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The **Big Picture**

is greater than the sum of its parts. Because the broad perspective and vision that it affords ensures that each element interacts optimally, thereby unleashing the organization's tremendous collective potential.

The **GLOBAL PALFINGER ORGANIZATION** (GPO) represents the big picture that makes PALFINGER even more competitive and enables it to transform the company's vision into tomorrow's reality.

KEY FIGURES OF THE PALFINGER GROUP

EUR thousand	2015	2016	2017	2018	2019
Income statement					
Revenue	1,229,892	1,357,012	1,471,075	1,615,628	1,753,849
EBITDA	145,330	155,997	167,350	196,749	223,643
EBITDA margin	11.8%	11.5%	11.4%	12.2%	12.8%
EBIT	104,375	106,049	27,788	126,974	149,015
EBIT margin	8.5%	7.8%	1.9%	7.9%	8.5%
Result before income tax	92,974	93,213	6,117	111,048	133,124
Consolidated net profit or loss	64,366	61,173	(11,423)	57,951	80,028
Balance sheet					
Net working capital (average)	255,985	275,896	303,758	334,786	352,681
Capital employed (average)	834,911	975,784	1,059,029	1,048,266	1,113,102
Equity	510,659	579,920	511,780	555,726	629,092
Equity ratio	42.1%	37.7%	34.6%	36.4%	38.3%
Net debt	347,913	513,077	513,282	515,739	525,647
Gearing	68.1%	88.5%	100.3%	92.8%	83.6%
Cash flows and investments					
Cash flows from operating activities	110,623	109,579	91,978	126,502	156,031
Free cash flow	54,704	(68,700)	43,058	46,775	112,355
Net investments	60,440	71,359	68,301	95,674	90,846 ¹⁾
Depreciation, amortization and impairment	40,955	49,948	139,562	69,774	74,628
Value creation					
ROCE	9.6%	8.1%	1.7%	8.5%	9.9%
ROE	14.8%	12.7%	0.2%	14.4%	16.5%
EVA	25,880	20,546	(45,187)	31,551	43,391
WACC	6.5%	6.0%	5.9%	5.5%	6.0%
Human resources					
Employees ²⁾	9,102	9,846	10,212	10,780	11,126
Percentage of women	12.9%	13.3%	13.1%	13.0% ³⁾	13.6%
Employee turnover	15.1%	14.8%	19.3%	18.7%	16.8%
Staff absences due to industrial accidents	0.12%	0.20%	0.16%	0.17%	0.14%
Training hours (per employee)	15.7	15.6	19.7	17.1	18.6
Environment ⁴⁾					
CO ₂ emissions from production in tons	53,696	58,950	54,341	55,039	36,588
Index: Energy consumption in relation to revenue	100.0%	104.3%	100.1%	88.8%	86.5%
Index: Hazardous waste in relation to revenue	100.0%	108.8%	105.7%	82.7%	75.9%
Share					
Market capitalization	994,342	1,075,167	1,280,050	834,570	1,099,603
Price as at year end (EUR)	26.45	28.60	34.05	22.20	29.25
Earnings per share in EUR	1.73	1.63	(0.30)	1.54	2.13
Dividend per share (EUR)	0.57	0.57	0.47	0.51	0.71 ⁵⁾

1) Including additions from leases (IFRS 16); excluding divestment of 2.5% of Sany Lifting Solutions (EUR 28.6 million)

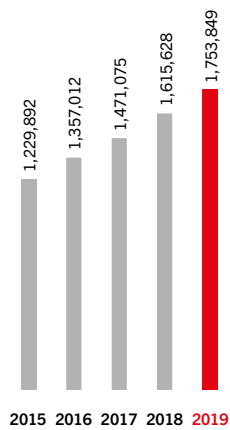
2) Balance-sheet date figures of consolidated Group companies excluding equity shareholdings and contract workers.

3) Figures adjusted with retrospective effect, due to a new calculation method.

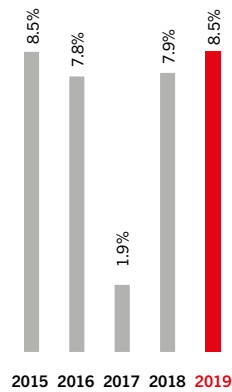
4) Change from prior-year figures, due to a change in conversion factors for CO₂ emissions and new base year 2015 for index calculation.

5) Proposal to the Annual General Meeting

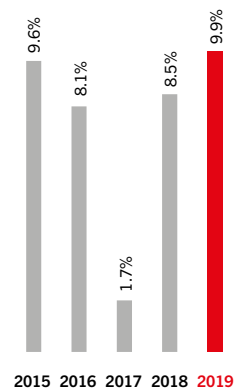
FINANCES



REVENUE
(EUR thousand)

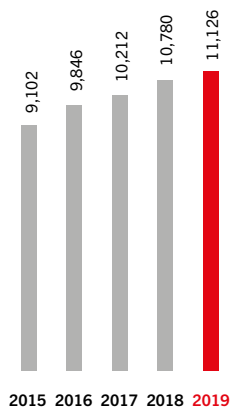


EBIT MARGIN
(in per cent)

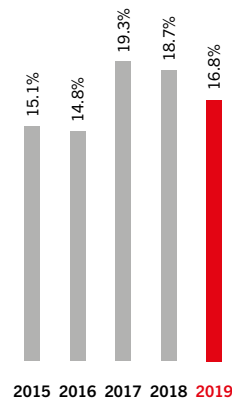


ROCE
(in per cent)

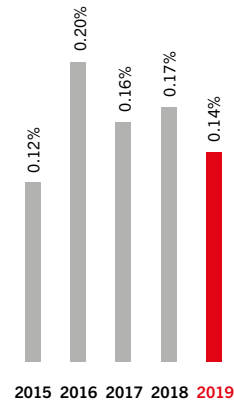
HUMAN RESOURCES



EMPLOYEES
(as at 31 Dec)

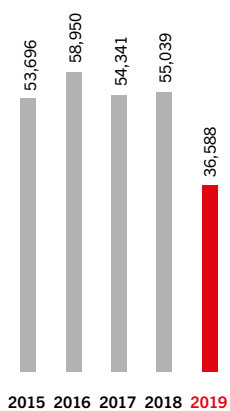


EMPLOYEE TURNOVER
(in per cent)

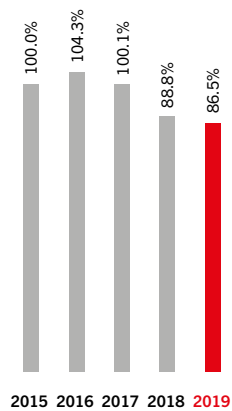


STAFF ABSENCES DUE TO INDUSTRIAL ACCIDENTS
(in per cent)

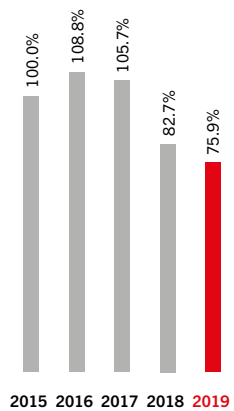
ENVIRONMENT



GREENHOUSE GAS EMISSIONS
(in tonnes of CO₂ equivalents)



INDEX: ENERGY CONSUMPTION IN RELATION TO REVENUE



INDEX: HAZARDOUS WASTE IN RELATION TO REVENUE



The Big Picture interconnects.

The GLOBAL PALFINGER ORGANIZATION unites PALFINGER's entire innovative capacity, experience, and passion in order to achieve the company's stated objectives. It is supported by all employees and integrates their unique expertise. The first achievements can already be observed and are paving the way for a successful future.





