

Report of the Management Board

to the General Meeting ad Item 7 of the Agenda in accordance with section 221 para. 4 sentence 2 in conjunction with section 186 para. 4 sentence 2 German Stock Corporation Act

The report by the Management Board pursuant to section § 221 para. 4 sentence 2 in conjunction with section 186 para. 4 sentence 2 German Stock Corporation Act ad agenda item 7 is available for inspection by shareholders at the business premises of Demag Cranes AG in 40597 Düsseldorf, Forststraße 16, Germany, as from the time of convening the General Meeting. Such documents are also accessible via the Company's website at http://www.demagcranes-ag.de/en/Investor_Relations/Annual_General_Meeting/Annual_General_Meeting_2010.jsp and are made available to the General Meeting. Upon request, a copy will be furnished and sent to each shareholder without undue delay and free of charge.

The contents of the report are disclosed as follows:

We propose to the General Meeting the authorization and the creation of conditional capital for the issuance of convertible bonds and/or warrant-linked bonds (collectively the "Bonds"). The issuance of Bonds (or the combination of these instruments, as the case may be) may provide a further opportunity, in addition to the conventional possibilities of raising debt and equity capital, to make use, depending on the market situation, of attractive financing alternatives on the capital market. The issuance is to be limited to a total nominal value of the Bonds of up to EUR 210,000,000 and an entitlement to subscribe up to 4,200,000 no-par value bearer shares of the Company.

The issuance of Bonds facilitates the raising of debt capital at favorable conditions (compared to the conventional debt financing) which may be converted into equity capital upon maturity under certain conditions and thus may remain with the Company. The envisaged possibility to create also conversion obligations in addition to the granting of conversion and/or option rights provides more leeway for the structuring of the financing instrument. The authorization will provide the Company with the necessary flexibility to place the Bonds itself or via affiliates managed by the Company ("Group Affiliates"). In addition to Euro, the Bonds may also be denominated in other legal currency, for example that of an OECD country, and may be issued with limited or unlimited duration.

Shareholders shall generally be granted a subscription right. In case of a placement via Group Affiliates, the Company shall also ensure that the shareholders are granted the statutory subscription right. In order to facilitate the settlement, the possibility is provided to issue the Bonds to one or several credit institutions with the obligation to offer the Bonds to the shareholders for subscription in accordance with their subscription right.

However, the Management Board shall also be authorized to exclude, with the approval of the Supervisory Board, the subscription right of the shareholders to the extent that the issuance of shares under conversion or option rights or conversion obligations is restricted to a maximum of ten percent of the share capital of the Company. This possibility to exclude the subscription right provides the Company with the flexibility to seize favorable capital market situations on a short-term basis and, by determining the conditions in accordance with prevailing market terms, to achieve better terms regarding the interest rates and issue price of the Bond. The decisive factor is that, as opposed to an issue of Bonds with subscription right, the issue price can be determined immediately before the placement, thereby avoiding an increased risk of price change for the duration of the subscription period. In contrast, where a subscription right is granted, the subscription price would have to be disclosed until three days prior to the end of the subscription period. In view of the frequently observed volatility on the stock markets, the market risk would still be immanent for a number of days, which would result in safety margins deducted when stipulating the terms and conditions of the Bond. The subscription period would also make it more difficult to respond to favorable market conditions on a short-term basis. Particularly in case of bonds, the granting of a subscription right could jeopardize any successful placement with third parties, or result in additional expenses, due to the uncertainty of the exercise thereof. By determining the issue price of the bonds in these cases not materially below the notional market value

computed in accordance with generally accepted financial mathematical methods, the shareholders' need for protection with regard to an economic dilution of their shareholding is to be accounted for. If the issue price were equivalent to the market value, the value of the subscription right would virtually be decreased to zero. Thus, the shareholders will not suffer any significant economic disadvantages on account of the exclusion of the subscription rights. The Management Board will endeavor to achieve the highest issue price possible and to keep any economic discount on the price at which the current shareholders can buy additional shares via the market as low as possible. Shareholders who would like to maintain their share in the Company's share capital can achieve this by way of additional purchases via the market on roughly the same terms and conditions. Any relevant losses in the proportions of their shareholdings can also be ruled out from the viewpoint of the shareholders. The authorization is restricted to the issue of conversion and/or option rights (also with conversion obligations), which account for up to ten percent of the Company's share capital. Any other issue of shares against cash consideration or sale of own shares shall be taken into account in these ten percent of the share capital, to the extent that such shares are issued under exclusion of the subscription right pursuant to section 186 para. 3 sentence 4 German Stock Corporation Act during the term of the proposed authorization. Thereby it is ensured that no convertible and/or warrant-linked bonds are issued where this would result in the exclusion of the subscription right of the shareholders for a total of more than ten percent of the share capital in direct or indirect application of section 186 para. 3 sentence 4 German Stock Corporation Act. This further restriction is in the best interest of the shareholders who would like to maintain, if possible, the proportion of their shareholding in case of corporate action to this effect; in such cases, their additional investment may be limited to a maximum of 10 percent of their shareholding.

Moreover, the Management Board shall be authorized, with the approval of the Supervisory Board, to exclude fractional amounts from the shareholders' subscription right. Such fractional amounts may result from the amount of the respective issuance volume and the need for a practicable subscription ratio. In these cases, the exclusion of the subscription right for fractional amounts facilitates the implementation of the corporate measure. The fractional new shares, which are excluded from the subscription right of the shareholders, will either be sold via the stock exchange or otherwise disposed of best possible to the benefit of the Company. The restriction of the exclusion to fractional amounts does not result in any significant dilution for the shareholders; in the opinion of the Management Board, such restriction is justified in view of the circumstances and appropriate.

Furthermore, the Management Board is to be provided with the possibility to exclude, with the approval of the Supervisory Board, the subscription right of the shareholders in order to grant to the bearers or holders of conversion and/or option rights or convertible bonds with conversion obligation subscription rights for the same number of shares to which they would be entitled as shareholders upon exercise of their conversion or option rights or upon compliance with their conversion obligations. Thereby it is avoided that the bearers/holders of conversion and/or option rights (also with conversion obligation) are placed at an economic disadvantage; they are granted dilution protection which is in accordance with the capital market practice, which facilitates the placement of the convertible and/or warrant-linked bond, and which enables the Company to have a higher cash inflow, as there is no need in these cases for a reduction of the conversion and/or option price or for any other dilution protection. The only disadvantage for the former shareholders lies in the fact that the bearers/holders of conversion and/or option rights (also with conversion obligation) are granted a subscription right to which they would in any event be entitled if they had already exercised their conversion and/or option rights or complied with their conversion obligation. Consequently, on consideration of the pros and cons, the exclusion of the subscription rights appears reasonable in this case.

Demag Cranes AG

Forststrasse 16

40597 Düsseldorf

Germany

Phone +49 (0) 211 7102 - 1010

Fax +49 (0) 211 7102 - 51009

www.demagcranes-ag.com



DEMAG
CRANES AG