policy on behalf of the Management and Supervisory Boards. Demag Cranes AG's D&O insurance policy does not include a deductible for the Supervisory Board, since the Management Board and Supervisory Board do not deem this to be either necessary or suitable for controlling the behaviour of the board members.

b) In accordance with Clause 5.4.1 (2), the Supervisory Board must specify concrete objectives regarding its composition and, in particular, provide for an appropriate degree of female representation. The Supervisory Board recognised the importance of diversity with the objectives regarding its composition adopted on 3 September 2010. It aims to achieve an appropriate degree of female representation and is therefore to include women as soon as possible. The Supervisory Board did not specify a precise number or proportion of female members, deeming such targets to be inappropriate, since the search for suitable candidates should focus on the specific situation of Demag Cranes AG and the resulting requirements. This should ensure that the composition of the Supervisory Board is determined in the best interests of the Company based on the qualifications and suitability of candidates. These objectives were also taken into account in the context of the appointment of Supervisory Board members by court order in September 2011 and in the nominations for election to the Supervisory Board to be submitted to the Annual General Meeting to be held in February 2012.

c) In accordance with Clause 5.4.6, the members of the Supervisory Board should be paid performance-related remuneration in addition to their fixed basic remuneration. The Articles of Association of Demag Cranes AG do not include a performance-related component for members of the Supervisory Board, so that the Supervisory Board can preserve the independence it must have to be able to carry out its monitoring function. The performance of this function should not be tied to any monetary incentives.

d) In accordance with Clause 5.4.5, Supervisory Board members who are members of the management board of a listed company may not accept more than a total of three supervisory board mandates in non-group listed companies or in supervisory bodies of companies with similar requirements. Robert J. Koehler, who has laid down his office as member of the Supervisory Board with effect from 23 September 2011, was chairman of the management board of SGL CARBON AG, Wiesbaden, during his term of office and had a total of four supervisory board mandates in non-group listed companies, including his position as member of the Supervisory Board of Demag Cranes AG; he had no mandates in supervisory bodies of companies with similar requirements. This did not affect his monitoring duties as a member of the Supervisory Board of Demag Cranes AG. Mr. Koehler had sufficient time to perform his mandate at Demag Cranes AG.

e) In accordance with Clause 5.4.3, an application for the judicial appointment of a Supervisory Board member should be limited in time up to the next general meeting. On some occasions, an opinion has been expressed that the recommendation also applies to the judicial appointment of employee representatives to the Supervisory Board. As a matter of precaution, the Management Board and Supervisory Board are declaring that this recommendation was not implemented in having employee representatives appointed by court to the Supervisory Board of Demag Cranes AG. As employee representatives on the Supervisory Board are not elected by the general meeting, the Management Board and Supervisory Board believe it is inappropriate to limit their judicial appointment in time up to the next general meeting.

Aside from the above exceptions relating to Clause 3.8, Clause 5.4.1 (2), Clause 5.4.6 and Clause 5.4.3 of the German Corporate Governance Code, the recommendations of the Government Commission on the German Corporate Governance Code in force on 26 May 2010 are fully complied with."

Combined Group Management Report and Management Report of Demag Cranes AG

for the Financial Year
from 1 October 2010 to 30 September 2011

Pages 40 – 109

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Foreword

The Consolidated Financial Statements of Demag Cranes AG on which this report is based were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the EU. Demag Cranes AG is the parent company of the Demag Cranes Group. It continues after the majority takeover by Terex to perform the usual functions of a management holding company as well as assuming responsibility for operational management. In this capacity, the Company manages and administers its Group member companies and associated companies. During the past financial year, in the course of its ordinary operating activities, Demag Cranes AG provided services in its shared services function relating to Financial Controlling, Finances and Accounting, Group Accounting, IT, Strategic Purchasing, Human Resources, Corporate Strategy Corporate Communication & Marketing and Language Services. The position and future development of Demag Cranes AG depend mainly on the business success of the Demag Cranes Group. The Financial Statements of Demag Cranes AG on which this Combined Management Report is based were prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG).

The Demag Cranes Group and Demag Cranes AG Combined Management Report are prepared in euros, the functional currency of Demag Cranes AG. All figures are rounded to the nearest million euros unless otherwise stated. All percentages relate to figures stated to the nearest euro. The amount shown for each individual item and total is the figure with the smallest rounding difference. Reported totals may therefore differ slightly from the sum of the individual reported amounts.

Business and environment

Group structure and business activities

Demag Cranes AG has its registered office in Düsseldorf and is the parent company of the Demag Cranes Group. As at 30 September 2011, it directly held 100% of the shares in DCC HoldCo 4 (vier) GmbH and Gottwald HoldCo 3 (drei) GmbH and indirectly held interests in numerous other companies inside and outside Germany. For details on our subsidiaries, joint ventures and investments, see pages 190 et seqq. of this report. Since 16 August 2011, Demag Cranes is also part of the Terex Group. At this date, the majority takeover of Demag Cranes AG by Terex Industrial Holding AG was completed and all shares tendered to Terex by shareholders of Demag Cranes AG following the voluntary public tender offer were transferred to the new majority owner. Terex held 81.87% of Demag Cranes in total at 16 August 2011. The transaction had previously gained regulatory approval in Europe, meaning that the final requirement for completion of the takeover was satisfied. Terex had published the offer document on 19 May 2011 and increased the offer price on 16 June 2011 from EUR 41.75 to EUR 45.50 per share.

The Demag Cranes Group manufactures products in the industrial cranes, crane components, harbour cranes and terminal automation technology sectors. It produces in a total of 16 countries on five continents and, through subsidiaries, agencies and a joint venture, operates an extensive sales and service network linking more than 220 service locations in over 60 countries.

As shown in the chart below, the business activities of the Demag Cranes Group are divided into three segments: Industrial Cranes, Port Technology and Services. This segmentation is also the basis for Group management and monitoring.

Demag Cranes – built on three pillars

Industrial Cranes	Port Technology	Services
■ Standard and Process Cranes ■ Crane construction kit ■ Rope and chain hoists	■ Automated Stacking Cranes ■ Automated Guided Vehicles ■ Mobile Harbour Cranes	■ Spare parts ■ Refurbishment ■ Field service
■ Share of revenue: 46.1% Installed base: > 660,000	■ Share of revenue: 22.5% Over 1,400 Mobile Harbour Cranes sold	■ Share of revenue: 31.4%

FY 2010/2011 key figures

Order intake	EUR 1,121.2 million	Revenue	EUR 1,062.3 million	Oper. EBIT	EUR 75.7 million

In its **Industrial Cranes** segment, the Group develops and manufactures high-quality components, such as rope hoists, chain hoists, travel units and motors, as well as complete cranes. A distinction is made between Standard Cranes and Process Cranes. Standard Cranes are configured from standardised modules for industrial infrastructure applications. Process Cranes, although also made from largely standardised modules, are integrated individually into the customer's specific production processes. Our highly versatile KBK crane construction kit is primarily used in industries with changing production requirements, such as the automotive industry. We are the world market leader in these crane systems. In the past financial year, Demag Cranes completed an important step as part of its mid-segment strategy focusing on the emerging markets with the launch of its DC-Bas chain hoist in China and India. Based on European standards, DC-Bas is designed to meet the exact needs of customers in these countries. The LC-Bas light crane system, the DR-Bas rope hoist, drive components, crane sets and complete cranes in various designs will subsequently be launched successively in the two largest Asian markets. As a second step, the Bas product family is also to be launched in Southeast Asia.

The following chart provides an overview of our most important products, end markets and competitors:

Industrial Cranes products and markets

Product portfolio	End markets	Market position
■ Standard Cranes ■ Process Cranes ■ Crane construction kit ■ Rope and chain hoists ■ Travel unit components ■ Switch and control systems ■ Geared motors & drives ■ Load handling attachments ■ Crane components	■ General manufacturing ■ Engineering companies ■ Pulp & paper producers ■ Steelmaking companies ■ Shipbuilders ■ Energy utilities ■ Storage & logistics ■ Automotive industry ■ Waste sector ■ Mechanical engeneering industry	■ Excellent positioning in technologically advanced and high quality product segments **Competitors** ■ Konecranes Plc ■ Columbus McKinnon Corporation ■ ABUS ■ Kito Corporation

The **Port Technology segment** covers products and services for ports and terminals, which are sold under the Gottwald brand. The range extends from conventional cargo handling equipment such as Mobile Harbour Cranes to automated solutions for container transport and storage. In this segment, we also offer planning and consultancy services for terminal operators, software solutions as well as assembly and maintenance services. Our primary focus here is on solutions that enable our customers to optimise their material flow and logistics processes. According to our own market research, we occupy the leading position in mobile harbour cranes with an installed base of approximately 1,400 cranes. The Demag Cranes Group also ranks among the pioneers and leading international suppliers in the promising terminal automation sector. In this segment, Demag Cranes is one of the few suppliers able to develop and market integrated, end-to-end solutions including the associated software solution. With the acquisition of UK-based DB Controls in the past financial year, Demag Cranes successfully underpinned its strategy of expanding its bulk handling capabilities in the Port Technology segment. Thanks to the complementary service portfolio of DB Controls, Demag Cranes is expanding its range of software and consultancy services, previously geared to port and hinterland container terminals, to include the bulk materials handling. Customers gain full global service from a single source. The following chart provides an overview of the product range, end customers and most important competitors in the Port Technology segment:

Port Technology products and markets

Product portfolio

- Mobile Harbour Cranes
- Automated Guided Vehicles
- Automated Stacking Cranes
- Wide Span Gantries
- Turnkey projects for ports & intermodal terminals
- Consulting and software tools for planning and optimising terminal operations
- Spare parts
- Service

End markets

- Large port & terminal operators
- Small multifunctional ports
- Intermodal handling within inland ports
- New terminal projects and "green ports"

Market position

- #1 in Mobile Harbour Cranes based on market share and installed base of more than 1,400 cranes sold
- Technological leader in automated port technology

Competitors

- Konecranes Plc
- Kalmar
- ZPMC Co. Ltd.
- Liebherr International AG

In its **Services segment**, the Group offers a complete range of services for the optimum use, maintenance and refurbishment of cranes and lifting equipment. Alongside standard services such as spare parts supply, fault elimination, maintenance and repairs, this increasingly includes consultancy and training services to optimise the use of crane systems. Refurbishment and conversion work is carried out using both standard products and sophisticated tailored solutions. The range of service contracts extends from simple recurring inspections through preventive maintenance to full-service arrangements. They cover not just our own Industrial Crane products but also third-party products and related equipment. The use of the latest technical developments, such as remote servicing, allows us to offer our customers condition-based customised services.

Services products and markets

Product portfolio	End markets	Market position
■ Commissioning ■ Operator and safety training courses ■ Crane inspections and safety checks ■ Crane runway surveys ■ Maintenance agreements ■ Spare parts and accessories ■ Factory repairs ■ General overhauls ■ Crane upgrades and refurbishment ■ 24/7 emergency service	■ Customers of the industrial cranes segment and other crane operators worldwide ■ Demag Cranes, crane components and drives ■ Non-Demag cranes and components ■ Lifting equipment	■ Market leader regarding installed base of more than 660,000 cranes and hoists ■ Service network with more than 220 service centres **Competitors** ■ In-house service departments of customers ■ Multitude of small service providers ■ Other crane manufacturers ■ Industrial service providers

Organisation and locations

The in-house production of the Demag Cranes Group is focused on high value-added components. In less industrialised regions, we therefore outsource the production of low value-added components to strategic partners, which increases our flexibility and capacity and allows us to reduce our own investment requirements.

In the **Industrial Cranes segment**, crane girders are produced and cranes are assembled at 22 plants in highly industrialised regions around the world. The components required for the production of industrial cranes are supplied by our own two component plants in Wetter an der Ruhr (Germany) and Uslar (Germany) as well as five plants that manufacture cranes and components located in São Paulo (Brazil), Chakan (India), Slaný (Czech Republic), Agrate (Italy) and Shanghai (China). The new plant in Chakan (India) was opened in financial year 2009/2010. Seven of the 22 crane plants are operated by MHE-Demag (S) Pte. Ltd., Singapore, a 50/50 joint venture between Demag Cranes & Components GmbH, Wetter, and Jebsen & Jessen (SEA) Pte. Ltd., Singapore. In less industrialised regions, the Group works together with crane manufacturing partners and provides them with our own components and production-related engineering services. This gives us broad geographical coverage and operational flexibility. Crane girders produced by local partners are then locally assembled with Demag components to create cranes in line with our quality requirements. This allows us to plan production capacities better and use them more profitably. The product development activities of the Industrial Cranes segment targeting emerging markets are increasingly being relocated to these regions. In Pune (India) and Shanghai (China), for example, development centres have been established for industrial crane and port technology products. This creates in-depth product expertise tailored to these specific markets. Reflecting the strong innovative capability of our team, our international development activities have already generated a number of innovations that have been internationally patented. During the financial year, German and Indian engineers jointly developed a local Process Crane that exactly matches the requirements profile of the Indian market and Indian customers.

Production as well as the technical areas of the **Port Technology segment** are located at the Düsseldorf plant, with engineering and research as well as development activities also based in the development centre in Pune (India). Both our main market in Europe and our international customers are served centrally from Düsseldorf. Operations focus on the production of critical large components that determine product quality and on final assembly. We additionally draw on a worldwide network of suppliers and production partners. Cranes produced by us are transported along the Rhine to the North Sea ports of Antwerp and Rotterdam and from there on to end customers. Worldwide sales and service in the Port Technology segment are carried out by centrally based key account managers for international customers, but also regionally by Demag Cranes AG's regional subsidiaries, or by contractual partners.

In the **Services segment**, the Demag Cranes Group operates one of the largest crane and lifting equipment service networks on the market. The largest installed base in the world numbering over 660,000 Demag cranes and electric hoists is served by more than 220 service centres worldwide. Our service sales team actively approaches customers and our services are provided by our own, qualified staff.

The spare parts business is increasingly being conducted via our web-based Demag Shop system, which gives customers direct access to Demag spare parts and components as well as to automated, cost-effective business processes with a direct link to the central spare parts logistics system and production. Repair centres for general overhauls and repairs to crane components are available globally. Key strengths of our field service organisation notably include the extensive skills and motivation of our staff who, after completing high-quality professional training, receive continuous training organised by the Company. Processes in field service organisation can be effectively managed using integrated IT planning and reporting modules to ensure fast response times. A centrally organised competence centre provides development services for complex crane refurbishment projects.

Management structure

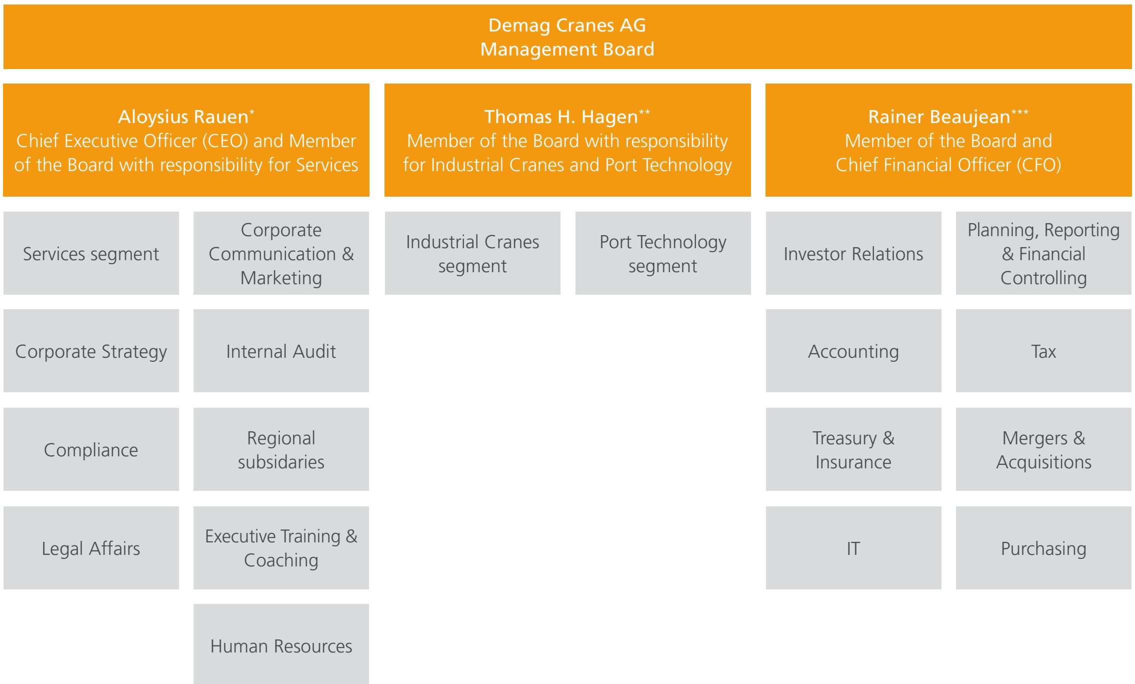
The global management structure of the Management Board corresponds to a matrix structure. The Management Board, as the executive body, holds responsibility for the segments. It is supported by six executive vice presidents, who are responsible for the following core operational functions worldwide: Research & Development/Engineering, Production, Product & Contract Management, Services, Sales and Human Resources. Together with the Management Board, these six executive vice presidents form the Executive Committee. Global functional accountability ensures the speed, flexibility and high efficiency of our organisation. Ongoing Group management and reporting to the capital market and Supervisory Board are based on standard reporting (for the reference objects Group, segments, individual entities).

The global sales organisation, through which the sale of our products and services is managed Group-wide, comprises local sales and service companies and a partner network.

The production network comprises our own strategically sited component factories in Germany, Brazil and China as well as local crane factories and partners, and ensures consistently top product quality at high levels of efficiency.

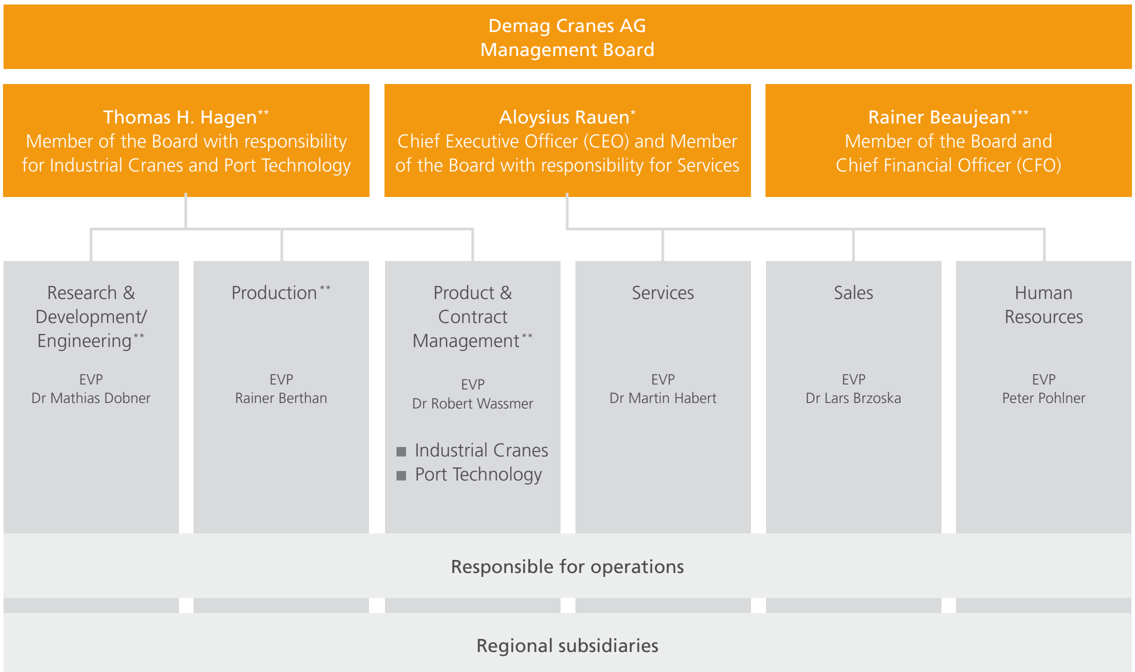
The following chart provides an overview of the organisation of the Demag Cranes AG Management Board:

Demag Cranes AG Organisational chart



Management Board responsibilities and the attached responsibilities of the other members of the Executive Committee as well as the disciplinary and functional reporting lines are presented in the following chart:

The Executive Committee



* Industrial Relations Officer

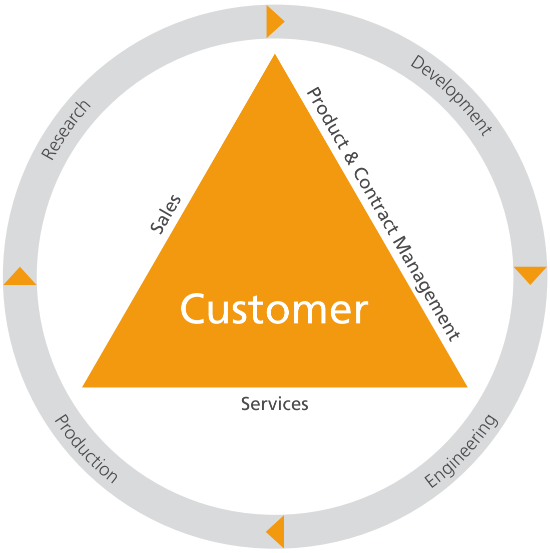
** Until 30 September 2011. Since 1 October 2011, Mr. Aloysius Rauen has assumed responsibility on an interim basis.

*** Until 30 November 2011

Strategy

Demag Cranes pursues a clear and successful strategy geared to sustained and profitable growth.

Business model: customer centricity



Restructuring and Group integration

We created the basis for a sustained growth strategy in 2009 with our Group-wide restructuring programme. This programme has already helped reduce key cost items and thereby permanently boosted our competitiveness. The Group integration pooled key management functions within the Company, thereby further optimising costs. Decision making and operational processes within Demag Cranes were simplified, making them more flexible and efficient. Another important step in Group integration was the creation of the Executive Committee, which comprises the Management Board and executive vice presidents in charge of global research & development and engineering, production, product and contract management, services, sales and human resources. The committee pools strengths and allows the Group to exploit more quickly any market opportunities that arise.

Main components of corporate strategy

We offer products, service solutions and system integration for material flow technology throughout the world. Demag Cranes stands for customer orientation, quality, reliability and innovation. In accordance with these strategic guiding principles, our goals include the following:

Capitalising on dynamic growth in emerging markets

The continuous expansion of business activities in the emerging markets is one of the main pillars of our Group strategy. We have set ourselves the goal of generating more than 40% of our revenue in these markets by 2015. In order to achieve this goal, we strengthen our competitive position with solutions that are tailored to individual customers and meet country-specific requirements. In this way, we can capitalise on the dynamic growth in these regions.

- Expansion in the mid-market segment
  It is not just demand for Demag Cranes' premium products that is rising steadily in emerging markets. In order to strengthen sustained growth, Demag Cranes therefore aims to establish its range of products and services (including service solutions and system integration) in the mid-market segment.

- Consistent focus on relevant market requirements
  Another essential element of the growth strategy in the emerging markets is to continue localising development and production units.

  In the Industrial Cranes segment, for example, new products have already been developed for the mid-range product/price bracket in India and China previously uncatered for – products which are also manufactured locally.

  These products are also intended for export to other emerging markets.

  This localisation of production in growth markets such as Brazil, India and China also helps Demag Cranes to further optimise manufacturing and logistics costs as well as working capital requirements.

Expansion in China

Growth in the People's Republic of China is especially important for Demag Cranes. We intend to increase our market share there to ten percent by 2015. In order to build up this market position, we are also considering external growth options, such as the targeted strategic alliance with the Weihua Group. One of the largest manufacturers of industrial cranes and crane components in China, Weihua also produces harbour cranes.

Further global expansion of service activities

With its global service presence and the world's largest installed base of over 660,000 electric cranes and hoists, Demag Cranes has promising business potential in the profitable field of services.

With its service strategy, the Company pursues a product life cycle approach. The aim is, by developing relevant service solutions, to achieve optimum utilisation of plant and machinery throughout the entire life cycle of the Demag Cranes product range and thus to create lasting added value for the customer.

We also see sustainable growth potential for services in the emerging markets. One focus of the service strategy remains on continuously boosting profitability in the spare parts business. The cost-effective production in Brazil of spare parts for older industrial crane products also contributes to this.

The plan is for the Services segment to generate more than one third of Demag Cranes' total revenue by 2015.

Strengthening environmentally friendly innovations

We also intend to continuously expand our product range, especially in the field of environmentally friendly technologies, and to improve it with further innovations. In implementing this strategic aim, we have already designed, among other things, a battery-powered Automated Guided Vehicle for container transport (Battery AGV) together with partners and are involved in a research project for hybrid drives.

Demag Cranes presented the first hybrid drive for electric-powered Mobile Harbour Cranes at TOC Europe, the world's leading trade fair for port technology, in 2010.

This engineering achievement has been acknowledged: we have been awarded a prize for the Demag Cranes hybrid drive by the International Bulk Journal (IBJ), a leading trade journal for the maritime bulk handling industry, in the Innovative Technology category as part of the journal's "IBJ Awards 2010".

Holistic systems integration

Demag Cranes also pursues the goal of offering its customers more systems integration, whereby our own product portfolio can be supplemented with related third-party products. Correspondingly, we have already achieved a milestone in the field of diversifying software for material handling by acquiring the British company DB Controls. Both the Company's efforts in the field of system integration and the innovativeness of Demag Cranes are highlighted notably by the participation in tenders for major terminal automation projects. In this area, we offer excellent, integrated system solutions comprising, for example, Automated Guided Vehicles (Battery AGVs), Automated Stacking Cranes (ASCs) and software solutions. The major terminal automation projects also offer further potential for services. The installed base of more than 450 Automated Guided Vehicles in use is another indication of Demag Cranes' technology leadership in terminal automation.

Research and development

With our products and services, we aim to offer customers maximum benefits and the ultimate in production efficiency. Demag Cranes' guiding principle is to strive to create effective, reliable, high-quality products that are geared to meeting market requirements. This same guiding principle underlies our research and development activities.

As a technology leader, we therefore feel a permanent obligation to develop groundbreaking solutions and optimise successful product lines. By critically examining our manufacturing and process costs and stringently managing complexity, we are moving towards our goal of cross-product modularisation for all our components and assemblies. Internationally networked teams of development engineers with broad-based specialist and local market expertise now work closely together to develop products that can be used globally.

Working relationship with Terex

In connection with the majority takeover of Demag Cranes AG by Terex Industrial Holding AG consummated on 16 August 2011, Demag Cranes and Terex entered into a Business Combination Agreement describing the general conditions and mutual understanding of Terex and Demag Cranes with regard to the business operations of Demag Cranes following consummation of the transaction. Among other things, the Agreement addresses issues concerning the relationship between Terex and Demag Cranes with regard to the business strategy of Demag Cranes as part of the Terex Group.

Terex acknowledges that Demag Cranes pursues a clear and successful strategy, fully supports this strategy and will support the Company in its implementation. Terex intends in particular to maintain and promote Demag Cranes as a leading provider of industrial cranes, crane components, harbour cranes, terminal automation technology and services, to support it in capitalising on future market opportunities and the expansion of its market position, and to support its strategic growth projects. Significant growth potential and potential for synergies can only result, however, following the signing and entry into force of a domination and profit transfer agreement.

Group management

Demag Cranes AG's key performance indicator system

Demag Cranes AG uses a performance indicator system based around seven key performance indicators (KPIs) grouped into liquidity, profitability and balance sheet indicators. The data underlying this system is globally standardised and clearly structured. The basis consists of IFRS figures adjusted as necessary in accordance with internal control needs. This includes adjusting for one-off items.

Each of the three indicator groups consists of two or three KPIs:

<u>Seven primary targets in the key performance indicator system</u>

Primary targets of the key performance indicator system

Liquidity	Profitability	Balance sheet
1. Debt	4. Return on capital	6. Equity ratio
2. Liquidity coefficient	5. Return on sales	7. Working capital
3. Cash flow return on revenue		

Financial control indicators are always determined on the basis of IFRS, with adjustments where necessary

Liquidity indicators:

<u>Debt: debt repayment period</u>

The debt repayment period indicates when the debt could in principle be repaid. It is the ratio of net debt to free cash flow (FCF) before financing. The ratio states the number of periods needed to clear debt out of internally generated funds.

<u>Liquidity coefficient: quick ratio</u>

With regard to short-term liquidity, the liquidity coefficient or quick ratio is calculated as the ratio of solely current assets to current liabilities. The ratio thus serves as an indicator of the Company's ability to meet its liabilities in the short term.

<u>Cash generation: cash flow return on revenue</u>

The cash flow return on revenue states what size of cash inflow (before financing) is generated by a given unit of revenue. This is a highly important ratio in liquidity control.

Profitability indicators:

<u>Return on capital</u>

Return on capital is computed as the ratio of operating net income to shareholders' equity; return on assets additionally includes interest in the numerator and debt in the denominator.

<u>Return on sales</u>

Return on sales is the ratio of operating net income to revenue. Multiplying by asset turnover reveals the relationship with return on assets.

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Balance sheet indicators:

Equity ratio

The equity ratio, found by dividing shareholders' equity by total assets, is often used by external parties as a measure of creditworthiness. The indicator also shows how far an absolute profit is generated using the leverage effect.

Working capital as percentage of revenue

Working capital (net current assets) is the sum of current receivables and inventories less current liabilities. Dividing by revenue produces an indicator that shows the amount of capital committed per unit of revenue. This key performance indicator is further broken down for analysis, for example, to obtain days payables outstanding (DPO) and days sales outstanding (DSO).

Among these seven key performance indicators, the profitability indicators play a special part as they essentially use operating net income, a central management indicator, as the target metric in the denominator. Indicators based on earnings before interest and tax (EBIT) and revenue are used as key measures of target attainment for all parts of the Group and also as the basis for calculating variable compensation.

In any analysis based on key performance indicators, it is especially important for the different indicators not to be regarded in isolation but incorporated in an integrated analysis taking any interaction between them into account. With this in mind, the above indicator sets grouped into liquidity, profitability and balance sheet indicators are also regarded as dependent target variables.

All seven key performance indicators are initially viewed at Group level. As the data used in their computation originates with individual Group companies, it is vital that the global data is collated systematically. The analysis system for key performance indicator analysis makes it possible to drill down for fast, structured analysis.

Order intake and order book as advance indicators

The most important advance performance indicators are order intake and order book figures. Both are measured and reported separately by subsidiary, product group and product. Besides looking at the absolute figures, it is also vital to measure the target gross margin in the order intake and order book. This is a precondition for reliable projection of future gross profit (revenue less cost of sales).

The gross margin in the order book is the margin that, based on preliminary costing, is expected to be achieved when orders in the order book are turned into revenue. Similarly, the gross margin in the order intake is the expected margin on orders generated during a specific period. On this basis, it is also possible to project gross profit and EBIT as accurately as possible.

Functional indicators

The integration of Demag Cranes significantly heightened the importance of managing companies from a functional perspective and using KPIs designed for this purpose. Functional indicators are therefore part of standard monthly reporting within Demag Cranes. Each function (development, design, purchasing, production, sales, services, product management and contract management) is managed globally using clear, uniform indicators. Examples of such indicators for the design function include the productive hours as a proportion of attendance hours, the number of overtime hours and the proportion of development hours worked as a proportion of total productive hours. All figures are determined separately by region, country and company.

Statement on Corporate Governance under Section 289a of the German Commercial Code

The Statement on Corporate Governance is available for viewing online at www.demagcranes-ag.com/statement_on_corporate_governance.

Remuneration report

Overall Management Board compensation comprises a number of components. These include a fixed salary, a performance-based bonus, a long-term incentive component (in two instances), normal fringe benefits and contributions towards pensions and surviving dependants' pensions. Members of the Supervisory Board receive fixed compensation and attendance fees as well as being reimbursed for expenses. For more details, including the compensation received by each member of the Management and Supervisory Boards, please see the Remuneration Report in the Corporate Governance section of this report. The Remuneration Report beginning on page 33 et seqq. of this report forms an integral part of the Management Report.

Disclosures under Sections 289 (4) and 315 (4) of the German Commercial Code and explanatory report on these disclosures by the Management Board of Demag Cranes AG

Demag Cranes AG, the parent company of the Demag Cranes Group within the meaning of Section 290 (1) of the German Commercial Code, is an Aktiengesellschaft (a German public limited company), has its registered office in Düsseldorf and has issued voting shares that are listed on an organised market as defined in Section 2 (7) of the German Securities Acquisition and Takeover Act (WpÜG), namely the Regulated Market (Prime Standard section) operated by Frankfurt Stock Exchange.

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 2011, 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 Corporation Act (AktG).

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 at the balance sheet date. No restrictions on voting rights resulting from agreements between shareholders are known to the Management Board.

Holdings relating to more than ten percent of voting rights

On 19 May 2011, Terex Industrial Holding AG, Düsseldorf, Germany, submitted to the shareholders of Demag Cranes AG a voluntary public tender offer for the purchase of all no-par-value bearer shares in Demag Cranes AG. The sole shareholder in Terex Industrial Holding AG is Terex Germany GmbH & Co. KG, an indirect wholly-owned subsidiary of Terex Corporation, Westport, USA. On 16 August 2011, all shares tendered to Terex Industrial Holding AG by shareholders of Demag Cranes AG following the voluntary public tender offer were transferred to the new majority owner. Terex Corporation notified Demag Cranes AG that the percentage of voting rights in Demag Cranes AG held by Terex Industrial Holding AG was 81.87% (17,333,318 voting rights) on 16 August 2011. The voting rights held by Terex Industrial Holding AG are attributed to Terex Germany GmbH & Co. KG, Dortmund, Germany, Terex Verwaltungs GmbH, Dortmund, Germany, Terex European Holdings B.V., Amsterdam, Netherlands, Terex Netherlands B.V., Amsterdam, Netherlands, and Terex Corporation, Westport, USA.

Elliott Asset Management LLC, Elliott Capital Advisors L.P., Braxton Associates, Inc., all of New York, USA, and Paul E. Singer, USA, notified Demag Cranes AG in a voting rights notification that their respective percentages of the voting rights in the Company passed above the ten percent threshold on 15 August 2011 and amounted to 10.08% (2,133,794 voting rights) on that day. The voting rights are held through various investment companies, to each of which they are attributable, in some cases reciprocally.

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

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

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.

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 consisted on 30 September 2011 of CEO Aloysius Rauen, Rainer Beaujean and Thomas H. Hagen. Rainer Beaujean is stepping down from the Management Board on 30 November 2011 having exercised his special right of termination in light of the tender offer from Terex Industrial Holding AG consummated on 16 August and the resulting change of control. Thomas H. Hagen likewise exercised his special right of termination with effect from 30 November 2011 and laid down his office on the Management Board by mutual agreement on 30 September 2011.

Appointment and replacement of Management Board members takes place on the basis of Sections 84 and 85 of the German Stock Corporation Act (AktG) and Section 31 of the German Co-determination Act (MitbestG). 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. Following the exercise by Rainer Beaujean and Thomas H. Hagen of their special right of termination in light of the tender offer from Terex Industrial Holding AG consummated on 16 August 2011 and the resulting change of control, the contracts with current members of the Management Board expire as follows:

Aloysius Rauen: 30 April 2017
Rainer Beaujean: 30 November 2011

The Management Board contract with Thomas H. Hagen, who has laid down his office on the Management Board with effect from 30 September 2011, remains in effect until 30 November 2011.

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.

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, each representing a pro rata amount of one euro of the share capital, for cash or non-cash consideration in one or more issues by up to a total of EUR 10,586,496 by or before 1 March 2016 (Authorised Capital).

The new shares may be taken up by one or more financial institutions determined by the Management Board or taken up by one or more enterprises within the meaning of the first sentence of Section 53 (1), of the first sentence of Section 53b (1) or of Section 53b (7) of the Banking Act (Kreditwesengesetz) subject to an undertaking that the shares will be offered to existing shareholders (indirect rights issue).

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

a) When issuing shares for non-cash consideration for the purpose of granting to third parties shares representing a pro rata amount of up to EUR 4,243,598 of the share capital in connection with business combinations or to acquire a business, part of a business or ownership interests in a business, including to increase the size of existing holdings of ownership interests or other assets;

b) To the extent needed to provide holders of warrants or convertible bonds issued by the Company or by Group companies under the management of the Company, for the purpose of preventing dilution, 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;

c) To exclude any fractional amount arising in a rights issue;

d) When issuing shares for cash consideration provided that, in accordance with Section 203 (1) and (2) and the fourth sentence of Section 186 (3) of the German Stock Corporation Act (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 ten percent of the share capital at the time this authorisation comes into effect or at the time the authorisation is exercised, whichever amount is the lesser. The ten percent maximum is reduced by the pro rata amount of the share capital attributed to shares (i) issued or sold during the lifetime of this authorisation or in application, directly or mutatis mutandis, of the fourth sentence of Section 186 (3), AktG or (ii) required to be issued to serve warrant-linked or convertible bonds in respect of which a right of purchase or a right of conversion or a conversion obligation exists and which have been issued during the lifetime of this authorisation to the exclusion of existing shareholders' right of pre-emption in application mutatis mutandis of the fourth sentence of Section 186 (3), AktG.

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 Company's Annual General Meeting of 2 March 2010, the Management Board of Demag Cranes AG is further authorised, subject to Supervisory Board approval, to issue convertible and/or warrant-linked bearer bonds (collectively 'bonds') with limited or unlimited maturities up to an aggregate face value of EUR 210,000,000 on one or more occasions by or before 1 March 2015 and to give the bondholders conversion rights and/or options (including with an attached conversion obligation) to no-par-value bearer shares in the Company making up a maximum EUR 4,200,000 portion of the share capital in accordance with the detailed terms and conditions of the convertible or warrant-linked bond issue. The bonds are required to be issued solely for cash.

The bonds may be denominated in euros or – up to the equivalent of the stipulated maximum amount – in a foreign currency that is legal tender, for example, the currency of an OECD country. The bonds may also be issued by a Group company managed by the Company; in such instances, the Management Board may, subject to Supervisory Board approval, guarantee the bonds on the Company's behalf and give bondholders conversion rights and/or options (including with an attached conversion obligation) to no-par-value bearer shares in the Company. The issues must be divided into individual bonds.

In a warrant-linked bond issue, one or more warrants are attached to each bond, granting the bondholder an option to subscribe for no-par-value bearer shares in the Company according to the terms and conditions of the option as laid down by the Management Board. The option lifetime must not exceed the maturity of the warrant-linked bond issue.

In a convertible bond issue, bondholders are given the right to convert their bonds into no-par-value bearer shares in the Company in accordance with the detailed terms and conditions of the convertible bond as laid down by the Management Board. The conversion ratio is arrived at by dividing the face value of a bond, or the issue price if lower, by the stipulated conversion price for a no-par-value bearer share in the Company. The conversion ratio may be rounded up or down to the nearest integer; an additional cash payment may also be stipulated if applicable.

The convertible bond terms and conditions may further stipulate a conversion obligation at maturity (or earlier). The portion of the share capital made up by no-par-value Company shares issued on conversion of each bond must not exceed the face value of the bond.

The terms and conditions of the convertible or warrant-linked bonds may give the Company a right to grant bond creditors new shares or treasury shares in the Company instead of all or part of any amount due. Subject to more detailed provisions laid down in the bond terms and conditions, the value of such shares is determined as the arithmetic mean, rounded up to the nearest full cent, of closing auction prices for the same class of Company shares in XETRA trading (or a functionally equivalent successor trading system) on Frankfurt Stock Exchange on the last three trading days before notice of conversion or exercise.

The terms and conditions of the convertible or warrant-linked bonds may further provide on each occasion for treasury shares in the Company to be granted on conversion or exercise. They may also provide that instead of granting holders of convertible or warrant-linked bonds shares in the Company, the Company may pay bondholders the equivalent value in cash. Subject to more detailed provisions laid down in the bond terms and conditions, the consideration for each share is determined as the arithmetic mean, rounded up to the nearest full cent, of closing auction prices for the same class of Company shares in XETRA trading (or a functionally equivalent successor trading system) on Frankfurt Stock Exchange on the last three trading days before notice of conversion or exercise.

The stipulated conversion or exercise price on each occasion must be at least 80% of the arithmetic mean of the closing auction prices for the same class of Company shares in XETRA trading (or a functionally equivalent successor trading system) on Frankfurt Stock Exchange from the start of the subscription period to the third day (inclusive) before announcement of the final terms and conditions in accordance with the second sentence of Section 186 (2) of the German Stock Corporation Act (AktG).

If, during the conversion or exercise period the Company conducts a rights issue for existing shareholders or issues further convertible or warrant-linked bonds or grants or guarantees conversion rights or options and does not give existing holders of conversion rights or options a corresponding subscription right of the scope they would be entitled to after exercising their conversion rights or options or meeting their conversion obligations, or increases the share capital out of retained earnings, the terms and conditions of the convertible and/or warrant-linked bonds must ensure that there is no effect on the economic value of existing conversion rights and/or options by providing for a modification of the conversion rights and/or options to maintain that value unless such modification is already required by law. The same applies mutatis mutandis upon a decrease in share capital, other corporate measures, restructuring, change of control, extraordinary dividend or other similar measures that may dilute the share value.

Company shareholders normally have pre-emptive rights; that is, convertible and/or warrant-linked bonds must normally be offered to them. The bonds may also be bought by one or more banks provided they are then offered to shareholders. If bonds are issued by a Group company, the Company must ensure that subscription rights are granted to Company shareholders.

The Management Board may, subject to Supervisory Board approval, exclude shareholders' pre-emptive rights to bonds if after due appraisal it finds the issue price not to be significantly below the bonds' theoretical market value as determined by generally accepted financial mathematical methods. The authorisation to exclude shareholders' pre-emptive rights is limited, however, to bonds with a conversion right or option (including with an attached conversion obligation) to shares making up no more than ten percent of the share capital when the authorisation takes effect or, if smaller, of the share capital when the authorisation is exercised. The ten percent maximum must be determined taking into account any amount of share capital relating to (i) shares issued during the lifetime of the authorisation under the fourth sentence of Section 186 (3), AktG to the exclusion of existing shareholders' pre-emptive rights and (ii) shares sold during the lifetime of the authorisation out of repurchased treasury stock other than on the stock market or by way of an offer to all shareholders with the fourth sentence of Section 186 (3), AktG applying mutatis mutandis; any fractional amounts resulting from the subscription ratio; and any amount needed so that it is possible to give holders of previously issued conversion rights or options a subscription right of the scope they would be entitled to as shareholders after exercising their conversion rights or options or meeting their conversion obligations.

The Management Board is authorised, subject to Supervisory Board approval and where applicable in agreement with the boards of bond-issuing Group companies, to decide the remaining details of the bond issues and terms, including interest rates and how interest is applied, issue price, term to maturity and denomination, anti-dilution provisions, conversion or option periods and conversion or exercise price.

In conjunction with granting the Management Board authorisation to issue bonds, conditional authority was given to increase the Company's share capital by up to EUR 4,200,000 by issuing up to 4,200,000 new no-par-value bearer shares each comprising one euro of share capital ('Conditional Capital'). The conditional authority to issue shares is to be used for granting shares to holders of or creditors under convertible and/or warrant-linked bonds issued with the above authorisation. Shares are to be issued under the conditional authority solely to the extent that conversion rights and/or options are exercised or conversion obligations under such bonds are fulfilled and the Conditional Capital is needed for the purpose according to the terms and conditions of the convertible and/or warrant-linked bonds. The new shares are to be issued at the exercise or conversion price determined in accordance with the above authorisation. The new shares are entitled to dividends from the start of the financial year they are issued on exercise of conversion rights or options or on fulfilment of conversion obligations. The Management Board is authorised subject to Supervisory Board approval to decide the remaining details with regard to issuing shares under the conditional authority.

The Company made no use of its authorisation to issue convertible and/or warrant-linked bonds in financial year 2010/2011; no shares were issued out of the Conditional Capital. Likewise, no shares were issued out of Authorised Capital.

There is no authorisation to buy back shares.

Significant agreements conditional upon a change of control following a takeover bid

The syndicated credit facility arranged by Demag Cranes AG grants each lender the right to call due its share of the facility (loans and guarantees given) subject to certain requirements if a party or a group of parties acting in concert acquires control of Demag Cranes AG (change of control). In particular, an acquisition of more than 50% of shares in Demag Cranes AG is defined as an acquisition of control. The same applies for the EUR 30 million guarantee facility agreed between Demag Cranes AG and one lender.