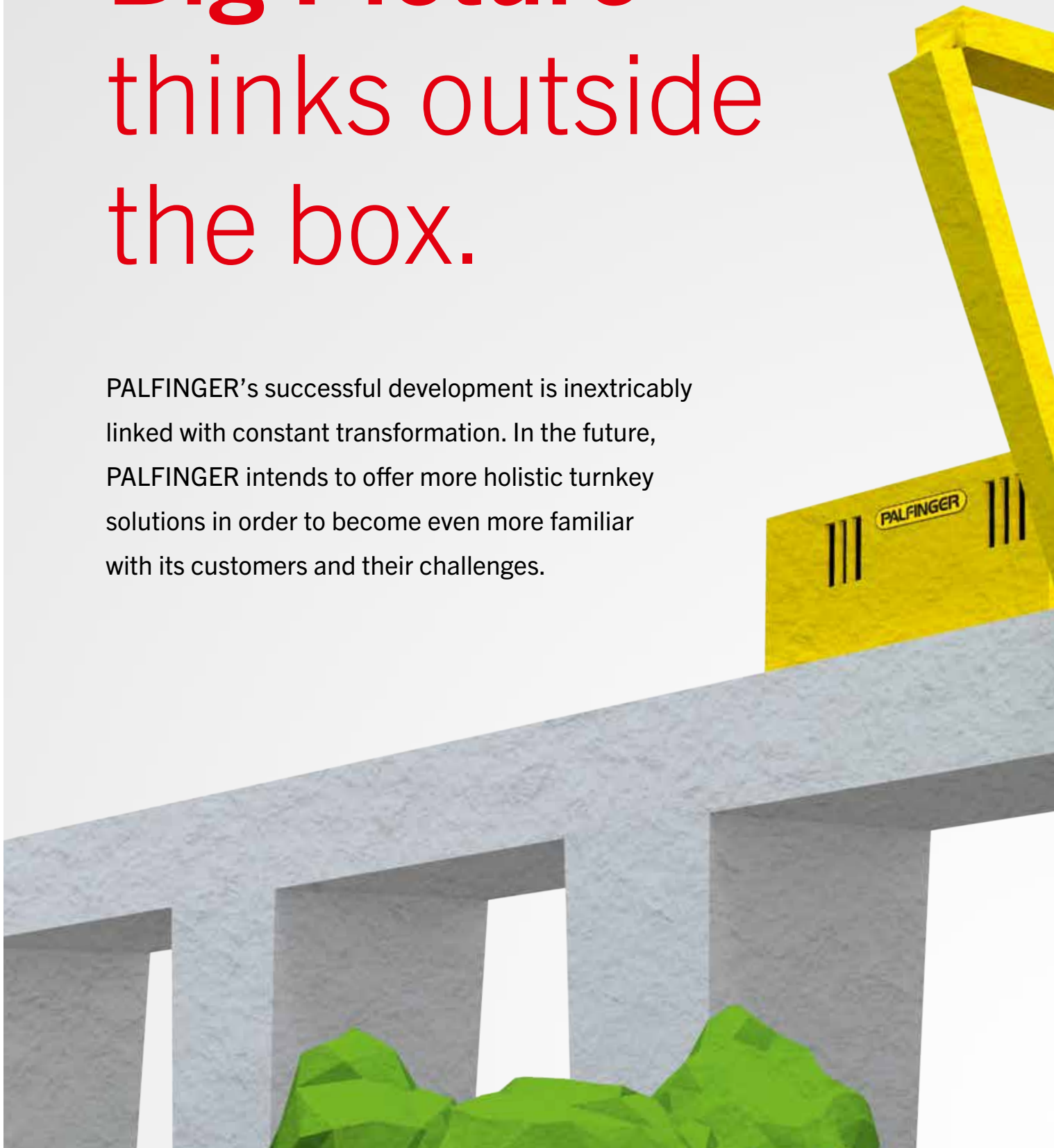
The Big Picture communicates.

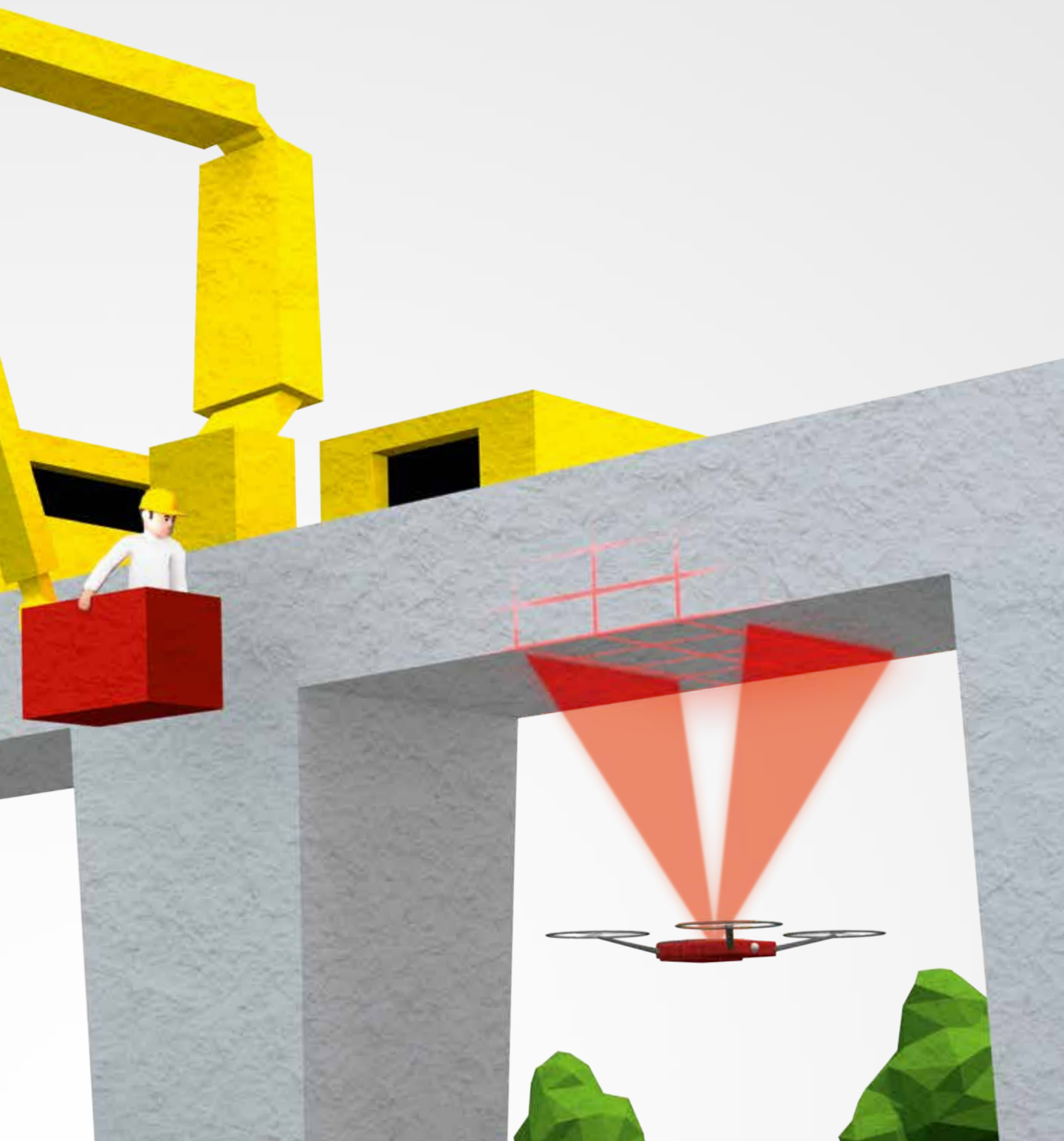
Only those who are familiar with tomorrow's challenges can develop outstanding products and solutions. Thus, PALFINGER focuses on people and engages in ongoing communication on equal footing with its customers and partners.



The **Big Picture** thinks outside the box.

PALFINGER's successful development is inextricably linked with constant transformation. In the future, PALFINGER intends to offer more holistic turnkey solutions in order to become even more familiar with its customers and their challenges.





The
Big Picture
sees great
potential in every
employee.



PALFINGER encourages and inspires its employees to provide the best lifting solutions in the world. With the new PALFINGER CAMPUS, PALFINGER is further investing in their training and therefore in the future of the company.





The **Big Picture** overcomes all challenges.



PALFINGER has practiced sustainability across its entire value chain for years, taking appropriate steps at its own production plants and in product development as well as when dealing with its employees and business partners.

