

Explanatory Report of the Management Board

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

The Management Report of the Demag Cranes AG (Management Report and Annual Financial Statements, as at 30 September 2007 p. 4 et seq.) and the Group Management Report (Annual Report 2006/2007 p. 50 et seq.) contain statements according to Sections 289 (4), 315 (4) of the German Commercial Code (HGB – Handelsgesetzbuch). Pursuant to Sections 120 (3) Sentence 2, 175 (2) Sentence 1 of the German Stock Corporation Act (AktG – Aktiengesetz), in the version as amended by the Second Act to amend the German Act Regulating the Transformation of Companies (UmwG – Umwandlungsgesetz) dated 19 April 2007 (German Federal Law Gazette (BGBl – Bundesgesetzblatt) 2007 I, p. 542), the Management Board is obliged to explain these statements to the General Shareholders' Meeting. Such explanation is given in the following:

1. Subscribed capital, rights and duties connected to the shares

The subscribed capital (capital stock) of Demag Cranes AG totalled EUR 21,172,993 as at 30 September 2007. It comprises 21,172,993 no-par bearer shares. There are no differing classes of shares. Each share carries one vote at the General Shareholders' Meeting. Apart from that, the rights and duties connected to a no-par bearer share arise out of the German Stock Corporation Act (AktG – Aktiengesetz).

2. Restrictions on transfer and voting rights

In conjunction with the IPO of Demag Cranes AG, the company's issuing shareholders and the company's Management Beteiligungs-KG companies undertook a market protection agreement with the consortium banks. Under the terms of this agreement, no activity could take place within a period of six months following admission of the shares to share exchange trading (23 June 2006) without the prior written approval of the global coordinators (Goldman Sachs International, London, and Lehman Brothers International (Europe), London),

- directly or indirectly regulating the (further) shares in the company held by them, or to offer, pledge, sell, undertake to sell, or sell an option on their disposal, other securities for which shares can be converted or exchanged, to purchase an option on their disposal, or otherwise deliver or dispose of the securities;
- the purpose of which is the conclusion of transactions (including swaps) through which the economic risk of the share ownership is transferred in whole or in part to a third party;

irrespective of whether these transactions are to be fulfilled through the delivery of shares or through cash payments or other payments;

- the purpose of which is the exercise of rights under the Securities Act of 1933, as amended relating to the registration of shares of the company or other securities that can be converted into or exchanged for shares in the company, or that stipulate such exercise rights;
- that initiate a capital increase, vote for such increase, or otherwise support it.

The lockout period regulated by this expired in financial year 2006/2007. Accordingly, as at the balance sheet date, no shares of Demag Cranes AG are subject to restrictions on transfer due to the market protection agreement concluded in connection with the IPO. The Management Board is not aware of any restrictions relating to the shares arising from agreements between shareholders.

As at the balance sheet date, the shares of Demag Cranes AG are not subject to any statutory or legal restrictions on voting rights. The Management Board is not aware of any restrictions relating to the exercise of voting rights arising from agreements between shareholders.

3. Equity investments exceeding ten percent of voting rights

The Management Board is not aware of any direct or indirect investments in the company's share capital exceeding ten percent of voting rights.

4. Shares carrying special powers

None of the shares issued by Demag Cranes AG include rights granting holders special controlling powers.

5. Shares carrying special powers

No information is available on the control of voting rights in the event that employees have an investment in the joint capital and do not directly exercise their controlling rights.

6. Appointment and removal from office of the members of the Management Board; changes to the Articles of Association

The company's Management Board is the statutory management and representative body of Demag Cranes AG. Pursuant to Section 6 of the company's Articles of Association, it consists of at least two members. Apart from this, the number of Management Board members is determined by the Supervisory Board. The Supervisory Board can appoint deputy Management Board members. The Management Board appoints a spokesman from its ranks, unless the Supervisory Board appoints a Management Board member as Chairman of the Management Board.

The company's Management Board consists of the Chairman and two further members. These are Mr Harald J. Joos (CEO and Management Board member with responsibility for Port Technology), Mr. Rainer Beaujean (CFO) and Thomas H. Hagen (Management Board member with responsibility for Industrial Cranes and Services).

The appointment and removal from office of the members of the Management Board is conducted in reliance on Sections 84, 85 of the German Stock Corporation Act (AktG – Aktiengesetz) and Section 31 of the German Co-Determination Act (MitbestG – Mitbestimmungsgesetz). Pursuant to Section 84 of the German Stock Corporation Act (AktG – Aktiengesetz), the members of the Management Board are appointed by the Supervisory

Board for a maximum term of office of five years. A repeat appointment or extension of the term of office, in either case for no more than five years, is permitted. The appointment and re-appointment require a renewed resolution of the Supervisory Board which, as a matter of principle, must be made no earlier than one year prior to the end of the term of office. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiry of the member's term of office if there is a substantial reason for doing so, for instance in the event of gross neglect of duty or if the Management Board member loses the trust of the General Meeting.