To secure liquidity and debt coverage for the Demag Cranes Group regardless of the success of the tender offer from Terex Industrial Holding AG, the Management Board on 16 June 2011 submitted to syndicated credit facility lenders an amendment request agreed with the lead bank in the syndicated credit facility. In the amendment request, Demag Cranes AG offered substantive amendments to the loan agreement, including one to the effect that an acquisition of more than 50% of Demag Cranes shares by a company of the Terex Group, or group of companies of the Terex Group acting in concert, would no longer give each lender the right to terminate and call due its share of the facility and of loans and guarantees given. In return, Demag Cranes AG offered the lenders a ring fencing arrangement under which it would accept certain restrictions with regard to transactions with Terex Group companies or parties acting in concert with them. Under the procedure for changes in the terms and conditions under the syndicated credit agreement, changes in the terms and conditions normally require solely the consent of majority lenders (those having 66⅔% of the total agreed loan amount). The Company invoked this majority lender clause for the change request in connection with the takeover by Terex. The required majority was attained. The substantive terms of the EUR 30 million bilateral guarantee facility were amended in line with the credit facility.

In the event of a change of control in the Company, the members of the Management Board each have the right to terminate their Management Board contract and give up their Management Board mandate within six months, giving three months' notice to the end of a month. A change of control exists when a shareholder has acquired control of the Company within the meaning of Section 29 of the German Securities Acquisition and Takeover Act (WpÜG) by holding at least 30% of the voting rights in the Company, including the voting rights attributable to that shareholder pursuant to Section 30, WpÜG. The two Management Board members Rainer Beaujean and Thomas H. Hagen have made use of this special right of termination in light of the tender offer from Terex Industrial Holding AG consummated on 16 August 2011 and the resulting change of control with effect from 30 November 2011.

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

Agreements with members of the Management Board or employees for the event of a takeover bid

On exercising their special right of termination, the members of the Management Board continue to receive their fixed salary until the planned end of the contract term plus a target bonus pro rata temporis to the planned end of the contract term, assuming 100% target attainment, subject to a maximum of two times the total annual compensation. Further information on the employment contracts of Management Board members is provided in the Remuneration Report (beginning on page 33 et seqq.).

General economic environment[2]

World economic trends

At the start of Demag Cranes AG's financial year 2010/2011, the global economy was growing steadily. According to Oxford Economics, global GDP increased by 4.9% in the first quarter of 2010/2011 (October to December) compared with the first quarter of 2009/2010. This growth was primarily driven by the continuing positive development of the emerging markets. However, mature markets also contributed, thanks to the revival of industries in the euro zone and the USA.

As the reporting period progressed, the global economy remained stable at first, despite political unrest in the Arab world and North Africa and the catastrophic earthquake in Japan. Oxford Economics estimated that global GDP increased by 4.2% year on year in the second quarter of 2010/2011.

This level of growth was sustained in the third quarter of the financial year, but the worsening of the debt crisis in Europe and the USA caused economic output to fall further in some countries. The emerging economies, by contrast, maintained their momentum. Their GDP climbed by 7.2% year on year in the third quarter. The BIC countries (Brazil, India, China) contributed hugely to this development with growth of 8.1%. Pressures from the government debt crisis meant that GDP in mature markets increased by only 1.6%.

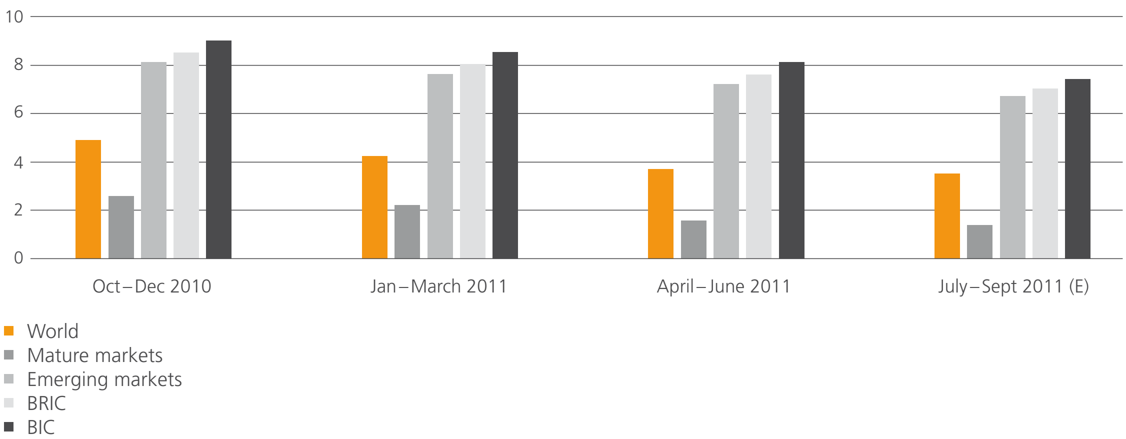
The US economy likewise continued to decline due to the debt crisis and the resulting restrictions in government spending. Experts from Oxford Economics expect a GDP growth rate for the fourth quarter of just 1.5% compared with the same quarter in the previous year. By contrast, the boom in China showed little sign of slowing, despite measures taken by the Chinese government and the central bank to reduce the rate of growth. Oxford Economics expects the Chinese economy to have increased by 8.7% in the fourth quarter 2010/2011 compared with the prior-year quarter.

Oxford Economics estimates year-on-year growth in the global economy of 3.5% in the fourth quarter of the financial year, thanks to the continued positive trend in the emerging markets.

The following chart shows the development of real GDP compared with the prior-year period:

Real year-on-year GDP growth (based on the US dollar)

in %



(E) Estimates
Source: Oxford Economics, November 2011

[2] Sources: Oxford Economics, November 2011; Oxford Economics, Commodity Price Monitor, October 2011; Commerzbank, Konjunktur und Finanzmärkte, September/October 2011; Oxford Economics, World Economic Prospects, 11 October 2011; International Monetary Fund, World Economic Outlook, September 2011

Economic trends in the euro zone

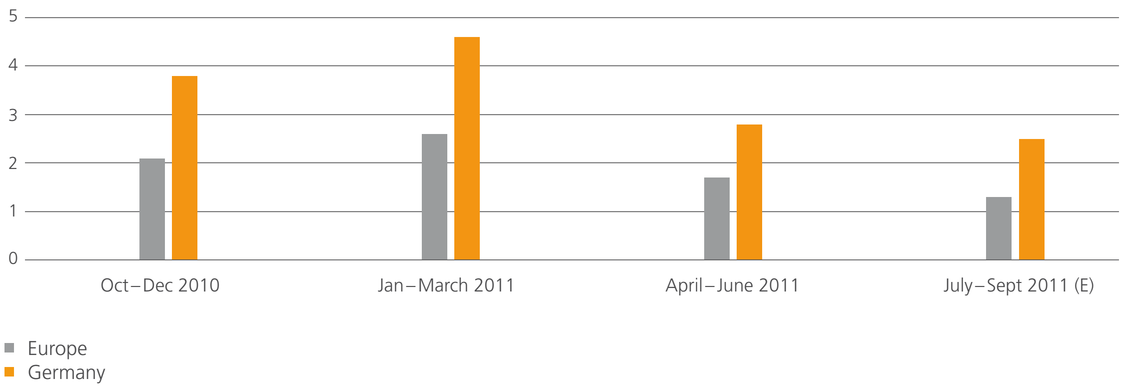
At the start of financial year 2010/2011, the euro zone economy initially recorded strong growth due to heightened global demand for industrial products. The main positive factors for industry were powerful growth in Asia and the US economy picking up speed. The euro zone generated year-on-year GDP growth of 2.1% in the first quarter 2010/2011. Peripheral economies, in contrast, were dragged down further by the government debt crisis and the burst property bubble. As the financial year progressed, the economy became increasingly burdened by the worsening debt levels in a number of euro zone countries. Greece, Portugal and Ireland made constant efforts to consolidate their budget deficits with the help of the EU recovery package. This dampened economic development in the euro zone accordingly. Hence experts from Oxford Economics expect only a slight increase in GDP of 1.4% for the fourth quarter of the financial year compared with the same quarter in the previous year.

The economic upturn in Germany was initially propelled by rising demand for industrial goods and the related high exports, as well as increasing capital investment spending. German GDP rose by 3.8% in the first quarter compared with the prior-year period. However, the positive trend in German industry increasingly slackened off over the course of the reporting period due to the worsening debt crisis in Europe and the USA and the resulting fall in order intake from the euro zone. According to Oxford Economics, the German economy is expected to grow by just 2.5% in the fourth quarter 2010/2011 compared with the prior year.

The following chart shows growth in real GDP compared with the prior-year period:

Real year-on-year GDP growth (based on the US dollar)

in %



(E) Estimates

Source: Oxford Economics, November 2011

Situation of the mechanical engineering industry[3]

The mechanical engineering industry performed very well in the reporting period. In the first few months of financial year 2010/2011, the domestic and foreign order intake and accordingly also mechanical engineering production rose sharply due to the initially dynamic growth of the global economy. The high demand had a correspondingly positive impact on capacity utilisation in mechanical engineering. Then, as the financial year progressed, the mechanical engineering industry calmed down generally.

Towards the end of the financial year, growth in order intake in German machinery and plant engineering dropped off slightly. Domestic demand remained high, but orders received from euro zone partner countries declined somewhat. According to the industry association VDMA, the real order intake grew by 18% compared with the previous year.

Mechanical engineering production increased further in the course of the reporting period. According to VDMA experts, real mechanical engineering production increased by 16.7% in the first eight months of the 2011 calendar year. As such, the production level in 2011 fell just short of the 20% growth recorded in 2008.

[3] VDMA, "Konjunkturbulletin", November 2011.

Production capacity utilisation also improved. According to estimates by the VDMA, the degree of capacity utilisation in mechanical engineering rose from 84.0% in October 2010 to 88.7% in October 2011.

Economic data for mechanical engineering

Description	Period	Nominal	In real terms
Total	Jan – Sept 2011	20	18
Inside Germany	Jan – Sept 2011	20	17
Outside Germany	Jan – Sept 2011	20	18

Source: VDMA, November 2011

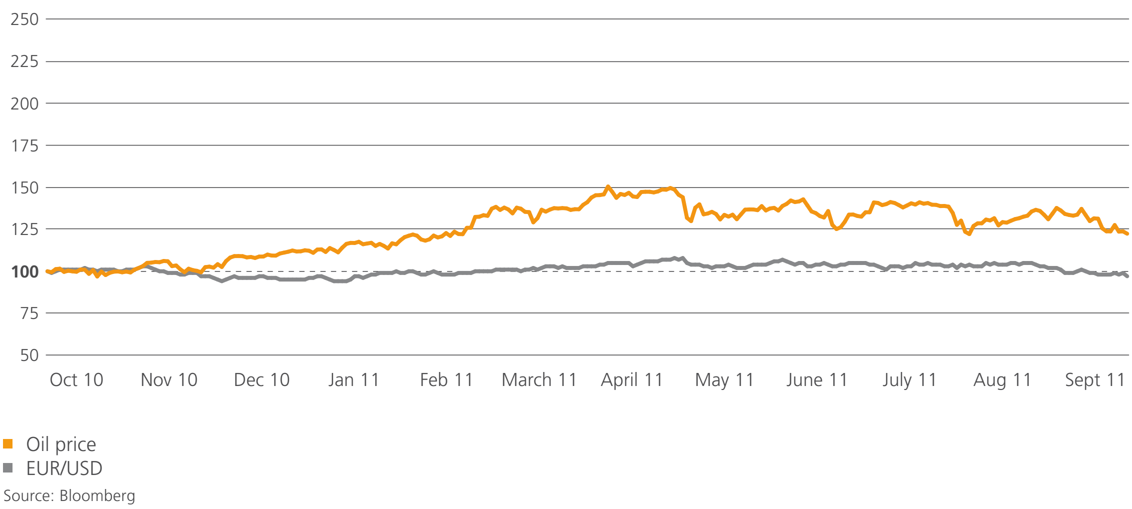
Trends on the foreign exchange markets[4]

The US dollar exchange rate developed as follows during the reporting period: At the start of October 2010, the exchange rate was quoted at EUR 1.38 to the US dollar. The dollar was somewhat fortified by the initially positive global economy and reached a high of EUR 1.29 to the US dollar on 7 January 2011. However, the currency came under pressure from the Federal Reserve's ongoing zero interest rate policy and the purchase of more US treasury bonds to further boost liquidity. The exchange rate recorded its low for the reporting period of EUR 1.48 to the US dollar on 2 May 2011. As the financial year continued, the worsening government debt crises in a number of euro zone countries and the purchase of government bonds by the European Central Bank had a dampening effect on the euro. The weakness in the euro caused the US dollar to rally slightly. At the end of September 2011, the exchange rate stood at EUR 1.34 to the US dollar. The average exchange rate for the reporting period from 1 October 2010 to 30 September 2011 was EUR 1.40 to the US dollar.

Trends on the raw materials markets[5]

At the beginning of the financial year, the price per barrel of Brent crude oil stood at USD 83.75, dipping to a low of USD 81.10 on 19 October 2010. At the end of the first quarter of 2010/2011, the upturn in the global economy drove up oil demand and thus pushed up oil prices. This upward trend continued in the new calendar year. At the end of January 2011, the price per barrel rose above USD 100.00. In spring 2011, political unrest in Libya and the resulting concerns about a possible restriction in oil production by this oil exporter pushed up the oil price sharply again. On 8 April 2011, the oil price reached a high of USD 126.65 per barrel. As the financial year progressed, the oil price fell again and stood at just over USD 100 at the end of September 2011. The average price for the reporting period was USD 105.49 per barrel.

Euro vs dollar and oil price development since 1 October 2010

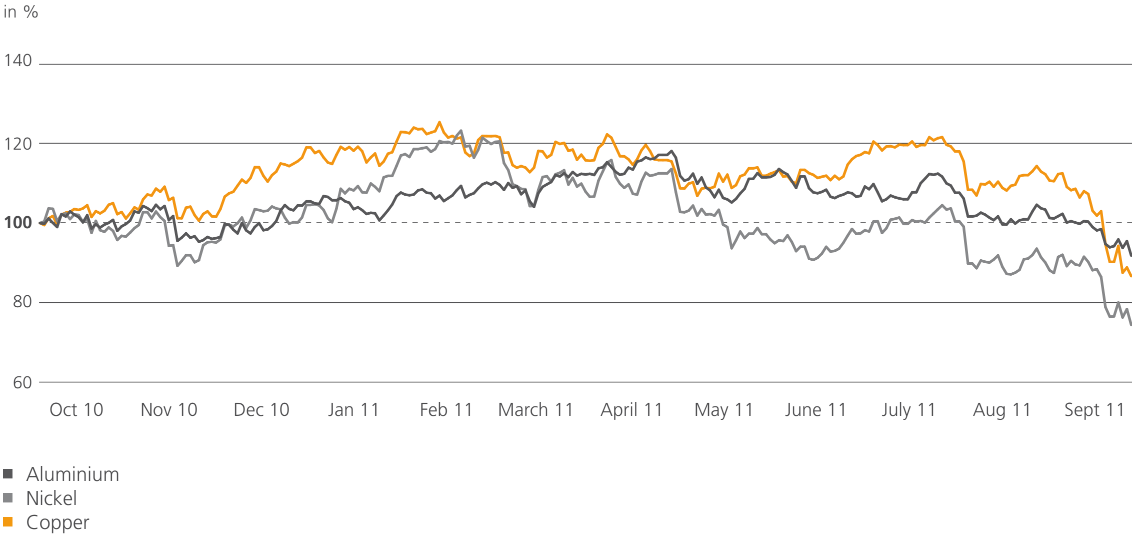


Source: Bloomberg

[4] Bloomberg
[5] Bloomberg; Dow Jones; www.ariva.de

Metal prices were highly volatile in the financial year. The nickel prices fell at the beginning of the past financial year, but then recovered strongly reaching the highest price level in February 2011. The nickel price was then very volatile with larger price movements up in spring 2011, before it dropped towards the end of the year. As at 30 September 2011 the nickel price was below the value at the beginning of the financial year. The price for copper and aluminium moved sideways. From December 2010 the price copper increased continually. Aluminium remained stable until it fell from August 2011. The highest price for copper in the last financial year was in February 2010. The copper price also moved sideways initially. From June 2011 to August 2011the copper prices increased before they fell below the price at the beginning of the financial year. The nickel price tumbled by almost 26% in the reporting period and the copper price also declined by almost 13%. The aluminium price fell by eight percent.

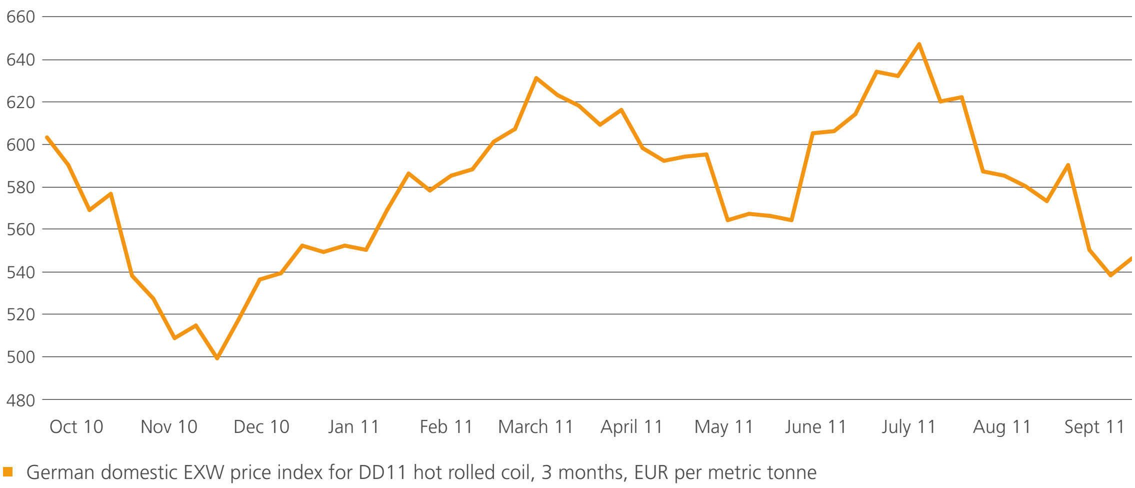
Price development of selected metals on the London Metal Exchange (on US dollar basis per tonne)



Source: www.ariva.de

As a price indicator for purchasing, we particularly use the Dow Jones German domestic EXW price index for DD11 hot rolled coil. Hot-rolled coil is a semifinished product that is further processed into sheet needed in major steel fabrication operations. The past financial year initially saw hot rolled coil prices increase steeply as the global economy picked up and steel production dropped following the floods in Australia. Later on, however, the price index followed the general downtrend, with an approximately nine percent fall in the price of hot rolled coil during the period under review.

Dow Jones German domestic EXW price index for DD11 hot rolled coil, from 1 October 2010



Source: Dow Jones

Industry conditions

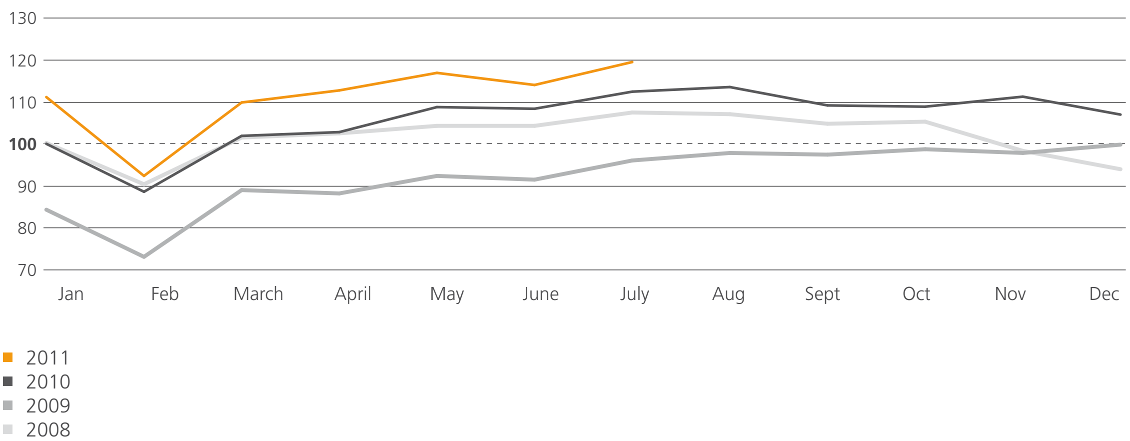
With its products and services in the Industrial Cranes, Port Technology and Services segments, the Demag Cranes Group operates on the global market for cargo handling equipment and material logistics. This market includes all products which perform, control and monitor cargo handling and logistics processes, including the corresponding software solutions and services.

According to internal analyses, the global market for industrial cranes grew in the mid single-digit range in the 2010/2011 financial year compared with the previous year. Changes in industry conditions were largely in line with the market development in the mechanical engineering industry. According to analyses by the industry association for German engineering industry companies (VDMA), there was predominantly strong growth in order intake throughout the entire financial year, although it slowed somewhat in the fourth quarter, mainly due to the slight decline in orders from euro zone partner countries. Nevertheless, machine production in Germany increased by a cumulative 16.7% in the first eight months of the calendar year.

Global market consolidation continued to advance in the industrial cranes market in the financial year. In June 2011, for example, there was the 100% takeover of the Saudi Arabian crane manufacturer Saudi Cranes & Steel Works Factory Company Limited and in August, the 100% takeover of the Indian crane manufacturer WMI Cranes Ltd. by the Finnish group Konecranes was finalised.

The market for the Port Technology segment was primarily dominated in the financial year by rising cargo volumes as well as container and bulk materials transport rates. The increase in bulk materials handling was mainly attributable to China as the main importer of iron ore. Customers in the Port Technology segment reacted to the positive trend in handling volumes by stepping up their investment activities. However, due to the prevailing uncertainties in the economy, it cannot be ruled out that transport rates in the ports and thus the willingness of our customers to invest might again be negatively impacted by the gloomy economic environment. Although there is still customer demand for cost-cutting and environmentally friendly Demag Cranes solutions, this demand is subject to intense price competition.

Drewry Global container port throughput index



Source: Drewry Maritime Research

Seaborne dry bulk trade [Mt]

	2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011 (E)
Iron ore	1,048.1	265.2	263.1	257.2	263.9
Steam coal	646.9	165.7	167.1	151.6	150.9
Coking coal	237.7	58.4	60.8	56.2	46.4
Grain	250.6	52.5	45	58.2	67.4
Minor bulks	946.2	219.7	211.6	238.4	254.5
Total trade	3,129.5	761.4	747.7	761.6	783.1

(E) Estimates

Industry conditions also improved in the **Services segment**. The market recovery and steady growth can also be explained by the much higher degree of capacity utilisation in mechanical engineering. In Germany, for example, this index climbed from an absolute low in the last five years of 67.5% in July 2009 to 88.7% in October 2011. There are several reasons for this increase: first, rapidly rising demand has substantially improved capacity utilisation; second, manufacturing capacities were reduced in response to the financial and economic crisis, which meant capacity utilisation increased much faster when demand began to rise again.

Effects of the economic environment on business performance

The overall economic and industry conditions had a positive impact on the business performance of the Demag Cranes Group. The order volume improved significantly again year on year in all three segments.

In the **Industrial Cranes segment**, we benefited from the economic upturn and the positive development in the mechanical engineering industry. Demand for our cranes and hoists rose steadily against the prior year. Thanks to the positive economic development in the emerging markets, we were especially successful in securing major deals in Brazil, China and Russia.

In the **Port Technology segment**, rising cargo volumes as well as container and bulk materials transport rates boosted demand for our Mobile Harbour Cranes. Not only were our customers replacing old cranes, but increased utilisation of capacities in port terminals meant they were also making expansion investments. In addition, in the reporting period there was again demand from larger container terminals for Automated Stacking Cranes (ASCs) as well as for Automated Guided Vehicles (AGVs). For example, we received an order in the financial year for 22 AGVs. Together with our longstanding customer HHLA in Hamburg, we also continued developing the next generation of AGVs, which are to be powered by battery. Various other automation projects are currently in the tender phase. When selecting projects, however, Demag Cranes looks for a balance of opportunities and risks combined with profitability. The current situation on the financial markets has substantially increased the overall complexity of concluding contracts with customers and suppliers.

The **Services segment** also benefited from the favourable economic conditions in the financial year, also once again recording increased demand for services. The spare parts business performed very well, too. Both of these improvements resulted from increased capacity utilisation by our customers and the associated greater use of crane systems.

Business performance of the Demag Cranes Group and its segments in financial year 2010/2011

Terex Industrial Holding AG takeover

On 2 May 2011, Terex Industrial Holding AG, a subsidiary of Terex Corporation, Westport, Connecticut (USA), ("Terex") announced its decision to make a voluntary public tender offer to the shareholders of Demag Cranes AG for all outstanding shares in the Company against a payment of EUR 41.75 per share. The Terex announcement was unsolicited. Following approval by the Federal Financial Supervisory Authority (BaFin), the offer document was published online at www.industrialholding-angebot.de on 19 May 2011.

The statement on the public tender offer as required under Section 27 of the German Securities Acquisition and Takeover Act (WpÜG) was unanimously adopted by the Management Board and Supervisory Board of Demag Cranes AG and published on 31 May 2011. In that statement, the Management Board and Supervisory Board gave reasons for their opinion that the consideration of EUR 41.75 per share offered by the bidder was inadequate from a financial point of view and recommended shareholders of Demag Cranes AG not to accept the tender offer.

After intensive negotiations between Terex and Demag Cranes, the two companies signed a Business Combination Agreement on 16 June 2011. In that Agreement, Terex undertook to increase the offer price to EUR 45.50 per share and pledged broad operational and strategic autonomy even after a majority takeover. Terex also gave extensive undertakings to safeguard locations and jobs. Key arrangements included:

- Even after a majority takeover, Demag Cranes with all of its existing activities will remain a separate operating segment within the Terex Group. Strategic and operating responsibility for the business will remain with the Demag Cranes AG Management Board. Terex fully supports the Demag Cranes strategy and will support the ongoing implementation of that strategy, with the objective of further expanding the Company's leading market position in its current areas of business.

- For a period of three years, Terex undertakes not to cause Demag Cranes to impose any redundancies in direct connection with the takeover. In addition, Terex pledges to fully uphold shop agreements and collective bargaining agreements as well as other employee rights.

- Demag Cranes' headquarters will remain in Düsseldorf. For Demag Cranes' German production locations Wetter, Düsseldorf, Uslar and Luisenthal, Terex gave a location preservation guarantee for five years.

- The Company's strong and successful brands – Demag and Gottwald – will likewise be retained.

In their supplementary statement in accordance with Section 27, WpÜG, published on 22 June 2011, the Management Board and Supervisory Board recommended shareholders of Demag Cranes AG to accept the improved offer. The Management Board and Supervisory Board considered the increased offer price of EUR 45.50 per share to be adequate from a financial point of view and, in their overall assessment, the improved offer from Terex to be in the interests of Demag Cranes AG, its shareholders, its employees and other stakeholders.

In accordance with the Business Combination Agreement, CEO Aloysius Rauen and the relevant members of the Supervisory Board accepted the tender offer for their shareholdings. The shareholdings of Rainer Beaujean (member of the Management Board) and Horst Thelen (member of the Supervisory Board) are excluded from this, as they participate in the Matching Stock Program described beginning on page 155 of the Consolidated Financial Statements. They therefore did not accept the offer for shares qualifying for participation in the Matching Stock Program (MSP shares) so as not to lose their entitlements under the fifth tranche of phantom shares already granted to them in June 2010. The same applies to Thomas H. Hagen (member of the Management Board) with regard to MSP shares in his shareholding. Mr. Hagen accepted the offer for his remaining shares.

According to information from Terex, the acceptance rate at the end of the acceptance period on 30 June 2011 was 71.79%; together with 1.02% that Terex had acquired previously, this added up to a 72.81% shareholding in Demag Cranes AG. Terex thus attained its stipulated minimum acceptance level of 51%. Under the German Securities Acquisition and Takeover Act (WpÜG), shareholders of Demag Cranes who had not accepted the offer during the acceptance period had the opportunity to tender their shares during an additional acceptance period, which ended on 19 July 2011. On 21 July 2011, Terex gave notice that the tender offer had been accepted for a further 9.02% of shares. Together with the shares previously in its control, Terex then held 81.83% of Demag Cranes AG. The granting of regulatory approval in Europe meant that the last requirement for completion of the takeover was satisfied. All shares tendered to Terex by shareholders of Demag Cranes AG following the voluntary public tender offer were accordingly transferred on 16 August 2011 to the new majority owner, which consequently then held 81.87% of Demag Cranes in total.

On 5 September 2011, the Management Board of Demag Cranes AG and the management of Terex Germany GmbH & Co. KG, Dortmund, an indirect subsidiary of Terex Corporation and sole shareholder of Terex Industrial Holding AG, decided to enter into negotiations for the signing of a domination and profit transfer agreement between Terex Germany GmbH & Co. KG as controlling entity and Demag Cranes AG as controlled entity and published this intention. The negotiations with Terex Germany GmbH & Co. KG for the preparation of a domination and profit transfer agreement are currently in progress. The compensation and settlement arrangements for the remaining shareholders of Demag Cranes AG will be decided in compliance with the requirements of the law and on the basis of the pending business valuation. By decision of 23 September 2011, amended by decision of 4 October 2011, Düsseldorf Regional Court appointed I Advise AG, Wirtschaftsprüfungsgesellschaft, Düsseldorf, as joint auditors for review of the domination and profit transfer agreement.

Demag Cranes AG expects that it will be able to bring the requisite negotiations to an end in January 2012 and for a resolution approving the domination and profit transfer agreement to be adopted at the Annual General Meeting of Demag Cranes AG on 24 February 2012. Employees of Demag Cranes and Terex have also worked jointly to prepare the way for the future working relationship in light of the Business Combination Agreement signed by the Company, Terex Industrial Holding AG and Terex Corporation on 16 June 2011.

Overall assessment of business performance and target attainment in the financial year

In financial year 2010/2011, the Demag Cranes Group's business performance was once again on a clear upward trajectory. Thanks to ongoing Group integration, our independent market position and our regular reviewing of strategic goals, we have put ourselves in an excellent position to deal with opportunities and challenges.

In operating business, we benefited from the generally positive economic trend. Thanks to the economic recovery, demand for our products and services noticeably improved. Our Group order intake increased by 23.1% compared with financial year 2009/2010 to EUR 1,121.2 million, with every segment making a positive contribution. We also boosted revenue year on year: at EUR 1,062.3 million (forecast: around EUR 1,060 million), Group revenue was 14.1% up on the prior-year level (2009/2010: EUR 931.3 million). The Group's operating EBIT amounted to EUR 75.7 million, up 39.7% on the prior year. The operating EBIT margin stood at 7.1%, we had forecast around 6.4%. Thus we substantially improved on the key performance indicators compared with the prior year and satisfied our forecast – last updated in the third quarter – in every respect, even surpassing it in terms of operating EBIT.

The **Industrial Cranes segment** reported revenue of EUR 489.8 million (2009/2010: EUR 440.8 million) and operating EBIT of EUR 10.8 million (2009/2010: EUR 4.8 million). The successful restructuring programme in 2009/2010 created the foundations for further improvements in profitability.

We expanded our business activities in the financial year, especially in the emerging markets, and further consolidated our market position in these regions. The major Brazilian contract with Caterpillar for 102 Standard Cranes announced in January 2011 underlines our excellent position in Latin America and especially in Brazil. The region holds great potential and has been a key component of our growth strategy in the emerging markets for years. Demand for industrial cranes and crane components also rose steadily in China as a result of strong industrial growth. In the aluminium industry, for example, our products have proven successful for many years. This increases our competitiveness in the strategically important Chinese market and strengthens our components business. Most recently, Demag Cranes received an order for 56 rope hoists for the Chinese aluminium industry in March 2011. We also further strengthened our position in the market for Process Cranes for refuse incineration in China, as evidenced by four orders received in May 2011 for the delivery of a total of twelve semi- and fully automated Process Cranes for use in refuse incineration facilities. This enables us to also further expand our position as a technology leader for semi- and fully automated crane systems in the important emerging markets and to benefit from the dynamic development there.

In July 2011, Demag Cranes completed an important step as part of its mid-segment strategy focusing on the emerging markets with the launch of its DC-Bas chain hoist in China and India. Based on European standards, DC-Bas is designed to meet the exact needs of customers in these countries. As a second step, the Bas product family is also to be launched in Southeast Asia and Brazil. With the introduction of the new chain hoist for the fast-growing mid-segment, we passed a central milestone of our strategy on schedule, thereby creating the basis for achieving our announced medium-term targets.

We also significantly reduced the cost base in the Port Technology segment thanks to the successful implementation of our restructuring programme. In the financial year, we reported revenue of EUR 239.0 million (2009/2010: EUR 189.9 million) and operating EBIT of EUR 9.2 million (2009/2010: EUR 0.6 million).

Order intake improved steadily throughout the financial year. Demand for our versatile Mobile Harbour Cranes in particular remains strong. Mobile Harbour Cranes offer high handling rates, long service lifetimes and low specific investment costs, combined with flexibility in daily operation as they not only handle bulk but also any other kind of goods as the need arises. These product features won over new as well as existing customers in the financial year. The increased capacities at ports also boosted demand for services.

During the reporting year, we once again received an order for our Automated Guided Vehicles (AGVs). In June 2011, our long-standing customer Europe Container Terminals (ECT) in Rotterdam ordered 22 type CT 60 AGVs. These vehicles will replace the first-generation container transporters which have been in operation around the clock as part of the AGV fleet at the customer's facility since the early 1990s. The new AGVs are equipped with fuel-saving diesel-electric drives and comply with the European EuroMot IIIB exhaust gas standard that has been in force since 2011. We have also entered into further talks on major automated terminal projects with several port and terminal operators. When selecting projects, Demag Cranes looks in particular for a balance of opportunities and risks combined with profitability. The current situation on the financial markets has substantially increased the overall complexity of concluding contracts with customers and suppliers.

In the Services segment, notably spare parts business continued to grow – the result of our customers increasing their utilisation of crane systems. We also sold more refurbishment services to our customers again in the fourth quarter. Consequently, we generated revenue of EUR 333.5 million (2009/2010: EUR 300.6 million); operating EBIT amounted to EUR 66.2 million (2009/2010: EUR 58.3 million).

Group free cash flow before financing and restructuring payments amounted to an outflow of EUR 9.2 million. Net debt stood at EUR 21.8 million.

Development of the share price[6]

The price of Demag Cranes shares climbed by over 107% in financial year 2010/2011, from EUR 28.73 on 1 October 2010 to EUR 58.34 on 30 September 2011. The positive trend in the Demag Cranes share price was largely an effect of the takeover by Terex. With this value growth, our share price bucked the downward trend of the DAX and MDAX® stock market indices during the period under review.

The Demag Cranes share price reached its 2010 peak of EUR 38.96 on 15 October 2010 on the back of takeover speculation, then went on to put in a solid performance in the months that followed. As markets slid following the Japanese earthquake and the damage to the Fukushima nuclear power plant in March 2011, the share price suddenly dropped to its low point for 2011 of EUR 33.15 on 16 March.

The early May announcement from Terex of plans to make a voluntary public tender offer to Demag Cranes AG shareholders triggered a leap in the share price to EUR 45.00. After all conditions for consummating the tender offer had been satisfied, a total of 81.87% of Demag Cranes shares were transferred to the new majority shareholder on 16 August.

The strong upward trend in the share price evident since the end of August and notably since 5 September 2011 resulted in it even exceeding the EUR 60.00 mark during trading for a time on 20 September 2011, the highest price since it was first listed on the stock exchange in June 2006.

As a result of the takeover, the free float dropped below ten percent of subscribed capital. Because of this, Demag Cranes shares were taken out of the MDAX® index and out of all Deutsche Börse selection indices with effect from 19 September 2011.

[6] As per XETRA closing

Business performance of the Group and segments

Order intake/order book

The Demag Cranes Group generated order intake of EUR 1,121.2 million in financial year 2010/2011, an increase of 23.1% over financial year 2009/2010 (EUR 910.6 million). The segments contributed to this positive order development as follows:

	1 October to 30 September			
in EUR million	**2010/2011**	2009/2010	Δ	2008/2009
Industrial Cranes	514.8	412.2	24.9%	397.9
Port Technology	267.3	197.0	35.7%	151.8
Services	339.1	301.5	12.4%	292.1
Group order intake	**1,121.2**	**910.6**	**23.1%**	**841.9**

The Group order book stood at EUR 361.7 million as at 30 September 2011, an improvement of 18.0% from the figure on the previous year's reporting date (EUR 306.6 million).

	30 September			
in EUR million	**2011**	2010	Δ	2009
Industrial Cranes	201.5	180.0	11.9%	197.7
Port Technology	105.6	76.9	37.2%	69.4
Services	54.6	49.6	10.1%	46.0
Group order book	**361.7**	**306.6**	**18.0%**	**313.1**

The table below shows the performance of the order book over the individual quarters.

in EUR million	**30 Sept 2011**	30 June 2011	31 March 2011	31 Dec 2010
Industrial Cranes	201.5	234.4	232.5	271.9
Port Technology	105.6	88.1	79.2	88.5
Services	54.6	72.0	66.8	59.6
Group order book	**361.7**	**394.5**	**378.4**	**366.0**

In the **Industrial Cranes segment**, order intake was up sharply by 24.9% to EUR 514.8 million in financial year 2010/2011. The prior-year figure was EUR 412.2 million. Both crane and components business rallied strongly as a result of the general economic recovery. Very strong growth in the cranes product segment following the financial and economic crisis weakened slightly from quarter to quarter, as expected, over the course of the financial year, but is still significantly higher on the whole than in the prior year. In contrast, components business remained very stable. Our chain hoist in the mid-range product/price bracket launched in summer 2011 was also well received.

The Industrial Cranes segment order book came to EUR 201.5 million as at 30 September 2011 (30 September 2010: EUR 180.0 million).

The **Port Technology segment** can also look back on very positive order development: compared with financial year 2009/2010, the value of orders received rose by 35.7% from EUR 197.0 million to EUR 267.3 million. Mobile Harbour Cranes, which can be used for various applications, accounted for the major part of order intake, but demand for port services also increased sharply again in the past financial year. For the first time since the financial and economic crisis, we received another order for 22 Automated Guided Vehicles (AGVs) from our long-standing customer Europe Container Terminals (ECT) in Rotterdam.

The Port Technology segment order book came to EUR 105.6 million as at 30 September 2011 (30 September 2010: EUR 76.9 million).

Greater capacity utilisation and the associated increased use of crane systems by our customers also led to an improvement in the order situation of the **Services segment**. Compared with financial year 2009/2010, order intake was up 12.4% from EUR 301.5 million to EUR 339.1 million. Alongside standard services such as fault elimination, maintenance and repairs, spare parts were in greater demand than in the prior year.

The Services segment order book stood at EUR 54.6 million as at 30 September 2011 (30 September 2010: EUR 49.6 million).

Revenue

Group revenue was up 14.1% in the past financial year to EUR 1,062.3 million (financial year 2009/2010: EUR 931.3 million). All segments contributed to this increase, especially the Port Technology segment.

	1 October to 30 September			
in EUR million	**2010/2011**	2009/2010	Δ	2008/2009
Industrial Cranes	489.8	440.8	11.1%	545.8
Port Technology	239.0	189.9	25.8%	204.0
Services	333.5	300.6	10.9%	297.7
Group revenue	**1,062.3**	**931.3**	**14.1%**	**1,047.6**

The **Industrial Cranes segment** generated revenue of EUR 489.8 million, 11.1% more than in financial year 2009/2010 (EUR 440.8 million). In particular, this figure reflected the healthy intake of orders for Process Cranes and Standard Cranes in the previous quarters, which are recognised as revenue after an average production time of six to twelve months. Component sales also contributed to this positive development.

The **Port Technology segment** saw revenue grow by 25.8% to EUR 239.0 million. The main revenue drivers here were Mobile Harbour Cranes and services.

In financial year 2010/2011, the **Services segment** generated revenue of EUR 333.5 million, an increase of 10.9% over the prior-year figure (financial year 2009/2010: EUR 300.6 million). Spare parts business and general field service were principally responsible for this revenue growth.

Revenue is distributed among the regions as follows:

	1 October to 30 September						
				in % of revenue			
in EUR million	**2010/2011**	2009/2010	Δ	2010/2011	2009/2010	2008/2009	2007/2008
Germany	204.6	191.2	7.0%	19.3	20.5	22.2	20.7
Rest of Europe	292.4	298.0	–1.9%	27.5	32.0	32.9	37.5
North America	123.2	109.7	12.2%	11.6	11.8	11.5	10.3
Mature markets	**620.2**	**599.0**	**3.5%**	**58.4**	**64.3**	**66.6**	**68.5**
BRIC countries	185.3	143.6	29.0%	17.4	15.4	12.7	11.1
Central and South America	36.6	23.7	54.4%	3.4	2.5	2.3	3.6
Asia/Pacific	163.0	109.6	48.7%	15.3	11.8	13.2	10.5
Other	57.2	55.4	3.3%	5.4	5.9	5.2	6.4
Emerging markets	**442.0**	**332.3**	**33.0%**	**41.6**	**35.7**	**33.4**	**31.5**
Group revenue	**1,062.3**	**931.3**	**14.1%**	**100.0**	**100.0**	**100.0**	**100.0**

In mature markets, revenue grew slightly once more, up 3.5% over the prior-year figure. North America and Germany were the chief drivers of this development. In the rest of Europe, revenue was down 1.9% as a result of the debt crisis in some European countries.

Emerging markets continued to grow apace in line with general economic developments. Compared with financial year 2009/2010, revenue here grew by 33.0%. Key growth drivers were Central and South America as well as the Asia-Pacific region.

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Demag Cranes Group financial review

Demag Cranes Group earnings

Earnings before interest and tax (EBIT) was EUR 43.9 million in financial year 2010/2011, compared with EUR 50.2 million in financial year 2009/2010.

The Management Board uses operating EBIT as a key indicator for management of the Group. Operating EBIT excludes purchase accounting depreciation and amortisation, comprising the impact on depreciation and amortisation of fair-value adjustments to assets acquired in business combinations. It also excludes any one-off effects, such as severance and restructuring expenses.

We generated operating EBIT of EUR 75.7 million at Group level in financial year 2010/2011. This represents a substantial 39.7% increase on the previous year (EUR 54.2 million).

	1 October to 30 September			
in EUR million	**2010/2011**	2009/2010	Δ	2008/2009
Group EBIT	**43.9**	**50.2**	**–12.6%**	**13.2**
Operating adjustments	**31.8**	**4.0**		**54.4**
Of which				
Purchase accounting depreciation and amortisation	1.2	1.6		1.6
Severance expenses	–	–		3.7
Integration costs	0.2	2.3		–
Refinancing expenses	1.8	0.6		–
Costs incurred in connection with the tender offer submitted by Terex Industrial Holding AG	28.4	–		–
Other	0.3	–0.6		49.0
Group operating EBIT	**75.7**	**54.2**	**39.7%**	**67.6**
Of which				
Industrial Cranes	10.8	4.8	125.4%	29.7
in % of revenue	2.2	1.1		5.4
Port Technology	9.2	0.6	1,453.8%	–14.8
in % of revenue	3.8	0.3		–7.3
Services	66.2	58.3	13.5%	60.2
in % of revenue	19.8	19.4		20.2
Central holding company/Demag Cranes AG	–10.5	–9.5	10.3%	–7.5

EBIT for the period under review is subject to operating adjustments totalling EUR 31.8 million. These mostly relate – in the amount of EUR 28.4 million – to expenses in connection with the takeover by Terex, and break down as follows:

- EUR 19.9 million in expenses for consulting services in connection with examination of the tender offer.
- EUR 2.8 million in provisions for severance entitlements. Under the Business Combination Agreement signed by Demag Cranes AG and Terex Industrial Holding AG on 16 June 2011, the internal audit, investor relations, treasury and insurance functions at Demag Cranes AG are to be discontinued in the wake of the takeover now underway. The employees affected are entitled to severance benefits.
- EUR 5.7 million in expenditure for compensation payments to members of the Management Board as a result of their exercising their special right of termination in connection with the change of control at Demag Cranes AG.

Operating EBIT was distributed among the segments as follows:

In the **Industrial Cranes segment**, we more than doubled operating EBIT relative to the previous year. Mainly as a result of the year-on-year increase in revenue, we generated operating EBIT of EUR 10.8 million in financial year 2010/2011, up from EUR 4.8 million in financial year 2009/2010. The product mix contributed positively to this outcome. The operating EBIT margin was 2.2%.

In the **Port Technology segment**, operating EBIT increased from EUR 0.6 million in financial year 2009/2010 to EUR 9.2 million in the period under review. The main factors here were significantly higher revenue and the significantly improved cost base as a result of restructuring combined with better production capacity utilisation at our Düsseldorf-Benrath factory. The operating EBIT margin in the Port Technology segment was 3.8%.

Operating EBIT in the **Services segment** increased from EUR 58.3 million in financial year 2009/2010 to EUR 66.2 million. The increase was driven by spare parts business and also strong modernisation business in the fourth quarter of the financial year, as our customers tend to carry out modernisation work during works holidays in the summer months. The operating EBIT margin was 19.8%, once again in the target margin corridor of approximately 20% for the segment.