PALFINGER at a Glance

The PALFINGER Group

Bergheim near Salzburg, Austria
Founded in **1932** as a family-run company
Best **service network** & optimal **solutions**
Technology & innovation leader in its industry
Publicly listed since **2000**

EUR 1,754
million in revenue

84
Companies

32
Countries

11,126
Employees

33
Production Plants

Distribution and Service Network

≈ 5,000
Production Plants

≈ 200
Independently operating
general Importers

> 130
Countries

Product Solutions



LOADER
CRANES



TIMBER/
RECYCLING



HOOKLIFTS &
SKIPLoadERS



TAIL
LIFTS



PASSENGER
SYSTEMS



ACCESS
PLATFORMS



TRUCK MOUNTED
FORKLIFTS



RAILWAY
SYSTEMS



BRIDGE
MAINTENANCE



TURNKEY
SOLUTIONS



MARINE CRANES



OFFSHORE CRANES



WIND CRANES



DAVITS



BOATS



WINCHES

Sustainability Areas



Responsible
Employer



Eco-Efficiency
in Production



Sustainable
Products



Fair
Business

Significant Events 2019



GPO

The GLOBAL PALFINGER ORGANIZATION (GPO) was implemented in January 2019. This organization supports a new form of collaboration across all units, promotes internal communication, and utilizes internal synergies.



HSEQ

In 2018, the Safety & Quality corporate function along with its underlying structures was established and in 2019, a global HSEQ (Health, Safety, Environment and Quality) concept was developed that is scheduled to be implemented in 2020.



SAP S/4 HANA

All enterprise resource planning (ERP) programs will be combined under this single system. This will facilitate the efficient use of resources such as capital, human resources, operating supplies, and information and communication technology. After successfully going live in 2019 at the PALFINGER site in Elsbethen and in Engineering, SAP S/4 HANA will be rolled out globally in the coming years.



SEGMENT SEA

Following extensive restructuring measures and a diversification of the customer segments, Segment SEA posted a positive operating result in the second half of 2019. Further steps will be taken in 2020 to finalize its integration into the GPO.



NEPTUNE

The joint venture agreement was signed, and closing is expected to take place in the first half of 2020. The joint venture will give PALFINGER the status of a local producer and thus open up direct access to the Chinese market for cruise lifesaving equipment in particular. As a direct result of this, PALFINGER will become a leading supplier of rescue boats and davit cranes in the Chinese market.



STRUCINSPECT

Through its majority shareholding in the digital inspection technology STRUCINSPECT, PALFINGER has revolutionized inspections of bridges and building structures. It is the first business model out of the corporate incubator PALFINGER 21st that has been successfully realized and demonstrates PALFINGER's holistic solution approach.



BAUMA 2019

PALFINGER was represented at this event with a 2,000 m² trade show booth, the latest products and cutting-edge developments in the field of digitalization. Their presentation included high-tech solutions such as control and assistance systems, telematics solutions, and Smart Eye, a remote solution with real-time transmission, the first electric PALFINGER access platform, P 370 KS E, and the electric concept crane PK 18502 SH. PALFINGER also hosted Capital Markets Day for analysts and investors.

“

Together we are shaping the future of our customers' lifting solutions.

”

This is the vision PALFINGER intends to use to master the challenges and seize the opportunities of the present and the future. PALFINGER is developing new solutions and business models based on the well-established **four strategic pillars – innovation, internationalization, flexibility, and PALFINGER 21st.** Joint, customer-focused developments, courageous new approaches, and holistic solutions create clear added value for PALFINGER customers.

The GLOBAL PALFINGER ORGANIZATION (GPO) implemented in 2019 has a key role. It makes PALFINGER an integrated group of companies that facilitates and is conducive to efficiency enhancements. The new global structures in all areas of the value chain reduce the complexity of the Group, which has seen considerable growth, and allow synergies to be leveraged.

Customers are the focus of all of PALFINGER's activities and challenges. Together with its customers, PALFINGER identifies new requirements at an early stage and is capable of offering flexible, innovative solutions. This quality would not be possible without the employees who put the corporate values – entrepreneurship, respect, and learning – into practice every day. PALFINGER supports and develops its employees in line with the motto “We value people. People create value.”

It takes a great deal of leadership to realize a vision and implement a strategy consistently. The new cross-functional and internationally aligned organizational structure of the GPO calls for new leadership rules. To meet this need, PALFINGER also conducted a wide-ranging process involving the global leadership team to revise its Leadership Principles:

DRIVE. FOCUS. INSPIRE. EMPOWER. DEVELOP. DELIVER.



We walk **the talk.**



Fiscal year 2019 was an excellent one for PALFINGER.
It was also a year in which fundamental changes took place at all levels.
All of these together can be considered to make up the big picture.
In this interview, CEO Andreas Klauser, CFO Felix Strohbichler, and
COO Martin Zehnder discuss the past fiscal year and the future.



The highlight for me was the successful restructuring of Segment SEA.

CFO Felix Strohlichler



We are seeing that the GPO is becoming established quicker than we expected.

CEO Andreas Klausner



We are experiencing a new quality of collaboration.

COO Martin Zehnder

Fiscal year 2019 was a very successful one. But what was the highlight for you?

Klausner: Without a doubt, it was the implementation of the GLOBAL PALFINGER ORGANIZATION (GPO). The company was first listed on the stock market 20 years ago, so 2019 was also an important anniversary. But the GPO is key for PALFINGER’s future.

Strohlichler: The highlight for me was the successful restructuring of Segment SEA, the area I have been responsible for since October 2017. Two particularly meaningful developments for me personally were the fact that we managed to reverse an unfavorable trend and achieve a positive result in the second half of 2019, and that we negotiated the establishment of a key joint venture in China. Even more so since these symbolize a critical step for the future of Segment SEA.

Zehnder: I think of 2019 as the year the GPO was implemented, thus opening up new avenues for decision-making within the organization. Previously, decisions were made by a single person for a single business. With the GPO, we now have team decisions being reached with the involvement of all key players and with an eye to the impacts on the entire Group. Basically, the focus is on the big picture. We are experiencing a new quality of collaboration.

Klausner: The truly good news from fiscal year 2019 is that today we make decisions based more heavily on facts than a year ago. It is not only that we are experiencing a new culture within the organization. We are actually seeing its effect. We can see it in terms of our specific results and data resulting from precise planning and clear commitments.

Zehnder: The GPO also requires us to create the various teams. Let me clarify that using Sales & Service and Operations as examples. Every month, we request that our customers in

the regions provide us with their demand volumes. Using this information, we then contact our Supply Chain, Operation, and Procurement team and optimize the utilization of our plants and suppliers. This is ultimately the basis of our production plan. Our decisions are made precisely and transparently. It is a new kind of management.

Klausner: This underscores what I have experienced over the last few months. We are seeing that the GPO is becoming established quicker than we expected. We can see that in the results. Felix can confirm this.

Strohlichler: Absolutely. PALFINGER has always been a “fast” company. But the speed at which the GPO is taking effect has surprised us all.

The GPO has not even been completely implemented, rather this is a process that will extend far into the future ...

Klausner: ... and which has been very well prepared. We started the implementation in 2019. But preliminary work was already underway in 2018. We had an intense preparation phase which we used to contact all of those affected and get them on board. That was a key part of the success. As was the fact that the employees recognized the benefits of better communication and improved transparency very quickly. The GPO ensures a higher degree of information. In turn, this increases the options for using this information together better and more efficiently. These factors are an essential reason why the GPO is widely supported and accepted.

Strohlichler: Of course, the introduction of the GPO initially entailed costs. After all, we are talking about an organization that was globally redesigned. This represented a clear break with the former organizational structure, in which the individual businesses were largely able to make decisions autonomously

and primarily in their own interest. But the establishment of the new structures is already paying off. And this is only the beginning; the effects of the GPO are growing by the month.

Zehnder: On paper, the implementation of the GPO is already 99 percent complete. It will take some time before it is truly and deeply implemented within the organization. This in turn means that the full effect of the positive impacts will only come to bear in the years ahead of us.

