Report of the Supervisory Board

In the following report, the Supervisory Board provides information on its work during financial year 2007/2008, focusing on the ongoing dialogue between Supervisory Board and Management Board, the resolutions adopted at Supervisory Board meetings, the activities of the committees and the audit of the Financial Statements and Consolidated Financial Statements.

During the course of financial year 2007/2008, the Supervisory Board of Demag Cranes AG dealt in detail with the current position and further development of the Company. It fulfilled its obligations as required by law, the Articles of Association and the Rules of Procedure, advised the Management Board on the management of the Company and oversaw the Executive Management of the Company. The Management Board provided us with regular, prompt and comprehensive reports in verbal or written form, covering all key information on business development in the individual segments and the position of the Group, including corporate planning, strategic development, the profitability of the Company, risk management and compliance. All transactions and issues of importance to the Company were discussed at the meetings of the Supervisory Board on the basis of the Management Board's reports.

Outside the Supervisory Board meetings, I was in regular contact with the Management Board in my capacity as Chairman of the Supervisory Board and always promptly informed, in particular by the Chairman of the Management Board, about any events that could be of major significance for the evaluation of the Group's position and prospects.

The Supervisory Board met seven times during financial year 2007/2008: on 7 December 2007, 24 January 2008, 6 March 2008 both immediately before and after the Annual General Meeting, 5 May 2008, 6 August 2008 and 10 September 2008.

Every quarter, the Management Board reported on business development and the Company's position at both Group and segment level. At the individual meetings, the Supervisory Board also dealt in detail with upcoming issues and the strategy of the Group and received regular reports from the committee chairmen on the work carried out by the committees.

At the Supervisory Board meeting held on 7 December 2007, we approved both the Financial Statements and the Consolidated Financial Statements for financial year 2006/2007 and followed the Management Board proposal on the appropriation of net income for financial year 2006/2007. At the same meeting, we also discussed the results of the Supervisory Board's efficiency audit and adopted the Management Board's organisational chart.

The Supervisory Board meeting on 5 May 2008 was presented with the results of the review as at 31 March 2008 performed by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft. Deloitte & Touche did not express any reservations in this regard.

Burkhard Schuchmann, Chairman of the Supervisory Board

At the Supervisory Board meeting held on 10 September 2008, we approved the Annual Budget for 2008/2009 and the rolling multi-year planning and adopted the changes being made to the Rules of Procedure for the Supervisory and Management Boards in light of the amendments to the Corporate Governance Code of 6 June 2008.

At the first Supervisory Board meeting of the new financial year 2008/2009, held on 10 December 2008, we approved both the Financial Statements and the Consolidated Financial Statements for financial year 2007/2008 and followed the Management Board proposal on the appropriation of net income for financial year 2007/2008. At the same meeting, we received and approved the Management Board proposal regarding the convening of and agenda for the Company's upcoming Annual General Meeting and decided on our proposals regarding the resolution of the items on the agenda.

At the Supervisory Board meetings on 6 August 2008 and 10 September 2008, one member of the Supervisory Board sent apologies for his absence. All 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 during the reporting period.

Activities and Meetings of the Committees

In order to be able to perform its duties efficiently, the Supervisory Board has formed four committees. These prepare Supervisory Board resolutions and topics to be dealt with at the Supervisory Board meetings. In certain cases, the Supervisory Board's decision-making powers are also transferred to the committees insofar as the law permits. The committees are the Mediation Committee pursuant to Section 27 (3) of the German Co-determination Act (MitbestG), the General Committee, the Audit Committee and the Nominations Committee. With the exception of the Nominations Committee, all the committees have four members, of which two are employee representatives and two shareholder

representatives. The Nominations Committee comprises all shareholder representatives on the Supervisory Board.

The General Committee, which is chaired by myself, is responsible in particular for drafting employment contracts with the members of the Management Board, including details such as remuneration, and for other Management Board matters. The Audit Committee under the chairmanship of Prof. Karlheinz Hornung deals, among other things, with the preliminary audit of the Financial Statements and Consolidated Financial Statements required in order to prepare for the decision by the Supervisory Board. In addition, the Audit Committee has been particularly concerned with the development of the risk management and compliance system within the Group. When fresh elections are about to be held, the Nominations Committee proposes suitable candidates to the Supervisory Board so that the latter can make appropriate proposals to the Annual General Meeting.

The General Committee met on 7 December 2007 and 5 May 2008. The main subjects taken up by the meetings were the preliminary discussion of the results of the Supervisory Board's efficiency audit and the bonus provisions for the members of the Management Board.