Group operating EBITDA rose by 29.9% in financial year 2010/2011 to EUR 96.6 million (2009/2010: EUR 74.3 million).

	1 October to 30 September			
in EUR million	**2010/2011**	2009/2010	Δ	2008/2009
Group operating EBIT	**75.7**	**54.2**	**39.7%**	**67.6**
Operating depreciation and amortisation	20.9	20.2	3.5%	21.9
Group operating EBITDA	**96.6**	**74.3**	**29.9%**	**89.5**

The following table contains an overview of the Group's key cost items. The “Operating” column shows function costs adjusted for the effects of operating adjustments. You will find a detailed breakdown of the operating adjustments in the reconciliation of Group EBIT to operating EBIT on page 72.

	1 October to 30 September			
	2010/2011		2009/2010	
in EUR million	**Reported**	Operating	Reported	Operating
Cost of sales	–754.2	–754.5	–686.3	–680.3
in % of revenue	71.0	71.0	73.7	73.1
Selling, general and administrative expenses	–253.6	–221.6	–186.0	–188.4
in % of revenue	23.9	20.9	20.0	20.2
Of which				
Selling expenses	–152.1	–152.1	–126.4	–127.4
in % of revenue	14.3	14.3	13.6	13.7
General and administrative expenses	–101.5	–69.5	–59.5	–61.0
in % of revenue	9.6	6.5	6.4	6.6
Research and development expenses	–16.3	–16.1	–16.9	–16.5
in % of revenue	1.5	1.5	1.8	1.8
Personnel expenses	–375.6	–368.4	–324.2	–329.4
in % of revenue	35.4	34.7	34.8	35.4

The key cost items are shown again in the following diagram, this time in chart form:

Structure of the operating costs

in EUR million (proportion/year-on-year change)

Cost of sales increased by EUR 67.8 million from EUR 686.3 million in the previous year to EUR 754.2 million in financial year 2010/2011. This reflected the higher revenue. As a percentage of revenue, cost of sales decreased from 73.7% to 71.0%.

Selling expenses in financial year 2010/2011, at EUR 152.1 million, were up EUR 25.7 million on the previous year's figure of EUR 126.4 million. As a percentage of Group revenue, selling expenses were broadly on a par with the previous year, at 14.3%.

General and administrative expenses at the Demag Cranes Group increased by EUR 42.0 million to EUR 101.5 million in financial year 2010/2011. The substantial increase was due to expenditure in connection with the takeover by Terex Industrial Holding AG. Excluding this expenditure, general and administrative expenses rose from EUR 61.0 million to EUR 69.5 million, but remained virtually unchanged as a percentage of revenue.

Expressed as a percentage of revenue, research and development expenses decreased slightly from 1.8% to 1.5%. Research and development expenses mainly relate to activities in the Industrial Cranes and Port Technology segments (for further information, see "Development of non-financial success factors/Research and development").

Other operating income and expenses amounted to a net EUR 2.5 million in financial year 2010/2011, down from EUR 4.1 million the previous year. The decrease was mainly a result of exchange rate effects.

Interest and similar income/expenses, net, increased from minus EUR 8.3 million in the previous year to minus EUR 11.9 million in the period under review. The main factor here consisted in higher interest rates on the Company's master credit facility.

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The Demag Cranes Group generated earnings before tax (EBT) of EUR 32.0 million in financial year 2010/2011 (2009/2010: EUR 41.9 million). The decrease is mainly a result of expenditure in connection with the takeover by Terex Industrial Holding AG.

Operating income after tax came to EUR 46.8 million in financial year 2010/2011, compared with EUR 30.5 million in the previous year.

	1 October to 30 September			
in EUR million	2010/2011	2009/2010	Δ	2008/2009
Net income after tax	**6.5**	**27.8**	**–76.5%**	**1.2**
Operating adjustments	**31.8**	**4.0**		**54.4**
Of which				
Purchase accounting depreciation and amortisation	1.2	1.6		1.6
Severance expenses	–	–		3.7
Integration costs	0.2	2.3		–
Refinancing expenses	1.8	0.6		–
Costs incurred in connection with the tender offer submitted by Terex Industrial Holding AG	28.4	–		–
Other	0.3	–0.6		49.0
Tax effects on operating adjustments*	**–9.8**	**–1.2**		**–16.7**
Operating adjustments to taxes	**18.2**	**0.0**		**4.0**
Operating net income after tax	**46.8**	**30.5**	**53.4%**	**42.8**

* 30.7% tax rate

The takeover of more than 50% of shares in Demag Cranes AG by Terex generally qualifies as a "detrimental" acquisition under the second sentence of Section 8c (1) of the German Corporation Tax Act (KStG), meaning that Demag Cranes AG's corporation tax and municipal trade tax loss carry forwards are forfeited. The exemption provided for in the sixth to the eighth sentence of Section 8c (1), KStG, by which loss carry forwards are not forfeited to the extent that remuneration is given for domestically taxable unrealised gains on the acquired shares in Demag Cranes AG, does not apply because Demag Cranes AG itself has no operating business and no taxable unrealised gains on the operating assets of the corporation. An impairment loss of EUR 17.5 million has therefore been recognised on deferred tax assets relating to loss carry forwards. Income tax amounts for previous years have also been restated by EUR 0.7 million.

For this reason, the effective tax rate in financial year 2010/2011 was 79.6%, compared with 33.7% in the previous year.

Operating earnings per share (operating EPS) amounts to EUR 2.21, up from EUR 1.44 in the previous financial year.

Dividend proposal to the Annual General Meeting

At the Annual General Meeting on 24 February 2012, the Management Board and Supervisory Board of Demag Cranes AG will propose that a dividend of EUR 0.78 per share be paid out for financial year 2010/2011; the dividend paid out for financial year 2009/2010 was EUR 0.60 per share.

The proposal represents a total dividend distribution of EUR 16,514,934.54. The Management Board and Supervisory Board will also propose carrying forward the Company's remaining net income of EUR 54,623,233.00 to new account (2009/2010: EUR 63,052,413.34).

Demag Cranes Group cash flows

Free cash flow before financing – cash flow from operating activities minus cash flow from investing activities – was a negative EUR 13.2 million in the reporting period (2009/2010: EUR 7.0 million). The figure changed as follows year on year:

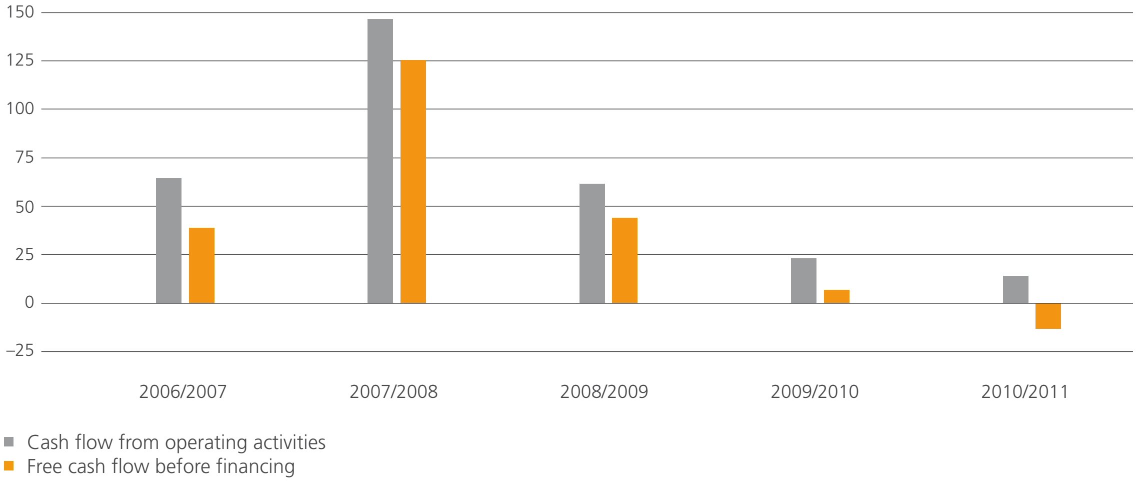
	1 October to 30 September			Q4	Q3	Q2	Q1
in EUR million	**2010/2011**	2009/2010	Δ	2010/2011	2010/2011	2010/2011	2010/2011
Cash flow from operating activities	14.1	23.3	–39.4%	11.4	11.5	–9.6	0.9
Cash flow from investing activities	–27.3	–16.2	68.4%	–12.2	–6.1	–5.1	–4.0
Free cash flow before financing	**–13.2**	**7.0**	**n/a**	**–0.9**	**5.4**	**–14.7**	**–3.1**
Restructuring payments	4.0	18.0	–77.7%	0.4	0.7	1.3	1.6
Free cash flow before financing and restructuring payments	–9.2	25.0	n/a	–0.5	6.1	–13.4	–1.5

Cash flow from operating activities declined by EUR 9.1 million compared with financial year 2009/2010 to EUR 14.1 million in the reporting period. This was due primarily to the increase in net working capital and, within that, inventories in particular. Furthermore, interest received net of interest paid increased by EUR 7.4 million, mainly as a result of the upfront fees of EUR 3.15 million paid in connection with the newly arranged credit facility and higher interest rates. Cash flow from investing activities changed from an outflow of EUR 16.2 million in financial year 2009/2010 to an outflow of EUR 27.3 million. This was mainly due to the increase in purchases of intangible assets and property, plant and equipment, of which EUR 3.9 million was attributable to capitalised development costs for the mid-price segment.

Cash flow from operating activities and free cash flow before financing have changed as follows since financial year 2006/2007:

Cash flow

in EUR million



The following table shows a breakdown of capital expenditure in intangible assets, property, plant and equipment by segment:

in EUR million	1 October to 30 September 2010/2011	2009/2010	Δ
Industrial Cranes	18.2	9.6	90.0%
Port Technology	3.9	4.4	–9.9%
Services	1.9	1.0	87.2%
Central holding company/Demag Cranes AG	2.6	2.2	17.5%
Capital expenditure	**26.7**	**17.2**	**55.1%**

Major capital expenditure projects in the **Industrial Cranes segment** in financial year 2010/2011 include the complete fit-out of the new production plant in India, on which work began the year before. Further significant expenditure went on tools and moulds for the production of the chain hoist for the mid-price segment in China as well as on the refurbishment of the production plant in Brazil. In Germany, funds were invested to expand and streamline mechanical production at the Wetter plant as well as to refurbish motor production and a paint facility in Uslar. Capital expenditure for the Luisenthal location related to crane painting. In addition, existing buildings were refurbished at various locations. EUR 3.9 million of development costs were capitalised in the Industrial Cranes segment.

In the **Port Technology segment**, EUR 1.6 million of development costs were capitalised in financial year 2010/2011, of which EUR 1.2 million related to the continued development of a new model range. Spending on technical plant and machinery consisted mainly of replacement expenditure. Further improvements were made to the production infrastructure and fire prevention.

The **Services segment** is mostly apportioned a share of cross-segmental capital expenditure.

Capital expenditure was distributed among the regions as follows:

in EUR million	1 October to 30 September 2010/2011	2009/2010	Δ
Germany	17.8	11.4	56.1%
Rest of Europe	2.3	1.1	113.7%
North and South America	2.2	0.9	136.3%
Other	4.4	3.8	15.9%
Capital expenditure	**26.7**	**17.2**	**55.1%**

Principles and objectives of financial management

Corporate liquidity management is principally the responsibility of the Demag Cranes Group treasury. The goal is to secure Group liquidity through central funds procurement and active management of currency and interest rate risks.

in EUR million	30 Sept 2011	30 June 2011	31 March 2011	31 Dec 2010	30 Sept 2010
Non-current loans and borrowings	126.0	112.0	111.5	1.3	1.3
Current loans and borrowings	3.8	2.3	3.1	106.9	105.3
Cash and cash equivalents	–107.6	–91.8	–88.9	–112.8	–113.4
Other current financial assets	–0.4	–0.4	–0.4	–0.4	–0.4
Net debt	**21.8**	**22.2**	**25.3**	**–4.9**	**–7.2**

Further information is provided in the Notes to the Consolidated Financial Statements under Note 34 (Capital management).

Net debt increased from a net cash position of EUR 7.2 million as at 30 September 2010 to EUR 21.8 million as at 30 September 2011. The main factors here were the changes in net working capital outlined below on page 81 and the dividend payment, which led to an increase in financial liabilities of EUR 23.1 million and an anticipated decline in cash and cash equivalents of EUR 5.8 million.

Demag Cranes AG meets its funding needs from operating cash flow and a revolving syndicated credit facility for a total of EUR 350.0 million (including an ancillary credit facility for guarantees in the amount of EUR 150.0 million). This revolving credit facility, for which the significant companies of the Group are jointly and severally liable to the lenders, was drawn upon for the first time on 31 January 2011 und runs until November 2015. The financial covenants that are to be observed during the term of the credit facility, including stipulated ratios for consolidated net debt[7] to consolidated operating EBITDA[8] (less than 2.75) and consolidated operating EBITDA[8] to consolidated net interest payable (greater than 4.0), have not changed compared with the previous credit facility. If the financial covenants are not met and their breach is not remedied or the lenders do not waive the covenants, there may be grounds for termination. Among other things, the lenders would then be entitled to call the credit facility due with immediate effect.

The syndicated credit facility grants each lender the right to call due its share of the facility (loans and guarantees given) subject to certain requirements if a party or a group of parties acting in concert acquires control of Demag Cranes AG (change of control). In particular, an acquisition of more than 50% of the shares in Demag Cranes AG is defined as an acquisition of control. The same applies to the EUR 30 million guarantee facility agreed between Demag Cranes AG and one lender.

As the acceptance rate for the voluntary public tender offer submitted by Terex was some 71.79% of the issued share capital of Demag Cranes AG at the end of the acceptance period on 30 June 2011 and, together with the 1.02% of shares previously acquired by Terex, this added up to a 72.81% shareholding in Demag Cranes AG, a change of control was initiated at Demag Cranes AG; this change of control finally took place following consummation of the offer on 16 August 2011. On that date, Terex held 81.87% of Demag Cranes AG. To secure liquidity and debt coverage for the Demag Cranes Group regardless of the success of the voluntary public tender offer from Terex, the Management Board on 16 June 2011 submitted to lenders an amendment request agreed with the lead bank in the syndicated credit facility. In the amendment request, Demag Cranes AG offered substantive amendments to the loan agreement, including one to the effect that an acquisition of more than 50% of Demag Cranes shares by a company of the Terex Group would no longer give each lender the right to terminate and call due its share of the facility (loans and guarantees given). In the event of an acquisition of this kind, lenders will not have such a right until a domination and profit transfer agreement comes into effect. In return, Demag Cranes AG offered a ring fencing arrangement under which it would accept certain restrictions with regard to transactions with Terex Group companies. In particular, Demag Cranes AG is to refrain from giving guarantees, indemnities or real collateral in favour of Terex Group companies, from granting loans to and entering into cash pooling agreements with Terex Group companies, and from taking shareholdings in or entering into reorganisation transactions involving Terex Group companies. Also restricted are purchases and sales of assets from or to Terex Group companies except at arm's length in the ordinary course of business. No joint ventures may be entered into with Terex Group companies. Other contracts and transactions in general with or in favour of Terex Group companies are only permitted at arm's length in the ordinary course of business.

In line with the credit facility, substantive amendments were also made to the EUR 30 million bilateral guarantee facility.

[7] Group net debt adjusted for downpayment guarantees exceeding EUR 35 million.
[8] Group operating EBITDA adjusted for non-cash charges under the MSP Program.

The revolving credit facility was drawn upon as follows as at 30 September 2011:

- EUR 125.0 million on the revolving credit facility, TRANCHE A (terms to be amended on 30 December 2011). As at 30 September 2010, EUR 105.0 million had been drawn. The revolving credit facility was drawn on by a further EUR 21.8 million for guarantees.

- EUR 26.9 million on the credit facility for guarantees, TRANCHE B (30 September 2010: EUR 56.2 million).

The covenants were met in all respects as at 30 September 2011.

in EUR million	**30 Sept 2011**	30 June 2011	31 March 2011	31 Dec 2010	30 Sept 2010
Net debt[9]/ operating EBITDA[10]	0.22x	0.24x	0.30x	–0.06x	–0.10x
Operating EBITDA[10]/ consolidated net interest payable	20.13x	52.01x	65.14x	163.34x	159.58x

In the context of its financing activities, Demag Cranes AG requires not only loans and borrowings, but also guarantee facilities allowing bid, down payment, performance and warranty bonds/guarantees to be issued on its behalf. Bank guarantees can be drawn both under ancillary lines within the syndicated credit facility and under bilateral guarantee facilities. The central aim of this financing portfolio is to secure suitable lines of credit for us to field the liquidity needed for industry-specific seasonal fluctuations and the ongoing development of our business.

Our financing is supplemented with off-balance sheet operating leases, including for IT hardware and for the vehicle fleet in the Services segment.

The Demag Cranes Group normally borrows centrally. Local borrowing is only taken out in individual instances if Group borrowing is unfavourable due to the legal environment. Credit facilities may also be made directly available to Group member companies as needed under the master credit facility. Demag Cranes AG must expressly approve such facilities. A central cash pooling arrangement allows cash surpluses at Group member companies to be deployed cost-effectively in the Group.

Financial risks are explained in the Risk report on page 95 et seqq. and in the Notes to the Consolidated Financial Statements on page 163.

[9] Group net debt adjusted for downpayment guarantees exceeding EUR 35 million.
[10] Group operating EBITDA adjusted for non-cash charges under the MSP programme.

Demag Cranes Group financial position

Financial position

The financial position of the Demag Cranes Group changed as follows in the period under review.

in EUR million	30 Sept 2011	30 June 2011	31 March 2011	31 Dec 2010	30 Sept 2010
Inventories	225.8	235.2	218.4	205.7	178.7
Advance payments made	5.7	5.4	3.5	2.7	2.4
Trade receivables	194.2	163.3	156.6	154.6	179.9
Trade payables	–93.0	–68.8	–60.0	–65.4	–78.9
Advance payments received	–80.7	–77.1	–78.7	–69.9	–56.8
Net working capital	**251.9**	**258.0**	**239.9**	**227.8**	**225.3**

Net working capital – inventories, advance payments made and trade receivables less trade payables and advance payments received – increased from EUR 225.3 million at 30 September 2010 to EUR 251.9 million as at 30 September 2011. Inventories rose by EUR 47.1 million to EUR 225.8 million. This reflects the improved orders situation. In the opposite direction, the liabilities side was boosted by the EUR 24.0 million increase in advance payments received. Trade receivables net of trade payables increased by EUR 0.2 million. Net working capital dropped back by EUR 6.1 million compared with 30 June 2011.

	30 September	
in EUR million	**2011**	2010
Total assets	894.9	838.0
Equity	250.0	251.6
Gearing in %	8.7	–2.8

The Demag Cranes Group's total assets came to EUR 894.9 million as at 30 September 2011, an increase of EUR 57.0 million in comparison with 30 September 2010. The main assets-side factor in this change was the increase in working capital mentioned above despite the significant decrease in deferred tax assets and cash and cash equivalents. Notable changes on the liabilities side were as follows:

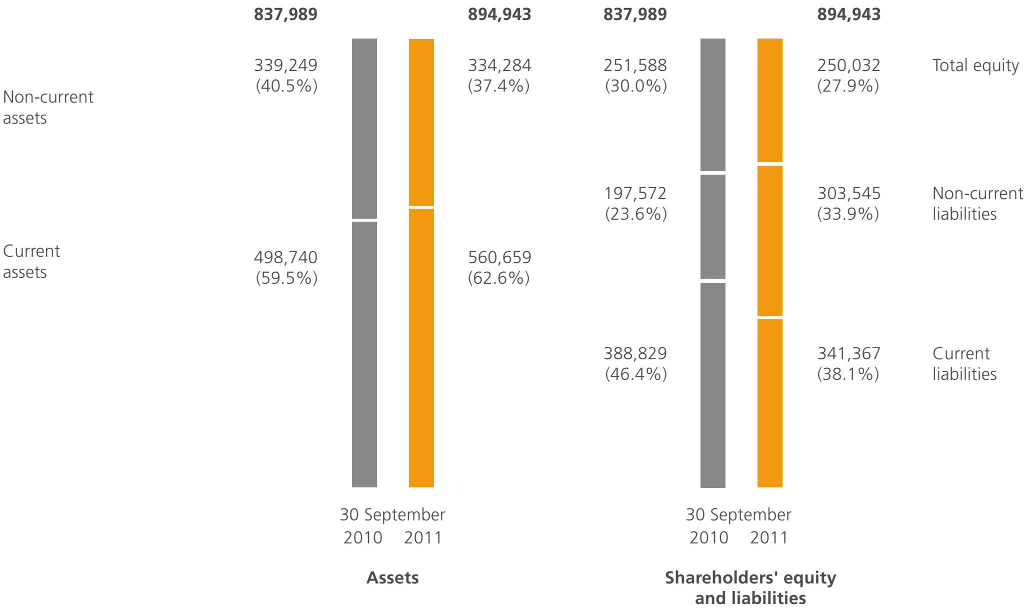
- Shareholders' equity decreased by EUR 1.6 million to EUR 250.0 million. Changes within shareholders' equity mainly comprise the EUR 6.5 million net income after tax plus EUR 14.4 million recognised in equity for actuarial gains and losses on pensions, less a related EUR 4.5 million deferred tax charge and EUR 3.3 million charged against equity for differences arising from currency translation. Dividends of EUR 13.6 million were also paid in the past financial year. This included EUR 0.9 million for dividends paid by TBA B.V. to minority shareholders.

- Advanced payments received increased by EUR 24.0 million in the period under review and trade payables by EUR 14.1 million.

- Current other non-financial liabilities rose by EUR 19.8 million. This increase mainly resulted from the rise in accrued personnel-related liabilities and recognition of the provision for expected employee severance payments in accordance with Section 3.6 of the 16 June 2011 Business Combination Agreement between Demag Cranes AG and Terex Industrial Holding AG.

Financial position

in EUR thousand (in % of total assets)



In addition to the liabilities shown on the Statement of financial position, there are significant guarantees for third-party liabilities in the form of contingent liabilities relating to buy-back arrangements entered into in the Port Technology segment in connection with sales of certain Company plant and machinery products (see also Note 36, "Contingencies and other obligations" in the Notes to the Consolidated Financial Statements in the Annual Report 2010/2011). The maximum potential obligation amounted to EUR 44.1 million as at 30 September 2011, compared with EUR 51.7 million as at 30 September 2010.

Gearing – the ratio of net debt to shareholders' equity – changed in the period under review from minus 2.8% as at 30 September 2010 to 8.7% as at 30 September 2011.

Demag Cranes AG financial review

Supplementary to reporting on the Demag Cranes Group, in the following we present the performance of Demag Cranes AG. The Annual Financial Statements of Demag Cranes AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

Due to the first-time application of financial reporting requirements under the German Accounting Law Modernisation Act (BilMoG), a number of items in the Statement of financial position are not comparable with the previous year.

In the course of its ordinary operating activities, Demag Cranes AG provides services in its shared services function relating to Financial Controlling, Finances and Accounting, Group Accounting, IT, Strategic Purchasing, Human Resources, Corporate Strategy, Corporate Communication & Marketing and Language Services.

Demag Cranes AG earnings

	1 October to 30 September	
in EUR million	**2010/2011**	2009/2010
Net income from participating interests		
Income under profit transfer agreements	57.9	37.4
Loss transfer	0.0	–9.1
Net interest income	0.2	1.9
Other expenses and income/revenue		
Other operating income/revenue	54.1	42.1
General and administrative expenses/cost of sales	–69.3	–51.5
Other operating expenses	–1.5	–1.6
Profit/(loss) from ordinary activities	**41.4**	**19.2**
Extraordinary income/expenses	–29.6	1.0
Income tax	–3.7	–1.1
Net income for the financial year	**8.1**	**19.1**

The information on individual segments set out in the Management report applies likewise with regard to the earnings of Demag Cranes AG. The earnings of Demag Cranes AG are dominated by net income from participating interests. This came to EUR 57.9 million in financial year 2010/2011 (2009/2010: EUR 28.3 million). Net income from participating interests improved by EUR 29.6 million relative to the previous year. It should be noted that the fair value measurement of the investments in affiliated companies at the balance sheet date generated income totalling EUR 39.0 million. Adjustments in line with the accounting and measurement requirements amended by the German Accounting Law Modernisation Act (BilMoG) depressed net income from participating interests by a total of EUR 24.7 million.

Net interest income mirrors the Group financing activities of Demag Cranes AG. On 18 November 2010, Demag Cranes AG arranged a EUR 350.0 million master credit facility with a term of five years. Loan drawings at the balance sheet date amounted to EUR 125.0 million and were mainly made available to Group member companies.

Demag Cranes AG performs central management functions as the holding company of the Demag Cranes Group. Exercising these functions generated other operating expenses and income/revenue totalling EUR 16.7 million in financial year 2010/2011 (2009/2010: EUR 11.0 million).

Extraordinary expenses in the reporting period were as follows:

- EUR 19.9 million in expenses for consulting services in connection with examination of the tender offer.

- EUR 2.8 million in provisions for severance entitlements. Under the Business Combination Agreement signed by Demag Cranes AG and Terex Industrial Holding AG on 16 June 2011, the Internal Audit, Investor Relations, Treasury and Insurance functions at Demag Cranes AG are to be discontinued in the wake of the takeover now underway. The employees affected are entitled to severance benefits.

- EUR 5.7 million in expenditure for compensation payments to members of the Management Board as a result of their exercising the special right of termination in connection with the change of control at Demag Cranes AG.

In connection with the introduction of the German Accounting Law Modernisation Act on 1 October 2010, expenses of EUR 1.2 million were incurred due to the remeasurement of provisions for pensions and long-service awards.

The development of non-financial success factors is described in the "Development of non-financial success factors" section.

Demag Cranes AG cash flows and balance sheet

Assets

in EUR million	**30 September 2011**	30 September 2010
Intangible assets	4.8	6.4
Property, plant and equipment	3.1	2.0
Investments in affiliated companies	215.9	215.9
Receivables from affiliated companies	293.6	238.6
Cash and cash equivalents	52.3	54.8
Other assets	9.6	3.3
Assets	**579.3**	**521.0**

Liabilities and shareholders' equity

in EUR million	**30 September 2011**	30 September 2010
Shareholders' equity	284.1	288.7
Provisions	36.5	17.7
Liabilities owed to banks	125.0	105.0
Liabilities owed to affiliated companies	121.6	106.1
Other liabilities	12.1	3.5
Liabilities and shareholders' equity	**579.3**	**521.0**

The balance sheet reflects the holding company function of Demag Cranes AG. In this capacity, the Company manages and administers its Group member companies and associated companies and controls Group financing. This shows through in the size of its shareholdings in affiliates as well as in receivables to and liabilities from Group member companies. Total assets rose by EUR 58.3 million to EUR 579.3 million. This rise resulted mainly from an overall increase in receivables from and liabilities to affiliated companies.

Investments and receivables from affiliated companies accounted for 88.0% of total assets (30 September 2010: 87.4%).

The Company and Group member companies are mainly financed through shareholders' equity and a revolving syndicated master credit facility. The resulting amounts owed to banks came to EUR 125.0 million at 30 September 2011 (30 September 2010: EUR 105.0 million).

Demag Cranes AG had an equity ratio (equity to total assets) of 49.1% at the balance sheet date (30 September 2010: 55.4%). Of the Company's total financing, 21.6% was secured through the master credit facility (30 September 2010: 20.2%), 21.0% through affiliated companies (30 September 2010: 20.4%) and 8.3% through provisions and other liabilities (30 September 2010: 4.0%).

The Company had access to a sufficient and appropriate level of liquidity throughout financial year 2010/2011. Its solvency is ensured at all times by central resource equalisation under internal Group cash pooling, which comes under the Company's central cash and foreign exchange management system.

Development of non-financial success factors

Employees

Employee structure and employee-related key figures

As at 30 September 2011, the Group had 6,115 employees, 404 more than on 30 September 2010. This workforce increase mirrored our strategy of expanding activities in emerging markets, where we have added 271 employees since 30 September 2010. Our recruitment efforts have been most successful in the BRIC states, particularly in Brazil, India and China. The product development activities for the products in our mid-range product/price bracket targeting emerging markets are increasingly being relocated to these regions. In Pune (India) and Shanghai (China), for example, development centres have been established for industrial crane and port technology products.

The number of employees in mature markets grew by 133 from 4,408 as at 30 September 2010 to 4,541 as at 30 September 2011.

Employee-related key figures	1 October to 30 September		
	2010/2011	2009/2010	Δ
Operating personnel expenses in EUR million	368.4	329.4	11.8%
Operating personnel expenses/revenue	34.7%	35.4%	–0.7% pts
Operating personnel expenses/employee in EUR thousand[11]	62	57	8.4%
Revenue/employee in EUR thousand[11]	178	161	10.5%

Number of employees by regions[12]	**30 Sept 2011**	30 June 2011	31 March 2011	31 Dec 2010	30 Sept 2010
Germany	2,820	2,797	2,780	2,734	2,734
Rest of Europe	1,101	1,102	1,098	1,102	1,094
North America	620	616	591	588	580
Mature markets	**4,541**	**4,515**	**4,469**	**4,424**	**4,408**
BRIC countries	1,120	1,044	991	951	878
Asia/Pacific	221	217	217	213	211
Other	233	225	216	214	214
Emerging markets	**1,574**	**1,486**	**1,424**	**1,378**	**1,303**
Demag Cranes Group total	**6,115**	**6,001**	**5,893**	**5,802**	**5,711**

Number of employees by segment[12]	**30 Sept 2011**	30 June 2011	31 March 2011	31 Dec 2010	30 Sept 2010
Industrial Cranes	3,358	3,274	3,213	3,162	3,119
Port Technology	684	662	664	658	649
Services	1,813	1,804	1,754	1,734	1,697
Demag Cranes AG employees	260	261	262	248	246
Of which in Group headquarters	195	194	194	182	178
Demag Cranes Group total	**6,115**	**6,001**	**5,893**	**5,802**	**5,711**

	30 Sept 2011	30 June 2011	31 March 2011	31 Dec 2010	30 Sept 2010
Temporary employees	507	501	448	489	465
Apprentices/trainees	341	314	304	313	333

[11] Based on average number of employees

[12] Employees, excluding temporary employees, apprentices and trainees

At segment level, the number of employees in the Industrial Cranes segment stood at 3,358 as at 30 September 2011, an increase of 239 since 30 September 2010. We added staff mainly in growth regions such as Brazil, India and China. In the Port Technology segment, we employed 684 persons as at 30 September 2011, compared with 649 as at 30 September 2010. The Services segment had 1,813 employees as at 30 September 2011, up 116 from 30 September 2010. We also increased the workforce in the Services segment mainly abroad.

The number of temporary employees rose year on year to 507 as at 30 September 2011. Growth regions, such as India, saw the majority of this increase. In addition, more temporary employees are again working in Port Technology thanks to the favourable order levels in that segment.

Operating personnel expenses increased from EUR 329.4 million in financial year 2009/2010 to EUR 368.4 million in financial year 2010/2011. Operating personnel expenses are net of severance payments for workforce reductions made as part of the restructuring programme. As a proportion of revenue, operating personnel expenses totalled 34.7% (financial year 2009/2010: 35.4%).

Due to our strong business performance, revenue per employee rose from EUR 161,000 in financial year 2009/2010 to EUR 178,000 in financial year 2010/2011.

Human resources management

During the last financial year, we built an integrated Group, bringing together the activities of Demag Cranes & Components GmbH and Gottwald Port Technology GmbH under the umbrella of Demag Cranes AG. In order to implement this organisation throughout the entire Group, our next step in financial year 2010/2011 was to structure the regional subsidiaries according to uniform organisational principles. This enables our employees around the world to work efficiently with clear reporting and decision-making paths. The newly created management function International Human Resources & Talent Management reflects our internationalisation and the importance of Group-wide career development.

With the aim of fostering a uniform management culture, we set up a corporate culture project at the end of financial year 2009/2010. Its purpose is to enhance management quality in the Company drawing on a catalogue of measures developed by various working groups with members from different organisational units and hierarchical levels.

Diversity is a key issue for our Company and a core element of our HR strategy. We intend to further strengthen our Company's international reach. The Group's website will therefore in future link up all job search databases worldwide. In addition, our company-level subsidiaries offer intercultural training to prepare our employees for secondments across the globe. When jobs are advertised, international applications are always considered.

The representation of women in management positions is a matter of importance to us. We conducted interviews with women in management positions during the financial year in order to find out what their needs are. The resulting feedback was analysed in depth to derive selective measures for the future.

In order to continue recruiting and training suitable management and skilled personnel going forward, we need to find new ways of attracting people. The first step is to fine-tune the Group's website.

In future, the local websites will be able to specifically address the Company's relevant target groups. On the German site, for example, there will be an area for high school students advertising opportunities for training and work experience. It will be possible in future to send a paper-free application to the human resources department using an online application form. The next step will be to establish links with social networks and harness this information and advertising channel for applicants as well.

In an effort to recruit young talent, we cooperate with numerous colleges and universities, associations and institutions internationally. Jobs with the Demag Cranes Group are in demand among potential candidates. Our high-level training lays the foundation for targeted development in the Company. In just two induction weeks, new employees already learn the main requirements and methods for their respective training course. This kicks off the ongoing learning process, which takes the form of seminars and project work and also makes use of e-media throughout the entire training period. Young people can also enter bachelor degree programmes while training at Demag Cranes, which provides them with very good opportunities for advancement. Thanks to the introduction of a structured, international career management system, we are successful in retaining our management staff for the long term. A special promotion programme for up-and-coming engineers has been in place since 2007 at our subsidiary in India. The programme allows them to undertake various projects and acquire a broad range of skills through job rotations. In future, our employees will also be able to acquire a master's degree without having to leave the Company. In this connection, we are considering new working models for combining work within a department and university study. In 2010, we for the first time awarded scholarships for Company employees to attend part-time service manager courses at the International Business School of Service Management (ISS) in Hamburg. Experiences from the first year have been very positive.

We hold intercultural workshops to promote mutual understanding in global communication and cooperation.

The customer-focused sale of our products is particularly important. Since 2005, our field service has offered our customers certified advisory expertise. We aim to upgrade the current Certified Engineer of Sales (CES) qualification to Sales Expert and incorporate it into the design of a "Sales Academy" both in Germany and worldwide. Training modules support employees in customer contact and also open up advancing career paths through to part-time Bachelor of Sales or Bachelor of Service Management degree courses.

As part of the international "Triple P" project – People, Planet, Profit – we provide two innovative in-house training courses to support our goal of keeping the quality of our processes and products at a high level at all times. Some 80 employees have now completed the international "Quality Personnel" course, and some 30% of these went on to do our advanced "Quality Assistant" training. On passing the final exam, they received a certificate from the Technical Academy Wuppertal. These employees now help our management staff and colleagues at our different locations to implement quality criteria and process improvements.

Electronic media are an important complement to our training portfolio. For some years now, we have operated our own learning platform which employees can use over the intranet. It provides information on products, IT courses and project management training modules as well as access to web-based language courses available around the clock from anywhere in the world.

We take our responsibility to protect our employees and the environment very seriously. Hence, risk analyses have been prepared for all workplaces and briefings held to familiarise each employee with the issues of occupational health and safety as well as how to deal with hazardous materials and emissions.

One of our management's core missions is to take responsibility for systematically developing their employees. We want to provide them with constructive, sustained support in this. Staff development continues to be offered to managers in the form of the proven "Kollegiale Beratung" ("Colleague Counselling") programme. This involves managers from various levels in the Company's hierarchy meeting to offer each other support in working on and solving specific issues they encounter in their everyday work and management duties. Our managers additionally receive training in various seminars on social and methodological skills. Up-and-coming managers can also participate in a three-part management training programme to learn and update leadership capabilities. Another focus in the reporting year was to fine-tune our modular training programme for project managers, which includes guidelines with lexicon and check lists.

Furthermore, training focused on methodological, social and leadership skills was conducted for a total of some 15,000 participant days in the reporting period. In the medium term, we aim to achieve an average of five days of continuing education per employee per year.

Human Resources Development additionally aims to increase the involvement of our international employees in training programmes as well as to join forces with local HR managers in the coming years to give them the best possible support in their work by implementing an even broader range of training and continuing education options.

Share-based payment (Matching Stock Program)

To promote the attainment of its business goals, Demag Cranes AG operates a Matching Stock Program (MSP). The MSP is a form of long-term compensation with an incentive component and entitles executives and managerial employees to subscribe for phantom shares. Additional details of the programme are provided in Note 24 to the Consolidated Financial Statements.

Procurement and purchasing

Many suppliers and service providers saw incoming orders increase, sometimes substantially, as a result of the general economic recovery after the financial and economic crisis. Consequently, delivery times for some key components are now significantly longer. A key focus for Demag Cranes AG's Corporate Purchasing was therefore to procure materials in a timely manner by coordinating capacity with suppliers as early as possible. Moreover, we continually reviewed the credit standing of our suppliers, since the increase in the supply of materials coupled with the larger amount of tied-up capital seriously impacted the financial situation of some suppliers. Our purchasing staff regularly asked our suppliers and service providers for information through "supplier screening" to help us identify developments at an early stage so that we could also take any necessary countermeasures in the short term.

This approach safeguarded the supply of material to all Demag Cranes factories.

The Demag Cranes Group's procurement strategies contribute substantially to safeguarding the Company's competitive edge in the market as well as in terms of technology. Strategic purchasing activities and criteria for the global selection of suppliers thus continue to be aligned accordingly. We consider our main suppliers to be value-adding partners who not only reliably provide the Group with high-quality products and services, but who also give significant impetus to our product development. By sharing development and product optimisation, our main suppliers assist us in reducing manufacturing costs. This is key to securing market share, particularly in times such as these. By continuously analysing processes along the supply chain, we are able to monitor manufacturing costs closely throughout the product-creation period together with our main suppliers, from the raw materials stage through to the final product.

Thanks to the increasing level of product standardisation, the Group is able to make greater use of economies of scale and enter into new types of relationships with our suppliers. In particular, flexible logistics agreements are becoming more important as they ensure timely delivery of material supplies and reduce tied-up capital. The Company's global purchasing presence allows it to react flexibly to constantly changing market conditions and to systematically exploit local procurement advantages. In this regard, the focus is on the procurement markets in emerging economies, where we have our own purchasing offices in key locations.

In the past financial year, we continued to centralise our purchasing organisation, an effort begun in 2010. All strategic purchasing units report directly to the Group's Head of Corporate Purchasing, who in turn reports directly to the CFO of Demag Cranes AG.

As a result of centralising our main purchasing activities, we generated economies of scale thanks to material group strategies.

We also continued systematic integration of our regional purchasing managers at our International Purchasing Meeting in June 2011.

At this meeting, our regional purchasing managers were informed about key Group purchasing initiatives and the activities required as a result were discussed and agreed.

Company-level specialisation in particular groups of materials is allowing us, firstly, to optimise technical cooperation with suppliers and, secondly, to further standardise and optimise our parts, components and systems. This is taking place through teamwork with other functions, particularly our engineering departments.

In the Industrial Cranes, Port Technology and Services segments, purchasing processes for operations have largely been delegated to the individual business units or foreign locations. This organisational structure allows us to pool and manage demand centrally while maintaining sufficient flexibility to meet individual supply and service requirements throughout the organisation. The new structure gives us the flexibility we need to meet the changing requirements of a cyclical market.

Overall, the Demag Cranes Group works actively with some 210 A-list suppliers in the Industrial Cranes, Port Technology and Services segments. This is the result of continuous strategic efforts to reduce our supplier base. At the same time, we have – to date successfully – ensured that the Group does not become too dependent on individual suppliers.

In the financial year, expenses for supplies and services amounted to approximately EUR 540 million (2009/2010: approximately EUR 437 million), of which some EUR 411 million (2009/2010: around EUR 327 million) was spent on materials.

Research and development

Our research and development (R&D) efforts aim to provide our customers with the highest quality innovative products and services. Doing our utmost to meet our customers' need for effectiveness, value for money and reliability is our primary goal. As a technology leader, we therefore feel a permanent obligation to pursue groundbreaking, forward-looking product solutions and improve existing products on an ongoing basis.

Continually monitoring our materials, manufacturing and engineering costs is essential for identifying possible savings, then leveraging and passing these savings on to customers. A key tool in this regard is cross-product modularisation of all our components and assemblies.

Our high R&D expenses compared with the competition give our operating units a sustainable, forward-looking basis on which to not just maintain, but further strengthen our position as technology leader. In financial year 2010/2011, R&D expenses, including capitalised development expenses, amounted to EUR 21.8 million compared with EUR 18.9 million in the previous financial year. EUR 5.5 million (previous year: EUR 2.0 million) of this amount was capitalised. In line with development work carried out, development costs in the Industrial Cranes and Services segments were capitalised in the year under review as well (EUR 3.9 million). Our total R&D expenses broken down by segment were as follows:

- EUR 6.6 million (30.3% of total R&D expenses) (previous year: EUR 6.3 million, 33.3%) was attributable to the Port Technology segment and

- EUR 15.2 million (69.7% of total R&D expenses) (previous year: EUR 12.6 million, 66.7%) was accounted for by the Industrial Cranes and Services segments.

Key development areas in the Industrial Cranes segment

In the Industrial Cranes segment, R&D work continued to focus on expanding the product range for the fast-growing markets, particularly in China and India. Our existing product portfolio was enhanced with the "Bas" line, which is found in all products.

Our DC-Bas chain hoist was the first product to be successfully launched in the past financial year; other products to complete the "Bas" portfolio are under development and will be made available to customers in the coming year or subsequent years.

The main focus of development for our established markets and products was to optimise and round off the existing product lines. In the components field, for instance, our KLDC-D10 and KLDC-D15 double chain hoists were successfully launched on the market; in our DR rope hoists, contactor control was implemented as a practical option alongside electronic control for conventionally controlled cranes and specific hoist applications.

To promote further process improvement within Demag Cranes AG as well as to facilitate faster and better customer support, the expansion of our web-based product configurators for quotations and global order processing was fine-tuned, particularly with regard to our new "Bas" products.

In the Components field, the successful DC chain hoist line was expanded to include the DC-Bas chain hoist in sizes 2-10 and successfully launched in the target regions. The development of the new chain hoist line will be completed with size 1, whose launch will take place in the first quarter of financial year 2011/2012.

Development work was largely completed on expanding our successful DR rope hoist range with the DR-Bas 3-10 product line. The same is true of the DFW-Bas end carriage unit line in the Standard Cranes area. The launch of both products is planned for the current financial year.

Development work in the Drives field focused on adapting the motor ranges to the new EuP Directive (2005/32/EC) on improving energy efficiency. This directive specifies requirements for the eco-friendly design of energy-using products. Demag Cranes is thus not only meeting current regulations, but making an active contribution to environmental protection. For the target markets in the fast-growing regions, drive components tailored to meet local requirements were developed. Here, too, development work is largely complete and product launch is planned for the beginning of the current financial year.

In the Standard Crane field, a new generation of single and double-girder cranes optimised for the new DR-Bas rope hoists was developed to meet the requirements of the fast-growing regions in particular. Corresponding to the DR-Bas rope hoist, this addition to the existing Standard Crane product portfolio initially covers the capacity range up to 12.5 tonnes. As with the DR-Bas rope hoist and the DFW-Bas end carriage units, market launch will be in the first two quarters of the new financial year.

The development and standardisation of the portal crane range was enhanced with further products. Single-girder full and semi-portal cranes in the 1-tonne to 12.5-tonne capacity range and double-girder full and semi-portal cranes in the 3.2-tonne to 50-tonne capacity range have been approved for the growth markets in Brazil, India, China and the United Arab Emirates.

With the development and successful launch of the new KBK II-H profile sections series, the established KBK light crane system was enhanced once again with a further profile section size. The configuration options for the light crane construction kit were significantly improved in terms of crane system span and capacity. A further positive effect is the removal from the construction kit of a profile section size now no longer needed as well as the associated reduction in product variants.

As a global player, the Demag Cranes Group assumes an active strategic role in European and international standardisation bodies, particularly with a view to implementing the Machinery Directive.

Key development areas in the Port Technology segment

In the **Port Technology segment**, Generation 5 of the Mobile Harbour Cranes is being rounded off by a compact crane family: the new Model 2 Mobile Harbour Crane is the successor to the HMK 170, the last crane type from the Generation 4 model range. Preliminary development of Model 2 was begun this financial year by a tightly knit international team of developers. In the course of the development process, the modular design of the Generation 5 cranes was optimised for this compact crane series. For the travel gear, customers can for the first time choose between a conventional rubber-tyred chassis and a drive-through tyre-mounted portal – particularly suitable for very narrow quays. In a further variant of the Model 2, the focus among other things was to reduce manufacturing costs, which can be achieved by precise tailoring to local requirements. This product will enable us to address our target markets in the emerging economies.