Strohlichler: That is a good point, Martin. Through the standardization of the processes – which is happening right now and will continue in the quarters to come – we will see concrete financial benefits in the future.

Zehnder: Speaking of standardization, we mustn't forget the rollout of the ERP system. This began with an internal discussion of PALFINGER's needs in the digital age. As a result of this debate, it soon became clear that we need standardized processes rather than individual and standalone solutions. We developed a template based on standardized processes that all companies can build on. Now, one after the other is implementing this reform. Engineering was the first to begin, followed by Epsilon. Working in synergy with the GPO, a uniform system landscape develops an additional long-term impact.

Mr. Strohlichler, you mentioned that Segment SEA has also been restructured?

Strohlichler: That's right. The last two-and-a-half years were dominated by restructuring. We had to cope with oil prices that had fallen from around USD 100 per barrel down to USD 30, with all of the repercussions this has for offshore exploration. In 2016, PALFINGER had taken over the Norwegian company Harding, which was focused entirely on the oil industry. With all that implies – painful consequences for us. We implemented a wide array of measures to counteract this. We cut structural costs, we had to lay people off, close plants. At the same time, we began moving into new areas of business. First and foremost, the cruise lifesaving equipment sector. This is a growing market currently only restricted by the limited capacities of the shipyards. We entered the business with firefighting and coast guard equipment, and we are active in the field of fish farming. In other words, our portfolio is much more diverse today than it was a few years ago. We are currently in a phase where we can say that the business is stable – which will make it possible for us to also implement the GPO in Segment SEA soon.

So, you are on track?

Strohlichler: We are in the final phase of restructuring. The outlook for next year is very positive. The order books are fairly

full, and we are more diversified. This will allow us to reap the benefits of the turnaround in Segment SEA in 2020.

Klauser: Segment SEA will constitute a critical part of our organic growth in the years to come. We are already anticipating a favorable trend in the first half of 2020.

Speaking of organic growth – this is closely tied to the topic of sustainability. As part of the GPO, a new Health, Safety, Environment, and Quality (HSEQ) concept was also developed in 2019. Which targets are linked to this?

Klauser: Sustainability has long played an important role for PALFINGER. For reasons of principle, but also because it results in lower costs in the areas of energy and resource consumption, for instance, sustainability is an integral part of the PALFINGER business model.

This has netted numerous awards. In 2019, for example, PALFINGER received PwC's renowned Building Public Trust Award for outstanding transparency and clear sustainability reporting. What makes PALFINGER better than other companies?

Klauser: We walk the talk. This applies to sustainability, but equally to all other areas. The GPO, for one. We practice transparency within the organization the same way as in business. All of these together form a sustainable business model that not only garners recognition, it also carries over into the future.

PALFINGER's corporate incubator, PALFINGER 21st, is also meant to carry over into the future ...

Klauser: ... which led to the successful launch of the STRUCINSPECT project in 2019. This is a digital solution for inspecting bridges that has already attained market maturity. It is important to note here that, for us, digitalization is not only aimed at creating better products. We are using this option very deliberately to communicate with our customers and dealers. Just as we are intensifying all options to engage directly with our buyers, clients, and partners. We use trade shows like BAUMA and numerous other activities to achieve this. Only in this way can we find out which challenges they are facing and how we can offer precise support with a customized solution. On the whole, our objective is to form a comprehensive view. To identify trends and developments in a timely manner, which we will use to flow into new products, improved technologies, and optimal services.

Gentlemen, thank you for your time.

Dear Readers,

Our company's founder, Hubert Palfinger Senior, passed away in January 2020. He laid the foundations for creating a multinational company and shaped an entire industry with his innovative capabilities. The success of PALFINGER AG is inseparably linked with his name and actions.

Fiscal 2019 was an excellent year in PALFINGER's history. We achieved an outstanding EBIT, continued to grow in new and established markets, and cemented our leading position in the core markets. Most importantly, however, we began implementation of the new, uniform, future-proof organizational structure, the GLOBAL PALFINGER ORGANIZATION (GPO), in 2019 – a step that was nothing short of revolutionary for the Group. Now, more than ever, our focus is on the big picture.

Where previously many PALFINGER businesses acted independently, the emphasis is now on the common good. Working together to devise strategies, sharing information, knowledge and skills, forging a common presence – one big picture perspective with a clear focus on global trends, but also on the details.

One of our key strengths lies in our ability to work with our customers to find the best solutions for our customers. By addressing their specific challenges, we offer more than just products. We develop holistic solutions – solutions that are enhanced by digital technologies and artificial intelligence. Very quickly, this can evolve into something entirely new. For instance when our corporate incubator PALFINGER 21st worked with STRUCINSPECT to develop a solution that makes it possible to efficiently digitalize entire bridges and building structures and to analyze these digital copies in detail. Targeted maintenance and renovation measures can subsequently be carried out using our bridge maintenance equipment – because we have our eye on the big picture.

This explains why “the big picture” is a recurrent theme in this Integrated Annual Report 2019.

We are confident that we must meet our responsibility as a globally operating company, as a leading supplier of lifting solutions, in all respects, and thus also act sustainably. This means conducting ourselves responsibly toward society, the environment and employees, but also acting in an economically responsible manner. PALFINGER therefore offers its employees a range of training and development opportunities – in order to enable them to grow in and with the company. Greater awareness in the consumption of resources and CO2 not only contributes to a better ecological balance but also to better economic results. This is because we work efficiently, we leverage synergies in a meaningful and targeted manner, and we fully exploit the opportunities presented by the big picture and put them to use.

The GPO will allow these impacts to take full effect, and a comprehensive redefinition of the brand will further reinforce them in 2020. These effects, along with additional restructuring measures, have helped PALFINGER to post record results again in 2019. Segment SEA achieved a positive operating result for the second half of 2019, and North America is making a substantial contribution to profitability following restructuring. Outstanding performance in Europe, in particular, is supporting business growth. PALFINGER also posted significant revenue growth in North America, Russia, and China.

Fiscal year 2019 was a successful start to a long-term positive trend of a newly reorganized PALFINGER GROUP. Together with our employees, customers, partners, suppliers, and investors, we will continue along this path. Thank you for your support.



Andreas Klauser



Felix Strohbichler



Martin Zehnder

ABOUT THIS REPORT


- **This integrated report on fiscal 2019 describes a highly successful year for PALFINGER**
- **This report covers environmental, and social aspects in addition to financial ones**
- **This is an integrated report pursuant to IFRS, GRI Standards, and the Austrian Sustainability and Diversity Improvement Act (NaDiVeG)**

This Integrated Annual Report 2019 published by the PALFINGER GROUP contains all reporting on the fiscal year just ended. As in previous years, environmental and social aspects are equally important to financial ones in terms of contributing to PALFINGER's success. Beyond PALFINGER's own business model, this success also relates to the upstream and downstream value chain and its processes. For this reason, sustainability has been considered an integral part of PALFINGER's strategy and operations for many years now. Since 2013, PALFINGER has therefore published one integrated annual report comprising both non-financial and financial information.

This report complies with International Financial Reporting Standards (IFRS) and was prepared in accordance with the GRI Standards: Core option. Moreover, PALFINGER is committed to the UN Global Compact, the United Nations' Sustainable Development Goals, and the OECD Guidelines for Multinational Enterprises. The management report also includes the corresponding non-financial statement pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) along with an overview of how the contents are thematically allocated within this report detailing the exact location.

In line with this integrated approach, financial and non-financial information is presented together in the corresponding sections. The management report contains information on PALFINGER as a responsible employer, on sustainable products, on research and development, and on eco-efficient production. The principles of Fair Business and the diversity plan are also part of the report. Both of these topics are covered in the section on corporate governance. The detailed GRI and sustainability disclosures in the annex to this report include detailed data on the geographical regions pertaining to the sustainability topics that have been determined to be material and to the GRI content index, including the UNGC guidelines.