The company is represented by two Management Board members or by one Management Board member together with an authorised signatory (Prokurist).

As a matter of principle, any amendment to the Articles of Association requires a resolution by the Annual General Meeting, pursuant to Section 179 of the German Stock Corporation Act (AktG – Aktiengesetz). Exceptions to this are changes to the Articles of Association that only relate to its wording; the Supervisory Board is authorised to make such changes.

As to the majority required to adopt resolutions amending the Articles of Association, Sections 133 (1), 179 (1) and (2) of the German Stock Corporation Act (AktG – Aktiengesetz) shall apply. Pursuant to the company's Articles of Association, Annual General Meeting resolutions are, unless mandatory statutory provisions dictate otherwise, passed with a simple majority of the votes cast and, should the law also prescribe a capital majority aside from the majority of votes cast, with a simple majority of the subscribed capital represented at the resolution.

7. Powers of the Management Board with respect to issuance and buy-back of shares

Pursuant to Section 4 (5) of the Articles of Association, the Management Board is authorised, with the approval of the Supervisory Board, to increase the company capital stock in the period up to 18 May 2011 by issuing new bearer shares against cash contributions or contributions in kind, on one or more occasions, by up to a total of EUR 10,586,496 (authorised capital) ; this corresponds to fifty percent of the current share capital. The new shares can be assumed by one or more financial institutions determined by the Management Board with the undertaking to offer them to shareholders (indirect subscription right).

The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' statutory subscription rights in the following cases:

- in the event of capital increases against contributions in kind to grant shares for the purpose of the acquisition of companies, divisions of companies or investments in companies and for the purpose of issuing shares to employees of the company and of companies associated with the company within the statutory rules and regulations;
- to the extent required to grant holders of warrants and convertible bonds issued by

the company or its subsidiaries a subscription right to new shares to the extent that they would be entitled after exercising the option or conversion right or after fulfilling conversion or option obligations;

- in order to exclude any residual amounts from the subscription right;
- for capital increases against cash contributions if the issuing amount of the new shares does not significantly fall below the list price of the shares of the same class and configuration that are already listed at the time of final fixing of the issuing amount by the Management Board, within the meaning of Sections 203 (1) and (2), 186 (3) Sentence 4 of the German Stock Corporation Act (AktG – Aktiengesetz) and the total proportional amount of the capital stock apportionable to the new shares for which subscription rights are excluded does not exceed 10 percent of the existing capital stock at the time new shares are issued. Credited to the maximum limit of 10 percent of the capital stock are shares that are disposed of during the term of the authorised capital, excluding shareholders' subscription right, pursuant to Sections 71 (1) No. 8 Sentence 5, 186 (3) Sentence 4 of the German Stock Corporation Act (AktG – Aktiengesetz), as well as shares in relation to which there exists a conversion right or option right or conversion obligation due to option bonds and/or convertible bonds that were issued since the issuing of this authorisation, excluding subscription rights, pursuant to Sections 221 (4), 186 (3) Sentence 4 of the German Stock Corporation Act (AktG – Aktiengesetz).

The Management Board is further authorised, with the approval of the Supervisory Board, to define the further details of the capital increase and its execution, including the composition of the share rights and the conditions of the issuing of shares.

As a prerequisite to the IPO, Demag Cranes AG undertook, as part of a market protection agreement with the consortium banks, not to take any of the following measures within a period of six months following the admission of the shares to share trading (23 June 2006) without the prior written approval of the global coordinators (Goldman Sachs International, London, and Lehman Brothers International (Europe), London):

- announcement or execution of a capital increase from authorised capital;
- proposal for a capital increase for resolution by the General Meeting;
- take any action to directly or indirectly offer, pledge, assign, issue, or sell, shares of the company or other securities equipped with conversion or option rights that involves entering into an undertaking to sell, that includes the sale of a call option or purchase of a put option or that otherwise regulates the surrender or disposal of the securities;
- conclude or execute transactions (including swaps) through which the economic risk of the share ownership is transferred in full or in part to a third party, irrespective of whether such transactions are to be fulfilled through the delivery of shares, monetary payments or other payment.

The lockout period laid down in this regard accordingly expired in financial year 2006/2007.