A further key area of development at Gottwald Port Technology GmbH in the past financial year was the Fault Management and Diagnostics Systems (FMDS systems), which are used for the central visualisation of faults and machine conditions. The systems are equipped with tools that permit rapid fault diagnosis and elimination. Previously, Demag Cranes has used these systems for standard condition monitoring of automated container terminals. The extremely positive experience gained in terms of immediate data availability and machine intervention made it a logical decision to expand the application to the core business of Mobile Harbour Cranes. FMDS systems for Mobile Harbour Cranes which permit immediate, dedicated problem-solving for the customer through remote diagnosis are currently being developed. At the same time, customers are given the chance to monitor their own crane fleet continuously and independently. The FMDS system was also adapted for use in manufacturing at Demag Cranes & Components GmbH and successfully implemented in the Demag plant in Wetter. As with the cranes and the automated systems, here too the focus was on equipment visualisation and machine condition monitoring. At the Wetter plant, storage & retrieval systems and materials handling equipment in the distribution centre were similarly connected to a manufacturing FMDS system.

The trend towards increased environmental responsibility is posing new challenges to port technology worldwide. The admissible limits for emissions in port terminals are being continuously reduced. A first step towards the emission-free drive train was made back in 2009 with the development of a battery-powered AGV (Battery AGV). Gottwald currently supplies AGVs in two drive variants: diesel-hydraulic and, since 2005, diesel-electric. Diesel-electric AGVs offer higher efficiency, greater availability and cost efficiency coupled with lower noise and exhaust emissions. Gottwald Port Technology GmbH is continuing this drive towards more effective, more eco-friendly AGVs with the development, implementation and launch of battery-powered AGVs. Under a project sponsored by the German Federal Ministry for the Environment, Nature Conservation and Reactor Safety (BMU), two prototype Battery AGVs were tested and optimised in the past financial year by Group subsidiary Gottwald Port Technology GmbH in a field test at the Altenwerder container terminal in Hamburg. The project was carried out together with HHLA Container-Terminal Altenwerder GmbH (CTA), the Institute for Vehicle Technology (ika) at the RWTH Aachen University and Institute for Energy and Environmental Research Heidelberg GmbH (ifeu) as consortium partners. For the first time, a fully automatic battery charging and changing station was set up and put into operation. The concept for this innovative station comprises a battery store equipped with chargers and a battery-changing device, the design of which is based on automated storage and retrieval systems. The battery-changing device automatically removes the run-down battery from the Battery AGV and places it in a free charging slot in the rack. The vehicle is then fitted with a recharged battery and can return to operation. Overall, the Battery AGV concept offers significantly higher efficiency of the battery-powered drive train, the complete elimination of local CO_2 emissions, a significant reduction in global CO_2 emissions as well as lower noise generation in the terminal.

Trial operation was carried out successfully in Hamburg and will be continued in the coming financial year – with the aim of introducing this green concept to container terminals worldwide as soon as possible.

In a further consortium, Gottwald Port Technology GmbH, along with cooperation partners REFU Elektronik GmbH, a manufacturer of power electronics systems, and the Institute for Vehicle Technology (ika) at the RWTH Aachen University, is seeking ways to increase the energy efficiency of diesel-electric and hybrid-drive AGVs. The efficiency of the AGV drive train can be increased either by intelligent control of the drive components or by alternative drive structures with new components. In operation, this results in significantly improved vehicle fuel efficiency as the drive components are operated in favourable areas of their performance map. In addition, the energy efficiency of the AGV drive can be optimised by the use of an electric energy storage device, which further reduces fuel consumption (hybrid drive).

For its development work on hybrid drives for Mobile Harbour Cranes with the possibility of energy recovery from braking energy, Gottwald Port Technology was recognised in November 2010 by the International Bulk Journal (IBJ) – a leading trade journal for the maritime bulk handling industry – with the IBJ Award 2010 in the Innovative Technology category. Thanks to the use of the latest diesel engines in combination with electrostatic short-term storage devices (ultracaps), the newly developed drive system reduces fuel consumption by a two-digit percentage figure.

All the above R&D activities are actively supported by the **Services segment** to maximise benefits – notably with regard to operation and maintenance – and ensure the provision of all resources and expertise needed by our service organisation. We also develop associated spare part and service packages to span the entire crane and component life cycle and application range.

Environment

Environmental protection activities are an integral part of our corporate policies. This is why the Group attaches great importance to developing environmentally friendly and energy-efficient products, while reducing the amount of energy and raw materials used in the manufacture of these products. We also prevent waste from being created wherever possible as well as eliminating any waste produced in the safest way we can. In addition, we focus on using renewable resources and environmentally safe products in sourcing materials and make an effort to minimise water usage.

In the **Industrial Cranes segment**, the new generation of rope hoists, which have been very well received by the market, use frequency inverters to help improve customers' energy efficiency throughout the hoist service life. In this way, the Demag Cranes Group is continuing its strategy of producing Standard and Process Cranes as well as rope and chain hoists that are eco-friendly and energy-efficient over their entire life cycle at the same time as enhancing their functionality. In addition, we have switched to more environmentally friendly powder paint for chain hoist drives. This helps reduce the volume of harmful substances released, as does the use of water-based paint systems in girder fabrication.

As a technology leader, we feel an obligation to pursue groundbreaking solutions and exploit the potential to optimise successful product lines through our research and development activities. In the **Port Technology segment**, our answer to the trend towards enhanced environmental responsibility at seaports was to develop an Automated Guided Vehicle (Battery AGV) propelled by battery power instead of a diesel engine. This helps users substantially cut noise levels and exhaust emissions at port terminals, while enabling them to make use of renewable energy sources. Our Green Range product line contributes significantly to optimising the use of existing space at port terminals, achieving a high level of energy efficiency as well as reducing noise and light emissions.

In order to systematically meet increasing environmental and occupational health and safety requirements as well as implement information structures, we have integrated environmental management issues into the certified quality management system at all Demag Cranes AG production locations in accordance with DIN EN ISO 14001:2004. To integrate health and safety aspects, the German production locations as well as a Czech production location of Demag Cranes AG will by the end of the 2011 calendar year implement an OHSAS 18001:2007 occupational health and safety management system as part of a matrix certification. The certification of further production locations in accordance with OHSAS 18001 is planned.

Additional in-depth information on environmental protection in the Demag Cranes Group is contained in Demag Cranes AG's 2010 Sustainability Report, available as an online version on our website at http://sustainability2010.demagcranes-ag.com.

Our Guiding Principles and values

As part of its Guiding Principles, the Demag Cranes Group has defined five values that describe the self-image of the Company and form the basis of our corporate activities.

Innovative strength

We always seek to improve ourselves and excel through quality, motivation and innovative strength.

Motivation

Our employees are our most valuable asset. We invest in their professional and personal development and motivate them to use their skills and creativity to achieve success together.

Sustainability

Our conduct is ethically responsible and conforms to the principles of sustainable corporate governance.

Responsibility

We treat all the resources at our disposal carefully, sparingly and responsibly.

Openness

We show respect towards the wide range of international cultures and beliefs and are open to the ideas, opinions and desires of others.

As an international company, it goes without saying that we comply with high worldwide standards applicable to our behaviour in relationships with customers, partners and employees. For this reason, we have introduced a Code of Conduct as a supplement to our Guiding Principles that meets the criteria set out in the German Corporate Governance Code. The Code of Conduct is binding for all employees across the globe and is an integral part of our corporate culture. Observance of and compliance with applicable law, fair competition, transparent communication and personal integrity are cornerstones of this conduct.

The Code of Conduct is available to the public on our website at www.demagcranes-ag.com.

Risk report

Risk management system

Active and transparent management of the various risks within the operating segments is a key tool for ensuring corporate success. The integrated analysis and management of earnings-related risk factors and going-concern risks requires coordinated Group-wide planning, reporting, financial control as well as early warning systems and processes.

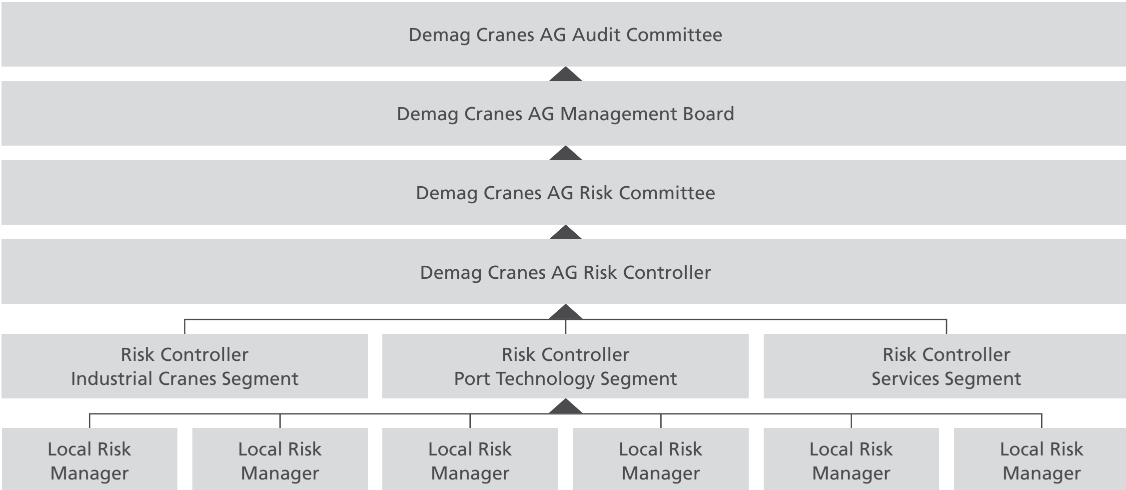
The existing Group-wide risk management system was introduced in October 2006. Since then, it has been continuously adapted in line with current developments and regularly tested for effectiveness. This fine-tuning process has brought the introduction of the Group-wide risk management corporate policy in effect since 10 March 2009 and the roll-out in financial year 2009/2010 of a software solution that enables risks to be recorded and reported even more efficiently.

A review by an external consultancy has established that the Demag Cranes Group's current risk management meets the statutory requirements and from a business analysis perspective represents state-of-the-art financial control. In financial year 2010/2011, particular attention was devoted to harmonising and optimising the Group member companies' reporting structures and processes.

The purpose of the uniform Group risk management system is to identify risks in good time, assess them and communicate them appropriately. As an integrated, ongoing management and control tool, it supports the decision making that allows the risks that arise to be consciously accepted or either mitigated or averted by taking countermeasures. Risks are assessed and classified in terms of the extent of the potential damage or loss and their probability of occurrence. The specific risk management processes are set out in the risk management corporate policy in effect since March 2009.

Risk management responsibilities are allocated in line with the Group structure. The diagram on page 96 provides an overview. As a general rule, risk managers at Group member companies and associated companies as well as at Group headquarters manage the risks arising in their area of responsibility. Each segment has a risk controller who supports the risk management process at segment level and checks the data for plausibility. At Group level, a central risk controller has overall responsibility for preparing the Group risk report and coordinating the risk management process. All segment risks that may accumulate at Group level are recorded and managed centrally. Interim reports are prepared by way of a standardised, two-step reporting process at Group and segment level on a quarterly basis and immediately if risks materialise or damage is incurred. The most senior decision-making body is the risk committee headed by the Chief Financial Officer. This committee uses the documentation and communications processes in place to ensure that the responsible decision makers and in particular the Management Board and Supervisory Board of Demag Cranes AG are informed regularly and in good time about risk factors that could materially affect the Company's business development.

Risk management organisation



Demag Cranes Group's risk early warning system complies fully with statutory requirements. The system was assessed by Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, in the course of auditing the Annual Financial Statements.

Opportunity management

Separation of risk management and opportunity management

As a rule, we address risk management and opportunity management separately. A separate risk reporting system documents risks and supports risk monitoring. Recording and communicating opportunities, on the other hand, is an integral part of the established management and control system between Group member companies and associated companies and the parent company, Demag Cranes AG. The management of the individual companies is directly responsible for identifying, analysing and acting on operational opportunities.

Significant individual risks

Financial risks

The Demag Cranes Group is exposed to financial risk in its operating activities. Monitoring, controlling and limiting this risk at Group level (financial risk management) and fine-tuning the Group's finances are the responsibility of Group treasury. The primary objective in this is to guarantee the Company's continued ability to operate as a going concern and its earnings power. Rolling cash forecasts and central cash management ensure that the Group has adequate funding at all times, including in the form of bank borrowings and credit balances. Derivative financial instruments are used solely to hedge underlying transactions. Trading, settlement and back office functions are strictly separated.

The following financial risks are managed in the Demag Cranes Group:

Risks related to the master credit facility

The credit facility is subject to certain covenants with regard to additional borrowing, purchases and disposals of assets, and the provision of collateral. There are also financial covenants to be observed during the lifetime of the credit facility, such as stipulated ratios for consolidated net debt[13] to consolidated operating EBITDA[14] (less than 2.75) and consolidated operating EBITDA[14] to consolidated net interest payable (greater than 4.0).

If the financial covenants are not met and their breach is not remedied or the lenders do not waive the covenants, there may be grounds for termination under the conditions of the credit facility. Among other things, the lenders would then be entitled to call due all amounts owed with immediate effect. There are also certain other contractually agreed circumstances whose occurrence can lead to termination with all outstanding amounts becoming due for repayment with immediate effect. A further right of termination exists in certain instances where a third party acquires a controlling or majority shareholding. Each of the syndicate banks in Demag Cranes AG's master credit facility also has the right to terminate its participation in the facility on entry into force of a domination and profit transfer agreement with Terex as majority shareholder. The same applies to the EUR 30 million guarantee facility agreed between Demag Cranes AG and one lender.

Currency and interest rate risks

Most Group business is transacted in euros, US dollars and pounds Sterling. The Group is mainly exposed to currency risk where payables and receivables exist or are likely to arise in a currency other than the local currency of the company recording them. As part of active risk management, foreign currency payables and receivables are normally hedged as they arise using financial instruments (foreign exchange contracts) (see also the Notes to the Consolidated Financial Statements under Note 33 [Additional disclosures on financial instruments]). Risk due to changes in market interest rates is liable to affect variable-rate loan exposures in particular and may have an adverse impact on cash flows (cash flow risk). The cash flow impact of interest rate changes is subject to regular and careful analysis and interest rate risk may be hedged if interest rates change accordingly and terms are appropriate. At present, no interest rate hedges have been agreed for the current drawing on the variable-rate master credit facility. This is due, firstly, to the fact that the reference rate (EURIBOR) is currently constant and, according to our suitably corroborated findings, unlikely to change significantly in the next three to six months. Secondly, the terms currently on offer in the market (interest rate swap rate) do not allow interest rate risk to be hedged at a reasonable cost.

Liquidity risks

Liquidity risk can result in the Demag Cranes Group being unable to make available the funds needed to meet financial obligations entered into in its operating business or in connection with financial instruments. Safeguarding the liquidity of the Demag Cranes Group while allowing sufficient reserves for special eventualities is therefore an integral part of ongoing liquidity management. Resource equalisation within the Group through cash pooling and intercompany loans ensures that cash surpluses at individual Group member companies are efficiently used to meet funding needs in others. Sufficient lines of credit ensured that neither funding nor liquidity shortfalls arose in financial year 2010/2011. Under the master loan agreement entered into by Demag Cranes AG, the Group had EUR 35.0 million undrawn on a revolving credit facility at the balance sheet date (2009/2010: EUR 130.0 million). The facility can be drawn against for terms of between one and six months and has a total term of up to forty-nine months. Under the same master loan agreement, the Group also had access to EUR 141.3 million in undrawn combined credit and guarantee facilities at the balance sheet date (2009/2010: EUR 33.8 million under the loan agreement that expired in January 2011).

[13] Group net debt adjusted for downpayment guarantees exceeding EUR 35 million.

[14] Group operating EBITDA adjusted for non-cash charges under the MSP Program.

Credit risks
Credit risk arises when customers or other contractual partners delay or default in meeting their obligations under a business transaction and financial losses are suffered as a result. The Demag Cranes Group counters specific credit risk by only doing business with parties of good credit standing, primarily based on the ratings of national and international trade credit rating agencies, and by rigorously observing risk limits laid down by trade credit insurers. Credit risk is also avoided by agreeing advance payments and the use of documentary letters of credit.

Compliance risks
Reporting on compliance risk covers risks such as legal risks, risks arising from breaches of compliance regulations and risks arising from fraudulent activity or breaches of antitrust law. The Demag Cranes Group has established a compliance management system that counters these risks through the Code of Conduct as well as various compliance corporate policies, audits and employee training initiatives. A regular Group-wide compliance report describes the status of the compliance management system so that risks can be promptly identified and appropriate measures taken. Compliance risk is also addressed within the higher-level risk management system. The Management Board and the Compliance Officers review the compliance management system of Demag Canes AG regularly and adapt it to meet changing requirements.

Operating risks

Sales risks
Given its worldwide operations, the Demag Cranes Group is exposed to fluctuations in prices and volumes on its sales markets. It counters this general risk by diversifying its product portfolio as well as the sectors and regional markets to which it sells. By continuously monitoring the markets, it ensures that its sales strategy is updated to take account, for example, of changing customer requirements or competitor behaviour.

Procurement risks
There are certain dependencies relating to suppliers of the Demag Cranes Group. These arise in part because there are only limited possibilities for changing suppliers of certain components and assemblies at short notice and in part because there is a technical/commercial dependency on suppliers of certain components, especially mould-specific components. The Group has defined clear procurement strategies for such cases to safeguard supplies in the long term. Bought-in parts account for a large proportion of production costs. As the steel industry, for example, is subject to strong cyclical movements, prices can be volatile. Through a wide range of specific measures, the Group constantly endeavours to secure prevailing market prices.

Production process risks
Production processes can give rise to complex risks, the main ones being unanticipated technical difficulties, unforeseen developments at project locations, problems at partner companies or subcontractors and the resulting disruptions to logistics. These risks are minimised by issuing comprehensive corporate policies and procedural instructions on project and quality management, product and occupational safety as well as environmental protection. Risks are also mitigated through systematic employee training and development, continuous improvements to production processes and technologies as well as regular plant and system maintenance. The Group has adequate insurance cover for losses resulting from technical failure, fire, explosions and similar events.

Major project risks

Within the Group, potential major project risks, such as liability and earnings risks, are continuously monitored and mitigated through strict project management and control. Cost overruns can occur, however, especially on major automated projects, but can be managed by limiting liability and concentrating on core products.

Given the current market situation as relates to automated port technology projects, there is a risk that it will not be possible to reconcile guarantees presently demanded by project operators with the risk profile defined for large-scale projects by Demag Cranes and that major orders cannot be secured as a result. This would have implications for future planning but would be subordinated to rigorous and prudent management.

Product risks

In order to maintain its competitiveness, the Demag Cranes Group works continuously to develop new products and improve the existing product range. Despite using cutting-edge project management, monitoring and control techniques, new product development entails considerable cost risk. This risk lies not only in the actual development phase, but also after market launch due to a possible need for technical improvements that can only be identified once products are in continuous operation under real-use conditions. Risks arising from product liability cannot be ruled out entirely. They may affect the Demag Cranes Group in the form of financial losses and damage to its reputation. Insurance has been taken out to cover product liability claims.

IT risks

In order to ensure the security and efficiency of our business processes both now and in the future, our IT systems are constantly being checked and developed. In order to limit the risk of failure of application-critical systems, websites and infrastructure components, the Group complies with industry standards, such as backups, redundant network connections and separate computer centres.

Personnel risks

The future of our business largely depends on the dedication and performance of our employees. The Group seeks to meet the ever fiercer competition for highly qualified specialist and senior staff, as well as the related risk of loss of expertise due to staff turnover, by offering attractive training and development opportunities as well as performance-based compensation systems. In addition, it places particular emphasis on knowledge management within the Group by consistently supporting and advancing top management. As part of an employer branding initiative, we are also developing a new strategy to enhance the Group's attractiveness as an employer so that it can recruit tomorrow's employees and managers today.

Strategic risks

Economic risks

Most of the products and services provided by the Demag Cranes Group can be allocated to the global market for cargo handling equipment and material logistics. Demand for such goods depends on the performance of the overall economy.

In the course of the financial year, the global economy continued to recover from the effects of the recession. At the end of the financial year, however, economic growth slowed as a result of the increase in public deficits in the USA and several southern European countries. Asia and Brazil once again proved to be the most dynamic growth regions, although the pace of expansion slowed in these countries, too. In the euro zone, the economy as a whole is only very sluggishly recovering from the sharp downturn. The uncertainty resulting from the debt crisis in several euro zone countries continues to have a negative impact.

The **Industrial Cranes segment's** products are used in a diverse range of industries and serve a variety of customer groups. These include end customers who operate in cyclical sectors, i.e. in sectors particularly sensitive to changes in the economy as well as to global and regional trends. It remains difficult to make forecasts for the Industrial Cranes segment because it is heavily reliant on the economic cycle, although the order situation improved sharply in the course of the financial year.

The **Port Technology segment** is dependent on worldwide cargo volumes and growth in container handling. Encouragingly, there are now positive trends in contract awards; as well as a renewed increase in replacement expenditure, we are also seeing positive signs in expansion expenditure again, even if the volume is still below 2007/2008 levels. All major terminal automation projects have now been resumed and are at the tender stage.

The **Services segment** is currently benefiting in most countries from the fact that our customers are making strong use of crane equipment. However, there are increasing signs of uncertainty over the future trend in business, particularly in mature markets. Were our customers' business situation to deteriorate, a downturn would be likely, particularly in spare parts business. This could also impact negatively on the segment's EBIT margin.

Risks related to price competition

The Demag Cranes Group operates in markets characterised by intense competition and in some cases considerable price pressure resulting from the overcapacity caused by the financial and economic crisis. This price pressure is apparent in emerging economies and particularly so in mature markets. Here, technological benefits cannot always be given adequate consideration when making purchasing decisions owing to the sometimes very limited funds available for new investments. In order to develop and maintain a competitive edge in spite of this, the Demag Cranes Group invests in developing products for differentiated customer and market segments as well as in expanding its distribution and service network.

Competitive risks

Any company operating globally in the mechanical engineering sector faces risks arising from the activities of competitors. Observation of our competitors suggests that global competition will continue to rise in the Demag Cranes Group's product segments. We counter these risks by constantly monitoring the market and developing product, pricing and marketing strategies on the basis of our observations.

Risks from the business combination with Terex

The Business Combination Agreement describes the general conditions and mutual understanding of Terex and Demag Cranes with regard to the transaction as well as certain intentions, commitments and obligations of Terex and Demag Cranes related to the transaction and the business operations of Demag Cranes before and after consummation of the transaction. In particular, the Agreement addresses issues regarding the relationship between Terex and Demag Cranes in view of the fact that, upon consummation of the transaction, Demag Cranes AG will become a member of the Terex Group.

By entering into the Agreement, the parties wish to pursue various objectives when integrating Demag Cranes as the fifth operating segment into the Terex Group. These objectives include that of strengthening the position of Demag Cranes in areas in which Demag Cranes currently operates, notably as one of the world's leading manufacturers of premium products in the sectors of industrial cranes, crane components, harbour cranes and terminal automation technology and offers a wide range of services. A further objective is to raise the long-term value of Demag Cranes.

There is the general risk that the objectives described above such as strengthening the position of Demag Cranes in the areas mentioned and raising the long-term value of Demag Cranes cannot be implemented either to their full extent or as soon as expected.

From a financial standpoint, alongside the risks related to the master credit facility as described above, there is a further risk that a domination and profit transfer agreement between Demag Cranes AG and Terex as majority shareholder, once the agreement is in force, could lead to a lower rating for Demag Cranes. This would result in relatively poorer terms upon refinancing and hence higher costs of capital.

It is also possible that, following a refinancing of Demag Cranes as a controlled entity, the composition of the lending bank syndicate could change in such a way that customers of the Demag Cranes Group do not accept guarantees issued by banks in the syndicate to the same extent as they did under the previous financing arrangements.

There is additionally a risk that Demag Cranes will be unable to take part in bidding for port technology projects in Cuba because companies majority-owned by US enterprises are prohibited under US law from exporting to Cuba and any infringement could be expected to result in sanctions against US subsidiaries of Demag Cranes.

Assessment of the risk situation and change in the risk position since the previous year

As in the previous year, no risks were identified in the course of early risk detection activities in the past financial year that raised doubt about the ability of the Group and Demag Cranes AG to continue as a going concern.

In the course of financial year 2010/2011, the risk position improved overall compared with the previous year. However, it is currently impossible to assess whether the trend in the global economy, the development of the debt crisis in several countries and the ongoing process of integrating Demag Cranes into the Terex Group could cause the risk position of the Group and Demag Cranes AG to deteriorate.

Disclosures under Section 289 (5) and Section 315 (2) 5 of the German Commercial Code (main features of the internal control system and of the risk management system in relation to the financial reporting process) and explanatory report on these disclosures by the Management Board of Demag Cranes AG

According to the explanatory memorandum to the German Accounting Law Modernisation Act (BilMoG), the internal control system encompasses the policies, processes and tasks that help ensure effective and efficient financial reporting, the quality of the financial reporting and compliance with applicable law. This also includes the internal audit system to the extent that it relates to financial reporting.

The risk management system in relation to the financial reporting process encompasses, as part of and hence in the same way as the internal control system, financial reporting control and monitoring processes in particular with regard to items on the statement of financial position associated with the management of risk.

Main features of the internal control system and of the risk management system in relation to the financial reporting process

The main features of the internal control and risk management system at Demag Cranes AG and in the Demag Cranes Group in relation to the (Group) financial reporting process may be described as follows:

- The Demag Cranes Group has a clear organisational, corporate, control and monitoring structure.
- Coordinated Group-wide planning, reporting, financial control and early warning systems and processes ensure integrated analysis and management of earnings-related risk factors and going-concern risks.
- Functional responsibilities (e.g. accounting, financial control and internal audit) are clearly assigned for all parts of the financial reporting process.
- Accounting IT systems are secured against unauthorised access.
- Most finance systems in deployment are standard software.
- A suitable system of internal policies (including on Group-wide risk management and accounting) is in place and subject to ongoing refinement in line with developing needs.
- Departments involved in the financial reporting process meet quantitative and qualitative requirements.

- The completeness and accuracy of accounting data are regularly verified by sampling and plausibility checks performed both manually and by the software used. A risk controller for each segment supports the risk management process at segment level and checks the data for plausibility.

- Key processes related to financial reporting are subject to regular analysis. The Group-wide risk management system is continuously adapted in line with current developments and regularly tested for effectiveness.

- The dual control system is applied throughout all processes related to financial reporting.

- Processes related to financial reporting are subject to scrutiny by the internal audit function.

- The Supervisory Board supervises matters including key aspects of financial reporting, risk management and the audit mandate together with its main points of focus.

Explanatory notes on the main features of the internal control system and of the risk management system in relation to the financial reporting process

The internal control and risk management system in relation to the financial reporting process as set out above ensures that matters pertaining to the business are fully and accurately recognised, presented and measured in the accounts and so are included in external financial reporting.

The internal control and risk management system at Demag Cranes AG also ensures that financial reporting in the Demag Cranes Group is uniform and in compliance with legal and statutory requirements as well as internal corporate policies. The central tasks performed by Demag Cranes AG include consolidating the figures, checking differences between actual and budgeted amounts, assessing recognised goodwill for impairment and examining the accounts to determine whether these have been kept correctly, the Group-wide accounting and financial control policies have been observed and the financial data thus meet regulatory requirements. This ongoing process is assured through the preparation of monthly accounts, in which the final amounts are checked by various units for plausibility, completeness and variance from the monthly budget. In addition to the accounting and financial control functions, this involves operations managers and, in some cases, internal audit as required by the annual audit plan.

The purpose of the uniform Group risk management system, which fully meets the statutory requirements, is to identify risks in good time, assess them and communicate them appropriately. Report users are thus provided with accurate, relevant and reliable information. All Group member companies submit their financial data to Demag Cranes AG for consolidation in accordance with the uniform Group reporting calendar.

The effectiveness of the internal control system in relation to the financial reporting process is regularly reviewed by internal audit, which has access to all data and audits individual areas and Group member companies in detail using sampling methods. In doing so, it examines whether the internal control system was implemented in this context, i.e. whether transactions were checked, and whether the dual control system was applied in all areas, for example.

Working in close cooperation, the compliance management and internal audit functions perform spot checks to monitor compliance with internal codes and the relevant laws relating to compliance. Points of focus here include anticorruption arrangements.

The uniform Group IT system incorporates authorisation procedures; if a subsidiary is audited by internal audit, these authorisation procedures and their implementation are also assessed. Automated controls and plausibility checks ensure the completeness and accuracy of data entries. In some cases, data are validated fully automatically and discrepancies highlighted.

Sustainability

As a technology and innovation leader, we are conscious of our duty to operate in compliance with sustainable business principles. Similarly, we have always set high standards for our production processes and products, as in our interactions with customers, partners and employees.

In the course of Group integration and reorganisation, we have created function-based organisational structures and rigorous control mechanisms that put customers firmly at the centre of our activities. We see this as the key to achieving sustained market success as well as to upholding high standards of environmental and social responsibility. The new structures likewise enable us to attain our business, social and ecological goals as our activities become increasingly international.

Specific requirements are set out in our corporate policies on quality, environmental protection and safety. Within these policies we detail our corporate responsibility and hence our commitment to continuous improvement in our business activities, to the benefit of all stakeholders. All companies that apply them are expected to set and attain financial targets in line with sustainable business principles, which means applying the best possible environmental and health standards and using energy and resources sparingly. We are currently implementing our corporate policies and the corporate guidelines derived from them throughout the Demag Cranes Group. Our integrated quality, environment, and occupational health and safety management system is subject to ongoing development and refinement. The effectiveness of these efforts is secured by clear lines of responsibility and regular audits to ensure that our Company grows sustainably.

The Sustainability Report we publish alongside our Annual Report provides readers with detailed information about sustainability in the Demag Cranes Group. This report is available as an online version on our website at www.sustainability2010.demagcranes-ag.com.

Report on post-balance sheet date events

Acting on behalf of Demag Cranes AG workforce representatives, the Frankfurt and the Lower Saxony/Saxony-Anhalt regional branches of IG Metall, the German metalworkers' union, have signed a collective agreement with the metals and electrical industry associations for North Rhine-Westphalia (METALL NRW) and Thuringia (VMET) and the metals industry association for Lower Saxony (NiedersachsenMetall). The collective agreement was based on the Business Combination Agreement signed with Terex on 16 June 2011. The collective agreement rules out closures until 16 August 2016 and redundancies until 16 August 2014. Measures to improve production processes are not ruled out but must be agreed between the parties at workplace level.

A general revision clause was additionally agreed. The parties to the agreement must be notified without delay in the event of a negative assessment of the business situation by the Management Board. The objective is then to adapt the agreement to the changed business circumstances within three months.

Statement on relations with affiliated enterprises

In accordance with Section 312 of the German Stock Corporation Act (AktG), the Management Board of Demag Cranes AG has prepared a statement on relations with affiliated enterprises for financial year 2010/2011, at the end of which it is stated as follows: "We hereby declare that Demag Cranes AG, under the circumstances known to us at the date on which the Company entered into such transaction or undertook or refrained from undertaking such act, received adequate consideration for each such transaction and did not suffer any disadvantage by reason of undertaking or refraining from undertaking each such act as is referred to in the statement on relations with independent enterprises."

Forecast report

Introduction

The following statements on the future development and performance of the Demag Cranes Group and the key underlying assumptions concerning market and industry developments are based on assessments which Demag Cranes AG considers realistic on the basis of the information currently available to it. They nevertheless involve a degree of uncertainty and an unavoidable risk that forecast developments may not actually occur, either in the general pattern or to the extent anticipated.

Economic trends[15]

World economic trends

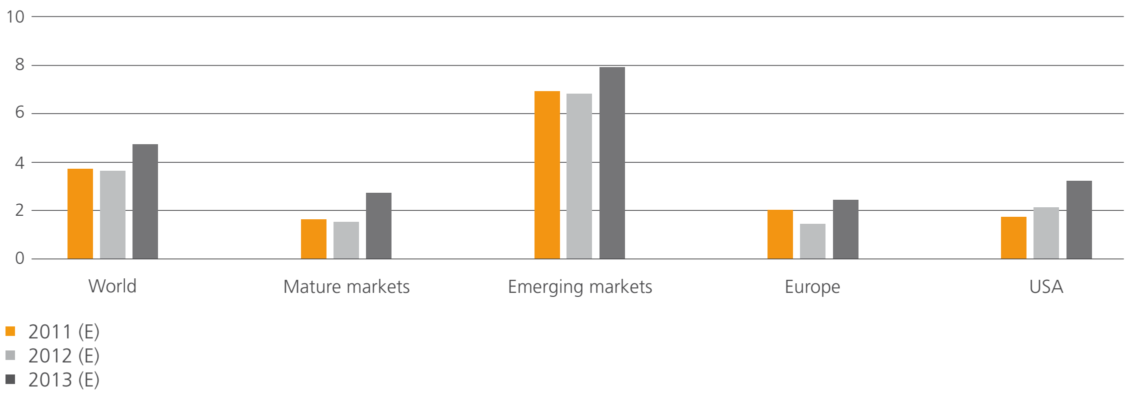
After the global economy recorded very encouraging growth in the first half of the year, this weakened slightly in the second half of the year due to the government debt crisis in Europe and the USA coupled with political unrest in the Arab world and North Africa. According to Oxford Economics, GDP is expected to grow by 3.7% year on year in calendar year 2011.

The outlook for 2012 is slightly muted compared with previous forecasts due to the prevailing economic risks. Euro zone economies will continue to be affected by the government debt crisis in the coming year and are expected to grow by just 0.6% year on year. In the USA, economic recovery will also be slow due to uncertainty in euro zone countries arising from the debt crisis, but also due to its own financial problems. This is contrasted by the ongoing upward trend in the BIC countries (Brazil, India and China). Experts believe that in 2012 these countries' economies will again develop at a similar pace. Mature markets are expected to generate year-on-year GDP growth of 1.6% in 2011 and 1.5% in 2012. The emerging markets will continue to be the drivers of global economic growth in the future. Their economic output is anticipated to increase by 6.9% in 2011 and by 6.8% in 2012. Accordingly, estimates put year-on-year global GDP growth at 3.6% in 2012.

The figures below provide forecasts for the year-on-year development of economic growth:

GDP growth (based on the US dollar)

in %

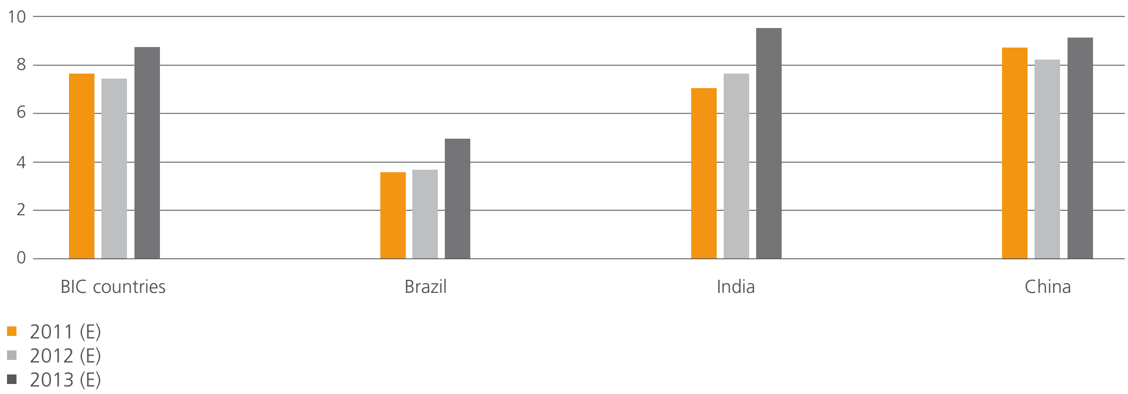


(E) Estimates
Source: Oxford Economics, November 2011

[15] Sources: Oxford Economics, November 2011; Oxford Economics, Commodity Price Monitor, October 2011; Commerzbank, Konjunktur und Finanzmärkte, September/October 2011; Oxford Economics, World Economic Prospects, 11 October 2011; International Monetary Fund, World Economic Outlook, September 2011

GDP growth (based on the US dollar)

in %



(E) Estimates

Source: Oxford Economics, November 2011

Regional trends

The BIC countries will remain growth drivers for the global economy going forward, even though growth is believed to have slowed slightly in the fourth quarter compared with the preceding quarters. According to estimates by Oxford Economics, GDP will increase by 7.7% year on year in 2011. For 2012, the economy is expected to grow by 7.5%. In China, the fast pace of growth is beginning to slow somewhat as a result of limited lending and less capital investment. Hence the central bank will only raise the base rate slightly in the future. Experts from Oxford Economics forecast a year-on-year increase in GDP of 8.8% in 2011 and 8.3% in 2012. The outlook for economic development in Brazil and India is also positive.

After the impending US insolvency was averted by raising the debt ceiling, the US economy recorded only moderate growth in the second half of 2011 due to the attendant uncertainty. Accordingly, experts from Oxford Economics expect GDP to increase by just 1.7% in 2011 compared with the prior year. In the coming year, US economic output is expected to increase again slightly, such that GDP growth of 2.1% is anticipated.

In Europe, the development of individual economies will continue to be restrained. This assumption arises from the economic risk relating to the government debt crisis as well as the emerging decrease in global demand due to the weak US economy and the curtailing of the Chinese economy. The increase in the European Financial Stability Facility (EFSF) approved in October 2011 is to shore up the huge budget deficits of several euro zone countries. The Italian and Spanish economies are only expected to grow by 0.7% in 2011 compared with 2010. According to Oxford Economics, they will grow by just 0.2% and 0.3% respectively in the coming year. The Portuguese economy in particular is suffering under a large national deficit and the related austerity measures. As a result, experts forecast that the economy will shrink by 2.0% in 2011 and 2.3% in 2012. By contrast, France is expected to generate year-on-year GDP growth of 1.6% in 2011 and 0.7% in 2012.

Germany's economic outlook has similarly deteriorated. In line with the general downturn, the German economy is also believed to have performed worse in the fourth quarter than in the preceding quarter as a result of declining new orders. But, according to estimates by Oxford Economics, GDP is still expected to grow by 3.0% in 2011 compared with 2010. This is thanks to the strong first quarter, in which the German economy grew by 4.6% year on year. However, in view of the subdued economic climate anticipated, experts forecast economic growth of just 1.1% for 2012.

Trends on the foreign exchange markets

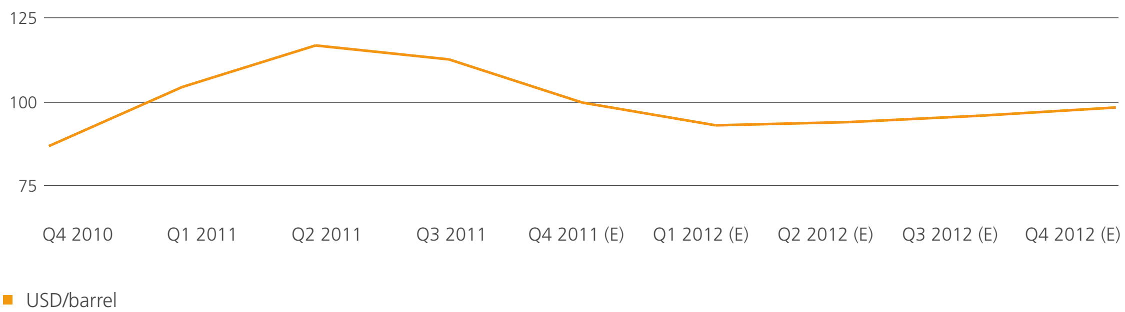
The ECB's monetary policy, notably the purchase of various government bonds, and the ongoing government debt crisis in Europe will continue to put considerable pressure on the euro. The development of the US dollar will also be strained by the Federal Reserve's low-interest policy. However, experts consider risks in the euro zone to be greater, such that the US dollar is expected to gain strength slightly against the euro.

Trends on the raw materials markets

Following a sharp increase in crude oil prices in the last few months, the price per barrel of Brent crude oil is expected to end the year in decline due to the ongoing government debt crisis and the related weak prospects for economic growth. Experts from Oxford Economics therefore forecast that oil prices will fall to USD 100.00 per barrel by the end of 2011. This downward trend is expected to continue in 2012.

For commodity prices, the experts from Oxford Economics expect a slower rate of growth in the current calendar year compared with 2010. For aluminium, copper, nickel and iron ore, growth is put at 12% to 25%. Due to the gloomy outlook for the development of the global economy, prices are expected to decline in 2012.

Development of oil price in dollar/barrel of Brent Crude until 2012

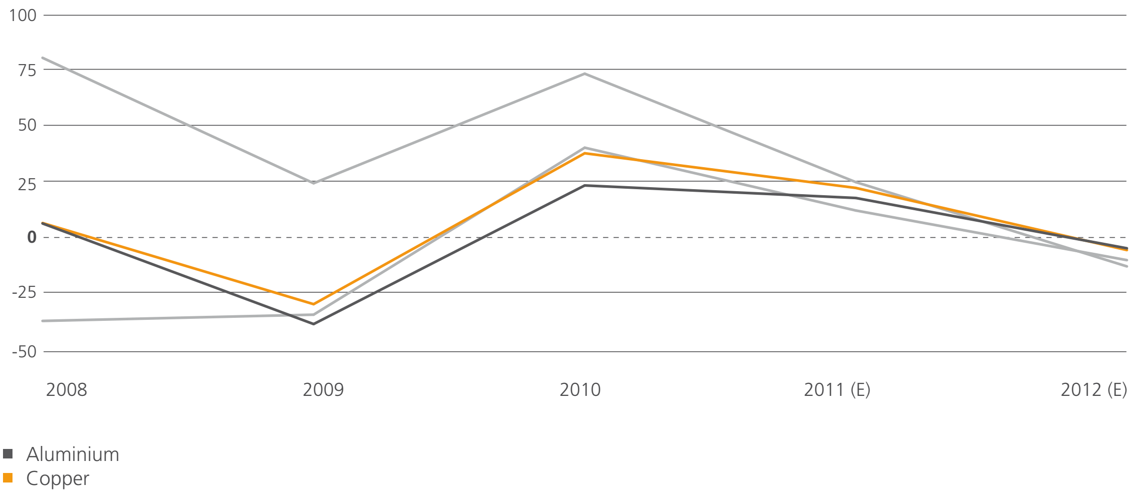


(E) Estimates

Source: Oxford Economics Commodity Price Monitor, October 2011

Development of commodity prices (base metal price indices – euro terms), year-on-year growth:

Base metal price indices – year-on-year growth



(E) Estimates

Source: Oxford Economics, Commodity Price Monitor, October 2011

Market and business opportunities

According to projections from leading economists, the economic environment will continue to improve in the country markets we serve. Both business sentiment and the economic outlook have deteriorated in the last quarter, but experts from Oxford Economics forecast that global economic growth will be maintained, mainly driven by emerging markets such as China, India, Brazil and Russia. Demag Cranes has launched various strategic projects to reap extra benefit from this growth. Another key component of our strategy consists in stepping up sales activities in emerging markets and particularly Asia.

The **Industrial Cranes segment** is a late-cycle business that, from past experience, responds with a time-lag to cyclical changes in the overall economy.

We continue to see clear growth opportunities in this segment from advancing industrialisation in emerging markets and also expect that demand for high-quality products will rise due, among other factors, to the trend towards increasing production efficiency. We likewise see further potential for the Industrial Cranes segment from expanding the product portfolio in the mid-range product/price bracket. At the same time, the mid-range product/price bracket also offers growth potential in mature markets given the shift in customers' investment behaviour as a result of the economic and financial crisis as well as the current economic uncertainties. We have already expanded our product portfolio accordingly and will continue in the same vein so that we can respond flexibly to changing customer needs. In the process, locally based development teams in decentralised competence centres can offer products precisely matched to market needs. The planned strategic alliance with China's Weihua Group provides another strong pillar of growth and must be regarded as a strategically important step in intensifying our development of the Chinese market. Following the signing and entry into force of a domination and profit transfer agreement, cooperation with the Terex Group can deliver further significant growth potential for the Industrial Cranes segment in the years ahead, for example, with a diversified product portfolio featuring products spanning the entire value chain. We have responded to the trend towards energy-efficient production – a trend aided by local energy efficiency standards and requirements – with the market launch of energy-efficient drive systems and by exploring lightweight materials. This enables us to develop a further future-oriented market segment where we anticipate stronger growth potential and can once again show the way forward with customer-focused products.

Under the given conditions, market growth in the **Port Technology segment** for financial year 2011/2012 is heavily dependent on our customers' business performance and market opportunities. We see a positive trend in the growth projections from Drewry Shipping Consultants for container and bulk cargo transhipments because, from experience, these drive corresponding demand for port and handling technology. In the current climate of uncertainty, however, it cannot be ruled out that this strong trend will lose momentum in the months ahead.