To help the reader, the report contains the following reference icons:

 **Information regarding a GRI disclosure and/or information of relevance pursuant to the Austrian Sustainability and Diversity Improvement Act**


 **Reference to another passage in the Integrated Annual Report**

 **Reference to detailed information online**

A PDF version of the complete report can be downloaded from the company's website at www.palfinger.ag. For reasons of efficiency, environmental protection, and conserving resources while maintaining various stakeholder interests, printed copies of the report do not contain the consolidated financial statements in accordance with IFRS or the detailed GRI and sustainability disclosures. A condensed version of the report is also available as a web version.

 **GRI 102-12, 102-54**

 **Detailed GRI and sustainability disclosures, page 225**

 **www.palfinger.ag/en/news/publications; www.palfinger.ag/en/news/publications/sustainability-publications; i-report.palfinger.ag**

Big ideas
need
room
to grow.

INVESTOR RELATIONS

- **Extremely positive share price trend in 2019, up 31.8 percent**
- **Dividend of EUR 0,71 per share will be proposed at the Annual General Meeting on 18 March 2020**
- **Greater effort made to meet the information needs of sustainability-oriented investors**
- **20th anniversary of stock market listing**

Since going public in 1999, PALFINGER has attached great importance to maintaining transparent communication and ongoing dialog with its investors and the national and international financial community. PALFINGER's Executive Board and Investor Relations team make themselves available to investors by attending road shows and conferences in Austria and abroad and holding conference calls throughout the entire year.

PALFINGER engages in the following activities, among others, to augment its communication work for investors and analysts: visits to PALFINGER headquarters in Bergheim near Salzburg (AT), tours of PALFINGER World and the largest plant in Lengau (AT), and visits to the company's demonstration center, where visitors have the opportunity to operate PALFINGER products. These activities help to make PALFINGER more tangible by offering first-hand experience. By participating regularly in investors' and product trade shows, shareholder events, and financial trade fairs and by visiting investment clubs, PALFINGER further fosters relations with its retail shareholders in Austria.

PALFINGER held a Capital Markets Day during the fiscal year just ended. In 2019, this was held during the BAUMA trade show in Munich, the largest construction machinery trade fair in the world. Around 20 investors and analysts took part in this event and engaged in an intensive discussion with PALFINGER management.

PALFINGER has also been making greater effort to meet the needs of sustainability-oriented investors for several years and answers many questions from this group of investors. This need for information increased in the reporting year due not least to the EU Commission action plan on sustainable finance. In 2019, PALFINGER also attended various sustainability-related expert meetings and conferences in the German-speaking countries.

PALFINGER SHARES

The shares of PALFINGER AG are listed on the prime market on the Vienna Stock Exchange. In Germany, they are traded over the counter in Frankfurt, Stuttgart, Berlin, Munich, and Dusseldorf. Since March 2005, there has been an ADR Level 1 listing in New York. PALFINGER stock is included in the ATX Prime index and ATX Global Players index as well as the Austrian VÖNIX sustainability index. PALFINGER AG stock was first included in the MSCI Global Small Cap Index at the end of November 2018, and it remained part of this index in 2019.

Starting from a price of EUR 22.20 at the end of 2018, the share price rose to a high of EUR 29.15 on April 16, 2019. It then fell until mid-August to EUR 20.85 and began to climb again after the third quarter 2019 results were published at the end of October. The high for the year of EUR 30.70 was reached on December 23, 2019. On December 31, 2019, shares closed at EUR 29.25, 31.76 percent above the 2018 closing price. The average trading volume in 2019 as a whole was slightly lower than in the preceding year.

Shareholder information as at 31 December 2019

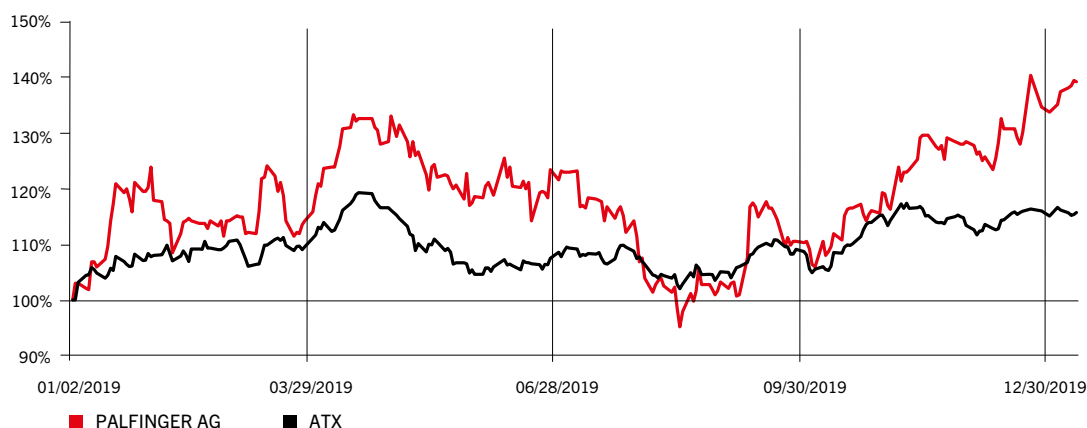
ISIN	AT0000758305
Number of shares issued	37,593,258
Own shares	0
Shares outstanding	37,593,258
Listing on the Vienna Stock Exchange	Prime market
OTC listing	New York, Frankfurt, Stuttgart, Berlin, Munich, Dusseldorf
Ticker symbols	Reuters: PALF.VIE; Bloomberg: PALF:AV; Vienna Stock Exchange: PAL

EUR	2017	2018	2019
Low	29.30	21.10	20.85
High	42.00	37.70	30.70
Average price	36.85	31.30	25.69
Price at year end	34.05	22.20	29.25
Earnings per Share ¹⁾	(0.30)	1.54	2.13
Operating cash flows per share ¹⁾	2.45	3.36	4.15
Dividend per share	0.47	0.51	0.71 ²⁾
Dividend yield in relation to the average share price	1.3%	1.6%	2.8%
Market capitalization as at year end (EUR million)	1,280.05	834.57	1,099.60

1) Calculated using the weighted average number of shares outstanding.

2) Proposal to the Annual General Meeting.

SHARE PRICE DEVELOPMENT IN 2019



RESEARCH REPORTS

- Berenberg Bank
- Deutsche Bank
- Erste Group
- Hauck & Aufhäuser
- HSBC
- Kepler Cheuvreux
- Raiffeisen Centrobank
- UBS

RATINGS

PALFINGER regularly participates in several sustainability ratings. The assessments show that investors embracing sustainability regard PALFINGER as a best-in-class investment opportunity. PALFINGER is not subject to any ethical exclusion criteria given that none of the products or product lines it manufactures comprise, for example, weapons for the defense industry or products for the nuclear power industry. In Segment SEA, however, boats are also produced for the coast guard and the military, and PALFINGER's loader cranes, hooklifts, skiploaders and truck mounted forklifts are used in military logistics.

In its 2018 corporate rating, Oekom (part of ISS ESG since 2018) rated PALFINGER as B– (2016: B–). This rating corresponds to prime status. Oekom considered the measures taken by PALFINGER in the area of resource-friendly production and its product safety to be particularly positive. The next update will take place in 2020.

In the rating for the VÖNIX sustainability index, PALFINGER received a B+ rating as a sustainable business in 2019, as in the previous year. The analysis highlighted in particular PALFINGER's strategy and sustainability management, its stakeholder orientation and its corporate ethics. Segment SEA continues to prevent the Group from obtaining a higher rating as it covers aspects which are sensitive from a sustainability perspective.

In the reporting year 2019, PALFINGER participated in the environmental performance assessment of the Carbon Disclosure Project (CDP) and scored a C (2018: C). This score places PALFINGER in the CDP "Awareness" category in the reporting period just ended.

In its evaluation of 2018, GREEN BRANDS confirmed PALFINGER's ranking and the right to bear the GREEN BRANDS Austria 2018–2019 seal, honoring for the third time in a row the environmental and social commitment demonstrated by PALFINGER. This recognition applies for two years, and the recertification process is already underway.