The Audit Committee held three ordinary meetings, on 22 November 2007, 5 May 2008 and 6 August 2008. The Audit Committee meetings consisted mainly of the preliminary audit of the draft Financial Statements and Management Report and of the Consolidated Financial Statements and Group Management Report for financial year 2006/2007. In addition, the Audit Committee dealt with the preliminary results for the last quarterly periods and the results of the review as at 31 March 2008. The current status of the risk management and compliance system was also discussed on a regular basis at the Audit Committee meetings. The Audit Committee consulted Warth & Klein GmbH Wirtschaftsprüfungsgesellschaft when it required an expert opinion on selected compliance issues.

At its first meeting of the new financial year, held on 28 November 2008, the Audit Committee dealt with the audit of the Company's Financial Statements and Consolidated Financial Statements for financial year 2007/2008 and with the Management Board's dividend proposal. At the same meeting, it also received the results of the tax audit for the period 2001 to 2004.

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

The Nominations Committee met once during financial year 2007/2008, on 7 December 2007. A further meeting of the Nominations Committee was held on 10 December 2008, at which it resolved on the proposal regarding Reinhard Gorenflos' successor. Mr. Gorenflos resigned his membership of the Supervisory Board with effect from 15 September 2008. In addition, I was elected at this meeting to the position of Chairman of the Nominations Committee.

Adoption of the Financial Statements and Consolidated Financial Statements

On 6 March 2008, the Annual General Meeting re-elected Deloitte & Touche as auditors for financial year 2007/2008. The Supervisory Board issued Deloitte & Touche with the audit engagement and followed the Audit Committee's recommendations by specifying that audit activities focus on the following: contingent liabilities (e.g. buy-back obligations), capitalised development costs, impairment testing of assets (e.g. goodwill), the Management Report (presentation of the risk management objectives and methods and of the expected development), note disclosures on financial instruments and contract management.

Deloitte & Touche 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 2007 to 30 September 2008 and on the corresponding Management Reports.

The audit reports by Deloitte & Touche and the financial statement documents were submitted to all members of the Supervisory Board and discussed in detail at both the Audit Committee meeting on 28 November 2008 and the Supervisory Board meeting on 10 December 2008. At both meetings, the auditors explained the material findings of their audit and were available to answer any further questions.

Having thoroughly examined the Financial Statements and Consolidated Financial Statements of Demag Cranes AG, the respective Management Reports 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 also followed the Audit Committee's recommendation and approved the Financial Statements and Consolidated Financial Statements. The Financial Statements were thus adopted. The Supervisory Board followed the Management Board's proposal concerning the appropriation of net income.

Personnel Changes on the Supervisory Board

The normal term of office of all the Supervisory Board members came to an end at the close of the Annual General Meeting of Demag Cranes AG on 6 March 2008.

All the shareholder representatives stood for re-election at the Annual General Meeting on 6 March 2008 and were re-elected as members of the Company's Supervisory Board until the close of the Annual General Meeting that resolves to formally approve the actions of the Supervisory Board for financial year 2011/2012.

In a ruling by the Düsseldorf local court dated 19 February 2008, all the employee representatives were re-appointed as members of the Supervisory Board with effect from the end of the Annual General Meeting on 6 March 2008.

A Supervisory Board meeting was held immediately after the Annual General Meeting of Demag Cranes AG on 6 March 2008. At this meeting, I was elected Chairman of the Supervisory Board and Mr. Josef Berger was elected to be my deputy. In addition, the Supervisory Board's committees were newly appointed. At the same time as being appointed Chairman of the Supervisory Board, I was also passed the chairmanship of the General Committee. Prof. Karlheinz Hornung was re-elected Chairman of the Audit Committee.

At the end of the financial year, there was one further personnel change on the Supervisory Board. With effect from 15 September 2008, Mr. Reinhard Gorenflos resigned his membership of the Supervisory Board of Demag Cranes AG. At its meeting on 10 December 2008, the Nominations Committee proposed Dr. Rudolf Rupprecht as Mr. Reinhard Gorenflos' successor. The process of having Dr. Rudolf Rupprecht appointed by court was then initiated.

Mr. Gorenflos has assisted with the formation and development of the Demag Cranes Group in various roles since as far back as 2002 and we would like to thank him for the successful collaboration with the Supervisory Board.

Corporate Governance

The Supervisory Board keeps abreast of evolving corporate governance standards. Pursuant to Clause 3.10 of the German Corporate Governance Code of 6 June 2008, the Supervisory and Management Boards report on corporate governance within the Demag Cranes Group on pages 44 to 53 of this Annual Report. On 15 December 2008, 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 on 10 December 2008. This declaration is published both on page 53 of this Annual Report and on the Internet at www.demagcranes-ag.com.

We would like to thank all the members of the Management Board, the senior executives, the works council members as well as the employees of all the Group member companies and associated companies for their commitment and hard work in making 2007/2008 a successful financial year.

Düsseldorf, 15 December 2008
The Supervisory Board
Burkhard Schuchmann
Chairman