The innovative products that continually allow Demag Cranes to showcase its focus on the future still provide additional opportunities in port technology as elsewhere. The battery-powered Automated Guided Vehicle (AGV) remains a prime example of a groundbreaking and environmentally friendly product that is already in demand from terminal operators (with Rotterdam a current case in point).

We also see the current growth in the terminal systems business following the resumption of large-scale project work as an opportunity to generate further growth in this segment going forward and to demonstrate our expertise for follow-up projects.

The complementary product and production additions to the port technology business at Demag Cranes and Terex Corporation and the consequent potential for cooperation are only to be viewed as attractive business opportunities following the signing and entry into force of a domination and profit transfer agreement. Similarly in the river ports market segment, the combined portfolio in terms of the small Mobile Harbour Cranes we currently have in development and the Terex Fuchs segment will only result in significant business opportunities once a domination and profit transfer agreement is signed and has entered into force.

We additionally enjoy attractive market and business opportunities in the bulk cargo market segment – opportunities addressed with the bulk cargo competence centre that we are in the process of establishing and with the acquisition of Debis Controls made in financial year 2010/2011.

In both the Industrial Cranes and Port Technology segments, there is extra growth potential in expanding systems integration, i.e. generating added value for our customers by providing logistics services above and beyond the scope of the products we ourselves supply. We see Demag Cranes as a market and innovation leader in this regard: for many customers, we are first choice when they need a skilled partner for this type of solution. We plan significantly stronger growth in this business as there are currently signs of a marked upturn in demand.

We continue to expect growth in the **Services segment** in the years ahead. With the trend towards outsourcing and switching to professional maintenance services, we anticipate that the services business will sustain its forward momentum. The fact that industrial capacity utilisation is at an all-time high has a further positive effect on our outlook, although there is general uncertainty about whether current capacity levels can be maintained or whether the improved business situation in recent months is still just a catch-up effect.

In general, we see a stronger growth trend in the Services segment in emerging markets, partly due to heightened safety requirements. Thanks to our existing installed base, however, mature markets likewise offer ongoing growth potential.

Alongside generating more business with our own installed base, we have identified further growth potential for the Services segment for which we have adjusted our strategic focus: by assuming more functional responsibility and offering a broader selection of services, we enable our customers to focus on their own core business and gain maximum benefit from their crane systems in all processes. In addition to greater coverage of our own installed base, this includes providing services for cranes and hoists from other vendors and augmenting our service portfolio to incorporate services for crane-related products, such as load handling attachments. Emerging markets also offer enormous potential for the future in this regard.

Business outlook for the Demag Cranes Group

The Demag Cranes Group pursues a clear and successful strategy geared to sustained and profitable growth. Expectations about the future course of the global economy still carry some geopolitical uncertainty. Overall economic uncertainties, notably due to the debt crises in Europe and the USA, make it increasingly difficult to give reliable long-term projections for ongoing economic trends and the associated demand for our products.

The continuous expansion of business activities in the emerging markets is a core element of our corporate strategy. We have set ourselves the goal of generating more than 40% of our revenue in these markets on a sustained basis by 2015. To turn this goal into reality, Demag Cranes is strengthening its competitive position in the emerging markets with solutions – primarily in the mid-range product/price bracket – that are tailored to individual customers and meet country-specific requirements. On the product side, this relates to both the Industrial Cranes segment and the Port Technology segment. In the Industrial Cranes segment, we successfully launched a new rope and chain hoist family during the past financial year. An example in the Port Technology segment is a new small crane family featuring a modular platform strategy currently being developed by Demag Cranes as part of the Mobile Harbour Crane range. The ongoing expansion of this product portfolio makes it possible to capitalise on the dynamic growth in these regions.

We plan to attain our growth targets predominantly through organic growth.

For Demag Cranes, growth in the People's Republic of China is especially important. The Demag Cranes Group intends to increase its market share there to ten percent by 2015. Further products from the mid-range product/price bracket will contribute to this aim.

With our global service presence and the world's largest installed base of over 660,000 electric cranes and hoists, we have enormous business potential in the profitable field of services. With our service strategy, we pursue a product life cycle approach. By developing relevant service solutions, we aim to achieve optimum utilisation of plant and machinery throughout the entire life cycle of the Demag Cranes product range. This creates lasting added value for the customer. The emerging markets are again of special importance for services, as this is notably where we see sustainable growth potential. A further focus of our service strategy is on continuously boosting profitability in the spare parts business. The cost-effective production in Brazil of spare parts for older industrial crane products still on the market also contributes here. The plan is consequently for the Services segment to generate more than one third of Demag Cranes' total revenue by 2015.

As a technology leader, we feel an obligation to develop forward-looking solutions and optimise successful product lines. Similarly, by critically examining our manufacturing and process costs and stringently managing complexity, we aim to achieve cross-product modularisation for all our components and assemblies. Internationally networked teams of development engineers with broad-based specialist and local market expertise now work closely together to develop products that can be used globally. Our goal is to continue investing approximately two percent of revenue in the development of our products in order to sustain the technology leadership of Demag Cranes.

Ongoing Group integration, its independent market position and continuous review of strategic goals mean that Demag Cranes is outstandingly well placed for the opportunities and the challenges that lie ahead.

The Management Board currently anticipates strong revenue growth for the next two financial years. There are plans to generate Group revenue of approximately EUR 1.1 billion in financial year 2011/2012. For financial year 2011/2012, the Management Board projects an operating EBIT margin of roughly 9.5%. By financial year 2012/2013, Group revenue is anticipated to be back up to around EUR 1.3 billion, thus exceeding the level achieved in the record financial year of 2007/2008 (EUR 1,225.8 million). In financial year 2014/2015, factors notably including the new product families for emerging markets, the recovery of the ports business – aided by the expected award of a number of pending large-scale projects for port terminals – and further growth in the services business, primarily through greater penetration of the broad installed base, are set to add further momentum to revenue. Provided that the revenue projection is attained, the Group is expected to regain a Group operating EBIT margin of over ten percent by as early as financial year 2012/2013.

The Demag Cranes Group will maintain overall capital expenditure at approximately two percent of revenue for the medium term. Demag Cranes will focus capital spending especially in emerging markets to deliver logistical benefits alongside lower costs and a reduction in working capital. Likewise for the medium term, around two percent of revenue will be invested in research and development within the Demag Cranes Group product portfolio.

Assessment of the overall expected development of the Group

The Demag Cranes Group is already well positioned in key markets. In the past few years, we have honed the competitive edge of Demag Cranes by investing in future-ready products and innovative services. Under our strategy, we are primarily targeting the expansion of our business activities in emerging markets by launching new product lines in the mid-range product/price bracket, along with significant growth in our services business. Growth potential from the business combination with the Terex Group can only result following the signing and entry into force of a domination and profit transfer agreement.

Düsseldorf, 28 November 2011

Aloysius Rauen

Rainer Beaujean

Consolidated Financial Statements

for the financial year
1 October 2010 to 30 September 2011

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Statement of comprehensive income

1 October to 30 September

in EUR thousand	Note	2010/2011	2009/2010
Revenue	7	1,062,256	931,280
Cost of sales		–754,183	–686,333
Gross profit		**308,073**	**244,947**
Selling, general and administrative expenses	8	–253,611	–185,971
Research and development expenses	9	–16,339	–16,886
Other operating income	10	15,077	17,515
Other operating expenses	10	–12,522	–13,379
Income from investments accounted for using the equity method	11	3,210	3,979
Earnings before interest and tax (EBIT)		**43,887**	**50,205**
Interest and similar income	12	2,980	3,211
Interest and similar expenses	12	–14,878	–11,559
Earnings before tax (EBT)		**31,989**	**41,857**
Income tax	13	–25,458	–14,098
Net income after tax		**6,532**	**27,759**
Of which			
attributable to the shareholders of Demag Cranes AG		6,459	27,705
attributable to non-controlling interest		72	54
Effective portion of changes in the fair value of cash flow hedges	24	–	–90
Changes in the fair value of available-for-sale financial instruments	24	–31	15
Actuarial gains/losses	24	14,405	–25,218
Differences arising from currency translation	24	–3,331	13,353
Deferred tax	24	–4,540	7,693
Net income recognised directly in equity		**6,504**	**–4,247**
Total recognised income and expense		**13,036**	**23,512**
Of which			
attributable to the shareholders of Demag Cranes AG		12,967	23,457
attributable to non-controlling interest		68	54
Earnings per share (in EUR)	**14**	**0.31**	**1.31**

Consolidated Financial Statements
Additional information

Statement of financial position

as at 30 September

Assets

in EUR thousand	Note	**2011**	2010
Goodwill	15	120,427	120,491
Other intangible assets	15	42,996	39,388
Property, plant and equipment	16	118,949	117,256
Investment property	17	180	185
Income from investments accounted for using the equity method	18	23,478	21,659
Other investments	19	745	776
Trade receivables	20	870	957
Other financial assets	20	1,817	1,885
Other non-financial assets	21	940	1,062
Deferred tax assets	30	23,883	35,591
Non-current assets		**334,284**	**339,249**
Inventories	22	225,802	178,686
Advance payments made		5,684	2,394
Trade receivables	20	193,335	178,943
Other financial assets	20	1,323	2,118
Tax receivables		2,681	2,569
Other non-financial assets	21	24,229	20,607
Cash and cash equivalents	23	107,606	113,423
Current assets		**560,659**	**498,740**
Assets		**894,943**	**837,989**

Shareholders' equity and liabilities

in EUR thousand	Note	2011	2010
Subscribed capital	24	21,173	21,173
Additional paid-in capital	24	190,963	192,280
Other reserves	24	36,509	36,246
Equity attributable to shareholders of Demag Cranes AG	**24**	**248,645**	**249,699**
Equity attributable to non-controlling interest	24	1,386	1,889
Equity	**24**	**250,032**	**251,588**
Provisions for pensions and similar obligations	25	143,246	157,376
Other provisions	26	9,217	9,427
Loans and borrowings	27	123,613	1,325
Other financial liabilities	28	9,556	10,282
Other non-financial liabilities	29	12,318	15,569
Deferred tax liabilities	30	5,594	3,593
Non-current liabilities		**303,545**	**197,572**
Advance payments received		80,730	56,776
Other provisions	26	21,410	30,296
Loans and borrowings	27	3,767	105,321
Trade payables	28	93,021	78,933
Other financial liabilities	28	44,763	45,018
Tax liabilities		14,825	9,444
Other non-financial liabilities	29	82,849	63,041
Current liabilities		**341,367**	**388,829**
Shareholders' equity and liabilities		**894,943**	**837,989**

Statement of changes in equity

	Subscribed capital	Additional paid-in capital	Other reserves	
			Retained earnings	
in EUR thousand			Actuarial gains/losses	Other reserves
Balance at 1 October 2009	**21,173**	**191,912**	**–384**	**19,229**
Share-based payment	–	368	–	–
Transactions with shareholders	**–**	**368**	**–**	**–**
Total recognised income and expense	**–**	**–**	**–17,413**	**27,705**
Balance at 30 September 2010	**21,173**	**192,280**	**–17,797**	**46,934**
Balance at 1 October 2010	**21,173**	**192,280**	**–17,797**	**46,934**
Dividends paid	–	–	–	–12,704
Share-based payment	–	–1,317	–	–
Business acquisitions	–	–	–	–
Transactions with shareholders	**–**	**–1,317**	**–**	**–12,704**
Total recognised income and expense	**–**	**–**	**9,855**	**6,459**
Balance at 30 September 2011	**21,173**	**190,963**	**–7,942**	**40,690**

Further information is provided in Note 24.

Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Available-for-sale financial instruments	Accumulated other comprehensive income: Differences arising from currency translation	Equity attributable to shareholders of Demag Cranes AG	Equity attributable to non-controlling interest	Total equity
201	**–29**	**–6,230**	**225,874**	**1,835**	**227,709**
–	–	–	368	–	368
–	**–**	**–**	**368**	**–**	**368**
–201	**14**	**13,353**	**23,457**	**54**	**23,512**
–	**–14**	**7,123**	**249,699**	**1,889**	**251,588**
–	**–14**	**7,123**	**249,699**	**1,889**	**251,588**
–	–	–	–12,704	–907	–13,610
–	–	–	–1,317	–	–1,317
–	–	–	–	336	
–	**–**	**–**	**–14,021**	**–571**	**–14,592**
–	**–23**	**–3,323**	**–12,967**	**68**	**–13,036**
–	**–38**	**3,800**	**248,645**	**1,386**	**250,032**

Statement of cash flow

1 October to 30 September

in EUR thousand	2010/2011	2009/2010
Net income after tax	**6,532**	**27,759**
Income tax	25,458	14,098
Interest and similar income/expenses, net	11,898	8,348
Depreciation, amortisation and impairments	22,049	21,800
EBITDA	**65,937**	**72,005**
Change in inventories	–48,551	35,250
Change in trade receivables	–16,483	–20,840
Change in trade payables	16,233	10,816
Change in advance payments made/received, net	20,625	–35,507
Gain/loss on disposal of assets	–39	327
Income from investments accounted for using the equity method	–3,210	–3,979
Dividends received from investments accounted for using the equity method	1,122	2,794
Change in other financial/non-financial assets	–3,171	–2,940
Change in other financial/non-financial liabilities	1,460	–20,162
Cash flow from operating activities before interest and tax	**33,923**	**37,764**
Interest received	2,268	2,273
Interest paid	–10,169	–2,745
Income tax paid	–11,913	–14,023
Cash flow from operating activities	**14,109**	**23,268**
Purchase of intangible assets and property, plant and equipment	–905	–
Purchase of intangible assets and property plant and equipment	–26,688	–17,203
Proceeds from disposal of assets	260	975
Cash flow from investing activities	**–27,333**	**–16,228**
Free cash flow (FCF) before financing	*–13,224*	*7,040*
Payments/proceeds from loans and borrowings	24,262	–2,368
Share-based payments	–2,179	–
Dividends paid to minority shareholders	–907	–
Dividends paid to Demag Cranes AG shareholders	–12,704	–
Cash flow from financing activities	**8,472**	**–2,368**
Effect of foreign exchange rate changes on free cash flow	–48	220
Net increase/decrease in cash and cash equivalents	**–4,800**	**4,893**
Cash and cash equivalents as at 1 October	113,423	103,689
Effects of foreign exchange rate changes on cash on hand	–1,018	4,842
Cash and cash equivalents as at 30 September	**107,606**	**113,423**
Of which restricted	2,287	3,006
Free cash flow before financing, interest and tax payments	*6,590*	*21,536*

Further information on the Statement of cash flow is provided in Note 31.

Notes to the Consolidated Financial Statements

1. General information

Demag Cranes AG is a Germany-based listed company. Demag Cranes AG is registered under registration number HRB 54517 in the commercial registry at Düsseldorf local court. The address of its registered office is Forststrasse 16, 40597 Düsseldorf, Germany.

Demag Cranes comprises the segments Industrial Cranes, Port Technology and Services. The business ranges from the development and design of technically advanced cranes and hoists to automated transport and logistics systems for ports and terminals, the provision of services relating to these products and the manufacture of high-quality components.

The Management Board of Demag Cranes AG has prepared the Consolidated Financial Statements and submitted them to the Supervisory Board on 28 November 2011. The Consolidated Financial Statements are to be released for publication in their present form at the Supervisory Board Meeting on 29 November 2011.

Demag Cranes AG has been a subsidiary of Terex Industrial Holding AG, Düsseldorf, since 16 August 2011 and is included in the Consolidated Financial Statements of Terex Corporation, Westport, Connecticut, USA.

2. Basis of preparation

The Consolidated Financial Statements of Demag Cranes AG for the financial year 1 October 2010 to 30 September 2011 are prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) applicable at the balance sheet date and as adopted by the European Union (EU). The supplementary requirements in Section 315a (1) of the German Commercial Code are also met.

The Statement of comprehensive income combines the income statement and net income recognised directly in equity. It is prepared using the cost of sales method. Assets and liabilities are presented in the Statement of financial position using a current/non-current classification. Certain items in the Statement of comprehensive income and the Statement of financial position are combined for the sake of clarity. These items are explained in the Notes.

The Consolidated Financial Statements are prepared on a historical cost basis with the exception that derivative financial instruments and available-for-sale financial assets are measured at fair value where this can be reliably determined.

Preparation of the Consolidated Financial Statements has required the use of estimates and assumptions that affect the recognition and measurement of assets and liabilities, the amounts of expense and income items, and disclosures relating to contingent assets and contingent liabilities. Material judgements that the Management Board has made in applying IFRS are described along with the main estimates whose review may result in material changes in the next financial year in Note 6, Accounting estimates and judgements.

The Consolidated Financial Statements are prepared in euros, the functional currency of Demag Cranes AG. All figures are rounded to the nearest thousand euros unless otherwise stated. All percentages relate to figures stated to the nearest euro. The amount shown for each individual item and total is the figure with the smallest rounding difference. Reported totals may therefore differ slightly from the sum of the individual reported amounts.

3. New and revised standards and interpretations

New standards and interpretations effective in financial year 2010/2011

The following new or revised standards were effective in the past financial year:

- Amendments to IFRS 1: First-time adoption of International Financial Reporting Standards and IFRS 7: Financial instruments: Disclosures
  The amendments temporarily exempt first-time adopters of IFRS from the comparative disclosures on the determination of fair value and on liquidity risk required by IFRS 7. The amendments are not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- Amendments to IFRS 1: First-time adoption of International Financial Reporting Standards
  The revised IFRS 1 introduces exemptions for first-time adopters of IFRS in the oil and gas industry and in the re-assessment of embedded leases in the transition to IFRS financial reporting. The amendments are not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- Amendments to IFRS 1: First-time adoption of International Financial Reporting Standards
  The modified structure of the newly released IFRS 1 aims to facilitate the transition to IFRS financial reporting for first-time adopters. The amendments are not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- Amendments to IFRS 2: Share-based payment
  IFRS 2 has been supplemented with provisions on accounting for share-based payment in the separate financial statements of companies within a group. The amendments are not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- Amendments to IAS 32: Financial instruments: Presentation
  The amendments to IAS 32 clarify how the rules on classification of rights and debt issues other than in the issuer's functional currency are applied. The amendments are not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- IFRIC 15: Agreements for the construction of real estate
  The Interpretation addresses revenue recognition at entities that undertake the construction of real estate directly or through subcontractors and enter into agreements with one or more buyers before completion. The Interpretation is not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- IFRIC 17: Distributions of non-cash assets to owners
  The Interpretation explains the accounting treatment of distributions of non-cash assets and of distributions where owners are given the choice of taking cash or non-cash assets. The Interpretation is not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- IFRIC 18: Transfers of assets from customers
  The Interpretation addresses the accounting treatment where an entity receives from a customer an item of property, plant and equipment (or cash to construct such an item) that the entity must then use to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The Interpretation is not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- IFRIC 19: Extinguishing financial liabilities with equity instruments
  The Interpretation clarifies the accounting treatment in instances where an entity renegotiates a financial liability entitling the entity to issue equity instruments to extinguish the financial liability in whole or part. The Interpretation is not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- Annual improvements
  On 23 March 2010, the EU endorsed the second set of annual improvements issued by the IASB with the aim of removing inconsistencies between standards and clarifying wording. Transitional provisions apply for the standards affected. The amendments had no material impact on the Consolidated Financial Statements of Demag Cranes AG.

- Annual improvements
  On 18 February 2011, the EU endorsed the third set of annual improvements issued by the IASB, introducing further minor changes to the standards. Some of the affected standards are effective from 1 October 2010 and others from 1 October 2011. The effective amendments had no material impact on the Consolidated Financial Statements of Demag Cranes AG.

Standards and interpretations effective in later financial years

A number of International Financial Reporting Standards issued by the IASB and endorsed by the EU are effective for future periods and Demag Cranes has not elected early adoption.

- Amendments to IAS 24: Related party disclosures and IFRS 8: Operating segments
  The definition of a related party has been revised to simplify the application of IAS 24. The amendments also simplify disclosure requirements for entities that are at least significantly influenced by the state. The revised IAS 24 also results in amendments to IFRS 8. Demag Cranes is currently assessing the effects of the new standard on the presentation of its financial position and financial performance.

- Amendments to IFRIC 14: Prepayments of a minimum funding requirement
  The Interpretation addresses accounting for prepayments of a minimum funding requirement on a defined benefit plan. It allows such prepayments to be recognised as assets. The Interpretation is not relevant to the Consolidated Financial Statements of Demag Cranes AG.

- Annual improvements
  As part of its annual improvements project, the IASB amended various standards in May 2010 with the aim of streamlining the International Financial Reporting Standards and clarifying wording. Some of the affected standards are effective from 1 October 2010 and others from 1 October 2011. The amendments will not have a material impact on the Consolidated Financial Statements of Demag Cranes AG.

Demag Cranes does not expect that the changes in accounting requirements will have a significant effect on the Group's financial position or financial performance.

4. Business combinations

On 26 January 2011, Demag Cranes AG, through its Dutch IT subsidiary TBA B.V., Delft, took over 100% of a UK company, D.B. Holdings Ltd., Doncaster, South Yorkshire and, directly and indirectly, 76% of D.B. Controls Ltd., likewise of Doncaster, South Yorkshire. D.B. Controls was renamed DBIS (Software and Automation) Ltd. DBIS comes with recognised software and consulting expertise in automated bulk handling. The takeover is part of the Group's strategy of further augmenting its bulk handling capabilities in the Port Technology segment. DBIS complements the Demag Cranes capability portfolio, allowing the Group to extend its software and consulting services, previously geared to port and hinterland container terminals, to include bulk materials handling. Demag Cranes is consequently able to provide customers with full global service from a single source. D.B. Holdings is purely an intermediate holding company.

Demag Cranes paid a total purchase price of EUR 1,254,000 to acquire the shares. The purchase price is made up of a fixed component (EUR 1,115,000) and a variable component (EUR 139,000). The variable component depends on the performance of DBIS. The maximum possible amount of the variable purchase price adjustment was allowed for at the acquisition date. The variable component can range between GBP 0 and GBP 120,000 on a stepped scale according to EBITDA generated each financial year until 30 September 2015. We expect a purchase price adjustment at the upper end of the range in each instance. The fair value of the acquired receivables is EUR 670,000; this is likewise the gross amount of the receivables. At the time of preparation of the Consolidated Financial Statements, Demag Cranes does not expect a default on these receivables. The acquisition of both entities has been accounted for as a unitary event as a single business was acquired overall.

DBIS is part of the Port Technology segment.

Acquired assets and liabilities at the acquisition date:

Acquired net assets

in EUR thousand	Reported fair value
Intangible assets	1,491
Property, plant and equipment	62
Inventories	7
Advance payments made	0
Other trade receivables and assets	670
Cash and cash equivalents	210
Assets	**2,441**
Provisions	4
Liabilities	162
Other liabilities	225
Deferred tax liabilities	409
Liabilities	**800**
Net assets	**1,641**
Attributable to non-controlling interest	336
Total acquisition price	**1,254**
Of which variable components	139
Differences arising	**–51**
Recognised as liabilities	139
Net cash flow	905

The acquisition did not include any contingent liabilities.

The purchase price was less than the market price. The resulting negative goodwill amount of EUR 51,000 was recognised in income as it reflects the bargain nature of the purchase, which will lead to positive cash flows for us in the future.

DBIS generated revenue of EUR 1,102,000 and net income after tax of EUR 94,000 in the period 1 October 2010 to 30 September 2011. If the acquisition had taken place on the first day of financial year 2010/2011, consolidated revenue would have been EUR 268,000 greater and consolidated net income after tax would have been EUR 140,000 greater. The portion of revenue generated by DBIS since the acquisition date and included in the Statement of comprehensive income is EUR 834,000; the equivalent portion of net loss after tax is EUR 46,000.

D.B. Holdings generated revenue of zero and a net loss after tax of EUR 12,000 in the period 1 October 2010 to 30 September 2011. If the acquisition had taken place on the first day of financial year 2010/2011, consolidated revenue and consolidated net income after tax would not have been affected. The portion of revenue generated by D.B. Holdings since the acquisition date and included in the Statement of comprehensive income is zero; the equivalent portion of the net loss after tax is EUR 3,000.

5. Accounting policies

The accounting policies set out in the following correspond to the methods applied in the previous financial year.

Subsidiaries

The Consolidated Financial Statements for the year ended 30 September 2011 incorporate the Financial Statements of Demag Cranes AG and 39 (2009/2010: 37) domestic and foreign subsidiaries.

Subsidiaries are companies that are controlled by Demag Cranes AG, meaning that Demag Cranes AG, by virtue of holding a majority of their voting rights or through other means, has the power to govern their financial and operating policies so as to obtain benefits from their activities. Subsidiaries are included in the Consolidated Financial Statements from the date Demag Cranes AG obtains control and cease to be included when control is lost. The results of subsidiaries acquired and disposed of during the year are included in the Statement of comprehensive income from the date of acquisition and up to the date of disposal.

The Consolidated Financial Statements are prepared on the basis of uniform accounting policies. All intra-Group transactions including the resulting balances, income and expenses are eliminated in full.

Non-controlling interests are measured at the non-controlling interests' proportionate share of the net assets of consolidated subsidiaries. Demag Cranes has not elected to apply the alternative treatment of measuring non-controlling interests at fair value. Non-controlling interests are identified separately from the equity attributable to shareholders of Demag Cranes AG. The same item includes non-controlling interests in period net income and in each component of comprehensive income. This allocation of annual changes in net assets is made even if it results in the non-controlling interests having a deficit balance.

Investments in subsidiaries that are of minor overall significance to the presentation of the financial position and financial performance of the Group are measured at cost less any impairments and accounted for under other investments as investments in associates.

All subsidiaries of Demag Cranes AG are shown in the list of subsidiaries, joint ventures and investments as at 30 September 2011, after the Consolidated Financial Statements.

Interests in joint ventures

Demag Cranes AG includes one joint venture (MHE-Demag (S) Pte. Ltd., Singapore) in its Consolidated Financial Statements. A joint venture is a contractual arrangement whereby Demag Cranes AG and at least one other third party directly or indirectly undertake an economic activity that is subject to joint control.

The Group's investment in the joint venture is accounted for in the Consolidated Financial Statements using the equity method.

The interest in a joint venture accounted for using the equity method is initially recognised in the Statement of financial position at cost. The carrying amount is subsequently increased or decreased by changes in Demag Cranes share of the net assets of the joint venture after the date of acquisition and by any impairment of its interest in the joint venture. Intra-Group transactions are eliminated in proportion with Demag Cranes interests in it. If the Group's share of losses from a joint venture exceeds the carrying amount of its interest in the joint venture concerned, such losses are only taken into account to the extent that Demag Cranes has incurred legal or constructive obligations to cover them. The joint venture's financial year is the calendar year. The figures included are based on interim financial statements whose reporting date is set back by one month.

The share of profit or loss from equity-accounted investments reported in the Statement of comprehensive income is Demag Cranes share of profit or loss from the joint venture.

The joint venture is shown in the list of subsidiaries, joint ventures and investments as at 30 September 2011, after the Consolidated Financial Statements.

Currency translation

The Consolidated Financial Statements are prepared in euros, the functional currency of Demag Cranes AG. The financial statements of foreign entities included in the Consolidated Financial Statements are prepared in local currency, which is the functional currency of the companies concerned. Transactions in currencies other than the applicable functional currency are translated at the average spot exchange rate prevailing at the date of the transaction. Monetary items (such as payables and receivables) denominated in foreign currencies are translated into euros at the average spot exchange rate prevailing on the balance sheet date. Non-monetary items are translated at historical exchange rates. Exchange differences arising on the translation of monetary balance sheet items into functional currency are recognised under other operating income or under other operating expenses, except gains and losses on foreign currency transactions relating to financing activities, which are recognised in interest and similar income or in interest and similar expenses.

The financial statements of foreign subsidiaries included in the Consolidated Financial Statements with functional currencies other than the euro are translated from local currency into the Group presentation currency (euros). The assets and liabilities of foreign subsidiaries are translated using the exchange rates prevailing at the balance sheet date. Equity items are translated at the historical exchange rates prevailing at their recognition date. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising on the translation of foreign entity financial statements are reported in equity as a net amount under other comprehensive income. On disposal of a foreign entity, any accumulated net gains or losses are recognised in profit or loss. The accumulated exchange differences reported in equity as at 30 September 2011 mainly relate to the Group's companies in the USA, the UK, the Czech Republic and China.

The exchange rates used for major currencies in the Consolidated Financial Statements are as follows (in foreign currency units per euro):

Country	ISO code	EUR exchange rate prevailing on the balance sheet date 30 September		Average EUR exchange rate for the period 1 October to 30 September	
		2011	2010	**2010/2011**	2009/2010
USA	USD	1.36140	1.36020	1.39540	1.35704
Great Britain	GBP	0.87080	0.86120	0.86861	0.86986
South Africa	ZAR	10.73780	9.45050	9.70655	10.14393
Czech Republic	CZK	24.57499	24.60499	24.46677	25.55195
China	CNY	8.76730	8.97999	9.12630	9.24899
Switzerland	CHF	1.22000	1.33070	1.25781	1.42903
Brazil	BRL	2.46340	2.29510	2.29632	2.40248
India	INR	66.51000	60.63000	62.97153	62.74303

Revenue and income recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of revenue is reliably measurable and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue from the sale of goods where installation is a significant part of the contract is not recognised until the ordered goods have been delivered to the customer and installed. Revenue from the sale of spare parts is recognised on delivery. In multiple-element sales transactions, Demag Cranes applies separate recognition criteria to revenue from the sale of goods and revenue from rendering services. Revenue from rendering services is recognised, subject to the satisfaction of recognition criteria, by reference to the stage of completion of the transaction at the balance sheet date. In certain instances involving revenue from construction contracts, profit is recognised on a percentage of completion basis. Demag Cranes determines the percentage of completion for this purpose according to contract costs incurred to date as a percentage of total contract costs (the cost-to-cost method). Expected contract losses are recognised as an expense in the period in which estimated total contract costs are found to exceed total contract revenues. Revenue is reported after deducting any trade discounts and rebates.

Rentals from investment properties and other operating leases are recognised under other operating income in profit or loss on a straight-line basis over the duration of the tenancy. Any premium paid for an operating lease is allocated to accounting periods as part of total lease income.

Dividend revenue on investments is recognised when the right to receive payment is established. Interest revenue is recognised in the amount of the effective yield on invested capital. The effective yield is the rate of interest required to discount the stream of future cash receipts expected over the life of a financial asset to equate to the net carrying amount of the asset.

On disposal of an asset, any difference between the proceeds from the sale and the carrying amount is recognised in profit or loss.

Cost of sales

The cost of sales reported in the Statement of comprehensive income consists of all costs directly attributable to the production process. These include direct material and direct labour, allocable overheads such as depreciation, production-related administrative overheads, impairments of production-related tangible and intangible assets, and inventory write-downs.

Research and development expenses

Research expenses are recognised in the period in which they are incurred.

Expenditure is incurred for development activities when research findings or other knowledge are applied to a plan or design for the production of new or substantially improved products or processes. Demag Cranes recognises an intangible asset arising from development if the outcome is technically and commercially feasible and it is considered probable that the product or process to be developed will generate future economic benefits. The development expenditure recognised as an intangible asset includes direct material, direct labour and allocated overheads. Other development expenses are recognised as expense in cost of sales when incurred. Further information is provided in Note 9.

Capitalised development expenses are presented in the Statement of financial position net of accumulated amortisation and impairments. Development expenses recognised as assets are amortised on a straight-line basis over the estimated period in which products based on the intangible asset will be marketed. Demag Cranes subjects internally generated intangible assets to annual impairment testing during the development phase and at other times only when there are indications of impairment. Further information on development costs capitalised in the financial year is provided in Note 15.

Tax

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates that have been enacted by the end of the reporting period. Deferred tax relating to items recognised directly in equity is likewise recognised directly in equity.

Deferred tax is accounted for using the temporary difference approach. It is measured by applying the applicable tax rate to temporary differences between the carrying amounts of assets and liabilities in the Statement of financial position and the tax bases used in the computation of taxable profit. The applicable tax rate is the rate prevailing at the balance sheet date or the rate that is virtually certain to apply for the relevant Group member company when the temporary differences reverse.

Deferred tax assets are only recognised for temporary differences to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits. Deferred tax assets are also recognised for tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect any change in the probability that the benefits can be utilised. The carrying amount of each deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which a loss arising on reversal of the temporary difference can be utilised. Any unrecognised deferred tax assets are reassessed at each balance sheet date and recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax liabilities are not recognised for taxable temporary differences resulting from the initial recognition of goodwill. Similarly, deferred tax liabilities are not recognised for temporary differences resulting from the initial recognition of other assets or liabilities in transactions other than business combinations where the initial recognition affects neither taxable profit nor net income. Demag Cranes does not recognise deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries and associates or with interests in joint ventures if it is probable that the temporary difference will not reverse in the foreseeable future, if the Company is able to control the timing of the reversal, or if it is not probable that sufficient taxable profits will be available against which a loss arising on reversal of the temporary difference can be utilised.

Demag Cranes offsets deferred tax assets and deferred tax liabilities to the extent that it has a legally enforceable right to set off current tax assets against current tax liabilities relating to income taxes levied by the same taxation authority.

Further information on deferred taxes is provided in Note 30.

Value-added tax refundable by or payable to the taxation authority is accounted for by Demag Cranes as part of other non-financial assets and other non-financial liabilities respectively.

Goodwill and negative goodwill

Goodwill recognised on a business combination is the excess of the consideration transferred to achieve control and the fair value of any previously held interests in the acquiree over the remeasured net assets of the acquiree. Goodwill is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, which is done at least annually, Demag Cranes allocates goodwill to the cash-generating units – the three segments – that are expected to reap synergies from the business combination. On disposal of part of a cash-generating unit to which goodwill has been allocated, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Goodwill recognised on acquisition of an equity-accounted investment is included in the carrying amount of the Group's investment and is not assessed for impairment separately. Further information on impairment testing in accordance with IAS 36 is provided in Note 15.

If the consideration transferred to achieve control and the fair value of any previously held interests in the acquiree falls short of the net assets of the acquiree measured at the acquisition date, Demag Cranes, after reassessing the amounts, recognises the excess immediately in profit or loss (gain from a bargain purchase).

Other intangible assets

Other intangible assets comprise patents, trademarks, software, service agreements, technology, customer relations, supplier relations and capitalised development projects.

Separately acquired intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired by Demag Cranes in a business combination are initially recognised at fair value at the acquisition date. Expenditure on internally generated intangible assets is capitalised if the criteria for recognition of an asset are satisfied. Subsequent expenditure on intangible assets is added to the carrying amount of the intangible asset if, and only if, it substantially increases the future economic benefits embodied in the asset and the cost can be reliably estimated. Borrowing costs that are attributable to the purchase or production of a qualifying asset form part of the cost of that asset. All other expenditure in connection with intangible assets is immediately recognised in profit or loss.

Intangible assets with finite useful lives are amortised on a straight-line basis over the period of any contractual rights or the period over which they are expected to be used, whichever is the shorter. Demag Cranes AG additionally reviews such assets at least annually for indications of impairment.

The useful lives of intangible assets are normally as follows:

	Useful life
Patents, licences and similar rights	5 years
Capitalised development projects	5 years
Trademarks	Indefinite
Software	3 years
Service agreements	6 years

Intangible assets with indefinite useful lives are not amortised. Instead, Demag Cranes tests such assets at least annually for impairment. Trademarks are not amortised if they are established trademarks and there is no determinable limit to their useful lives.

Estimated useful lives are reviewed at each year-end and changed if necessary. Changes in accounting estimates are applied prospectively in profit and loss in accordance with IAS 8.

Intangible assets are derecognised on disposal or when no future economic benefits are expected for Demag Cranes. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss in the period of disposal.

Changes in other intangible assets are presented in Note 15.

Property, plant and equipment

Property, plant and equipment consists of land, land rights and buildings, including buildings on third-party land, plant and machinery, prepayments and assets under construction, tools and equipment, and other assets.

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses. Demolition, removal, restoration and recultivation expenses are recognised as part of the cost of property, plant and equipment and an equal amount is recognised in other provisions. Borrowing costs that are attributable to the purchase or production of a qualifying asset form part of the cost of that asset. All other expenses, such as for maintenance or modernisation, are recognised immediately in profit or loss.

Parts of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and a useful life significantly different to that of other parts are depreciated separately.

Subsequent costs that increase future economic benefit and can be reliably estimated likewise form part of the cost of property, plant and equipment.

Expenditure for major maintenance and repairs is added to the carrying amount of an item of property, plant and equipment if fixed servicing or overhaul intervals can be reliably determined.

Depreciation is charged on a straight-line basis over the useful life of an item of property, plant and equipment. The revaluation method is not used. Demag Cranes normally estimates the useful lives as follows:

	Useful life
Factory and office buildings	25 to 33 years
Other buildings	8 to 50 years
Plant and machinery	5 to 12 years
Tools and equipment	3 to 10 years
Vehicles	5 to 8 years
IT equipment and hardware	3 to 5 years

Estimated useful lives and depreciation methods are reviewed at each year-end and changed as necessary. Changes in accounting estimates are applied in profit and loss.

Items of property, plant and equipment are derecognised on disposal (e.g. sale, scrapping or demolition) or when no future economic benefits are expected for Demag Cranes. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in profit or loss in the period of disposal.

Investment property

The investment property item consists of one site and one building on it held to earn rentals and for capital appreciation.

Investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses (cost model). Depreciation is charged as for property, plant and equipment. Rental income is recognised as other operating income in the Statement of comprehensive income and depreciation as other expenses.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Impairment of non-current non-financial assets

Demag Cranes assesses at least at each balance sheet date whether there is any indication that goodwill, other intangible assets, property, plant and equipment and investment properties are impaired. If any such indication exists, the asset is tested for impairment.

Goodwill, other intangible assets with indefinite useful lives and intangible assets not yet available for use at the balance sheet date are also tested for impairment at each balance sheet date irrespective of whether there is any indication that they are impaired. If the recoverable amount of an asset or the cash-generating unit to which it belongs is less than its carrying amount, the difference is recognised in profit or loss as an impairment loss. A cash-generating unit is a group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss recognised for a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. If there is an indication that an impairment may no longer exist, Demag Cranes remeasures the recoverable amount. If this exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to a maximum of cost less any accumulated depreciation or amortisation. Impairment losses recognised for goodwill are not reversed.

Other non-current assets are tested for impairment if there is any indication that the assets are impaired or that an impairment loss recognised in prior periods may no longer exist. An impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount attributable to a reversal of an impairment loss is limited to the recoverable amount or the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

Leasing

Leases that transfer to Demag Cranes (as lessee) substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. At the commencement of the lease term, finance leases are recognised as assets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The future lease payments are recognised in the Statement of financial position under loans and borrowings.

Lease payments are apportioned in accordance with the effective interest method between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance. Interest expenses are recognised in interest and similar expenses.

Lease payments under leases where the lessor retains substantially all the risks and rewards incidental to ownership (operating leases) are recognised as an expense on a straight-line basis over the lease term unless another allocation to periods is more representative of the time pattern of Demag Cranes benefit from the use of the leased asset. Contingent payments under an operating lease are recognised as an expense in the period in which they are incurred. The benefit of incentives to enter into an operating lease is recognised as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is more representative of the time pattern of Demag Cranes benefit from the use of the leased asset.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of purchase is measured using the rolling average method and cost of conversion using the standard cost method. Cost of conversion includes direct production costs, including direct material and direct labour, and allocated production overheads including depreciation on factory buildings and equipment. Borrowing costs that are directly attributable to a qualifying asset form part of the cost of that asset. Inventory write-downs include appropriate deductions for unusually long holding periods and obsolescence.

Construction contracts

Construction contracts that meet the applicable criteria are accounted for using the percentage-of-completion method. Demag Cranes normally determines the percentage of completion for this purpose according to contract costs incurred to date as a percentage of expected contract cost (cost-to-cost method). Where the outcome of a construction contract cannot be measured reliably, revenue is recognised only in the amount of contract costs incurred that it is probable will be recoverable (zero-profit method). The gross amount due from or to customers for contract work is presented under trade receivables or trade payables as appropriate. The gross amount due is equal to cost incurred plus recognised profits, less any recognised losses and progress billings up to a maximum of work performed. Amounts paid by customers in excess of amounts due are reported in liabilities as advance payments received. Any anticipated contract losses are recognised immediately in full in profit or loss. Further information is provided in Note 20.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Demag Cranes initially recognises a financial instrument when it becomes a party to the contractual provisions governing the instrument. Financial instruments are recognised and derecognised on the settlement date.

As in the previous year, there were no reclassifications of financial instruments during the year under review.

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Primary financial instruments

Financial assets and financial liabilities are initially recognised at fair value plus directly attributable transaction costs, except financial instruments at fair value through profit or loss, which are recognised at fair value without transaction costs. The fair value of financial instruments traded on organised markets is determined using the quoted price on the balance sheet date. If Demag Cranes has financial instruments for which there is not an active market, their fair value is determined by using a valuation technique. Subsequent measurement is carried out in accordance with the classification of financial instruments into the categories that follow. Financial assets with the exception of those classified as at fair value through profit or loss are tested at each balance sheet date for impairment.

- Held to maturity
  This category consists of financial assets quoted in an active market with fixed or determinable payments and fixed maturity that Demag Cranes has the intention and ability to hold to maturity. Financial assets held to maturity are measured at amortised cost using the effective interest method, less any impairment losses. Demag Cranes does not have any financial instruments held to maturity at the balance sheet date.

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category mainly consists of trade receivables and cash and cash equivalents. These are measured at amortised cost using the effective interest method less accumulated impairment losses. Receivables that carry no interest or that bear an off-market interest rate are measured at the discounted present value of future cash receipts.

- At fair value through profit or loss
  This category contains two subcategories: held for trading, and designated as at fair value through profit or loss. These assets are measured at all times at fair value. Changes in their fair value are recognised in profit or loss. The held for trading subcategory contains the fair value of currency and interest rate derivatives (further information is provided in Notes 20, 28 and 33). Demag Cranes has no financial instruments in the "designated as at fair value through profit or loss" category.

- Financial assets available for sale
  This category encompasses all financial assets which, based on objective criteria, are not classified in any other category or which Demag Cranes has designated as available for sale. Available-for-sale financial assets at Demag Cranes mainly comprise long-term securities and associates. Long-term securities are measured at fair value. Gains and losses arising from changes in their fair value are recognised directly in equity under available-for-sale financial assets, except for impairment losses and foreign exchange gains and losses on monetary items, which are recognised directly as income or expense in profit or loss. When the assets are derecognised, the accumulated gain or loss previously recognised in equity is recognised in profit or loss. Associates are measured at cost less any accumulated impairment losses as they are of minor overall significance. Further information on this category is provided in Notes 19 and 33.

- Financial liabilities measured at amortised cost
  Financial liabilities in this category are measured using the effective interest method, recognising the interest expense in accordance with the effective interest rate for the period. At Demag Cranes, the category comprises loans and borrowings (Notes 27 and 33), trade payables and a portion of other financial liabilities (Notes 28 and 33).

Derivative financial instruments

Hedging is used to manage interest and exchange rate risk. The hedging instruments used by Demag Cranes mainly consist of foreign exchange contracts and interest rate swaps.

All derivative financial instruments are accounted for as financial assets or financial liabilities and measured at fair value at the balance sheet date. Changes in the fair value of derivative financial instruments are recognised as income or expense in profit or loss. Derivative financial instruments are accounted for by the rules applicable to the "at fair value through profit or loss" category. Hedge accounting was not applied in the financial year.

Impairment of financial assets

Financial assets classified as loans and receivables or available for sale are tested for impairment at each balance sheet date. A financial asset is impaired if there are indications that Demag Cranes may not recover part of its initial investment and the present value of the future cash flows or the fair value of the financial asset is less than the instrument's carrying amount. On an available-for-sale equity instrument, a significant or prolonged decline in the fair value of the financial instrument below its cost is to be considered objective evidence of impairment. Financial assets are assessed for impairment individually or on a portfolio basis. Demag Cranes recognises allowances as appropriate for all identifiable credit risks. The remaining credit risk from financial instruments corresponds to their carrying amounts. The impairment loss on a financial instrument measured at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted at the instrument's original effective interest rate. An impairment loss directly reduces the carrying amount of all affected financial instruments except for trade receivables, where impairment losses are recognised through an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are accounted for by reversing the allowance account to profit or loss.

If in a subsequent period the fair value of an available-for-sale financial instrument other than an equity instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss and any increase in excess of amortised cost is recognised directly in equity. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed. Any increase in fair value after recognition of an impairment loss is recognised directly in equity.