🌐 **GRI 102-12**

DIVIDENDS

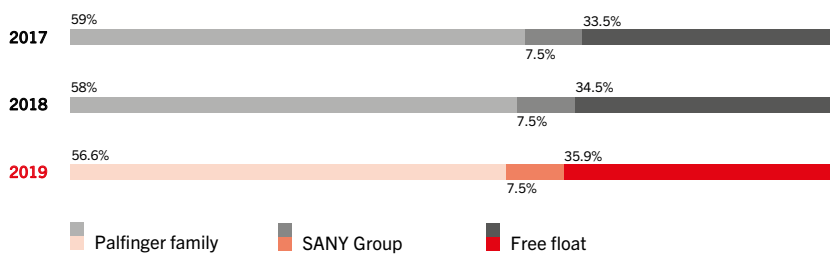
PALFINGER AG pursues a continuous dividend policy. Under this policy, approximately one-third of annual profit is to be distributed to shareholders. In 2019, net profit of PALFINGER AG amounted to EUR 318,7 million. Based on this, the PALFINGER Executive Board and Supervisory Board will propose a dividend of EUR 0.71 (2018: EUR 0.51) per share at the Annual General Meeting on March 18, 2020.

OWNERSHIP STRUCTURE

The Palfinger family, which either directly or indirectly owns approximately 56.6 percent of the shares in PALFINGER AG, is PALFINGER's stable core shareholder with seats on the Supervisory Board. In addition, there is a cross shareholding between PALFINGER and the SANY Group, which holds 7.5 percent in PALFINGER AG. The remaining approximately 35.9 percent of shares are in free float. According to the information available to PALFINGER AG, a significant portion of the free float is held by retail shareholders. The majority of shares, however, are held by institutional investors, which are primarily located in continental Europe.

🌐 GRI 102-5

SHAREHOLDER STRUCTURE



If you
think big,
you can also
achieve
great things.

GROUP MANAGEMENT REPORT

STRATEGY AND VALUE MANAGEMENT

- **Build on status as a leading provider of lifting solutions**
- **Intensify research and development activities**
- **Financial and non-financial targets through 2022 confirmed**

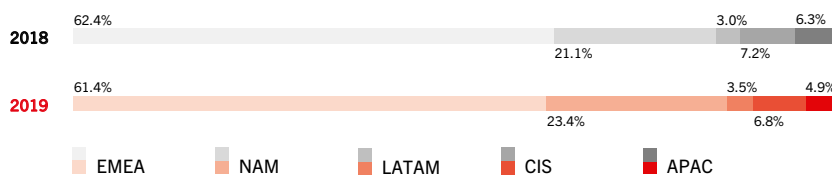
PALFINGER strives to generate further growth on the basis of the four strategic pillars – innovation, internationalization, flexibility, and PALFINGER 21st. The company aims to build on and secure its status as the leading global supplier of lifting solutions in the years to come. Implementation of the GPO has considerably improved the framework conditions for this. Earnings and revenue growth across all products and in all customer segments is PALFINGER's top priority along with the social responsibility to its employees and acting sustainably throughout all of its units. In the years to come, PALFINGER intends to grow more rapidly with its existing range of products, particularly in the growth regions APAC and LATAM.

In the future, PALFINGER will continue to act as a Responsible Employer with Eco-efficiency in Production and Sustainable Products and to advocate for Fair Business. All decisions will be made in consideration of economic as well as environmental and social aspects.

PALFINGER is committed to the target of becoming one of the top three suppliers worldwide in all customer segments. Besides reinforcing the core business in the European Union, CIS, and North America, this will bring greater focus to the market potential of other regions. PALFINGER's future growth is to be safeguarded by the business in Africa, Central and South America, and the Far East. Furthermore, PALFINGER's global structure will make it possible to more effectively exploit the opportunities of the different procurement, production, and sales markets.

REVENUE BY REGION

(in percent)



When implementing the goal of achieving long-term, profitable, and organic growth, more attention will be given to the KPI return on capital employed (ROCE). In order to maintain its strong global presence, PALFINGER will also invest in new digital projects in the future such as STRUCINSPECT (which has synergy effects with the existing business).

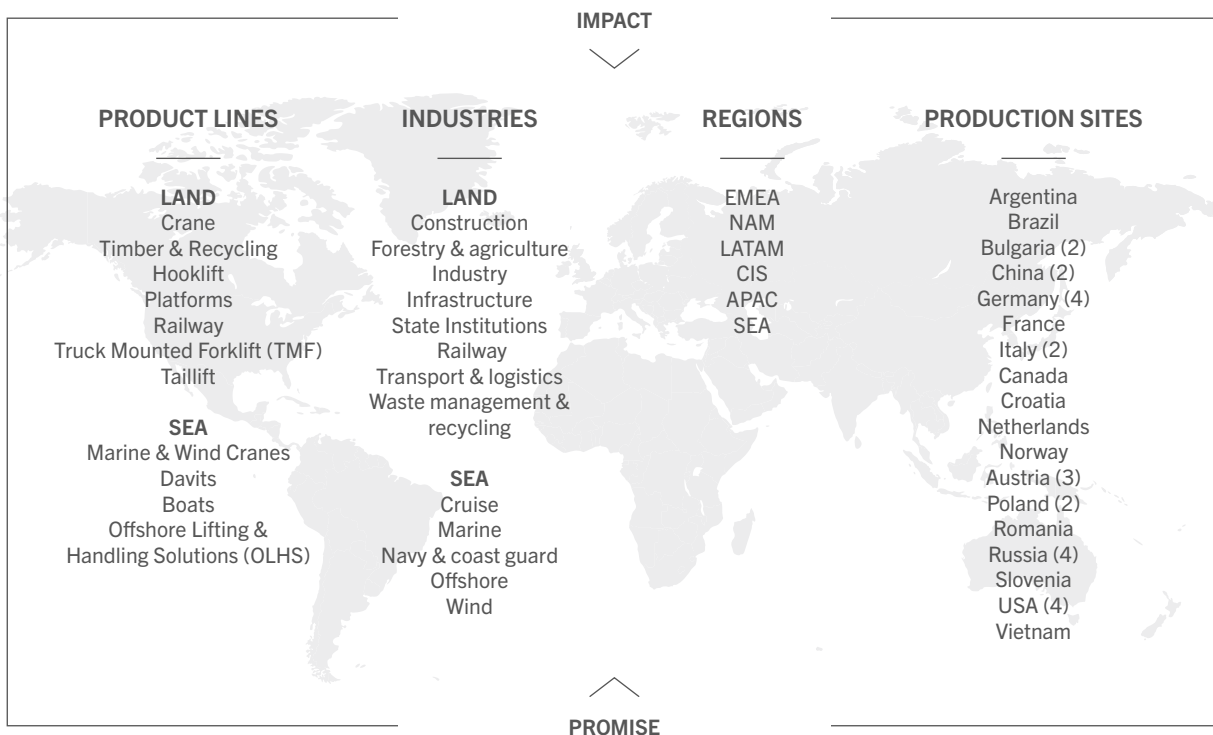
🌐 GRI 102-1, 102-16

🌐 NaDiVeG

📄 Strategic objectives, page 36; Implementation of GLOBAL PALFINGER ORGANIZATION, page 38;

Responsible Employer, page 90; Research and development, page 104; Eco-efficiency in Production, page 115;

Fair Business, page 136



LIFETIME EXCELLENCE



STRATEGIC PILLARS AND SUSTAINABILITY ASPECTS

For many years, PALFINGER has relied on the strategic pillars of innovation, internationalization, and flexibility as drivers of profitable growth, and, since 2017, now also on PALFINGER 21st.

Promoting innovation is a major cornerstone at PALFINGER for continually meeting customer needs better. Solutions are sought which address needs that in some cases have yet to be identified by the customers themselves. PALFINGER's products as well as its internal processes and supply chains are therefore subject to an ongoing innovative process. In this way, the end customers can rely on optimal and state-of-the-art products. The primary consideration in all of PALFINGER's activities is always the end customers and their needs. In order to guarantee that a high level of innovation is upheld, one of the results of the GPO was to combine all R&D activities in product lines and centers of excellence. The matrix of the R&D organization and international collaboration serve to ensure the highest standards of development. This allows the maximum synergies to be realized across all product areas.