On the basis of an authorisation resolution adopted by the company's General Shareholders' Meeting on 20 March 2007, Demag Cranes AG is authorised, pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG – Aktiengesetz), to purchase its own shares, of whatever class, until 19 September 2008, up to 10 percent of the share capital existing at the time of the resolution. This authorisation can be exercised in full or in part; if in part, it can also be exercised on several occasions. Stock may be acquired on the stock exchange, pursuant to a public tender offer made to all stockholders of the company or by way of a public invitation to all stockholders of the company to submit offers for sale. The purchase price has to be within the price range fixed in the authorisation resolution.

If stock is acquired on the stock exchange, the price per share (excluding incidental transaction costs) paid by the company shall not overshoot or undershoot by more than 10 percent the arithmetic mean of the final auction prices quoted for Company stock of the same share class on the electronic trading platform XETRA (or a functionally comparable successor system replacing the XETRA system) of the Frankfurt Stock Exchange during the three trading days immediately preceding the day of acquisition.

If stock is acquired pursuant to a public tender offer made to all stockholders of the Company, the offered purchase price per share shall not overshoot or undershoot by more than 20 percent the arithmetic mean of the final auction prices quoted for company stock of the same share class on the electronic trading platform XETRA (or a functionally comparable successor system replacing the XETRA system) of the Frankfurt Stock Exchange during the three trading days immediately preceding the date of announcement of the offer. A public tender offer may provide for preferred acceptance of sell offers for small numbers of shares of up to 100 shares per stockholder.

If stock is acquired by way of a public invitation to all stockholders of the company to submit offers for sale, the purchase price per share paid by the company shall not overshoot or undershoot by more than 20 percent the arithmetic mean of the final auction prices quoted for company stock of the same share class on the electronic trading platform XETRA (or a functionally comparable successor system replacing the XETRA system) of the Frankfurt Stock Exchange during the three trading days immediately preceding the date of acceptance of the offers for sale. A public invitation may provide for preferred acceptance of sell offers for small numbers of shares of up to 100 shares per stockholder.

With the approval of the Supervisory Board, shares purchased on the basis of this authorisation can, aside from disposal via the stock exchange or through an offering to all shareholders, be used for the following purposes:

- to introduce shares in the company to foreign share exchanges where they have not previously been admitted to trading; in this event the shareholders' subscription right is excluded;

- to transfer shares in the company to third parties as part of company mergers or following the purchase of companies, company divisions or investments in companies; in this event the shareholders' subscription right is excluded;
- to recover shares in the company, without such recovery and performance of the recovery requiring a further resolution of the Annual General Meeting;
- to dispose of shares in the company in ways other than via the stock exchange or through an offering to all shareholders, provided that such disposal is made against cash payment and at a price that does not significantly fall below the list price of the company's shares of the same class at the time of disposal. This authorisation is restricted to the disposal of shares equating to a total proportional amount of no more than 10 percent of the capital stock. The maximum limit of 10 percent of the capital stock is reduced by the proportional amount of the capital stock accruing to shares that have been issued during the term of this authorisation as part of a capital increase, with subscription rights being excluded, pursuant to Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG – Aktiengesetz) or that are to be issued to service option bonds and/or convertible bonds with option or conversion rights or a conversion obligation, provided that the bonds have been issued during the term of this authorisation with the exclusion of subscription rights upon corresponding application of Section 186 (3) Sentence 4 of the German Stock Corporation Act (AktG – Aktiengesetz). In this event the shareholders' subscription right is excluded.

The price at which stock of the company is initially listed on foreign stock exchanges in accordance with the authorisation or is sold to third parties for cash payment shall not undershoot by more than 5 percent the arithmetic mean of the final auction prices quoted for company stock of the same share class on the electronic trading platform XETRA (or a functionally comparable successor system replacing the XETRA system) of the Frankfurt Stock Exchange during the five trading days immediately preceding the date of listing to the stock exchange or the date a valid and legally binding agreement is concluded with the respective third party.

The usage options described above can be exercised on one or several occasions, in whole or in parts, individually or together.

The annually recurring issuing of an authorisation to purchase own shares by the General Shareholders' Meeting is common for stock corporations listed in Germany. Management Board and Supervisory Board will propose to the company's Annual General Meeting to be held on 6 March 2008 to replace the old authorisation with a new authorisation. The company did not exercise its authorisation to purchase and use its own shares during financial year 2006/2007.

8. Material Agreements taking effect in the event of a change of control following a takeover offer

There are no significant agreements between Demag Cranes AG and other persons that take effect, change or end in the event of a change of control in the company following a takeover offer.

9. Compensation agreements with members of the Management Board or employees in the event of a takeover bid

Demag Cranes AG has not concluded any agreements that provide for the reimbursement of members of the Management Board or employees in the event of a takeover bid.

Dusseldorf, 17 January 2008

Demag Cranes AG

The Management Board



HARALD J. JOOS



RAINER BEAUJEAN



THOMAS H. HAGEN