Derecognition of financial instruments

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire or it is transferred to another party with all the risks and rewards of ownership. If on formal transfer of a financial asset Demag Cranes neither transfers nor retains substantially all the risks and rewards of ownership and retains control of the transferred asset, it continues to recognise the financial asset to the extent of its continuing involvement and recognises as a liability any obligations created in the transfer. If Demag Cranes retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the asset and recognises a secured loan for the consideration received.

Demag Cranes derecognises a financial liability when, and only when, the underlying obligation is discharged or cancelled or expires.

Financial instruments: Other investments

The other investment item consists of two sub-items – associates and long-term securities – and is classified as available for sale. Long-term securities are measured at fair value. This is determined by prices quoted in an active market. Gains and losses arising from changes in fair value are recognised directly in equity, taking account of any deferred tax. On disposal, the accumulated gain or loss previously recognised directly in equity is recognised in profit or loss. The appropriate classification of securities is determined on purchase and reviewed at each balance sheet date. There were no reclassifications in the year under review.

Investments in associates are measured at cost less accumulated impairment losses, as they are of minor overall significance. There were no indications of impairment in the year under review.

Further information on the other investments item is provided in Note 19.

Financial instruments: Trade receivables

Trade receivables are classified in the loans and receivables category. They are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

Financial instruments: Other financial assets

Other financial assets other than derivative financial instruments are measured at amortised cost less accumulated impairment losses. These assets are classified in the loans and receivables category. The measurement of derivative financial instruments is explained in a separate section (Derivative financial instruments).

Financial instruments: Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, bank deposits on up to one-day notice and securities with a residual maturity of up to three months at the acquisition date. These holdings are classified in the loans and receivables category. Demag Cranes measures cash and cash equivalents at amortised cost.

Share-based payment

Demag Cranes has a share-based payment scheme (Matching Stock Program) for executives and managerial employees. Settlement is in Demag Cranes AG shares. The amount of the equity-settled payment obligation is the fair value of the options at the grant date. This is independently assessed using Monte Carlo simulation. Demag Cranes recognises share-based payments in personnel expenses on a straight-line basis over the vesting period with a matching increase in additional paid-in capital. A provision is additionally recognised for payroll deductions pro rata in accordance with changes in the fair value of the options.

Pension obligations

Pension obligations arise under defined contribution and defined benefit plans. Contributions to defined contribution plans are recognised as an expense in profit or loss in the year employees have rendered service entitling them to the contributions.

The present value of the obligation under defined benefit plans is measured separately for each plan using the projected unit credit method, based on the estimated amount of benefit employees have earned up to the balance sheet date. Demag Cranes obtains an actuarial valuation to determine the amount of its obligation each year. Demag Cranes net obligation is determined by subtracting the fair value of plan assets from the present value of the defined benefit obligation. The discount rate used is the yield at the balance sheet date on senior corporate bonds with maturities approximating to the duration of the benefit. Experience adjustments and changes in actuarial parameters over time can result in differences between the actual and expected benefit obligation and the actual and expected return on plan assets. The resulting actuarial gains and losses are recognised directly in equity (in retained earnings) and presented separately in the Statement of comprehensive income. If plan benefits are subsequently increased, the share of the present value of the increased benefits that relates to employees' past service (the past service cost) is recognised as expense on a straight-line basis over the period until the benefits become vested. The past service cost for benefits that are vested immediately is recognised immediately in profit or loss.

Other provisions

Other provisions are recognised if at the balance sheet date Demag Cranes has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the time value of money is material, provisions are recognised at the discounted present value of the expected amount of the obligation. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the cash flow risk on the liability. If it is virtually certain that the amount of a provision will be reimbursed by an identifiable third party, the expected reimbursement is recognised as a separate asset. Provisions for the estimated cost of product warranties are recognised when products are sold. Restructuring provisions are recognised when a detailed formal restructuring plan has been drawn up and announced to the parties affected. Changes in estimates used in the measurement of provisions are recognised in profit or loss. No provision is recognised for costs that need to be incurred to operate in the future. Provisions for onerous contracts are recognised if and to the extent it becomes apparent that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Financial instruments: Loans and borrowings

Interest-bearing loans and borrowings are initially recognised at fair value less transaction costs incurred on inception. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost, with the difference between the initial amount and the repayment amount being recognised as interest expense over the loan term using the effective interest method. Gains and losses arising from amortisation of such differences and derecognition of financial liabilities are recognised immediately in profit or loss.

Financial guarantee contracts are initially measured at fair value plus any transaction costs directly attributable to their issue. They are subsequently measured at the higher of the amount of any provision recognised for giving the guarantee and the amount initially recognised less accumulated amortisation.

Financial instruments: Trade payables

Trade payables are financial liabilities that Demag Cranes measures at amortised cost using the effective interest method.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or a present obligation where it is possible but not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

6. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the amount of assets and liabilities and disclosures on contingent assets and liabilities at the balance sheet date and the amount of income and expenses during the reporting period. Actual amounts may differ from these estimates. The estimates and assumptions are based on experience and other factors considered relevant in measuring carrying amounts where these are not readily apparent from other reliable sources. Demag Cranes reviews the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which an estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the preparation of the Consolidated Financial Statements, the Management Board of Demag Cranes AG used estimates and assumptions relating to material items as follows:

- Assessment of the need to recognise impairments and measurement of the amount of any impairment loss
  Demag Cranes assesses at each reporting date whether there is any indication that items of property, plant and equipment, intangible assets or investment property are impaired. To test for impairment, an asset's or cash-generating unit's recoverable amount is compared with its carrying amount. The recoverable amount is fair value less costs to sell or value in use, whichever is higher. Demag Cranes normally measures the recoverable amount on the basis of fair value less costs to sell. In estimating fair value less costs to sell, management makes assumptions regarding expected future cash flows from each asset or cash-generating unit, using appropriate discount rates. The recoverable amount of trademarks in other intangible assets is determined using the relief from royalty method. Impairment testing has confirmed the carrying amounts of goodwill and trademarks.

- Estimated useful lives
  Useful lives are based on estimates. The estimated useful lives of intangible assets, property, plant and equipment and investment property are reviewed at each financial year-end. As in the previous year, the review has not identified any need to alter the estimated useful life of any asset.

- Recognition and measurement of development expenses
  Development expenses are capitalised if the recognition criteria are satisfied. Management makes assumptions in this connection concerning the size of expected future cash flows, the applicable discount rates and the period over which expected future benefits will be generated. Development expenses are amortised over the expected useful life of the asset from the point at which it is able to be used. EUR 5,509,000 in development expenses were

capitalised in financial year 2010/2011 (2009/2010: EUR 1,983,000). Impairment testing of capitalised development expenses did not result in recognition of any impairment losses in financial year 2010/2011. Further information on the impairment of capitalised development expenses is provided in Note 15.

- Accounting for pensions and similar obligations
  Demag Cranes uses actuarial valuations in the measurement of pensions and similar obligations. These valuations are made on the basis, among other things, of expected returns on plan assets, future salary increases, future pension increases, mortality and staff turnover. Due to their long-term focus, these estimates are subject to material uncertainty. The provision for pensions and similar obligations amounted to EUR 143,246,000 at the balance sheet date (30 September 2010: EUR 157,376,000). Further information is provided in Note 25.

- Accounting for restructuring provisions
  The size of the restructuring provision is based on management's best estimate. Changes in estimates may become necessary as the restructuring plan takes on substance and is implemented. The restructuring provision came to EUR 2,478,000 at 30 September 2011 (30 September 2010: EUR 8,692,000). Further information is provided in Note 26.

- Other personnel-related obligations and partial retirement obligations
  Recognition and measurement of partial-retirement obligations and other personnel-related obligations likewise involve estimates and assumptions regarding the expected timing and amount. Factors affecting the size of the provision include biometric data used in calculations, workforce turnover and take-up of partial retirement arrangements. Other personnel-related obligations totalled EUR 65,895,000 at the balance sheet date (30 September 2010: EUR 46,375,000). Partial retirement obligations came to EUR 10,253,000 (30 September 2010: EUR 13,503,000). Further information is provided in Note 29.

- Share-based payment
  In determining the fair value of equity instruments, Demag Cranes applies a suitable valuation technique (Monte Carlo simulation) that reflects the conditions of its share-based payment scheme. The variables incorporated in the valuation model and the fair values of equity instruments are presented in Note 24.

- Deferred tax assets
  Deferred tax assets are recognised for tax loss carryforwards to the extent that it is probable that there will be taxable profits permitting their utilisation. Their measurement requires estimates as to the timing and amount of taxable profits against which they can be utilised. At 30 September 2011, the net carrying amount of deferred tax assets recognised for tax loss carryforwards amounted to EUR 10,437,000 (30 September 2010: EUR 15,960,000). Further information is provided in Note 30.

All estimates and assumptions are based on the best available information and the objective of achieving a fair presentation of the financial position, financial performance and cash flows of Demag Cranes. Due to the uncertainty associated with estimates and assumptions, actual results may differ from the reported amounts.

Notes to the Statement of comprehensive income

7. Revenue

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Industrial Cranes segment	489,812	440,759
Port Technology Segment	238,985	189,923
Goods and spare parts sold	**728,797**	**630,682**
Services (Services segment)	333,458	300,598
Total	**1,062,256**	**931,280**

Revenue from the sale of goods denominated in foreign currencies is cash flow hedged using foreign currency derivatives and includes net gains or losses on those derivatives.

Further information on revenue by segment and by region is contained in the segment reporting section (Note 32).

8. Selling, general and administrative expenses

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Selling expenses	–152,087	–126,435
General administrative expenses	–101,524	–59,536
Total	**–253,611**	**–185,971**

Selling expenses include agents' commissions, marketing and advertising expenses, and outbound freight for deliveries to end customers. General and administrative expenses consist of expenses not attributable to development and production or to sales.

Selling, general and administrative expenses include EUR 28,335,000 (2009/2010: EUR 0,000) of costs in connection with the takeover by Terex.

9. Research and development expenses

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Incurred research and development expenses	–20,208	–17,384
Amortisation	–1,640	–1,485
Impairments	–	–
Capitalised development expenses	5,509	1,983
Total	**–16,339**	**–16,886**

The incurred research and development expenses sub-item contains all expenses for research and development activities in the period. The amortisation relates to capitalised development expenses.

Detailed information on capitalised development expenses, amortisation and impairments is given in Note 15 (Goodwill and other intangible assets).

10. Other operating income and other operating expenses

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Foreign exchange gains	8,883	11,130
Gains on disposal of assets	137	51
Income from reversal of other provisions	3,790	1,505
Other insurance benefits	183	3,072
Differences arising from first-time consolidation of D.B. Holdings and DBIS	51	–
Other	2,033	1,757
Other operating income	**15,077**	**17,515**
Foreign exchange losses	–12,218	–10,245
Losses on disposal of assets	–97	–379
Expenses relating to insurance benefits	–	–2,053
Other	–207	–703
Other operating expenses	**–12,522**	**–13,379**

11. Income from investments accounted for using the equity method

The EUR 3,210,000 (2009/2010: EUR 3,979,000) income from investments accounted for using the equity method in the Statement of comprehensive income is from the 50% share of MHE-Demag (S) Pte. Ltd., Singapore, held by Demag Cranes & Components GmbH, Wetter, Germany.

12. Interest and similar income and interest and similar expenses

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Interest on current accounts and term deposits	1,895	1,824
Measurement of interest rate swaps at fair value	–	114
Expected return on plan assets	702	824
Other	383	448
Interest and similar income	**2,980**	**3,211**
Interest on senior credit facility	–4,353	–1,444
Interest expenses on pension provisions	–6,586	–7,639
Interest expenses on non-current liabilities	–469	–685
Amortisation of debt issuance costs	–1,168	–487
Other	–2,302	–1,304
Interest and similar expenses	**–14,878**	**–11,559**

13. Income tax

The 30.7% (2009/2010: 30.7%) income tax rate for domestic companies consists of corporation tax at 15.0% (2009/2010: 15.0%) plus the supplementary 5.5% solidarity surcharge (2009/2010: 5.5%) and German trade tax at an average of 14.9% (2009/2010: 14.9%).

Current and deferred income tax at foreign companies is computed on the basis of local tax rates.

Income tax for financial year 2010/2011 is made up as follows:

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Current income tax		
Germany	–19,864	–2,563
Other countries	–10,869	–10,018
Subtotal	**–30,734**	**–12,581**
Deferred tax		
Germany	4,197	–1,978
Other countries	1,079	461
Subtotal	**5,276**	**–1,517**
Total	**–25,458**	**–14,098**

The reported income tax figure differs from expected income tax expenses based on the 30.7% aggregate German income tax rate for the reasons set out in the following:

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Earnings before tax (EBT)	31,989	41,857
Group tax rate (%)	*30,7*	*30,7*
Expected income tax expenses	**–9,821**	**–12,850**
Differences due to foreign tax rates	–411	1,371
Additions/deductions due to German trade tax	22	–44
Effects of losses carried forward/valuation allowances	–17,229	173
Tax-free income	73	1,696
Non-deductible expenses	–1,227	–1,191
Effects of changes in income tax rates	–1	–47
Income tax of prior years	–602	–1,988
Permanent differences	2,258	1,639
Other	1,481	–2,857
Current income tax	**–25,458**	**–14,098**
Effective tax rate (%)	*79.6*	*33.7*

14. Earnings per share

	1 October to 30 September	
	2010/2011	2009/2010
Net income attributable to shareholders of Demag Cranes AG (in EUR thousand)	6,459	27,705
Weighted average number of shares outstanding	21,172,993	21,172,993
Earnings per share (in EUR)	**0.31**	**1.31**

There is no dilutive effect as no potential shares were in circulation in financial year 2010/2011 or 2009/2010. Diluted earnings per share and basic earnings per share are therefore the same.

Notes to the Statement of financial position

15. Goodwill and other intangible assets

		Other intangible assets	
	Goodwill	Trademarks	Patents
in EUR thousand			
Cost			
Balance at 1 October 2009	**120,424**	**27,846**	**15,099**
Additions from acquisitions	–	–	–
Additions from internal development	–	–	–
Disposals	–	–	–
Reclassifications	–	–	–
Exchange differences	67	–	–
Balance at 30 September 2010	**120,491**	**27,846**	**15,099**
Balance at 1 October 2010	**120,491**	**27,846**	**15,099**
Change in the scope of the Consolidated Financial Statements	–	–	–
Additions from acquisitions	–	–	40
Additions from internal development	–	–	–
Disposals	–	–	–
Reclassifications	–	–	–
Other changes	–	–	–
Exchange differences	–65	–	–
Balance at 30 September 2011	**120,427**	**27,846**	**15,139**

		Other intangible assets	
	Goodwill	Trademarks	Patents
in EUR thousand			
Depreciation, amortisation and impairments			
Balance at 1 October 2009	**–**	**–85**	**–15,055**
Amortisation	–	–	–4
Impairments	–	–	–
Disposals	–	–	–
Reclassifications	–	–	–
Exchange differences	–	–	–
Balance at 30 September 2010	**–**	**–85**	**–15,059**
Balance at 1 October 2009	**–**	**–85**	**–15,059**
Amortisation	–	–	–8
Impairments	–	–	–
Disposals	–	–	–
Exchange differences	–	–	–
Balance at 30 September 2010	**–**	**–85**	**–15,068**
Carrying amounts			
Balance at 1 October 2009	120,424	27,761	44
Balance at 30 September 2010	**120,491**	**27,761**	**40**
Balance at 1 October 2010	120,491	27,761	40
Balance at 30 September 2011	**120,427**	**27,761**	**71**

Other intangible assets

Capitalised development (in progress)	Capitalised development (completed)	Software	Other intangible assets	**Total**
643	**17,372**	**27,701**	**2,178**	**211,263**
–	–	1,575	–	1,575
1,983	–	–	–	1,983
–	–	–2,411	–	–2,411
–	–	112	–47	65
–	–	258	85	410
2,625	**17,372**	**27,236**	**2,216**	**212,885**
2,625	**17,372**	**27,236**	**2,216**	**212,885**
–	–	988	492	1,480
–	–	1,299	22	1,361
5,203	307	–	–	5,509
–	–	–8	–	–8
–2,529	2,529	54	–	54
–	–	–	–	–
–	–	–89	1	–153
5,299	**20,208**	**29,481**	**2,731**	**221,129**

Other intangible assets

Capitalised development (in progress)	Capitalised development (completed)	Software	Other intangible assets	**Total**
–	**–14,683**	**–18,510**	**–1,899**	**–50,232**
–	–1,485	–3,362	–119	–4,970
–	–	–	–	–
–	–	2,411	–	2,411
–	–	–32	32	–
–	–	–140	–75	–215
–	**–16,168**	**–19,634**	**–2,060**	**–53,006**
–	**–16,168**	**–19,634**	**–2,060**	**–53,006**
–	–1,360	–3,202	–176	–4,746
–	–	–	–	–
–	–	8	–	8
–	–	40	–2	38
–	**–17,528**	**–22,788**	**–2,239**	**–57,708**
643	2,689	9,191	279	161,031
2,625	**1,204**	**7,603**	**155**	**159,879**
2,625	1,204	7,603	155	159,879
5,299	**2,680**	**6,692**	**492**	**163,422**

Goodwill

Demag Cranes tests goodwill for impairment annually at segment level. Goodwill is allocated to segments as follows:

	30 September	
in EUR thousand	**2011**	2010
Industrial Cranes	15,528	15,592
Port Technology	8,266	8,266
Services	96,633	96,633
Total	120,427	**120,491**

As there is no active market in which to determine the fair value of the segments, Demag Cranes assesses goodwill allocated to them for impairment by reference to their discounted expected future operating cash flows less estimated costs to sell (fair value less costs to sell). These cash flows are estimated over the detailed planning period on the basis of the medium-term plan for the Group, which has a five-year planning horizon. Key factors incorporated into the planning model include trends in exchange rates, relevant markets, and costs of production, selling and marketing, and administration. These take into account general market forecasts alongside current trends and past experience. Net cash flows are estimated beyond the medium-term planning horizon as the average net cash flows from preceding periods. The weighted average cost of capital used to discount future cash flows is, on a post-tax basis, 8.5% in the Industrial Cranes and Services segments (2010: 7.6%) and 8.5% in the Port Technology segment (2010: 7.1%). Demag Cranes estimates costs to sell at two percent of the estimated fair value of the relevant cash-generating unit.

As in the previous year, the impairment tests performed in financial year 2010/2011 confirmed the existing carrying amounts of goodwill.

Other intangible assets

The EUR 42,996,000 other intangible assets item in the Statement of financial position (2010: EUR 39,388,000) comprises trademarks, patents, capitalised development costs for development in progress and completed development, software, and sundry other intangible assets.

Development expenses totalling EUR 5,509,000 were capitalised for a new model range in financial year 2010/2011 (2009/2010: EUR 1,983,000). This was accounted for by the Port Technology and the Industrial Cranes segments. Borrowing costs of EUR 51,000 were recognised for qualifying assets in the period under review (2009/2010: EUR 0,000). The underlying capitalisation rate determined on a quarterly basis averaged 2.65% in the financial year.

Impairment testing in financial year 2010/2011 did not result in recognition of any impairment losses.

As in the previous year, there were no impairment reversals in financial year 2010/2011.

Trademarks with indefinite useful lives are tested annually for impairment. The recoverable amount against which the carrying amount is compared is measured at fair value using the relief from royalty method. The future cash flows are discounted (applying a five-year planning horizon) at a post-tax discount rate of 8.5% in the Industrial Cranes and Services segments (2010: 7.6%) and 8.5% in the Port Technology segment (2010: 7.1%). The imputed licence fee is estimated by Demag Cranes at 0.5% (2010: 0.5%) of budgeted revenue using the trademark. The carrying amounts of trademark assets in each segment are as follows:

	30 September	
in EUR thousand	**2011**	2010
Industrial Cranes	10,623	10,623
Port Technology	9,747	9,747
Services	6,891	6,891
Total	27,261	**27,261**

The Demag brand, which is not allocated to a specific segment, is additionally recognised with a carrying amount of EUR 500,000 (2010: EUR 500,000).

As in the previous year, impairment testing of trademarks did not give cause to recognise any impairment losses.

Amortisation and impairments of other intangible assets are divided between items in the Statement of comprehensive income as follows:

	1 October to 30 September			
in EUR thousand	**2010/2011**	Of which impairments	2009/2010	Of which impairments
Cost of sales	–681	–	–921	–
Selling, general and administrative expenses	–1,511	–	–1,667	–
Research and development expenses	–2,555	–	–2,382	–
Total	–4,746	**–**	**–4,970**	**–**

16. Property, plant and equipment

in EUR thousand	Land	Buildings and leasehold improvements	Plant and machinery
Cost			
Balance at 1 October 2009	**24,279**	**65,964**	**97,321**
Additions	0	2,934	3,704
Disposals	–11	–8	–351
Reclassifications	–	113	4,407
Exchange differences	305	959	1,298
Balance at 30 September 2010	**24,574**	**69,962**	**106,379**
Balance at 1 October 2010	**24,574**	**69,962**	**106,379**
Change in the scope of the Consolidated Financial Statements	–	–	–
Additions	–	645	7,971
Disposals	–	–	–1,316
Reclassifications	–	729	1,516
Other changes	–	–	–
Exchange differences	142	–203	–379
Balance at 30 September 2011	**24,716**	**71,132**	**114,172**

in EUR thousand	Land	Buildings and leasehold improvements	Plant and machinery
Depreciation, amortisation and impairments			
Balance at 1 October 2009	**–1,032**	**–29,211**	**–54,449**
Amortisation	–	–3,416	–9,224
Impairments	–	–	–
Disposals	–	6	321
Reclassifications	–	9	–8
Exchange differences	–	–442	–653
Balance at 30 September 2010	**–1,032**	**–33,054**	**–64,013**
Balance at 1 October 2010	**–1,032**	**–33,054**	**–64,013**
Amortisation	–	–3,495	–9,479
Impairments	–	–	–
Disposals	–	–	1,263
Reclassifications	–	–24	445
Exchange differences	–	45	79
Balance at 30 September 2011	**–1,032**	**–36,528**	**–71,705**
Carrying amounts			
Balance at 1 October 2009	23,247	36,753	42,872
Balance at 30 September 2010	**23,542**	**36,908**	**42,366**
Balance at 1 October 2010	23,542	36,908	42,366
Balance at 30 September 2011	**23,684**	**34,604**	**42,467**

Other plant	Prepayments and assets under construction	Property, plant and equipment under finance leases	**Total**
35,952	**7,037**	**133**	**230,685**
4,438	2,568	–	13,645
–1,005	–1,181	–59	–2,614
28	–4,613	–	–65
1,018	114	0	3,694
40,431	**3,925**	**74**	**245,345**
40,431	**3,925**	**74**	**245,345**
61	–	–	61
4,798	6,398	–	19,813
–1,882	–44	–	–3,242
1,672	–3,938	–64	–86
–	–	–	–
–296	–125	–	–860
44,785	**6,216**	**10**	**261,031**

Other plant	Prepayments and assets under construction	Property, plant and equipment under finance leases	**Total**
–25,964	**–**	**–112**	**–110,768**
–3,821	–360	–9	–16,830
–	–	–	–
916	–	59	1,302
0	–	–	–
–696	–3	0	–1,793
–29,565	**–363**	**–62**	**–128,089**
–29,565	**–363**	**–62**	**–128,089**
–4,323	–	–	–17,298
–	–	–	–
1,758	–	–	3,021
–474	–	53	–
162	–2	–	284
–32,443	**–365**	**–10**	**–142,083**
9,988	7,037	21	119,917
10,866	**3,562**	**12**	**117,256**
10,866	3,562	12	117,256
12,343	**5,851**	**–**	**118,949**

No impairments on buildings and leasehold improvements were recognised in financial year 2010/2011 (2009/2010: EUR 0,000).

There were no impairment reversals on property, plant and equipment in financial year 2010/2011 or 2009/2010.

Depreciation and impairments of property, plant and equipment are divided between items in the Statement of comprehensive income as follows:

	1 October to 30 September			
in EUR thousand	**2010/2011**	Of which impairments	2009/2010	Of which impairments
Cost of sales	–14,255	–	–14,380	–
Research and development expenses	–130	–	–77	–
Selling, general and administrative expenses	–2,913	–	–2,374	–
Total	–17,298	**–**	**–16,830**	**–**

Prepayments and assets under construction

The prepayments and assets under construction sub-item is made up as follows:

	30 September	
in EUR thousand	**2011**	2010
Construction of a computer centre	944	–
Lathes	733	144
Machining centre	717	–
CNC machines	597	–
Parking garage refurbishment	486	–
Paint facility	442	540
Chain hoist	189	–
MSH modules	98	161
Factory building fire control	–	542
Overhead travelling cranes for a new factory	–	509
Flame-cutting machine	–	187
Rotor turning machine	–	173
Complete blade server system	–	170
Tape virtualisation back-up system	–	166
Other	1,645	971
Total	**5,851**	**3,562**

17. Investment property

in EUR thousand	Land	Buidling	Total
Cost			
Balance at 1 October 2009	**178**	**7**	**185**
Transfer to/from property, plant and equipment	–	–	–
Disposals	–	–	–
Exchange differences	4	1	5
Balance at 30 September 2010	**182**	**8**	**190**
Balance at 1 October 2010	**182**	**8**	**190**
Transfer to/from property, plant and equipment	–	–	–
Disposals	–	–	–
Exchange differences	–4	–1	–5
Balance at 30 September 2011	**178**	**8**	**186**
Depreciation, amortisation and impairments			
Balance at 1 October 2009	**–**	**–4**	**–4**
Amortisation	–	–1	–1
Impairments	–	–	–
Disposals	–	–	–
Exchange differences	–		–
Balance at 30 September 2010	**–**	**–5**	**–5**
Balance at 1 October 2010	**–**	**–5**	**–5**
Amortisation	–	–1	–1
Impairments	–	–	–
Disposals	–	–	–
Exchange differences	–	1	1
Balance at 30 September 2011	**–**	**–6**	**–6**
Carrying amounts			
Balance at 1 October 2009	178	3	181
Balance at 30 September 2010	**182**	**3**	**185**
Balance at 1 October 2010	182	3	185
Balance at 30 September 2011	**178**	**2**	**180**

As in the previous year, rentals included under other operating income in the Statement of comprehensive income for the reporting period come to less than EUR 100,000 net of attributable operating expenses.

18. Investments accounted for using the equity method

Equity-accounted investments relate in their entirety to the shareholding in MHE-Demag (S) Pte. Ltd., Singapore ("MHE-Demag"). Demag Cranes share in the profit of MHE-Demag for financial year 2010/2011 is EUR 3,210,000 (2009/2010: EUR 3,979,000). Revenue in financial year 2010/2011 includes EUR 21,815,000 (2009/2010: EUR 16,319,000) in supplies to MHE-Demag. Income from the investment included in the Statement of comprehensive income is explained in Note 11 (Income from investments accounted for using the equity method).

The table below contains financial information on MHE-Demag relative to the 50% ownership interest held by Demag Cranes:

	31 August	
in EUR thousand	**2011**	2010
Revenue[1]	50,905	48,396
Other operating income[1]	237	179
Expenses[1]	46,678	43,398
Tax[1]	1,254	1,199
Net income after tax[1]	3,210	3,979
Non-current assets	5,557	5,547
Current assets	37,855	37,726
Non-current liabilities	–	–
Current liabilities	20,243	20,899
Equity	23,169	21,659

[1] 1 September 2010 – 31 August 2011

19. Other investments

in EUR thousand	Investments in associates	Long-term securities	**Total**
Cost			
Balance at 1 October 2009	**40**	**711**	**751**
Additions	10	–	10
Change in fair value	–	15	15
Disposals	–	–	–
Balance at 30 September 2010	**50**	**726**	**776**
Balance at 1 October 2010	**50**	**726**	**776**
Additions		–	–
Change in fair value	–	–31	–31
Disposals	–	–	–
Balance at 30 September 2011	**50**	**694**	**745**

20. Trade receivables and other financial assets

	30 September 2011			30 September 2010		
in EUR thousand	Current	Non-current	**Total**	Current	Non-current	Total
Trade receivables	203,867	1,159	205,026	185,606	1,246	186,852
Trade receivables from associates and joint ventures	54	–	54	4,572	–	4,572
Derivative financial instruments	335	–	335	1,117	–	1,117
Receivables from employees	589	–	589	609	–	609
Contract work trade receivables/payables	–	–	–	–	–	–
Other	401	1,817	2,218	394	1,885	2,279
Gross	**205,245**	**2,976**	**208,221**	**192,299**	**3,130**	**195,429**
Impairments	–10,587	–289	–10,876	–11,238	–289	–11,527
Net	**194,658**	**2,687**	**197,345**	**181,061**	**2,842**	**183,903**

The current trade receivables are mostly receivables with country-specific maturities on which no interest is charged.

The non-current trade receivables are for supplies to customers payable in one to five years. Interest is charged on these at market rates.

No receivables were forfeited during the financial year (2010: EUR 4,998,000 forfaited), no receivables were derecognised as a result (2010: EUR 4,748,000 derecognised) and there were no proceeds from forfeiting (2010: EUR 4,547,000 in proceeds).

Derivative financial instruments mainly consist of derivatives with positive fair values of EUR 335,000 (2010: EUR 1,117,000) that are not used for hedging purposes.

Trade receivables past due at 30 September 2011 before impairment losses recognised on a collective basis:

	30 September	
in EUR thousand	**2011**	2010
Gross carrying amount	205,080	191,424
Individual impairments	–9,903	–9,343
Trade receivables	**195,117**	**182,082**
Of which at the balance sheet date neither impaired		
nor past due	161,089	139,229
up to 30 days past due	16,488	24,285
31 to 60 days past due	4,302	5,951
61 to 90 days past due	2,186	2,603
91 to 180 days past due	2,204	3,014
181 to 360 days past due	1,820	2,035
over 360 days past due	704	2,401

Impairment losses totalling EUR 9,303,000 (2010: EUR 9,343,000) were individually recognised on trade receivables with a gross carrying amount of EUR 16,286,000 (2010: EUR 11,906,000).

There was no indication at the balance sheet date that debtors will not meet their payment obligations with regard to trade receivables neither impaired nor past due.

Impairment losses on trade receivables and other financial assets have changed as follows:

	2010/2011		2009/2010	
in EUR thousand	**Total**	Of which specific allowances	Total	Of which specific allowances
Balance at 1 October	**–11,527**	**–9,345**	**–13,101**	**–10,477**
Additions	–4,173	–3,909	–2,958	–2,803
Reversals	3,270	1,824	3,110	2,426
Drawings	1,531	1,531	1,790	1,790
Exchange differences	22	–6	–367	–280
Balance at 30 September	**–10,876**	**–9,904**	**–11,527**	**–9,345**

Impairment losses totalling EUR 9,904,000 (2010: EUR 9,345,000) were individually recognised on trade receivables and other financial assets with a gross carrying amount of EUR 208,221,000 (2010: EUR 195,429,000). Trade receivables for which individual assessment did not reveal any indication of impairment were grouped into receivables with similar credit risk characteristics and collectively assessed for impairment based on historical loss experience. This resulted in the recognition of impairment losses on a collective basis totalling EUR 972,000 (2010: EUR 2,182,000). The impaired receivables are owed by a large number of different customers. Receivables are monitored by the individual Group companies.

Detailed information on financial instruments is provided in Note 33.

Construction contracts in progress at the balance sheet date:

	30 September	
in EUR thousand	**2011**	2010
Construction costs incurred	345	8,096
Plus recognised profits	86	4,039
Progress billings	–431	–12,135
Total	–	–

As a result of progress billings, Demag Cranes has no amounts due under construction contracts. Revenue from construction contracts came to EUR 421,000 in financial year 2010/2011 (2009/2010: EUR 12,171,000), comprising EUR 421,000 in the Industrial Cranes segment (2009/2010: EUR 11,197,000) and EUR 0,000 (2009/2010: EUR 974,000) in the Services segment. There were no retentions at the balance sheet date.

21. Other non-financial assets

	30 September 2011			30 September 2010		
in EUR thousand	Current	Non-current	**Total**	Current	Non-current	Total
Other tax receivables	13,235	–	13,235	9,517	–	9,517
Prepayments	2,686	940	3,627	3,251	1,043	4,294
Deferred charges	4,835	–	4,835	4,530	–	4,530
Other	3,492	1,073	4,565	3,310	1,092	4,402
Gross	**24,248**	**2,014**	**26,262**	**20,607**	**2,135**	**22,742**
Impairments	–19	–1,073	–1,092	–	–1,073	–1,073
Net	**24,229**	**940**	**25,170**	**20,607**	**1,062**	**21,669**

The carrying amounts of other non-financial assets largely match their fair values.

Impairment losses on other non-financial assets have changed as follows:

	2010/2011		2009/2010	
in EUR thousand	**Total**	Of which specific allowances	Total	Of which specific allowances
Balance at 1 October	**–1,073**	**–1,073**	**–1,073**	**–1,073**
Additions	–19	–19	–	–
Reversals	–	–	–	–
Drawings	–	–	–	–
Exchange differences	–	–	–	–
Balance at 30 September	**–1,092**	**–1,092**	**–1,073**	**–1,073**

22. Inventories

	30 September	
in EUR thousand	**2011**	2010
Materials and supplies	56,799	40,963
Work in progress	160,102	127,413
Finished goods and products held for resale	8,900	10,310
Total	**225,802**	**178,686**

A total of EUR 506,410,000 (2009/2010: EUR 461,234,000) in inventories were recognised as expense (material expenses) in the reporting period. This is net of EUR 5,338,000 in income from reversal of write-downs (2009/2010: EUR 7,698,000 in write-downs). The gross value of written-down inventories is EUR 67,534,000 (30 September 2010: EUR 61,591,000).

23. Cash and cash equivalents

Cash and cash equivalents as at 30 September 2011 were made up as follows:

	30 September	
in EUR thousand	**2011**	2010
Cash on hand	1,750	1,742
Current accounts (bank)	81,320	46,552
Fixed-term deposits	22,589	63,449
Other	1,947	1,680
Total	**107,606**	**113,423**

The cash and cash equivalents items in the Statement of financial position and the Statement of cash flow are identical. EUR 2,287,000 (2010: EUR 3,006,000) are pledged as security for liabilities.

Changes in cash and cash equivalents in the reporting period are shown in the Statement of cash flow.

24. Shareholders' equity

Subscribed capital

Demag Cranes AG's subscribed capital amounts to EUR 21,172,993 and is divided into 21,172,993 no-par-value bearer shares.

Management Board authorisations

By resolution of the Annual General Meeting of 2 March 2011, the Management Board is authorised subject to Supervisory Board approval to increase the Company's share capital by up to EUR 10,586,000 by issuing new no-par-value bearer shares, each comprising one euro of share capital, for cash or non-cash consideration on one or more occasions by or before 1 March 2016. In circumstances listed in the authorising resolution, the Management Board is authorised to exclude existing shareholders' statutory right of pre-emption.

By resolution of the Company's Annual General Meeting of 2 March 2010, the Management Board of Demag Cranes AG is further authorised, subject to Supervisory Board approval, to issue convertible and/or warrant-linked bearer bonds (collectively 'bonds') with limited or unlimited maturities up to an aggregate face value of EUR 210,000,000 on one or more occasions by or before 1 March 2015 and to give the bondholders conversion rights and/or options (including with an attached conversion obligation) to no-par-value bearer shares in the Company making up a maximum EUR 4,200,000 portion of the share capital in accordance with the detailed terms and conditions of the convertible or warrant-linked bond issue. The bonds are required to be issued solely for cash.

No convertible bonds or warrant-linked bonds had been issued as at the 30 September 2011 balance sheet date.

Additional paid-in capital

The change in additional paid-in capital during the financial year relates to amounts credited under the share option scheme (Matching Stock Program).

Share-based payment (Matching Stock Program)

To promote the attainment of its business goals, Demag Cranes operates a Matching Stock Program (MSP). The MSP is a form of long-term compensation with an incentive component and entitles executives and managerial employees to subscribe for phantom shares. At the time of subscribing, MSP participants must be executives or employees of Demag Cranes AG or a Demag Cranes Group company whose contract is not pending termination. Participants must also present proof of acquiring Demag Cranes shares (MSP shares). For each MSP share acquired in the MSP, participants receive five tranches – one tranche a year – of six phantom shares each. The phantom shares are subject to a two-year lock-up period from allocation of each tranche and are exercised automatically thereafter at the base price if a specific performance threshold is attained.

The base price of phantom shares in the first tranche is 110% of the issue price. The base price of the second to fifth tranche is the average closing price of Demag Cranes AG shares on the Frankfurt Stock Exchange XETRA trading platform in the last 60 trading days before each allocation of phantom shares, plus a ten percent mark-up. The base price is EUR 24.20 for the first tranche, EUR 52.73 for the second, EUR 37.98 for the third, EUR 17.70 for the fourth and EUR 28.40 for the fifth.

The performance threshold is attained if the exercise price of the allocated phantom shares, being the average unweighted closing price on the XETRA trading platform in the last 60 trading days before exercise of the phantom shares, is above the base price.

On attainment of the performance threshold, for each phantom share, an amount equal to the difference between the base price and the exercise price, less payroll tax and social insurance contributions, is disbursed in shares in Demag Cranes AG, which can be freely disposed of after a two-year lock-up period. If the gain to all participants, computed as the difference between the base price and the exercise price when all phantom shares in a tranche of the MSP are exercised, exceeds EUR 4,000,000, the gain to all participants is subjected to a pro rata MSP cap such that the gross MSP gain to all participants after application of the cap does not exceed EUR 4,000,000.

Phantom shares expire if they are not exercised within seven years of the MSP's inception. MSP participants who leave the Group before the end of the MSP forfeit all entitlements to phantom shares not yet allocated unless otherwise agreed on termination of contract. Phantom shares that have already been allocated but not yet exercised are then settled at an appropriate price.

Changes in outstanding phantom shares:

Shares	**2010/2011**	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Phantom shares outstanding at 1 October	**572,004**	**888,930**	**1,375,350**	**1,599,048**	**2,039,190**	**–**
Granted	–	1,188	16,200	155,454	291,528	2,039,190
Forfeited	–21,804	–21,804	–239,952	–138,342	–731,670	–
Exercised	–286,002	–	–	–240,810	–	–
Expired	–	–296,310	–262,668	–	–	–
Phantom shares outstanding at 30 September	**264,198**	**572,004**	**888,930**	**1,375,350**	**1,599,048**	**2,039,190**
Of which						
held by Management Board members	78,468	156,936	235,404	545,664	258,000	289,740
exercisable at 30 September	–	–	–	–	–	–

The performance threshold for the first (2006) tranche of the Matching Stock Program (base price EUR 24.20; exercise price EUR 34.53) was attained on 23 June 2008. A total of 240,810 phantom shares worth EUR 1,318,000 were exercised by participants. Participants can freely dispose of these shares after two years. The average share price at the time of the purchase was EUR 32.84.

The performance thresholds for the second (2007) and third (2008) tranche of the Matching Stock Program were not attained.

The performance threshold for the fourth (2009) tranche of the Matching Stock Program (base price EUR 17.70; exercise price EUR 32.17) was attained on 23 June 2011. A total of 286,002 phantom shares worth EUR 2,180,000 were exercised by participants. Participants can freely dispose of these shares after two years. The average share price at the time of the purchase was EUR 45.22.

At 30 September 2011, MSP participants have subscribed for a total of 44,033 (2010: 47,667) MSP shares entitling them to exercise up to 264,198 phantom shares (30 September 2010: 572,004 phantom shares) by the end of the MSP.

Parameters used in measuring phantom shares:

	Fifth tranche 2010	Fourth tranche 2009	Third tranche 2008	Second tranche 2007	First tranche 2006
Demag Cranes AG share price at grant date		–	EUR 32.84	EUR 48.31	EUR 22.40
Base price	EUR 28.40	EUR 17.70	EUR 37.98	EUR 52.73	EUR 24.20
Expected volatility		–	37.52% – 45.57%	29.45% – 30.91%	27.31% – 31.25%
Term ends in	9 months	–	–	–	–
Risk-free interest rate		–	4.50% – 4.53%	4.37% – 4.52%	3.48% – 3.86%
Expected dividend yield*		–	4.61%	3.11%	5.11%
Fair value of all phantom shares per MSP share		–	EUR 39.84	EUR 75.80	EUR 56.15

* The simulation was based on discrete dividend estimates. The stated dividend yield is an average figure.

The phantom shares were measured using Monte Carlo simulation at the grant date taking into account the absolute target of the MSP, the setting of future base prices and the MSP cap. The average fair value at the grant date estimated using Monte Carlo simulation is EUR 56.15 for the first tranche, EUR 75.80 for the second and EUR 39.84 for the third. As no entitlement to new phantom shares accrued in the past or in the preceding financial year, parameters have not been determined for the fourth and fifth tranches.

The volatility of Demag Cranes shares was estimated based on the historical trend in the share prices of two listed companies – PALFINGER AG and KCI Konecranes Plc – over the term of the various MSP tranches. Demag Cranes recognised an expense and credited to additional paid-in capital an amount of EUR 123,000 for the MSP in 2010/2011 (2009/2010: EUR 368,000). The liability for payment of payroll tax and social insurance contributions for plan participants was EUR 483,000 (2009/2010: EUR 396,000) at the balance sheet date.

Retained earnings

Retained earnings consist of net income for the financial year, accumulated profits carried forward less dividends, together with differences between the expected and actual benefit obligation and the actual and expected return on plan assets.

Other comprehensive income

Other comprehensive income comprises three items: cash flow hedges, available-for-sale financial assets, and differences arising from currency translation.

The available-for-sale financial assets item contains the accumulated net gain or loss recognised in equity on available-for-sale financial assets.

Exchange rate effects from translating the financial statements of foreign entities whose functional currency is not the same as Demag Cranes AG's reporting currency are reported in differences arising from currency translation.

The components of accumulated other comprehensive income presented in the Statement of changes in equity are stated after income tax. In the Statement of comprehensive income, changes in the financial year are presented before tax along with the tax effect relating to net income recognised directly in equity. The table below reconciles the before-tax to the after-tax amounts.

in EUR thousand	**2010/2011**	2009/2010
Effective portion of changes in the fair value of cash flow hedges	**–**	**–**
Changes affecting profit or loss	–	–90
Changes not affecting profit or loss	–	–
Deferred tax	–	–111
Changes in the fair value of available-for-sale financial instruments	**–38**	**–14**
Changes affecting profit or loss	–	–
Changes not affecting profit or loss	–31	15
Deferred tax	8	–1
Actuarial gains/losses	**–7,939**	**–17,797**
Changes not affecting profit or loss	14,405	–25,218
Deferred tax	–4,547	7,804
Differences arising from currency translation	**3,792**	**7,123**
Changes affecting profit or loss	–	–
Changes not affecting profit or loss	–3,331	13,353
Of which from investments accounted for using the equity method	–269	3,887
Net income recognised directly in equity at 30 September	**–4,184**	**–10,688**

The above presentation also includes the portion of net income recognised directly in equity that is attributable to non-controlling interests.

Paid and proposed dividends

By resolution of the Annual General Meeting of 2 March 2011, EUR 12,704,000 of the net income for financial year 2009/2010 of Demag Cranes AG was distributed to shareholders and EUR 63,052,000 was carried forward to new account.

At the Annual General Meeting on 24 February 2012, the Management Board and Supervisory Board of Demag Cranes AG will be proposing a dividend of EUR 0.78 per share (2010: EUR 0.60 per share), comprising a total distribution of EUR 16,515,000 for financial year 2010/2011.

25. Provisions for pensions and similar obligations

The provisions for pensions and similar obligations are made up as follows:

	30 September	
in EUR thousand	**2011**	2010
Defined benefit obligation	134,634	147,966
Deferred compensation	8,608	9,407
Similar obligations	3	4
Total	**143,246**	**157,376**

Defined benefit obligation

In Germany, Demag Cranes pays post-employment benefits to almost all retired employees. Outside Germany, post-employment benefits have been granted to employees in Switzerland. The level of post-employment benefit depends on salary-based entitlement and/or position in the Company and length of service.

The defined benefit obligation changed as follows in financial year 2010/2011:

	2010/2011			2009/2010		
in EUR thousand	Germany	Other countries	**Total**	Germany	Other countries	Total
Defined benefit obligation at 1 October	**146,038**	**21,137**	**167,175**	**122,130**	**18,113**	**140,242**
Current service cost	1,918	510	2,429	1,678	390	2,068
Interest cost	5,750	484	6,234	6,502	695	7,198
Exchange differences	–	1,647	1,647	–	2,517	2,517
Contributions by plan participants	–	395	395	–	313	313
Actuarial gains/losses	–15,230	836	–14,394	24,035	602	24,637
Benefits paid	–7,634	–557	–8,191	–7,422	–1,492	–8,914
Other	484	–2,676	–2,192	–886	–	–886
Defined benefit obligation at 30 September	**131,326**	**21,776**	**153,102**	**146,038**	**21,137**	**167,175**
Of which						
funded	–	18,467	18,467	–	19,209	19,209
unfunded	131,326	3,309	134,635	146,038	1,928	147,966

The actuarial gains and losses result from differences between the actual and expected benefit obligation. The change in accumulated actuarial gains and losses mainly relates to an increase in the discount factor from 3.90% to 4.75%.