PALFINGER is advancing the internationalization of the Group further. Here, the main focus is on the global balance of activities in the individual regions. Likewise, consideration will be given to the continued integration of the international sites in all strategic decisions. Additionally, the level of internationality at corporate headquarters in Bergheim near Salzburg (AT) will be promoted heavily.

The GLOBAL PALFINGER ORGANIZATION (GPO) was implemented in 2019 to allow innovation and internationalization to work hand in hand and to make PALFINGER even more efficient. A management that previously acted regionally is now globally oriented and takes on global responsibility. In PALFINGER's operational working world, actions are now taken proactively rather than reactively. All of PALFINGER's products and services center on the customer. Global collaboration occurs across all functional areas, product lines, and regions – based on transparent processes and management cycles. Monthly market analyses will be used to identify fluctuations at an early stage and to make it possible to react quickly to these.

In light of the current volatility in the market, it is crucial that PALFINGER's structures become more flexible and processes become more standardized. The PALFINGER Process Excellence executive project plays a key role in this regard. The objective of this project is to develop and introduce standardized processes and approaches along the entire value chain.

PALFINGER 21st ensures access to disruptive business ideas and new approaches which, in addition to the highly successful core organization, have the highest potential for PALFINGER's future. This pillar reinforces the core business and guarantees long-term viability. Initial evidence of success (e.g. STRUCINSPECT) has already been realized since PALFINGER 21st was established.

 GRI 102-3

 Implementation of the GLOBAL PALFINGER ORGANIZATION, page 38; PALFINGER Process Excellence, page 39; PALFINGER 21st, page 106

Strategic sustainability aspects

PALFINGER carries out a regular analysis to identify the aspects of sustainability that are important to internal and external stakeholders. The 13 material topics remained unchanged in the reporting year. Following implementation of the GPO in fiscal year 2019 just ended, a new materiality analysis is planned in 2020.



🌐 GRI 102-47

🌐 NaDiVeG

📄 Materiality analysis, page 45; Detailed GRI and sustainability disclosures, page 225

STRATEGIC OBJECTIVES

The strategic plan extends to 2024, and in this way makes it possible for the company to achieve long-term, stable alignment in all markets.

Global number one for lifting solutions

The global number one ranking for lifting solutions is safeguarded by the focus on the company's own strengths and the realization of synergies. At the same time, the market position in growth products and regions is being reinforced. To achieve this, improvements with a global approach will be pursued in all product areas in order to achieve the maximum synergy potential, taking universal standards and the highest quality standards into account.

Financial targets

ORGANIC GROWTH

PALFINGER strives to achieve stable organic growth in the years to come. Revenue is forecast to rise to EUR 2.0 billion by 2022. Above-average growth in the North America (NAM), Asia and Pacific (APAC), and Latin America (LATAM) regions and with marine products will make it possible to meet this target.

10% EBIT MARGIN

An average 10-percent EBIT margin is expected to be achieved across all phases of the economic cycle. Optimizing low-margin product lines and completing the restructuring projects in the NAM region and the Segment SEA will support the achievement of this goal. In addition, the successful implementation of the GPO will make it possible to realize further earnings potential. Synergy potential can be leveraged, for example, through global procurement, the further development of shared service centers, and the optimization of the functional areas, which are now organized globally. Professionalization of processes and activities achieved by pooling skills in areas such as HSEQ, R&D, HR, and Finance will safeguard the success of the company as a leading supplier on a global playing field.

10% ROCE

The optimal use of current and non-current assets will ensure that an average return on capital employed of 10 percent can be achieved throughout the economic cycle. To achieve this, the PALFINGER Group is focusing more closely on strict current capital management and CAPEX optimization.

Non-financial targets

PALFINGER also pursues non-financial targets. For instance, four quantitative goals have been defined in the area of human resources: They concern the three topics of fluctuation, staff absences, and diversity. In the environmental area, PALFINGER has formulated four long-term targets in the areas of climate protection, energy efficiency, renewable energy, and waste reduction.

 [Sustainability indicators and targets, page 47](#)

Creating added value every day

PALFINGER has committed itself to creating added value for its customers every day. To achieve this, employees of all product lines are putting the customer into the focus of their day-to-day activities. This requirement thus forms the foundation for achieving all of the other strategic objectives.

The following table presents an overview of the priorities, the progress made in 2019, and the objectives for the period up to 2022.

	IMPLEMENTATION IN 2019	OBJECTIVES THROUGH 2022
PALFINGER Group	<ul style="list-style-type: none"> • Successfully implement the GPO structure • Realize initial synergies within the global functions • Restructure Segment SEA 	<ul style="list-style-type: none"> • EUR 2.0 billion revenue from organic growth by 2022 • Further stable growth • 10 percent average EBIT margin over the economic cycle • 10 percent average ROCE over the economic cycle
Turnkey solutions	<ul style="list-style-type: none"> • PALFINGER's focus on turnkey solutions • Clearly define the business model and roadmap at group level 	<ul style="list-style-type: none"> • Build up existing turnkey solutions based on a strategy defined across the Group
Further growth with focus on BRIC countries	<ul style="list-style-type: none"> • Successfully assume operational responsibility in the Sany PALFINGER joint venture • Strong revenue and earnings growth in co-operation with SANY (APAC region) • Exercise call option and take a majority stake in Hidro-Grubert 	<ul style="list-style-type: none"> • Increase market share and achieve further revenue growth in the APAC region • Establish and improve range of products in the LATAM region • Further optimization of production plants in the CIS region to safeguard revenue growth
Global use of production facilities	<ul style="list-style-type: none"> • Introduce the global Sales & Operations Planning (S&OP) process across all products and regions 	<ul style="list-style-type: none"> • Global use of production facilities • Optimize the capacity utilization of plants globally and optimize supplier network
Strengthen position in Segment SEA	<ul style="list-style-type: none"> • Completely implement all restructuring measures • Significantly reduce structural costs • Drive up incoming orders 	<ul style="list-style-type: none"> • Positive result from 2020 onward • Integrate Segment SEA in the GPO and thus realize additional synergy potential
Retain technology leadership in the field of innovation	<ul style="list-style-type: none"> • Centralize R&D activities • PALFINGER Connected (fleet management system for crane operators and fleet managers); launch at BAUMA 2019 	<ul style="list-style-type: none"> • Further implement international projects • Technology leader for lifting solutions • Important revenue contribution from disruptive solutions • Augment PALFINGER Connected with ser-vic partner components
Customer focus	<ul style="list-style-type: none"> • Align the GPO toward the customer • Focus on solutions for customers • Customer focus as an organizational requirement 	<ul style="list-style-type: none"> • Further reinforce the GPO structure, primarily in the Sales & Service areas and within the Product Line Management & Engineering Organization • Additional focus on turnkey solutions • Brand core revised and new direction with strong customer focus
Ensure viability by assuming responsibility for society and the environment	<ul style="list-style-type: none"> • Unveiling of electric products at BAUMA 2019 • Good performance in long-term sustainability objectives • 68 percent share of renewable energy already attained • Implement PV plant in Köstendorf (AT) • Establish HR strategy 2020 and introduce global Leadership Principles • Implement a safety and quality organizational structure at the Group level • Revise existing Code of Conduct 	<ul style="list-style-type: none"> • Establish a global climate protection strategy • Innovation leadership also in the field of products for environmental and social purposes • Conduct a materiality analysis in 2020 • Achieve long-term sustainability objectives in the employee and environmental areas • Establish new HSEQ structure and safety culture, and promote global management systems • Establish an employer branding strategy • Reinforce and use the diversity of the employees and meet diversity targets

EXECUTIVE PROJECTS

- **GPO generates positive impacts right from the beginning**
- **Turnkey solutions ensure that PALFINGER customers will receive holistic solutions**
- **Process excellence refers to the group-wide standardization of processes and optimization along defined business models**

Implementation of the GLOBAL PALFINGER ORGANIZATION (GPO)

The GLOBAL PALFINGER ORGANIZATION (GPO) was prepared in 2018 and implemented throughout the company on January 1, 2019. The goal of the GPO is an intensified exchange of knowledge and shared use of resources and services. The GPO pools skills, ideas, and innovations, it improves internal communication across all units and prevents redundancies. The GPO leverages PALFINGER's global potential.