The table below reconciles the present value of defined benefit obligations to the amount of the obligation stated in the Statement of financial position:

	30 September				
in EUR thousand	**2011**	2010	2009	2008	2007
Defined benefit obligation	153,102	167,175	140,242	120,796	129,462
Fair value of plan assets	–18,467	–19,209	–16,600	–16,753	–16,919
Amount not recognised as asset	–	–	–	55	303
Prepayments	–	–	–	–	170
Provision for defined benefit obligation	**134,634**	**147,966**	**123,642**	**104,097**	**113,016**

The fair value of plan assets changed as follows:

in EUR thousand	**2010/2011**	2009/2010
Fair value of plan assets at 1 October	**19,209**	**16,600**
Expected return on plan assets	702	824
Contributions by the employer	438	350
Contributions by plan participants	395	313
Benefits paid	–557	–1,492
Actuarial gains (+)/losses (-)	–479	319
Exchange differences	1,436	2,295
Reversals	–2,676	–
Fair value of plan assets at 30 September	**18,467**	**19,209**
Actual income from plan assets	223	1,143

Only plans outside Germany are funded.

Plan assets are made up as follows:

	30 September	
in %	**2011**	2010
Equity instruments	24	22
Debt instruments	55	43
Property	14	10
Other short-term investments	7	25
Total	**100**	**100**

The investment objectives of Demag Cranes are to maximise returns while limiting risk. Investments in debt and equity instruments, cash and cash equivalents and property are made in observance of the Group's risk management policies. The diversified securities portfolio includes both domestic and foreign securities. The securities portfolio is administered by the trustees.

The expected return on plan assets is based on average market expectations for the period over which the obligation is settled.

Based on actuarial calculations, the composition of the pension expense is as follows:

	1 October to 30 September 2010/2011			1 October to 30 September 2009/2010		
in EUR thousand	Germany	Other countries	**Total**	Germany	Other countries	Total
Current service cost	1,918	510	2,428	1,678	390	2,068
Interest cost	5,750	484	6,234	6,502	695	7,198
Expected return on plan assets	–	–702	–702	–	–824	–824
Other	–	–	0	–146	–	–146
Pension expense, net	**7,668**	**292**	**7,960**	**8,035**	**261**	**8,296**
Included in						
cost of sales	1,035	344	1,379	808	258	1,067
selling, general and administrative expenses	878	166	1,044	724	132	856
research and development expenses	5	–	5	–	–	0
interest and similar income	–	–	0	–	–824	–824
interest and similar expenses	5,750	–218	5,532	6,502	695	7,198

The assumed discount rates and rates of increase for wages, salaries and benefits used to compute the benefit obligation, including the long-term return on plan assets, vary with economic conditions in the countries where the pension plans are in effect.

The actuarial assumptions are as follows:

	2010/2011		2009/2010	
in %	**Germany**	**Other countries**	Germany	Other countries
Discount rate	4.75	2.25	3.90	2.5
Expected salary increase	2.5	1.5	2.5	1.5
Expected increases in pensions	1.5	–	1.5	–
Expected return on plan assets	–	4.0	–	4.0

Experience adjustments are as follows:

	30 September				
in %	**2011**	2010	2009	2008	2007
Defined benefit obligation	–0.8	0.7	–0.2	–1.8	–1.0
Plan assets	–2.6	1.7	–7.9	–7.5	1.6

Experience adjustments are the ratio of the portion of actuarial gains and losses comprising differences between previous computation assumptions and what has actually occurred to the amount of the defined benefit obligation and plan assets at the balance sheet date. The figures state the amount by which it was necessary to increase (+) or decrease (-) the estimated figures for the defined benefit obligation/plan assets.

Deferred compensation

Under agreements between Group companies and employees, a portion of employees' earnings is withheld and paid out at a later date. The employee benefit entitlements resulting from deferred compensation are computed using actuarial methods. EUR 8,608,000 in deferred compensation was recognised as liabilities in financial year 2010/2011 (2009/2010: EUR 9,407,000).

Defined contribution plans

In addition to the defined benefit plans, payments are made notably in Germany, Brazil, Denmark, the USA and the UK into defined contribution plans. Under defined contribution arrangements, Demag Cranes pays contributions by law, by contractual agreement or voluntarily into state or private pension funds. Contributions are recognised as an expense in the year they are paid. EUR 16,241,000 was recognised as an expense in financial year 2010/2011 (2009/2010: EUR 14,218,000). This included EUR 14,472,000 (2009/2010: EUR 12,040,000) in contributions to the state pension scheme in Germany.

26. Other provisions

	30 September 2011			30 September 2010		
in EUR thousand	Current	Non-current	**Total**	Current	Non-current	Total
Restructuring	2,478	–	2,478	8,692	–	8,692
Warranties	12,504	9,217	21,721	5,379	9,427	14,806
Customer complaints	827	–	827	8,786	–	8,786
Legal and litigation	4,297	–	4,297	6,469	–	6,469
Other	1,304	–	1,304	971	–	971
Total	**21,410**	**9,217**	**30,628**	**30,296**	**9,427**	**39,723**

in EUR thousand	Restructuring	Warranties	Customer complaints	Legal and litigation	Other	**Total**
Balance at 1 October 2010	**8,692**	**14,806**	**8,786**	**6,469**	**971**	**39,723**
Additional provisions made	11	1,501	164	179	1,506	3,361
Amounts used	–4,352	–1,322	–410	–1,813	–1,013	–8,909
Unused amounts reversed	–1,870	–686	–267	–333	–192	–3,348
Reclassifications	–	7,498	–7,498	–	–	–
Exchange differences	–3	–65	51	–204	32	–189
Other changes	–	–11	–	–	–	–11
Balance at 30 September 2011	**2,478**	**21,721**	**827**	**4,297**	**1,304**	**30,628**

The restructuring provision is based on management's best estimate of the present value of expenditure directly associated with the restructuring and not attributable to operating activities.

Group companies give various product warranties under which they provide a warranty with a specific warranty period for supplied products and rendered services. Provisions for expected costs under product warranties are recognised when products are sold. The warranty provisions include individual provisions and provisions recognised on a collective basis. The material warranty claims will be settled in the next two years.

The provisions for customer complaints relate to known individual risks in connection with notified defects.

Provisions for risks of threatened and pending litigation against Demag Cranes Group companies are recognised if it is more likely than not that a liability will result. Estimates of this probability incorporate judgements of lawyers and appraisers representing the Company. The amount recognised as a liability is the probable amount of any compensation claims and the probable cost of any sanctions. Demag Cranes estimates that the litigation to which the provisions relate will not result in costs significantly in excess of the provisions recognised as at 30 September 2011.

Uncertain obligations are presented separately from any reimbursement claims. Demag Cranes recognises claims against third parties where the criteria for recognition of an asset are satisfied.

27. Loans and borrowings

Loans and borrowings are made up as follows:

	30 September 2011			30 September 2010		
in EUR thousand	Current	Non-current	**Total**	Current	Non-current	Total
Revolving credit facility, gross	–	125,000	125,000	105,000	–	105,000
Unamortised debt issuance cost	–	–2,346	–2,346	–364	–	–364
Revolving credit facility, net*	**–**	**122,654**	**122,654**	**104,636**	**–**	**104,636**
Finance lease liabilities	–	–	–	–	–	–
Loans and borrowings from related parties	–	42	42	–	–	–
Other current liabilities	3,767	–	3,767	685	–	685
Other liabilities	–	917	917	–	1,325	1,325
Total	**3,767**	**123,613**	**127,380**	**105,321**	**1,325**	**106,646**

* Nominal interest rate: EURIBOR +1.75%
Effective interest: 2.56% (for the period from 1 October 2010 to 30 September 2011)

Unamortised debt issuance cost has changed as follows:

in EUR thousand	**2010/2011**	2009/2010
Balance at 1 October	**–364**	**–851**
Additions	–3,150	–
Amortisation	862	487
Discount rate	306	–
Balance at 30 September	**2,346**	**–364**

The carrying amounts of loans and borrowings approximate to their fair values.

Other short-term debt consists of short-term liabilities to banks.

Information on the Group's interest and exchange rate risks is provided in Note 33 (Additional disclosures on financial instruments).

Revolving credit facility

Demag Cranes AG meets its funding needs from operating cash flow and a revolving syndicated master credit facility for a total of EUR 350.0 million (including a EUR 150.0 million ancillary facility) arranged on 18 November 2010. The revolving credit facility, for which material Group companies are jointly and severally liable in favour of the lending parties, was drawn upon for the first time on 31 January 2011, replaced the previous revolving credit facility arranged on 16 June 2006, and runs until November 2015. The financial covenants to be observed during the lifetime of the credit facility – such as stipulated ratios for consolidated net debt to consolidated operating EBITDA (less than 2.75) and consolidated operating EBITDA to consolidated net interest payable (greater than 4.0) – are unchanged relative to the previous credit facility. If the financial covenants are not met and their breach is not remedied or the lenders do not waive the covenants, there may be grounds for termination entitling the lenders among other things to call due the credit facility with immediate effect.

The syndicated credit facility grants each lender the right to call due its share of the facility (loans and guarantees given) subject to certain requirements if a party or a group of parties acting in concert acquires control of Demag Cranes AG (change of control). In particular, an acquisition of more than 50% of shares in Demag Cranes AG is defined as an acquisition of control. As a result of the takeover of Demag Cranes AG by Terex, a change of control has taken place at Demag Cranes AG. To secure liquidity and debt coverage for the Demag Cranes Group, the Management Board on 16 June 2011 submitted to lenders an amendment request agreed with the lead bank in the syndicated credit facility. In the amendment request, Demag Cranes AG offered substantive amendments to the loan agreement to the effect that an acquisition of more than 50% of Demag Cranes shares by a company of the Terex Group would no longer give each lender the right to terminate and call due its share of the facility (loans and guarantees given). In the event of an acquisition of this kind, lenders will not have such a right until a domination and profit transfer agreement comes into effect. In return, Demag Cranes AG offered a ring fencing arrangement under which it would accept certain restrictions with regard to transactions with Terex Group companies. The lead bank in the syndicated credit facility approved this request on 27 June 2011. In particular, Demag Cranes is to refrain from giving guarantees, indemnities or real collateral in favour of Terex Group companies, from granting loans to and entering into cash pooling arrangements with Terex Group companies, and from taking shareholdings in or entering into reorganisation transactions involving Terex Group companies. Also restricted are purchases and sales of assets from or to Terex Group companies except at arm's length in the ordinary course of business. No joint ventures may be entered into with Terex Group companies. Other contracts and transactions in general with or in favour of Terex Group companies are only permitted at arm's length in the ordinary course of business.

There are also covenants with regard to additional borrowing, purchases and disposals of assets, and the provision of collateral.

The revolving credit facility was drawn upon as follows at 30 September 2011:

- EUR 125.0 million on the revolving credit facility, TRANCHE A (terms to be amended on 30 December 2011). At 30 September 2010, EUR 105.0 million had been drawn. The revolving credit facility was drawn on by a further EUR 21.8 million for guarantees.

- EUR 26.9 million on the credit facility for guarantees, TRANCHE B (30 September 2010: EUR 56.2 million).

The covenants described above were met in all respects as at 30 September 2011. Except for the amendment described above, there is no further change to the information given under "Cash flows" in Annual Report 2010/2011.

28. Trade payables and other financial liabilities

	30 September 2011			30 September 2010		
in EUR thousand	Current	Non-current	**Total**	Current	Non-current	Total
Trade payables	93,021	–	93,021	78,933	–	78,933
Accrued liabilities	24,559	–	24,559	26,958	–	26,958
Derivative financial instruments	442	90	533	292	–	292
Severance benefits	–	4,757	4,757	–	5,069	5,069
Other selling-related liabilities	481	–	481	5,153	–	5,153
Other	19,281	4,708	23,989	12,614	5,212	17,827
Total	**137,784**	**9,556**	**147,340**	**123,951**	**10,282**	**134,233**

29. Other non-financial liabilities

	30 September 2011			30 September 2010		
in EUR thousand	Current	Non-current	**Total**	Current	Non-current	Total
Long-year service	–	2,065	2,065	–	2,057	2,057
Partial retirement	–	10,253	10,253	–	13,503	13,503
Other personnel liabilities	65,895	–	65,895	46,375	–	46,375
Value added tax	7,577	–	7,577	6,435	–	6,435
Social security, payroll tax and church tax	5,111	–	5,111	4,876	–	4,876
Other	4,266	1	4,267	5,355	8	5,363
Total	**82,849**	**12,318**	**95,168**	**63,041**	**15,569**	**78,610**

Demag Cranes recognises – primarily in Germany – liabilities for amounts payable and top-up amounts under existing partial retirement plans and for expected top-up amounts under partial retirement plans whose signing is probable as of the balance sheet date. The amount of the obligation under partial retirement plans is measured in accordance with actuarial principles. The obligation incorporates the full amount of increases under signed partial retirement plans. A pro rata amount is recognised for wages and salaries that continue to be payable during the non-working phase of partial retirement corresponding to service rendered during the working phase. Top-up amounts for impending additional plans are included in the liability in the expected amount of entitlements to pay increases. Factors taken into account in measurement of the obligation include the end of legislative provision for partial retirement plans and the maximum levels of benefit payable to employees in partial retirement under the law and collective agreements.

30. Deferred tax

Deferred tax assets and liabilities relate to the following items:

	30 September 2011		30 September 2010	
in EUR thousand	**Assets**	**Liabilities**	Assets	Liabilities
Intangible assets	29	19,366	42	17,674
Property, plant and equipment	4,022	2,136	4,122	2,144
Inventories	6,539	963	6,609	459
Other assets	1,358	385	1,672	192
Tax loss carry forwards	12,583	–	21,914	–
Provisions and liabilities	19,293	616	24,553	683
Other	253	177	362	170
Deferred tax assets before impairments and netting	**44,077**	**23,642**	**59,274**	**21,322**
Impairments	–2,146	–	–5,954	–
Netting	–18,048	–18,048	–17,729	–17,729
Total	**23,883**	**5,594**	**35,591**	**3,593**

Deferred tax recognised directly in equity:

	30 September	
in EUR thousand	**2011**	2010
Cash flow hedges	–	–
Actuarial gains/losses	3,398	7,945
Other equity items	3	-5
Total	**3,401**	**7,940**

(+) deferred tax assets / (–) deferred tax liabilities

Changes in deferred taxes are normally recognised in profit or loss. As an exception from this rule, deferred taxes are recognised directly in equity when they relate to transactions or events that affect net income recognised directly in equity or another equity item. Further information is provided in Note 24 (Shareholders' equity).

Deferred tax assets are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits. Demag Cranes considers it probable that the recognised deferred tax assets will be utilised.

No deferred tax liabilities have been recognised for EUR 76,904,000 (2009/2010: EUR 35,629,000) in temporary differences in connection with investments in subsidiaries and joint ventures where it is not probable that the temporary differences will reverse in the foreseeable future.

Consolidated entities have tax loss carryforwards as follows:

	30 September	
in EUR thousand	**2011**	2010
Germany		
Corporation tax	23,708	74,292
Trade tax	23,851	38,348
Other countries	19,238	16,795

Tax losses can be carried forward indefinitely in Germany. Of the foreign loss carryforwards, EUR 16,611,000 (2009/2010: EUR 11,383,000) expire in the next five years and EUR 2,628,000 (2009/2010: EUR 5,412,000) in more than five years. In certain jurisdictions, the utilisation of tax loss carryforwards is limited by minimum taxation rules. A write-down was recognised on corporate tax loss carryforwards of EUR 8,579,000 (2009/2010: EUR 24,719,000). No write-down was recognised on trade tax loss carryforwards (2009/2010: EUR 8,525,000).

Deferred tax assets recognised by Demag Cranes for tax loss carryforwards decrease in future periods as follows unless previously chargeable against current income:

	30 September	
in EUR thousand	**2011**	2010
Up to 1 year	1,435	24
1 year to 2 years	1,867	606
2 year to 3 years	734	1,182
3 year to 4 years	250	196
4 year to 5 years	251	875
More than 5 years	8,046	19,031
Total	**12,583**	**21,914**

Other disclosures

31. Statement of cash flow

The Statement of cash flow shows changes in cash and cash equivalents due to inflows and outflows during the reporting period. The statement shows cash flow from operating, investing and financing activities and the resulting changes in cash and cash equivalents. Due to currency translation effects, changes presented in it relating to items in the Statement of financial position cannot be inferred directly from the Statement of financial position. The starting point for computing cash flow from operating activities is net income after tax. Under the indirect method of reporting cash flow from operating activities, non-cash income items are eliminated and cash operating transactions that do not affect profit or loss are added in. Cash flow from investing activities consists of payments for investments and receipts from divestments. Cash flow from financing activities shows cash changes in equity and debt capital from borrowing. Cash and cash equivalents include cash on hand and in banks with a residual maturity of up to three months.

The full EUR 105,000,000 in drawings on the revolving credit facility were repaid in the past financial year (2009/2010: EUR 0,000). Drawings on the new syndicated revolving master credit facility arranged in November 2010 totalled EUR 125,000,000 at 30 September 2011. Loans and borrowings increased by EUR 24,262,000 (2009/2010: decrease of EUR 2,368,000). These figures are reported in cash flow from financing activities under payments/proceeds from loans and borrowings. Further information on the revolving credit facility is provided in Note 27.

Dividends of EUR 12,704,000 were paid out to shareholders of Demag Cranes AG in financial year 2010/2011 (2009/2010: EUR 0,000).

32. Segment reporting

Segment reporting at Demag Cranes reflects internal reporting. For internal control of Demag Cranes, the Management Board uses operating earnings before interest and tax (EBIT) adjusted to eliminate the effects of acquisitions, restructuring and severance payments. Segment earnings and the management adjustments are not defined in IFRS. They may differ from the definitions used by other companies; this limits the usefulness of intercompany comparisons.

The Demag Cranes Group consists of three reportable segments based on type of product and service: Industrial Cranes, Port Technology and Services. The Industrial Cranes segment integrates the development, production, sale, assembly and delivery of Industrial Cranes, including components and material handling solutions. Activities of the Port Technology segment consist of developing, manufacturing, selling, assembling, delivering and maintaining Mobile Harbour Cranes and automated container handling systems, including the provision of storage and integrated software solutions. The Services segment comprises Industrial Cranes field service activities such as inspection, maintenance, repairs and the refurbishment of used cranes, as well as the sale of spare parts. The Unallocated item relates to holding company costs.

The segment information provides in summary form the disclosures without management adjustments for each segment (revenue, earnings before interest and tax (EBIT), segment assets, segment liabilities and segment capital expenditure). The reported amounts represent the portion of IFRS-basis Group figures that can be directly attributed to segments or can be allocated to them on a reasonable basis. Disclosures on segments with management adjustments are prefixed "operating" (operating depreciation, amortisation and impairments; operating earnings before interest and tax (EBIT)).

The table below presents the control parameters used to measure segment performance.

	Revenue 1 October to 30 September		Gross profit 1 October to 30 September		Operating depreciation and amortisation 1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010	**2010/2011**	2009/2010	**2010/2011**	2009/2010
Industrial Cranes	489,812	440,759	125,495	104,179	11,476	11,681
Of which from investments accounted for using the equity method	–	–	–	–	–	–
Port Technology	238,985	189,923	51,530	24,277	4,822	4,512
Services	333,458	300,598	131,048	116,490	1,608	1,589
Reportable segments	1,062,256	**931,280**	308,073	**244,947**	17,906	**17,782**
Unallocated	–	–	–	–	3,157	2,389
Group	1,062,256	**931,280**	308,073	**244,947**	21,062	**20,170**

There was no material inter-segment revenue in financial year 2010/2011 or 2009/2010.

The adjustments to derive segment operating earnings mainly relate in financial year 2010/2011 to costs in connection with the takeover offer from Terex Industrial Holding AG and refinancing costs. The adjustments also include a EUR 1,759,000 reduction in restructuring provisions.

Operating adjustments in the previous year included integration costs, purchase accounting depreciation and amortisation together with a decrease in restructuring provisions totalling EUR 8,130,000, and, in the opposite direction, a EUR 7,508,000 one-off effect from the recognition of inventory write-downs.

Material non-cash expenses other than depreciation, amortisation and impairments in the financial year amounted to EUR 16,868,000 (2009/2010: EUR 9,151,000). The non-cash expenses in the previous year related to restructuring. Restructuring costs in the financial year came to EUR 4,003,000 (2009/2010: EUR 17,960,000).

Reconciliation to IFRS-based Group EBIT:

	Operating earnings before interest and tax (EBIT) 1 October to 30 September		Reconciliation 1 October to 30 September		Earnings before interest and tax (EBIT) 1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010	**2010/2011**	2009/2010	**2010/2011**	2009/2010
Industrial Cranes	10,836	4,807	478	1,341	11,314	6,148
Of which from investments accounted for using the equity method	3,210	3,979	–	–	3,210	3,979
Port Technology	9,181	591	–99	–5,635	9,082	–5,044
Services	66,154	58,276	110	384	66,264	58,660
Reportable segments	86,171	**63,674**	489	**–3,909**	86,660	**59,765**
Unallocated	–10,477	–9,501	–32,296	–59	–42,773	–9,560
Group	75,694	**54,173**	–31,807	**–3,968**	43,887	**50,205**

The table below reconciles segment EBIT to Demag Cranes Group earnings before tax (EBT).

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Earnings before interest and tax (EBIT)	43,887	50,205
interest and similar income	2,980	3,211
interest and similar expenses	–14,878	–11,559
Earnings before tax	**31,989**	**41,857**

The table below shows segment assets, segment liabilities and segment capital expenditure together with their reconciliation to the Group figures.

	Segment assets 30 September		Segment liabilities 30 September		Segment capital expenditure 1 October to 30 September	
in EUR thousand	**2011**	2010	**2011**	2010	**2010/2011**	2009/2010
Industrial Cranes	349,578	285,602	220,080	206,622	18,240	9,599
Of which from investments accounted for using the equity method	23,478	21,659	–	–	–	–
Port Technology	174,573	165,655	73,563	65,887	3,921	4,353
Services	212,717	211,340	67,010	64,185	1,896	1,013
Reportable segments	736,868	**662,597**	360,652	**336,694**	24,057	**14,965**
Unallocated	158,075	175,393	284,259	249,707	2,631	2,238
Group	894,943	**837,989**	644,912	**586,401**	26,688	**17,203**

The segment assets and segment liabilities do not include any effects relating to financing or to current or deferred tax. The effects of pensions are only included to the extent they are directly attributable to segments.

Geographical reporting

The table below provides supplementary information on the geographical distribution of the Demag Cranes Group's revenue and non-current assets.

	Revenue 1 October to 30 September		Non-current assets 30 September	
in EUR thousand	**2010/2011**	2009/2010	**2011**	2010
Germany	204,608	191,235	201,202	197,577
Rest of Europe	311,205	305,961	42,227	40,845
North and South America	236,226	190,060	42,542	41,806
Other	310,216	244,024	22,026	20,653
Total	1,062,256	**931,280**	307,997	**300,882**

Revenue is allocated by region based on the destination country of goods sold.

33. Additional disclosures on financial instruments

The tables that follow show the carrying amounts of financial instruments in each category defined in IAS 39 and state their fair values together with the source of the valuation used for each class of financial instruments.

	30 September 2011			
in EUR thousand	Carrying amount	Of which within the scope of IFRS 7	Categories of measurement in accordance with IAS 39	(Measured at) amortised cost
Cash and cash equivalents	**107,606**	**107,606**	**LaR**	**107,606**
Trade receivables	**194,205**	**194,205**	**LaR**	**194,205**
Other financial assets	**3,140**	**3,140**		**2,805**
Derivatives not in designated hedging relationships	335	335	HfT	–
Derivatives in designated hedging relationships	–	–	n/a	–
Other financial assets	2,805	2,805	LaR	2,805
Other investments	**745**	**745**		**50**
Investments in associates	50	50	AfS	50
Long-term securities	694	694	AfS	–
Total financial assets	**305,695**	**305,695**		**304,666**
Loans and borrowings	**127,380**	**127,380**		**127,380**
Revolving credit facility, net	122,654	122,654	AmC	122,654
Loans and borrowings from related parties	42	42	AmC	42
Finance leases	–	–	n/a	–
Other liabilities	4,685	4,685	AmC	4,685
Trade payables	**93,021**	**93,021**	**AmC**	**93,021**
Other financial liabilities	**54,319**	**54,319**		**53,787**
Derivatives not in designated hedging relationships	533	533	HfT	–
Derivatives in designated hedging relationships	–	–	n/a	–
Other financial liabilies	53,787	53,787	AmC	53,787
Total financial liabilities	**274,721**	**274,721**		**274,188**

Aggregated by IAS 39 categories:

	30 September 2011			
in EUR thousand	Carrying amount	Of which within the scope of IFRS 7	Categories of measurement in accordance with IAS 39	(Measured at) amortised cost
Available-for-sale financial instruments	745	745	AfS	50
Loans and receivables	304,616	304,616	LaR	304,616
Held for trading (at fair value through profit or loss) HfT	–198	–198	HfT	–
Financial liabilities measured at amortised cost	274,188	274,188	AmC	274,188
Not applicable	–	–	n/a	–

	Fair value based on:		
Fair value	Quoted market value (level 1)	Other market prices (level 2)	Non-observable market prices (level 3)
107,606	**–**	**–**	**–**
194,205	**–**	**–**	**–**
3,140	**–**	**335**	**–**
335	–	335	–
–	–	–	–
2,805	–	–	–
694	**694**	**–**	**–**
–	–	–	–
694	694	–	–
305,645	**694**	**335**	**–**
127,380	**–**	**–**	**–**
122,654	–	–	–
42	–	–	–
–	–	–	–
4,685	–	–	–
93,021	–	–	–
54,319	**–**	**533**	**–**
533	–	533	–
–	–	–	–
53,787	–	–	–
274,721	**–**	**533**	**–**

	Fair value based on:		
Fair value	Quoted market value (level 1)	Other market prices (level 2)	Non-observable market prices (level 3)
694	694	–	–
304,616	–	–	–
–198	–	198	–
274,188	–	–	–
–	–	–	–

	30 September 2010			
in EUR thousand	Carrying amount	Of which within the scope of IFRS 7	Categories of measurement in accordance with IAS 39	(Measured at) amortised cost
Cash and cash equivalents	**113,423**	**113,423**	**LaR**	**113,423**
Trade receivables	**179,900**	**179,900**	**LaR**	**179,900**
Other financial assets	**4,003**	**4,003**		**2,886**
Derivatives not in designated hedging relationships	1,117	1,117	HfT	–
Derivatives in designated hedging relationships	–	–	n/a	–
Other financial assets	2,886	2,886	LaR	2,886
Other investments	**776**	**776**		**50**
Investments in associates	50	50	AfS	50
Long-term securities	726	726	AfS	–
Total financial assets	**298,102**	**298,102**		**296,259**
Loans and borrowings	**106,646**	**106,646**		**106,646**
Revolving credit facility, net	104,636	104,636	AmC	104,636
Loans and borrowings from related parties	–	–	AmC	–
Finance leases	–	–	n/a	–
Other liabilities	2,010	2,010	AmC	2,010
Trade payables	**78,933**	**78,933**	**AmC**	**78,933**
Other financial liabilities	**55,299**	**55,299**		**55,007**
Derivatives not in designated hedging relationships	292	292	HfT	–
Derivatives in designated hedging relationships	–	–	n/a	–
Other financial liabilities	55,007	55,007	AmC	55,007
Total financial liabilities	**240,879**	**240,879**		**240,586**

Aggregated by IAS 39 categories:

	30 September 2010			
in EUR thousand	Carrying amount	Of which within the scope of IFRS 7	Categories of measurement in accordance with IAS 39	(Measured at) amortised cost
Available-for-sale financial instruments	776	776	AfS	50
Loans and receivables	296,209	296,209	LaR	296,209
Held for trading (at fair value through profit or loss) HfT	824	824	HfT	–
Financial liabilities measured at amortised cost	240,586	240,586	AmC	240,586
Not applicable	–	–	n/a	–

		Fair value based on:		
	Fair value	Quoted market value (level 1)	Other market prices (level 2)	Non-observable market prices (level 3)
	113,423	–	–	–
	179,900	–	–	–
	4,003	–	1,117	–
	1,117	–	1,117	–
	–	–	–	–
	2,886	–	–	–
	726	726	–	–
	–	–	–	–
	726	726	–	–
	298,052	726	1,117	–
	106,646	–	–	–
	104,636	–	–	–
	–	–	–	–
	–	–	–	–
	2,010	–	–	–
	78,933	–	–	–
	55,299	–	292	–
	292	–	292	–
	–	–	–	–
	55,007	–	–	–
	240,879	–	292	–

		Fair value based on:		
	Fair value	Quoted market value (level 1)	Other market prices (level 2)	Non-observable market prices (level 3)
	726	726	–	–
	296,209	–	–	–
	824	–	824	–
	240,586	–	–	–
	–	–	–	–

Cash and cash equivalents, trade receivables and other financial assets mostly have short residual maturities. Their carrying amount at the balance sheet date therefore approximates to fair value. The same applies to trade payables and other financial liabilities. Where other investments are traded on an active market, their fair value is the quoted market price. The fair value of long-term debt not traded on an active market and of interest-bearing loans and borrowings is measured by discounting the respective expected future cash flows. The discount rate used is the prevailing market rate of interest for the applicable term to maturity. Individual features of financial instruments are taken into account by applying market credit and liquidity spreads when measuring fair value. It is not possible for investments in associates to be carried at fair value because their future cash flows cannot be reliably determined and no information is available on recent transactions for similar investments. The fair value of derivatives is based in the case of foreign exchange contracts on the European Central Bank reference rates adjusted for the applicable interest rate differential (premium or discount). The fair value of interest rate derivatives is measured using generally accepted interest rate yield curves.

No reclassifications between fair value hierarchy levels were required in the past financial year.

The tables that follow show the undiscounted contractual interest payments and payments on principal for financial liabilities within the scope of IFRS 7:

	30 September 2011			
in EUR thousand	Carrying amount	Outflow of resources in the next reporting period	Outflow of resources in the next-but-one reporting period	Later outflow of resources
Revolving credit facility, gross	125,000	19,101	3,609	118,421
Loans and borrowings from related parties	42	42	–	–
Finance lease liabilities	–	–	–	–
Other liabilities	4,685	3,990	271	423
Outflow of resources from loans and borrowings	**129,726**	**23,133**	**3,881**	**118,845**
Trade payables	93,021	93,021	–	–
Derivatives not in designated hedging relationships	533	442	–	90
Derivatives in designated hedging relationships	–	–	–	–
Other financial liabilities	53,787	38,806	359	13,274
Trade payables and other financial liabilities	**147,341**	**132,269**	**359**	**13,365**
Outflow of resources from financial liabilities within the scope of IFRS 7	**277,067**	**155,402**	**4,239**	**132,209**

	30 September 2010			
in EUR thousand	Carrying amount	Outflow of resources in the next reporting period	Outflow of resources in the next-but-one reporting period	Later outflow of resources
Revolving credit facility, gross	105,000	105,379	–	–
Loans and borrowings from related parties	–	–	–	–
Finance lease liabilities	–	–	–	–
Other liabilities	2,010	922	958	243
Outflow of resources from loans and borrowings	**107,010**	**106,301**	**958**	**243**
Trade payables	78,933	78,933	–	–
Derivatives not in designated hedging relationships	292	292	–	–
Derivatives in designated hedging relationships	–	–	–	–
Other financial liabilies	55,007	44,554	351	13,566
Trade payables and other financial liabilities	**134,233**	**123,780**	**351**	**13,566**
Outflow of resources from financial liabilities within the scope of IFRS 7	**241,243**	**230,081**	**1,310**	**13,809**

For interest-bearing loans and borrowings with variable rates of interest, interest payments in future reporting periods are based on the interest rates prevailing at the balance sheet date. Financial liabilities that can be repaid at any time are assigned to the earliest time band.

The net gains or losses on each IAS 39 category are as follows:

	1 October to 30 September							
	Loans and receivables		Available-for-sale financial instruments		Held for trading (at fair value through profit or loss)		Financial liabilities measured at amortised cost	
in EUR thousand	**2010/2011**	2009/2010	**2010/2011**	2009/2010	**2010/2011**	2009/2010	**2010/2011**	2009/2010
Interest income	1,972	1,950	61	28	–	–	–	–
Interest cost	–	–	–	–	–	–	–6,638	–2,783
Dividends	–	–	–	–	–	–	–	–
Currency translation gains	7,448	7,427	–	–	–	–	1,168	2,826
Expenses arising from currency translation	–7,308	–6,033	–	–	–	–	–3,670	–3,603
Impairments	–	–2,958	–	–	–	–	–	–
Impairment reversals	3,270	3,110	–	–	–	–	–	–
Fair value gains and losses	–	–	–	–	–	114	–	–
Disposal gains and losses	–	–	–	–	–	–	–	–
Net gains or losses	**5,383**	**3,496**	**61**	**28**	**0**	**114**	**–9,140**	**–3,560**

Interest income on impaired financial assets came to EUR 0,000 in the financial year (2009/2010: EUR 2,000).

Interest on financial instruments and currency translation gains and losses on interest-bearing payables and receivables are contained in "interest and similar income" and "interest and similar expenses". Currency translation gains and losses on trade payables and receivables and other financial assets and liabilities are contained in "other operating income" and "other operating expenses". "Interest and similar income" and "interest and similar expenses" also contain gains and losses on the "at fair value through profit and loss" category, which comprises both interest and currency translation gains and losses. Impairments on trade receivables in the loans and receivables category are included in the selling, general and administrative expenses item.

Derivative financial instruments

Demag Cranes uses derivative financial instruments in the management of financial risk to hedge its risk exposure on assets and liabilities, contractual claims and obligations, and planned transactions. The risk of adverse exchange rate changes is hedged with foreign exchange contracts that even out the cash flows on foreign currency orders not yet settled or accepted.

The table below shows the notional amounts and fair values of derivative financial instruments held at the balance sheet date.

	30 September 2011		30 September 2010	
in EUR thousand	**Notional amount**	**Fair value**	Notional amount	Fair value
Assets:				
Currency contracts	19,033	335	21,947	1,117
Interest rate contracts	–	–	–	–
Liabilities:				
Currency contracts	18,001	–533	18,816	–292
Interest rate contracts	–	–	–	–
Total	**37,034**	**–198**	**40,763**	**824**

Positive fair values of derivative financial instruments are included in the Statement of financial position in other financial assets, and negative fair values in other financial liabilities.

Financial risk management

Demag Cranes is exposed by its global business operations to various types of risk. These include currency risk, credit risk and interest rate risk. Targeted financial risk management is used to minimise any adverse impact of this risk on the Demag Cranes financial position, financial performance and cash flows. Among other things, this involves the use of derivative financial instruments. The risk management system is described in the Management Report.

Currency risk

Demag Cranes maintains global business relationships and does business in many different currencies. The risk of adverse exchange rate changes is hedged with foreign exchange contracts that even out the cash flows on foreign currency orders not yet settled or accepted. The accounting treatment of hedges and the impact of valuation of derivative financial instruments are described in Note 5.

Credit risk

Demag Cranes is exposed to credit risk equal to the carrying amount of derivative and non-derivative financial assets plus financial guarantees given in the amount of EUR 0,000 (2010: EUR 0,000).

Demag Cranes gives supplier credit in the normal course of business. The Company therefore assesses debtors on an ongoing basis with regard to specific customer financial conditions but does not generally require specific security for receivables. Doubtful debts are accounted for in a doubtful debts allowance, taking into account credit risk based on collection experience and other information. Demag Cranes counters specific credit risk by only doing business with parties with good credit standing, primarily based on the ratings of national and international trade credit rating agencies, and by rigorously observing the risk limit laid down by the trade credit insurer. An amount of EUR 13,262,000 was held in security at 30 September 2011 (2010: EUR 18,524,000). This mostly consisted of retentions of title.

Interest rate risk

Demag Cranes has entered into credit facilities at variable interest rates and is exposed to interest rate risk in the amount of facility drawings. Interest is charged on each drawing at the three or six-month EURIBOR rate in force on the day of the drawing. The margin on EURIBOR is set quarterly, based on the Company's financial performance figures as stated in Note 27 (Loans and borrowings).

Sensitivity analysis

The types of market risk to which Demag Cranes is exposed are currency risk and interest rate risk. The Company has prepared a sensitivity analysis for each of these two types of risk showing how profit or loss for the financial year and equity at the balance sheet date would have been affected by changes in the relevant risk variable. The Company assumes for these purposes that the risk situation at the respective balance sheet date is representative of risk exposure during the reporting period and the comparative period.

The countries and currencies in relation to which Demag Cranes has significant exchange rate exposure are the USA (USD), the UK (GBP), South Africa (ZAR), the Czech Republic (CZK) and China (CNY). A ten percent appreciation or depreciation of the euro relative to these foreign currencies at the balance sheet date would have resulted in a EUR 1,443,000 decrease (2009/2010: EUR 317,000 decrease) or a EUR 1,409,000 increase (2009/2010: EUR 208,000 increase) in net income after tax.

	30 September 2011		30 September 2010	
in EUR thousand	**10% appreciation of EUR relative to source currency**	**10% depreciation of EUR relative to source currency**	10% appreciation of EUR relative to source currency	10% depreciation of EUR relative to source currency
EUR : USD	–624	595	493	–649
EUR : GBP	334	–339	313	–266
EUR : ZAR	–180	180	–169	169
EUR : CZK	–651	651	–705	705
EUR : CNY	–322	322	–249	249
Total	**–1,443**	**1,409**	**–317**	**208**

A 100 basis point increase or decrease in market interest rates at the balance sheet date would have decreased net income after tax by EUR 943,000 (2009/2010: EUR 723,000) or increased it by EUR 943,000 (2009/2010: EUR 723,000).

34. Capital management

Capital management focuses on the active management of net working capital and liquidity.

Net working capital is composed of inventories, trade payables and receivables, and advance payments made and received and is used by Demag Cranes AG as a management parameter for capital employed:

	30 September	
in EUR thousand	**2011**	2010
Inventories	225,802	178,686
Advance payments made	5,684	2,394
Trade receivables	194,205	179,900
Trade payables	–93,021	–78,933
Advance payments received	–80,730	–56,776
Net working capital	**251,939**	**225,270**

Other indicators and control parameters for active management of the Group's cash resources comprise free cash flow before financing and net debt. These are also the basis for evaluation and targeted control of dividend policy, financing structure and return on capital employed:

	30 September	
in EUR thousand	**2011**	2010
Non-current loans and borrowings	**125,959**	**1,325**
Revolving credit facility, gross	125,000	–
Other non-current loans and borrowings	959	1,325
Other financial liabilities	**–**	**–**
Derivative financial instruments	–	–
Current loans and borrowings	**3,767**	**105,321**
Revolving credit facility, gross	–	105,000
Other non-current loans and borrowings	3,767	321
Cash and cash equivalents	**–107,606**	**–113,423**
Other current financial assets	**–369**	**–392**
Derivative financial instruments	–	–
Other	–369	–392
Receivables from affiliated companies and other equity investments	*–218*	*–216*
Loans	*–151*	*–176*
Net debt	**21,752**	**–7,169**

Explanatory notes on the dividend proposal to be submitted to the Annual General Meeting for financial year 2010/2011 are provided in the "Financial review" section of the Management Report.

35. Contractual commitments

Contractual commitments at 30 September 2011:

	30 September	
in EUR thousand	**2011**	2010
Operating lease commitments	**45,106**	**54,072**
Of which		
Less than 1 year	14,242	12,092
1 year to 5 years	25,702	31,891
More than 5 years	5,162	10,089
Purchase commitments	**87,367**	**70,328**
Intangible assets	295	153
Of which		
Less than 1 year	295	153
1 year to 5 years	–	–
More than 5 years	–	–
Property, plant and equipment	5,303	3,023
Of which		
Less than 1 year	5,222	3,023
1 year to 5 years	81	–
More than 5 years	–	–
Inventories	75,358	65,269
Of which		
Less than 1 year	74,749	64,196
1 year to 5 years	609	1,073
More than 5 years	–	–
Other assets	6,411	1,883
Of which		
Less than 1 year	6,387	1,867
1 year to 5 years	25	16
More than 5 years	–	–
Total	**132,473**	**124,399**

Lease payments under operating leases are recognised as expense on a straight-line basis over the lease term. Expenses under operating leases amounted to EUR 21,131,000 in financial year 2010/2011 (2009/2010: EUR 19,241,000).

36. Contingencies and other obligations

Demag Cranes has contingent liabilities as follows as a result of giving guarantees (excluding product warranties):

	30 September	
	2011	2010
in EUR thousand	**Maximum potential future obligation**	Maximum potential future obligation
Credit guarantees	–	–
Notes	12	26
Guarantees consisting of contingent liabilities relating to buy-back arrangements	44,125	51,716
Other	–	–
Total	**44,138**	**51,742**

Credit guarantees are guarantees given by Demag Cranes in favour of third parties' creditors (guarantees to banks).

Contingent liabilities relating to notes represent the face value of notes issued that were not due or had not yet been honoured by the balance sheet date and which one or more Group companies are liable to honour as endorsers.

The guarantees consist of contingent liabilities relating to buy-back arrangements entered into by Gottwald Port Technology GmbH in connection with sales of certain of its plant and machinery products. These arrangements generally have a term of one to seven years. Buy-back obligations and similar guarantees can result from the sale of products to customers or leasing companies. Under some of these contracts, Gottwald Port Technology GmbH must buy back machines from a leasing company if a lessee defaults on lease payments, does not exercise a purchase option or does not extend the lease at the end of the initial lease term. Under others, Gottwald Port Technology GmbH must compensate leasing companies for financial losses suffered through customers defaulting on payment. In certain instances where customers acquire products directly from Gottwald Port Technology GmbH, the exercise of a buy-back option by the customer is subject to certain conditions. Based on past experience and the regional distribution of installed cranes, the Management Board considers it a remote possibility that buy-back options be exercised to a substantial extent at the same time. The maximum potential liability from buy-back arrangements amounted to EUR 44,125,000 at 30 September 2011 (30 September 2010: EUR 51,716,000).

37. Related parties

Transactions with related parties

Demag Cranes AG and the subsidiaries included in the Consolidated Financial Statements transact business with numerous other companies, including in some cases with related parties. Related parties notably include the entities contained in the list of Demag Cranes AG subsidiaries, joint ventures and investments, plus employees in key positions within Demag Cranes AG together with their families.

The Group's main transactions with related parties arise in the course of normal business dealings. All such transactions are effected on an arm's length basis. The table below provides information on outstanding transactions with related parties as at 30 September 2011.

Related parties	Relations	Transactions
MHE-Demag (S) Pte. Ltd., Singapore	Joint venture	Supplier relationships
Donati Ltd., Liverpool, Great Britain	Investment	Supplier relationships
TBA International Holding B.V., Delft, Netherlands	Subsidiary TBA B.V., Delft	Loans
Terex Corporation, Westport, Connecticut, USA	Interest and control	Supplier relationships
Graham Allmendinger John Stokoe David Trueman	Subsidiary DBIS (Software and Automation) Ltd.	Loans

The table below shows balances at the balance sheet date on transactions with the related parties mentioned and the expenses incurred in the reporting period.

	30 September			
in EUR thousand	**2011**	Of which interest	2010	Of which interest
Receivables	**5,952**	**5**	**4,788**	**2**
Trade receivables from Terex group companies	54	–	–	–
Trade receivables from MHE-Demag (S) Pte. Ltd.	5,569	–	4,371	–
Trade receivables from Donati Ltd.	111	–	202	–
Trade receivables from TBA Logistics and Software Private Ltd.	–	–	–	–
Advance payments made to MHE-Demag (S) Pte. Ltd.	–	–	–	–
Other financial assets receivable from Donati Ltd.	218	5	216	2
Liabilities	**370**	**–**	**6**	**–**
Trade payables to Terex group companies	20	–	–	–
Trade payables to MHE-Demag (S) Pte. Ltd.	292	–	–	–
Trade payables to Donati Ltd.	–	–	6	–
Financial liability to TBA Holding	–	–	–	–
Trade payables to AQZ	16	–	–	–
Liabilities to minority shareholders of DBIS Ltd.	42	–	–	–

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Revenue	**23,296**	**17,482**
Terex group companies	220	–
MHE-Demag (S) Pte, Ltd.	21,815	16,319
Donati Ltd.	1,262	1,164

Compensation of the Management Board and members of the Supervisory Board

Information on the compensation system and compensation paid to individual members of the Management Board and Supervisory Board is provided in the Remuneration Report (in the "Corporate governance" section). The Remuneration Report forms an integral part of the combined Management Report.

Management Board

Members of the Management Board were paid fixed and variable compensation in financial year 2010/2011. The variable compensation depends on the attainment of targets for operating EBIT and operating net income after tax. Members of the Management Board also participate in the Matching Stock Program (MSP). This is described in Note 24 (Shareholders' equity). Non-cash compensation is also provided in the amounts required to be recognised under tax regulations for the use of company cars. As in the previous year, the Company has not granted any advances or credits to members of the Management Board.

Total compensation

The table below shows the compensation for active members of the Management Board.

	1 October to 30 September	
in EUR thousand	**2010/2011**	2009/2010
Fixed compensation	1,350	1,350
Variable compensation	2,795	2,478
Other	154	151
Total	**4,299**	**3,979**

The total compensation paid to active members of the Management Board was EUR 4,299,000 (2009/2010: EUR 3,979,000). This consisted of EUR 1,350,000 (2009/2010: EUR 1,350,000) in fixed compensation, EUR 2,795,000 (2009/2010: EUR 2,478,000) in variable compensation and EUR 154,000 (2009/2010: EUR 151,000) in other compensation.

Old-age and surviving dependants' pensions

Expenses and provisions for old-age and surviving dependants' pensions were recognised as follows for members of the Management Board:

	Expense		Provision	
in EUR thousand	**2010/2011**	2009/2010	**30 September 2011**	30 September 2010
Aloysius Rauen	168	138	324	233
Rainer Beaujean	23	78	78	78
Thomas H. Hagen	35	123	123	123
Total	**227**	**339**	**525**	**434**

Pension provisions for former members of the Management Board amounted to EUR 133,000 as at 30 September 2011 (2010: EUR 152,000).

Matching Stock Program (MSP)

Members of the Management Board also received share-based compensation under the Matching Stock Program (MSP). The fair value of share-based compensation (the MSP) was EUR 225,000 at the grant date (2009/2010: EUR 496,000). EUR 655,000 was recognised as expense in financial year 2010/2011 (2009/2010: EUR 269,000).

Supervisory Board

In accordance with the Articles of Association, members of the Supervisory Board received fixed compensation totalling EUR 400,000 for financial year 2010/2011 (2009/2010: EUR 402,000) for their activities on the Supervisory Board of Demag Cranes AG and on the supervisory boards of other Group companies. A further EUR 191,000 (2009/2010: EUR 124,000) was paid in attendance fees. Out-of-pocket expenses came to EUR 20,000 (2009/2010: EUR 19,000). There is no variable compensation for members of the Supervisory Board. As in the previous year, the Company has not granted any advances or credits to members of the Supervisory Board.

38. Personnel expenses and number of employees

The Group had an average of 5,953 employees in financial year 2010/2011 (2009/2010: 5,768), comprising 2,993 blue-collar and 2,960 white-collar employees (2009/2010: 2,877 and 2,891). The number of employees at 30 September 2011 was 6,115 (2010: 5,711). Personnel expenses amounted to EUR 375,611,000 in financial year 2010/2011 (2009/2010: EUR 324,188,000).

39. Corporate governance code

The Management Board and Supervisory Board of Demag Cranes AG have published a compliance statement on the recommendations of the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporations Act (AktG). The current compliance statement is available to shareholders at all times on the Demag Cranes AG website (www.demagcranes-ag.com).

40. Voting rights notifications pursuant to Section 26 (1) of the German Securities Trading Act (WpHG)

Notification of 17 August 2011:
Terex Corporation, Westport, USA, notified us as follows in accordance with the first sentence of Section 21 (1), WpHG and concurrently with the first sentence of Section 21 (1) and Section 24, WpHG for its subsidiaries as set out under items 1 to 5 below:

1. The share of voting rights held by Terex Industrial Holding AG, Düsseldorf, Germany, in Demag Cranes AG, Düsseldorf, Germany, passed the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on 16 August 2011 and amounted to 81.87% (17,333,318 voting rights) on that date.

2. The share of voting rights held by Terex Germany GmbH & Co. KG, Dortmund, Germany, in Demag Cranes AG, Düsseldorf, Germany, passed the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on 16 August 2011 and amounted to 81.87% (17,333,318 voting rights) on that date.

   Attribution:
   81.87% of the voting rights (17,333,318 voting rights) are attributable to Terex Germany GmbH & Co. KG under Section 22 (1), sentence 1, no. 1, WpHG.

   The voting rights attributable to Terex Germany GmbH & Co. KG are actually held through the following controlled company, whose share of voting rights in Demag Cranes AG is 3% or more: Terex Industrial Holding AG

3. The share of voting rights held by Terex Verwaltungs GmbH, Dortmund, Germany, in Demag Cranes AG, Düsseldorf, Germany, passed the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on 16 August 2011 and amounted to 81.87% (17,333,318 voting rights) on that date.

   Attribution:
   81.87% of the voting rights (17,333,318 voting rights) are attributable to Terex Verwaltungs GmbH under Section 22 (1), sentence 1, no. 1, WpHG.

   The voting rights attributable to Terex Verwaltungs GmbH are actually held through the following controlled companies, whose share of voting rights in Demag Cranes AG is 3% or more each: Terex Industrial Holding AG, Terex Germany GmbH & Co. KG

4. The share of voting rights held by Terex European Holdings B.V. (NL), Amsterdam, Netherlands, in Demag Cranes AG, Düsseldorf, Germany, passed the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on 16 August 2011 and amounted to 81.87% (17,333,318 voting rights) on that date.

   Attribution:
   81.87% of the voting rights (17,333,318 voting rights) are attributable to Terex European Holdings B.V. (NL) under Section 22 (1), sentence 1, no. 1, WpHG.

   The voting rights attributable to Terex European Holdings B.V. (NL) are actually held through the following controlled companies, whose share of voting rights in Demag Cranes AG is 3% or more each:
   Terex Industrial Holding AG, Terex Germany GmbH & Co. KG, Terex Verwaltungs GmbH

5. The share of voting rights held by Terex Netherlands Holdings B.V. (NL), Amsterdam, Netherlands, in Demag Cranes AG, Düsseldorf, Germany, passed the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on 16 August 2011 and amounted to 81.87% (17,333,318 voting rights) on that date.

   Attribution:
   81.87% of the voting rights (17,333,318 voting rights) are attributable to Terex Netherlands Holdings B.V. (NL) under Section 22 (1), sentence 1, no. 1, WpHG.

   The voting rights attributable to Terex European Holdings B.V. (NL) are actually held through the following controlled companies, whose share of voting rights in Demag Cranes AG is 3% or more each:
   Terex Industrial Holding AG, Terex Germany GmbH & Co. KG, Terex Verwaltungs GmbH, Terex European Holdings B.V. (NL)

6. The share of voting rights held by Terex Corporation, Westport, USA, in Demag Cranes AG, Düsseldorf, Germany, passed the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on 16 August 2011 and amounted to 81.87% (17,333,318 voting rights) on that date.

   Attribution:
   81.87% of the voting rights (17,333,318 voting rights) are attributable to Terex Corporation under Section 22 (1), sentence 1, no. 1, WpHG. The voting rights attributable to Terex Corporation are actually held through the following controlled companies, whose share of voting rights in Demag Cranes AG is 3% or more each: Terex Industrial Holding AG, Terex Germany GmbH & Co. KG, Terex Verwaltungs GmbH, Terex European Holdings B.V. (NL), Terex Netherlands Holdings B.V. (NL)

Notification of 5 August 2011:
Notification pursuant to sec. 26 para. 1 Securities Trading Act (WpHG)

1) Elliott International Capital Advisors Inc., New York, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 2, 2011 the voting rights of Elliott International Capital Advisors Inc. in Demag Cranes AG, Düsseldorf, Germany, (ISIN: DE000DCAG010) have exceeded the threshold of 5 percent and amounted to 5.04 percent (1,066,860 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Elliott International Capital Advisors Inc. pursuant to sec. 22 para. 1 sent. 1 no. 6 of the WpHG, whereby 5.03 percent of the voting rights (1,065,860 voting rights) are to be attributed to Elliott International Capital Advisors Inc. from Maidenhead LLC, U.S.A..

2) Hambledon, Inc., George Town, Grand Cayman, Cayman Islands, informed us pursuant to sec. 21 para. 1 of the WpHG that on August 2, 2011 the voting rights of Hambledon, Inc. in Demag Cranes AG, Düsseldorf, Germany, (ISIN: DE000DCAG010) have exceeded the threshold of 5 percent and amounted to 5.04 percent (1,066,860 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Hambledon, Inc. pursuant to sec. 22 para. 1 sent. 1 no. 1 of the WpHG inter alia from the following undertakings which are controlled by Hambledon, Inc. and whose holdings of voting rights amount to 3 percent each or more in Demag Cranes AG: Maidenhead LLC, U.S.A., Elliott International, L.P., Cayman Islands.

3) Elliott International, L.P., George Town, Grand Cayman, Cayman Islands, informed us pursuant to sec. 21 para. 1 of the WpHG that on August 2, 2011 the voting rights of Elliott International, L.P. in Demag Cranes AG, Düsseldorf, Germany, (ISIN: DE000DCAG010) have exceeded the threshold of 5 percent and amounted to 5.04 percent (1,066,860 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Elliott International, L.P. pursuant to sec. 22 para. 1 sent. 1 no. 1 of the WpHG inter alia from Maidenhead LLC, U.S.A., being an undertaking controlled by Elliott International, L.P. and whose holdings of voting rights amount to 3 percent or more in Demag Cranes AG.

4) Elliott International Limited, George Town, Grand Cayman, Cayman Islands, informed us pursuant to sec. 21 para. 1 of the WpHG that on August 2, 2011 the voting rights of Elliott International Limited in Demag Cranes AG, Düsseldorf, Germany, (ISIN: DE000DCAG010) have exceeded the threshold of 5 percent and amounted to 5.04 percent (1,066,860 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Elliott International Limited pursuant to sec. 22 para. 1 sent. 1 no. 1 of the WpHG inter alia from Maidenhead LLC, U.S.A., being an undertaking which is controlled by Elliott International Limited and whose holdings of voting rights amount to 3 percent or more in Demag Cranes AG.

5) Maidenhead LLC, New York, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 2, 2011 the voting rights of Maidenhead LLC in Demag Cranes AG, Düsseldorf, Germany, (ISIN: DE000DCAG010) have exceeded the threshold of 5 percent and amounted to 5.03 percent (1,065,860 voting rights) in relation to all shares of the respective voting shares as per this date.

6) Elliott Special GP, LLC, New York, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 2, 2011 the voting rights of Elliott Special GP, LLC in Demag Cranes AG, Düsseldorf, Germany, (ISIN: DE000DCAG010) have exceeded the threshold of 3 percent and amounted to 3.02 percent (638,590 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Elliott Special GP, LLC pursuant to sec. 22 para. 1 sent. 1 no. 1 of the WpHG inter alia from the following undertakings which are controlled by Elliott Special GP, LLC and whose holdings of voting rights amount to 3 percent each or more in Demag Cranes AG: Warrington LLC, U.S.A., Elliott Associates L.P., U.S.A..

7) Elliott Associates L.P., New York, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 2, 2011 the voting rights of Elliott Associates L.P. in Demag Cranes AG, Düsseldorf, Germany, (ISIN: DE000DCAG010) have exceeded the threshold of 3 percent and amounted to 3.02 percent (638,590 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Elliott Associates L.P. pursuant to sec. 22 para. 1 sent. 1 no. 1 of the WpHG inter alia from Warrington LLC, U.S.A., being an undertaking which is controlled by Elliott Associates L.P. and whose holdings of voting rights amount to 3 percent or more in Demag Cranes AG.

8) Warrington LLC, New York, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 2, 2011 the voting rights of Warrington LLC in Demag Cranes AG, Düsseldorf, Germany, (ISIN: DE000DCAG010) have exceeded the threshold of 3 percent and amounted to 3.01 percent (637,590 voting rights) in relation to all shares of the respective voting shares as per this date.

Notification of 19 August 2011:
Notification pursuant to sec. 26 para. 1 Securities Trading Act (WpHG)

1) Paul E. Singer, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 15, 2011 the voting rights of Paul E. Singer in Demag Cranes AG, Düsseldorf, Germany, (DE000DCAG010) have exceeded the threshold of 10 percent and amounted to 10.08 percent (2,133,794 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Paul E. Singer pursuant to sec. 22 para. 1 sent. 1 no. 1 of the WpHG inter alia from the following undertakings which are controlled by Paul E. Singer and whose holdings of voting rights amount to 3 percent each or more in Demag Cranes AG: Warrington LLC, U.S.A., Maidenhead LLC, U.S.A., Elliott International, L.P., Cayman Islands, Elliott Associates, L.P., U.S.A., Hambledon, Inc., Cayman Islands, Elliott Special GP, LLC, U.S.A., Elliott Capital Advisors, L.P., U.S.A., Elliott Asset Management LLC, U.S.A. and Braxton Associates, Inc., U.S.A.

   6.28 percent of the voting rights (1,328,786 voting rights) are also to be attributed to Paul E. Singer pursuant to sec. 22 para. 1 sent. 1 no. 6 in conjunction with sent. 2 of the WpHG, whereby 6.27 percent of the voting rights (1,327,786 voting rights) are to be attributed to Paul E. Singer from Maidenhead LLC, U.S.A.

2) Braxton Associates, Inc., New York, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 15, 2011 the voting rights of Braxton Associates, Inc. in Demag Cranes AG, Düsseldorf, Germany, (DE000DCAG010) have exceeded the threshold of 10 percent and amounted to 10.08 percent (2,133,794 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Braxton Associates, Inc. pursuant to sec. 22 para 1 sent. 1 no. 1 of the WpHG inter alia from the following undertakings which are controlled by Braxton Associates, Inc. and whose holdings of voting rights amount to 3 percent each or more in Demag Cranes AG: Warrington LLC, U.S.A., Maidenhead LLC, U.S.A., Elliott International, L.P., Cayman Islands, Elliott Associates, L.P., U.S.A., Hambledon, Inc., Cayman Islands, Elliott Special GP, LLC, U.S.A. and Elliott Capital Advisors, L.P., U.S.A.

3) Elliott Asset Management LLC, New York, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 15, 2011 the voting rights of Elliott Asset Management LLC in Demag Cranes AG, Düsseldorf, Germany, (DE000DCAG010) have exceeded the threshold of 10 percent and amounted to 10.08 percent (2,133,794 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Elliott Asset Management LLC pursuant to sec. 22 para. 1. sent. 1 no. 1 of the WpHG inter alia from the following undertakings which are controlled by Elliott Asset Management LLC and whose holdings of voting rights amount to 3 percent each or more in Demag Cranes AG: Warrington LLC, U.S.A., Maidenhead LLC, U.S.A., Elliott International, L.P., Cayman Islands, Elliott Associates, L.P., U.S.A., Hambledon, Inc., Cayman Islands, Elliott Special GP, LLC, U.S.A. and Elliott Capital Advisors, L.P., U.S.A.

4) Elliott Capital Advisors, L.P., New York, U.S.A., informed us pursuant to sec. 21 para. 1 of the WpHG that on August 15, 2011 the voting rights of Elliott Capital Advisors, L.P. in Demag Cranes AG, Düsseldorf, Germany, (DE000DCAG010) have exceeded the threshold of 10 percent and amounted to 10.08 percent (2,133,794 voting rights) in relation to all shares of the respective voting shares as per this date.

   All of the aforementioned voting rights are to be attributed to Elliott Capital Advisors, L.P. pursuant to sec. 22 para. 1 sent. 1. no. 1 of the WpHG inter alia from the following undertakings which are controlled by Elliott Capital Advisors, L.P. and whose holdings of voting rights amount to 3 percent each or more in Demag Cranes AG: Warrington LLC, U.S.A., Maidenhead LLC, U.S.A., Elliott International, L.P., Cayman Islands, Elliott Associates, L.P., U.S.A., Hambledon, Inc., Cayman Islands and Elliott Special GP, LLC, U.S.A.

41. Exemption under Section 264 (3) of the German Commercial Code

The following subsidiaries made use of the exemption from disclosure and preparation of a management report under Section 264 (3) of the German Commercial Code (HGB) in the year under review:

- Demag Cranes & Components GmbH, Wetter
- DCC HoldCo 4 (vier) GmbH, Wetter
- DCC HoldCo 5 (fünf) GmbH, Wetter
- Gottwald Port Technology GmbH, Düsseldorf
- Gottwald HoldCo 3 (drei) GmbH, Düsseldorf
- Kranservice Rheinberg GmbH, Rheinberg

42. Auditors' fees

Fees for services rendered by the auditors of the Consolidated Financial Statements, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, Düsseldorf (previous year: Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf) were recognised as expenses in financial year 2010/2011 as follows: EUR 771,000 for the audit (2009/2010: EUR 768,000), EUR 0,000 for audit-related services (2009/2010: EUR 7,000) and EUR 40,000 for other services (2009/2010: EUR 288,000).

43. Events after the balance sheet date

No events material to the financial position or financial performance of the Demag Cranes Group occurred after 30 September 2011.

Appendices to the Consolidated Financial Statements

44. Subsidiaries, joint ventures and investments as at 30 September 2011

Subsidaries

Company and location or registered office		Country code	Interest and control held by
DCC001	Kranservice Rheinberg GmbH, Rheinberg	DE	DCC GmbH, Wetter
DCC002	Demag Cranes & Components Pty. Ltd., Smithfield	AU	DCC GmbH, Wetter
DCC003	Demag Cranes & Components GmbH, Wetter (nachfolgend DCC GmbH)	DE	DCC HoldCo 5 (fünf) GmbH, Wetter
DCC004	Demag Cranes & Components A/S, Copenhagen	DK	DCC GmbH, Wetter
DCC005	Demag Cranes & Components spol. s.r.o., Slany	CZ	DCC GmbH, Wetter
DCC006	Demag Cranes & Components AG, Dietlikon	CH	DCC GmbH, Wetter
DCC007	Demag Cranes & Components (Pty.) Ltd., Johannesburg	ZA	DCC GmbH, Wetter
DCC008	Demag Cranes & Components Ltda., Cotia	BR	DCC GmbH, Wetter
DCC009	Demag Cranes & Components (India) Private Ltd., Pune	IN	DCC GmbH, Wetter
			DCC HoldCo 5 (fünf) GmbH, Wetter
DCC011	DCC Verwaltungs 2 (zwei) GmbH, Wetter	DE	DCC GmbH, Wetter
DCC013	OOO Demag Cranes & Components Russland, Moscow	RUS	DCC GmbH, Wetter
			DCC Verwaltungs GmbH, Wetter
DCC014	Donati (Shanghai) Trading Co. Ltd., Shanghai	CN	Donati Sollevamenti S.r.l., Varese
DCC015	Demag Cranes & Components Unipessoal Lda., Lisbon	PT	DCC GmbH, Wetter
DCC017	Demag Cranes & Components (Shanghai) Co. Ltd., Shanghai	CN	DCC GmbH, Wetter
DCC018	Demag Cranes & Components Trading (Shanghai) Co. Ltd., Pudong	CN	DCC GmbH, Wetter
DCC019	Demag Cranes & Components S.A.S., Châlons en Champagne	FR	DCC France HoldCo SA, Châlons en Champagne
DCC022	Demag Cranes & Components (Middle East) FZE, Dubai	UAE	Demag Cranes & Components Holding Ltd., Dubai
DCC023	Demag Cranes & Components S.p.A., Agrate Brianza	IT	DCC GmbH, Wetter
DCC024	Donati Sollevamenti SRL, Varese	IT	Demag Cranes & Components S.p.A., Agrate Brianza
			DCC GmbH, Wetter
DCC027	Demag Cranes & Components Corp., Cleveland	US	DCC GmbH, Wetter
DCC028	Crane America Services Corp., Dayton	US	Demag Cranes & Components Corp., Cleveland
DCC031	Demag Cranes & Components GmbH, Salzburg	AT	DCC GmbH, Wetter
DCC032	Demag Cranes & Components Guarantee Ltd., Banbury	GB	DCC GmbH, Wetter
DCC033	Demag Cranes & Components Ltd., Banbury	GB	Demag Cranes & Components Holdings Ltd., Banbury
DCC035	Demag Cranes & Components Sp. z o.o., Warsaw	PL	DCC GmbH, Wetter
DCC036	Demag Cranes & Components Holding Ltd., Dubai	UAE	DCC GmbH, Wetter
DCH002	DCC HoldCo 4 (vier) GmbH, Wetter	DE	Demag Cranes AG, Düsseldorf
DCH003	DCC HoldCo 5 (fünf) GmbH, Wetter	DE	DCC HoldCo 4 (vier) GmbH, Wetter

Shareholding (%)	% of control	Net income in EUR thousand	Equity in EUR thousand	Remarks
100.0	100.0	–	7,900	After profit transfer
100.0	100.0	3,245	8,498	
100.0	100.0	–	308,700	After profit transfer
100.0	100.0	–33	2,724	
100.0	100.0	559	5,864	
100.0	100.0	1,341	2,895	
100.0	100.0	272	10,956	
99.9999	99.9999	7,155	26,890	
99.9997	100.0	–3,906	–527	
0.0003				
100.0	100.0	10	671	
99.0	100.0	101	750	
1.0				
100.0	100.0	–22	459	
100.0	100.0	171	763	
100.0	100.0	2,552	6,187	
100.0	100.0	609	3,775	
100.0	100.0	1,352	2,927	
100.0	100.0	–838	6,772	
100.0	100.0	321	15,392	
90.0	100.0	–584	2,771	
10.0				
100.0	100.0	1,290	29,523	
100.0	100.0	645	15,165	
100.0	100.0	1,272	6,104	
100.0	100.0	9	89	
100.0	100.0	–668	11,081	
100.0	100.0	79	3,404	
100.0	100.0	47	2,810	
100.0	100.0	–	108,039	After profit transfer
100.0	100.0	–	203,247	After profit transfer

Subsidiaries

Company and location or registered office		Country code	Interest and control held by
DCH005	Demag Cranes & Components Verwaltungs GmbH, Wetter	DE	DCC GmbH, Wetter
DCH007	DCC France Holdco SA, Châlons en Champagne	FR	DCC HoldCo 5 (fünf) GmbH, Wetter
DCH008	Demag Cranes & Components S.A.U., Madrid	ES	DCC GmbH, Wetter
DCH009	Demag Cranes & Components Holdings Ltd., Banbury	GB	DCC GmbH, Wetter
			Demag Cranes & Components Guarantee Ltd., Banbury
GOC001	Gottwald Port Technology GmbH, Düsseldorf	DE	Gottwald HoldCo 3 (drei) GmbH, Düsseldorf
GOC003	Gottwald Port Technology Verwaltungs GmbH, Düsseldorf	DE	Gottwald Port Technology GmbH, Düsseldorf
GOC005	TBA B.V., Delft	NL	Gottwald Port Technology GmbH, Düsseldorf
GOC007	Gottwald Port Technology Netherlands B.V., Spijkenisse	NL	Gottwald Port Technology GmbH, Düsseldorf
GOC009	DBIS (Software and Automation) Ltd., Doncaster	GB	TBA B.V., Delft
			D.B. Holdings Ltd., Doncaster
GOC010	D.B. Holdings Ltd., Doncaster	GB	TBA B.V., Delft
GOH001	Gottwald HoldCo 3 (drei) GmbH, Düsseldorf	DE	Demag Cranes AG, Düsseldorf

Joint ventures

Company and location or registered office		Country code	Interest and control held by
DCC010	MHE-Demag (S) Pte. Ltd., Singapore	SG	DCC GmbH, Wetter

Investments in associates

Company and location or registered office		Country code	Interest and control held by
DCC026	Donati Ltd., Liverpool	GB	Donati Sollevamenti S.r.l., Varese
GOC004	AQZ Ausbildungs- und Qualifizierungszentrum GmbH, Düsseldorf	DE	Gottwald Port Technology GmbH, Düsseldorf
GOC006	TBA Romania S.R.L., Satu Mare	RO	TBA B.V., Delft
GOC008	TBA Logistics and Software Private Ltd., Secunderabad	IN	TBA B.V., Delft

	Shareholding (%)	% of control	Net income in EUR thousand	Equity in EUR thousand	Remarks
	100.0	100.0	–1	23	
	99.9994	99.9994	1,859	15,812	
	100.0	100.0	791	2,981	
	74.0	100.0	–	4,040	
	26.0				
	100.0	100.0	–	55,448	After profit transfer
	100.0	100.0	0	23	
	69.8	69.8	386	3,809	
	100.0	100.0	168	477	
	12.0	76.0	–46	1,338	Results from 1 February to 30 September 2011
	64.0				
	100.0	100.0	–3	268	Results from 1 February to 30 September 2011
	100.0	100.0	–	14,401	After profit transfer

	Shareholding (%)	% of control	Net income in EUR thousand	Equity in EUR thousand	Remarks
	50.0	50.0	3,210	23,169	Accounted for using the equity method: figures as at 31 August 2011

	Shareholding (%)	% of control	Net income in EUR thousand	Equity in EUR thousand	Remarks
	100.0	100.0	28	158	
	30.0	30.0	n/a	n/a	Following bankruptcy, the company is in liquidation process.
	100.0	100.0	38	64	
	100.0	100.0	–16	–11	

45. Mandates

Supervisory Board

Dr. Michael W. Ernestus, New York, New York, USA
(since 24 September 2011)
Chairman of the Supervisory Board
G.C. Andersen Partner, LLC, New York, New York, USA (Partner)

Membership of other supervisory bodies:
North Atlantic Holding Corporation, Louisville, Kentucky, USA (Member of the Board of Directors)
North Atlantic Trading Company, Louisville, Kentucky, USA (Member of the Board of Directors)

Burkhard Schuchmann, Dortmund, Germany
(until 23 September 2011)
Chairman of the Supervisory Board
alternative rail investments AG, Frankfurt am Main, Germany (CEO)
Patentes Talgo SA, Madrid, Spain
(Vice Chairman of the Board)

Membership of other supervisory bodies:
Patil Rail Industries Ltd., Hyderabad, India
Siegwerk Druckfarben AG, Siegburg, Germany

Josef Berger*, Düsseldorf, Germany
Deputy Chairman of the Supervisory Board
Demag Cranes & Components GmbH, Wetter, Germany
(Chairman of the Works Council)

Membership of other supervisory boards:
Demag Cranes & Components GmbH, Wetter, Germany

Axel Joachim Arendt, Grünwald, Germany
(since 24 September 2011)
Axel Arendt Management Consulting GbR, Grünwald, Germany (Managing Director, executive consultant)

Membership of other supervisory bodies:
Bilfinger Berger Industrial Services GmbH, Munich, Germany (Member of the Advisory Board)
Tital GmbH, Bestwig, Germany (Member of the Advisory Board)

Kevin A. Barr, Wilton, Connecticut, USA
(since 24 September 2011)
Terex Corporation, Westport, Connecticut, USA
(Senior Vice President Human Resources)

Gerd-Uwe Boguslawski*, Northeim, Germany
German Metalworkers Union (IG Metall) in southern Lower Saxony/Harz, Northeim, Germany
(First authorised representative)

Membership of other supervisory boards:
Demag Cranes & Components GmbH, Wetter, Germany
Sartorius AG, Göttingen, Germany

Harry Hansen*, Monheim am Rhein, Germany
Gottwald Port Technology GmbH, Düsseldorf, Germany
(Chairman of the Works Council)

Membership of other supervisory boards:
Gottwald Port Technology GmbH, Düsseldorf, Germany

Brian J. Henry, Fairfield, Connecticut, USA
(since 24 September 2011)
Terex Corporation, Westport, Connecticut, USA
(Senior Vice President Finance and Business Development)

Prof. Dr. h.c. Karlheinz Hornung, Wiesbaden, Germany
(until 23 September 2011)
Supervisory Board Chairman as listed below

Membership of other supervisory boards:
Q-Cells SE, Bitterfeld-Wolfen, Germany
(Chairman of the Supervisory Board)

Robert J. Koehler, Wiesbaden, Germany
(until 23 September 2011)
SGL CARBON SE, Wiesbaden, Germany (CEO)

Membership of other supervisory boards:
Heidelberger Druckmaschinen AG, Heidelberg, Germany
(Chairman of the Supervisory Board since 28 July 2011)
Benteler International AG, Salzburg, Austria
Lanxess AG, Leverkusen, Germany
Klöckner & Co. SE, Duisburg, Germany

Dr. Michael Leue, Hamburg, Germany
(since 24 September 2011)
Bryan Cave LLP, Hamburg, Germany (Partner)

Membership of other supervisory bodies:
initions innovative IT solutions AG, Hamburg, Germany
(Chairman of the Supervisory Board)
w2ha AG, Hamburg, Germany
(Chairman of the Supervisory Board)

Dr. Herbert Meyer, Königstein, Germany
(until 23 September 2011)
Member of various supervisory boards as listed below, Financial Reporting Enforcement Panel, Berlin, Germany (President) (until 30 June 2011)

Membership of other supervisory boards:
Deutsche Beteiligungs AG, Frankfurt am Main, Germany (until 23 March 2011)
Sektkellerei Schloss Wachenheim AG, Wachenheim, Germany (until 2 December 2010)
WEBASTO AG, Stockdorf, Germany
Heidelberger Druckmaschinen AG, Heidelberg, Germany (since 28 July 2011)

Membership of other supervisory bodies:
Verlag Europa Lehrmittel GmbH, Haan-Gruiten, Germany

Reinhard Möller*, Uslar, Germany
Demag Cranes & Components GmbH, Uslar plant, Germany (Chairman of the Works Council)

Membership of other supervisory boards:
Demag Cranes & Components GmbH, Wetter, Germany

Dr. Martin Posth, Berlin, Germany
(until 15 October 2010)
Self-employed management consultant, Berlin, Germany

Membership of other supervisory bodies:
Deininger Management Consulting Co. Ltd., Shanghai, China
Iberia Motor Company S.A., Piastów, Poland

Hubert Rosenthal*, Herdecke, Germany
German Metalworkers Union (IG Metall) Hagen administration office, Hagen, Germany (First authorised representative)

Membership of other supervisory boards:
Demag Cranes & Components GmbH, Wetter, Germany
Guß Holding GmbH, Osnabrück, Germany
Hoesch Hohenlimburg GmbH, Hohenlimburg, Germany
Hoesch Schwerter Profile GmbH, Schwerte, Germany
Thyssen Krupp Bilstein Suspension GmbH, Ennepetal, Germany

Dr. Rudolf Rupprecht, Augsburg, Germany
(until 23 September 2011)
Member of various supervisory boards as listed below,
former CEO and Chairman of the Board, MAN Aktiengesellschaft

Membership of other supervisory boards:
Bilfinger Berger AG, Mannheim, Germany (until 8 October 2010)
MAN SE, Munich, Germany (until 30 June 2011)
Salzgitter Aktiengesellschaft, Salzgitter, Germany

Oren G. Shaffer, Naples, Florida, USA
(since 24 September 2011)
Shaffer and Associates, Denver, Colorado, USA, (independent management consultant and Partner)

Membership of other supervisory bodies:
Intermec, Inc., Everett, Washington, USA (Member of the Board of Directors)
Terex Corporation, Westport, Connecticut, USA (Member of the Board of Directors)
XPO Logistics, Inc., Buchanan, Michigan, USA (Member of the Board of Directors)
Belgacom SA, Brussels, Belgium (Member of the Conseil d'administration)

Horst Thelen*, Koblenz, Germany
Demag Cranes AG, Düsseldorf, Germany (Head of Investor Relations)

Jens Tischendorf, Zurich, Switzerland
(21 October 2010 to 23 September 2011)
Cevian Capital AG, Zurich, Switzerland (Partner, Investment Manager)

* Employee representative

Management Board

Aloysius Rauen, Munich, Germany
CEO and Member of the Board for Services

Membership of other supervisory boards:
Demag Cranes & Components GmbH, Wetter, Germany (since 1 November 2011)
Chairman since 23 November 2011
Gottwald Port Technology GmbH, Düsseldorf, Germany (since 1 November 2011)
Chairman since 25 November 2011

Membership of other supervisory bodies:
MHE-Demag (S) Pte. Ltd., Singapore, Singapore

Rainer Beaujean, Meerbusch, Germany
(until 30 November 2011)
Member of the Management Board and CFO

Membership of other supervisory boards:
Demag Cranes & Components GmbH, Wetter, Germany (until 30 November 2011)
Gottwald Port Technology GmbH, Düsseldorf, Germany (until 30 November 2011)

Membership of other supervisory bodies:
CIC GmbH & Co. KG, Dortmund, Germany
(since 7 October 2011)

Thomas H. Hagen, Düsseldorf, Germany
(until 30 September 2011)
Member of the Management Board and Member of the Board with responsibility for Industrial Cranes and Port Technology

Membership of other supervisory boards:
Demag Cranes & Components GmbH, Wetter, Germany
(Chairman until 31 October 2011)
Gottwald Port Technology GmbH, Düsseldorf, Germany
(Chairman until 31 October 2011)
Phorms Management AG, Berlin, Germany

Membership of other supervisory bodies:
MHE-Demag (S) Pte. Ltd., Singapore, Singapore
(until 18 November 2011)
Wöhner GmbH & Co. KG Elektrotechnische Systeme, Rödental, Germany (since 30 June 2011)

46. Composition of the committees

Nomination Committee

Dr. Michael W. Ernestus, New York, New York, USA
(since 24 September 2011) (Chairman)

Axel Arendt, Grünwald, Germany
(since 24 September 2011) (Vice Chairman)

Kevin A. Barr, Wilton, Connecticut, USA
(since 24 September 2011)

Brian Henry, Fairfield, Connecticut, USA
(since 24 September 2011)

Prof. Dr. h.c. Karlheinz Hornung, Wiesbaden, Germany
(until 23 September 2011)

Robert J. Koehler, Wiesbaden, Germany
(until 23 September 2011)

Dr. Michael Leue, Hamburg, Germany
(since 24 September 2011)

Dr. Herbert Meyer, Königstein, Germany
(until 23 September 2011)

Dr. Rudolf Rupprecht, Augsburg, Germany
(until 23 September 2011)

Burkhard Schuchmann, Dortmund, Germany
(until 23 September 2011)

Oren G. Shaffer, Naples, Florida, USA
(since 24 September 2011)

Jens Tischendorf, Zurich, Switzerland
(21 October 2010 to 23 September 2011)

General Committee

Dr. Michael W. Ernestus, New York, New York, USA (since 24.September 2011) (Chairman)

Josef Berger, Düsseldorf, Germany (Vice Chairman)

Kevin A. Barr, Wilton, Connecticut, USA (since 24 September 2011)

Robert J. Koehler, Wiesbaden, Germany (until 23 September 2011)

Hubert Rosenthal, Herdecke, Germany

Burkhard Schuchmann, Dortmund, Germany (until 23 September 2011)

Audit Committee

Oren G. Shaffer, Naples, Florida, USA (since 24 September 2011) (Chairman)

Dr. Michael W. Ernestus, New York, New York, USA (since 24 September 2011) (Vice Chairman)

Josef Berger, Düsseldorf, Germany

Prof. Dr. h.c. Karlheinz Hornung, Wiesbaden, Germany (until 23 September 2011)

Hubert Rosenthal, Herdecke, Germany

Burkhard Schuchmann, Dortmund, Germany (until 23 September 2011)

Mediation Committee

Dr. Michael W. Ernestus, New York, New York, USA (since 24 September 2011) (Chairman)

Josef Berger, Düsseldorf, Germany (Vice Chairman)

Axel Arendt, Grünwald, Germany (since 24 September 2011)

Dr. Herbert Meyer, Königstein, Germany (until 23 September 2011)

Reinhard Möller, Uslar, Germany

Burkhard Schuchmann, Dortmund, Germany (until 23 September 2011)

Düsseldorf, 28 November 2011

Aloysius Rauen

Rainer Beaujean

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Düsseldorf, 28 November 2011

Aloysius Rauen Rainer Beaujean

Auditors' report

We have audited the consolidated financial statements – compromising comprehensive income statement, balance sheet, income statement, cash flow statement and notes – and the consolidated management report which compromises also the combined management and group management report of Demag Cranes AG, Düsseldorf, for the business year from 1 October 2010 to 30 September 2011. The set up of the consolidated financial statements and the combined management and group management report in accordance with the International Financial Reporting Standards (IFRS), as applicable inside the European Union, and the supplementary commercial rules in accordance with section 315 a par. 1 HGB are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and the combined management and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB [German Commercial Code] and German generally accepted standards for the audit of consolidated financial statements promulgated by the Institute der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require, that we plan and perform the audit such that misstatements, whether due to error or fraud, materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the consolidated management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosure in the books and records, the consolidated financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes an assessment of the annual financial statements included in the consolidated financial statements, the segregation of the consolidation scope, the applied balancing and consolidation principles and substantial assessments of the legal representatives as well as the assessment of the total presentation of the consolidated financial statements and the consolidated management report. We are of the opinion that our audit represents a sufficiently secure basis for our assessment.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Demag Cranes AG, Düsseldorf, for the business year from 1 October 2010 to 30 September 2011 comply with the IFRS regulations, as applicable inside the European Union, and the commercial requirements and give a true and fair view of the net assets, financial position and results of operations of the group. The combined management and group management report is consistent with the consolidated financial statements as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 28 November 2011

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Klaus Günter Klein
Wirtschaftsprüfer

Dr. Thomas Senger
Wirtschaftsprüfer

Additional Information

Glossary

Technical terms

A-list suppliers
A-list suppliers are those who account for between 60 and 70 percent of purchases.

AGV
Abbreviation for "Automated Guided Vehicle". Dieselelectric transport vehicle for containers for use in container terminals. All functions of the vehicle and its navigation around the terminal are fully automated; the vehicle is guided by a master management system.

ASC
Abbreviation for "Automated Stacking Crane". Crane for use in the stack area of container terminals. All functions are controlled automatically by a master software system.

Battery AGV
AGV Automated Guided Vehicle which does not use a diesel-electric drive train but instead is battery driven and, as a result, produces zero exhaust gas emissions and enables noise pollution to be significantly reduced.

Container
Standardised unit load in international cargo handling.

Frequency inverters
Frequency inverters are electronic devices used to control the speed of drives in order to achieve continuous movement in travel, lifting, turning and slewing operations. The speed of the motor is determined by the frequency of the current.

Industrial Crane
Generic term for Standard and Process Cranes, rope and chain hoists and the crane construction kit system.

KBK crane construction kit
Modular crane and monorail system made of standardised components, which are used in order to build tailor-made transport solutions, suitable for linear and area-serving transport solutions typically provided by cranes..

Process Crane
High-performance cranes optimised to meet specific application requirements offering high operating reliability and maximum availability. Fully automated operation possible.

Rope hoist
Standardised hoist with one or more ropes as load-supporting means, mostly used on Standard or Process Cranes.

Financial Terms

Statement of cash flow
The cash flow statement illustrates flows of cash and cash equivalents during a financial year, broken down into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

Corporate governance
Corporate governance refers to the legal and practical framework for managing and monitoring companies. Corporate governance regulations serve to offer greater transparency, thereby increasing confidence in responsible company management and supervision orientated toward added value.

Deferred tax assets and liabilities
Deferred tax assets and liabilities are based on limited-time differences in the methods of balancing of accounts according to the International Financial Reporting Standards and the corresponding national tax law (temporary differences). If, in the financial statements in line with IFRS, assets are stated at a lower (higher) level or liabilities at a higher (lower) level than in the tax balance sheet of the respective Group company, the future tax relief that arises from this must be recorded as deferred tax asset (liability). Deferred tax assets can also be recorded as tax loss carryforwards. Deferred tax assets are value-adjusted if it seems unlikely that the corresponding level of tax receivables will arise.

Earnings per share
Earnings per share is the ratio of the consolidated profit or loss for the year to the average number of shares issued. For diluted earnings per share, the number of shares and the consolidated profit or loss for the year are adjusted by the dilutive effects of any subscription rights that have been or can still be exercised. Subscription rights arise in connection with issues of convertible debentures and share options.

EBIT
Earnings before interest and tax

EBT
Earnings before tax

Segment reporting
Segment reporting is financial information based on the consolidated financial statements, reported by business segment and region.

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Financial calendar 2012

7 February 2012	Interim Report Q1, Financial Year 2011/2012
24 February 2012	Annual General Meeting 2012, Financial Year 2010/2011
8 May 2012	Interim Report Q2, Financial Year 2011/2012
7 August 2012	Interim Report Q3, Financial Year 2011/2012
5 December 2012	Financial Statements, Financial Year 2011/2012

Publisher's note

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This Annual Report contains forward-looking statements relating to the business, financial performance and earnings of Demag Cranes AG and its subsidiaries and associates. Forward-looking statements are not historical facts and are indicated by words and phrases such as 'believe', 'expect', 'forecast', 'intend', 'project', 'plan', 'estimate', 'aim', 'anticipate', 'assume', 'target' and similar. Forward-looking statements are based on current plans, estimates, projections and expectations and are therefore subject to risks and uncertainties, most of which are difficult to estimate and which in general are beyond the control of Demag Cranes AG. Consequently, actual developments as well as actual earnings and performance may differ materially from that which is explicitly or implicitly assumed in the forward-looking statements.

Demag Cranes AG gives no guarantee that expectations and targets explicitly or implicitly assumed in forward-looking statements will be attained. Demag Cranes AG does not intend or accept any obligation to publish updates of these forward-looking statements incorporating events or circumstances subsequent to publication of this Annual Report.

All figures are rounded to the nearest thousand euros unless otherwise stated. The amount shown for each individual item and total is the figure with the smallest rounding difference. Reported totals may therefore differ slightly from the sum of the individual reported amounts.

Please note that, in the case of a legal dispute, only the official German version is legally binding. The English version is provided for information purposes only.

Multiple-year overview

	1 October to 30 September					
Earnings in EUR million	**2010/2011**	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Order intake	1,121.2	910.6	841.9	1,323.4	1,205.1	1,054.0
Order book as at end of period	361.7	306.6	313.1	523.5	427.6	305.6
Revenue	1,062.3	931.3	1,047.6	1,225.8	1,080.4	986.9
Of which						
inside Germany	19.3%	20.5%	22.2%	20.7%	19.0%	19.2%
outside Germany	80.7%	79.5%	77.8%	79.3%	81.0%	80.8%
Gross profit	308.1	244.9	249.7	361.5	291.7	267.2
in % of revenue	29.0	26.3	23.8	29.5	27.0	27.1
Operating EBITDA[1]	96.6	74.3	89.5	160.0	118.5	105.6
Operating EBIT[1]	75.7	54.2	67.6	137.5	94.6	84.5
in % of revenue	7.1	5.8	6.5	11.2	8.8	8.6
EBIT	43.9	50.2	13.2	135.8	82.0	54.1
Operating net income after tax[2]	46.8	30.5	42.8	85.2	51.4	40.7
Operating earnings per share (in EUR)[2]	2.21	1.44	2.01	4.00	2.41	1.92
Net income after tax	6.5	27.8	1.2	80.8	32.8	22.1
Earnings per share (in EUR)	0.31	1.31	0.04	3.79	1.53	1.04
Cash flow in EUR million						
Cash flow from operating activities	14.1	23.3	61.8	147.1	64.7	57.6
Cash flow from investing activities	–27.3	–16.2	–18.3	–21.3	–26.1	–13.5
Of which capital expenditure	–26.7	–17.2	–18.8	–25.4	–30.7	–28.1
Free cash flow before financing	–13.2	7.0	43.4	125.9	38.5	44.1
Financial position in EUR million	**30 September 2011**	30 September 2010	30 September 2009	30 September 2008	30 September 2007	30 September 2006
Total assets	894.9	838.0	818.8	925.5	843.1	831.8
Net working capital	251.9	225.3	210.5	254.0	247.5	203.9
Net debt	21.8	–7.2	6.3	18.4	116.6	133.3
Equity	250.0	251.6	227.7	271.2	209.0	188.9
Equity ratio in %	27.9	30.0	27.8	29.3	24.8	22.7
Gearing in %	8.7	–2.8	2.7	6.8	55.8	70.6
Employees						
Employees[3]	6,115	5,711	5,934	6,093	5,813	5,680
Of which						
inside Germany	2,820	2,734	2,906	3,008	2,926	2,852
outside Germany	3,295	2,977	3,028	3,085	2,887	2,828
Shares						
Number of shares (in million)	21.2	21.2	21.2	21.2	21.2	21.2
Market capitalisation (in EUR million)	1,235.2	595.8	519.6	589.2	699.6	571.7
Dividend per share (in EUR)	0.78[5]	0.60	–	1.40	1.10	1.00
Closing share price (in EUR)[4]	58.34	28.14	24.54	27.83	33.04	27.00

[1] Adjusted to reflect the effects of operating adjustments
[2] Adjusted to reflect the effects of operating adjustments and tax effects
[3] Employees as at the end of the period, excluding tempoary employees, apprentices and trainees
[4] As per XETRA closing
[5] Dividend proposal for the Annual General Meeting 2012

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