GOOD REASONS FOR THE GPO

By growing steadily, PALFINGER has become a global group operating in different markets. The companies it had acquired were, for the most part, managed as independent businesses with decentralized structures and knowledge was not accessible to the entire PALFINGER Group. Something was missing from the big picture. A lack of cross-functional collaboration made it impossible to fully exploit potential synergies. Steady revenue growth did not result in profitability rising at a corresponding rate.

All of this called for a new, efficient, focused organizational structure, one that pooled skills and processes, conserved time and resources, and made the most of the benefits of the company's size. The GPO is the structure best suited to the big picture.

BARRIERS BECOME BRIDGES

The GPO is effective at all levels. In order to achieve more together, the new structure will be developed further and refined. That is a process that began in 2019 and will continue throughout the years to come.

The main advantage of the GPO is the fact that it significantly intensifies collaboration across all units and barriers. This includes the different segments, product lines, and regions as well as employees, suppliers, customers, and partners. The GPO guarantees that critical information is shared and used – in the best sense of the word – globally.

KEY CHANGES AT A GLANCE

Where management used to act regionally, now it is globally oriented and has taken on global responsibility. To accomplish this in a positive way, communication and collaboration are clearing away the silo mentality and isolated solutions. This makes it possible to take actions proactively rather than reactively. At the same time, transparency and efficiency are replacing the formerly complex decision-making processes. Global processes and product standards are taking the place of local ones. And collaboration is consistently taking place across all regions, product lines, and functions. Ultimately, the focus is on the customer.

SUCCESS THROUGH LEADERSHIP

At PALFINGER, leadership means modeling good conduct, and inspiring and motivating employees – on the basis of the Leadership Principles that were also formulated in 2019. All employees are shown equal respect and appreciation – because diversity contributes to the combined strength. These values and the GPO make it possible to implement the PALFINGER vision.

THINK GLOBALLY.

From Canada to Brazil and Europe all the way to China – PALFINGER is a global player. Clearly defined rules guarantee effective collaboration. The GPO makes this possible.

“PALFINGER is at home all over the world. We use our Centers of Excellence to share our knowledge and to work together to improve our strengths,” Martin Zehnder, COO



 Significant changes within the PALFINGER Group, page 76

Turnkey Solutions

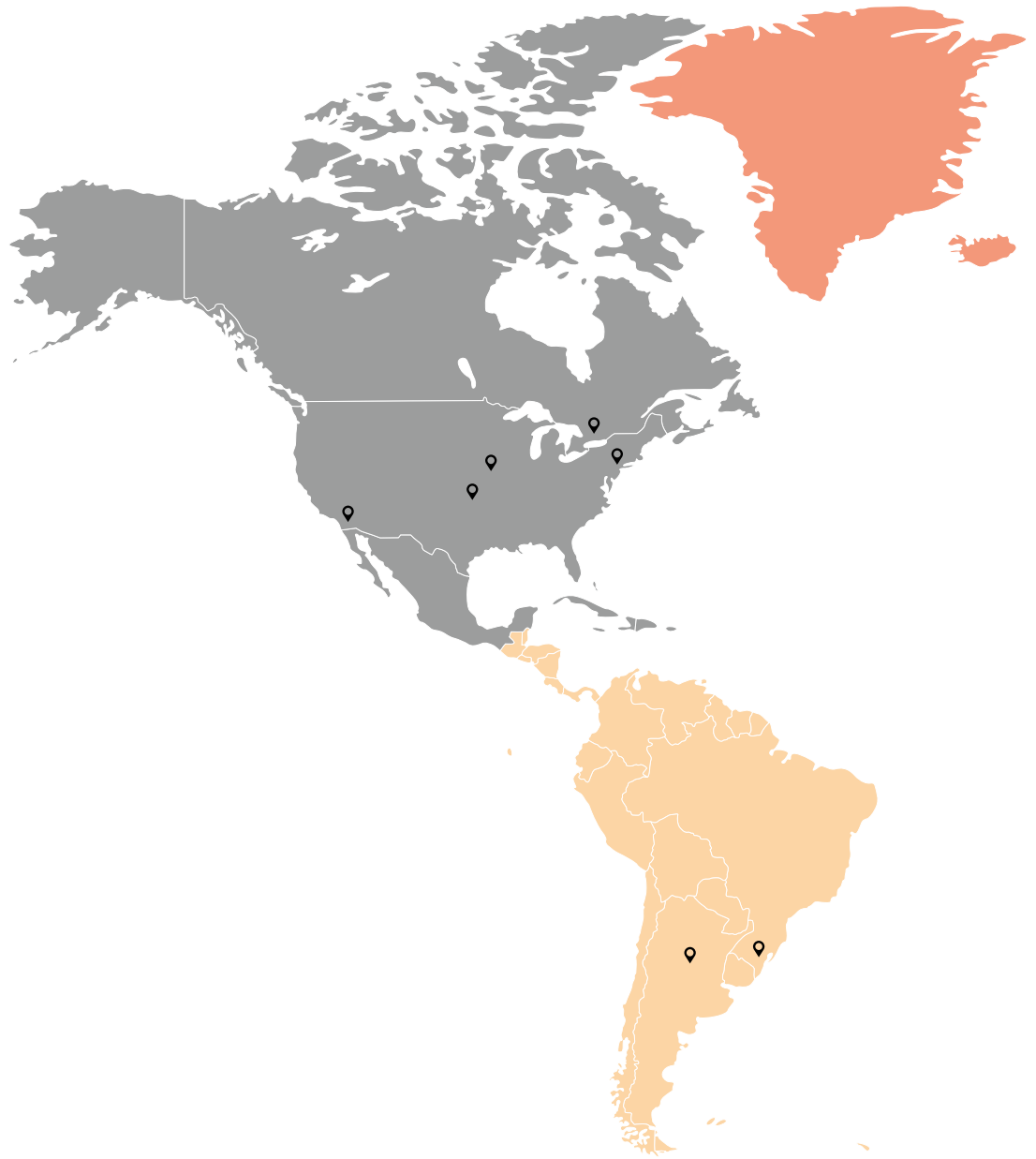
The Turnkey Solutions (TKS) executive project secures first-class system integration services for PALFINGER customers. By enhancing its customer focus, PALFINGER understands its customers' needs and requirements even better and offers its customers more efficient and holistically developed solutions.

TKS is based on the four PALFINGER business models: Standard, Configured, Customized, and Project. In the future, greater emphasis will be placed on the Standard and Configured business models in order to standardize the solutions and increase sales figures. Through TKS, PALFINGER customers will receive improved end-to-end systems in less time at competitive terms.

 Significant changes within the PALFINGER Group, page 76

PALFINGER Process Excellence

PALFINGER Process Excellence (PEx) refers to the group-wide standardization of processes and optimization along defined business models. PEx is building up a process organization throughout the company that has responsibility for end-to-end processes. The Process Excellence executive project aims to realize synergies and increase performance through efficient processes. This will create a solid foundation for further digitalization at PALFINGER. The globally defined business models serve as a basis for the processes, all of which are combined in a single standard template. PEx is responsible for process definition and the contents of the templates. This template will be rolled out globally on the ERP system SAP S/4 HANA for all product lines and sites. Additional applications will be implemented at the same time. SAP S/4 HANA was already used operationally in fiscal year 2019 in the first subareas, such as the assembly plant for forest and recycling cranes in Elsbethen, Austria. For PALFINGER, standardized processes and a shared system landscape constitute the prerequisites for automation and reduction of the structural cost base. In addition, all PALFINGER units will be provided with operational support from one central office, thus guaranteeing the functionality of the systems used. PEx prioritizes which projects and process changes will be implemented using the existing resources and establishes a global training platform that supports the process organization in its functions.



84

Companies

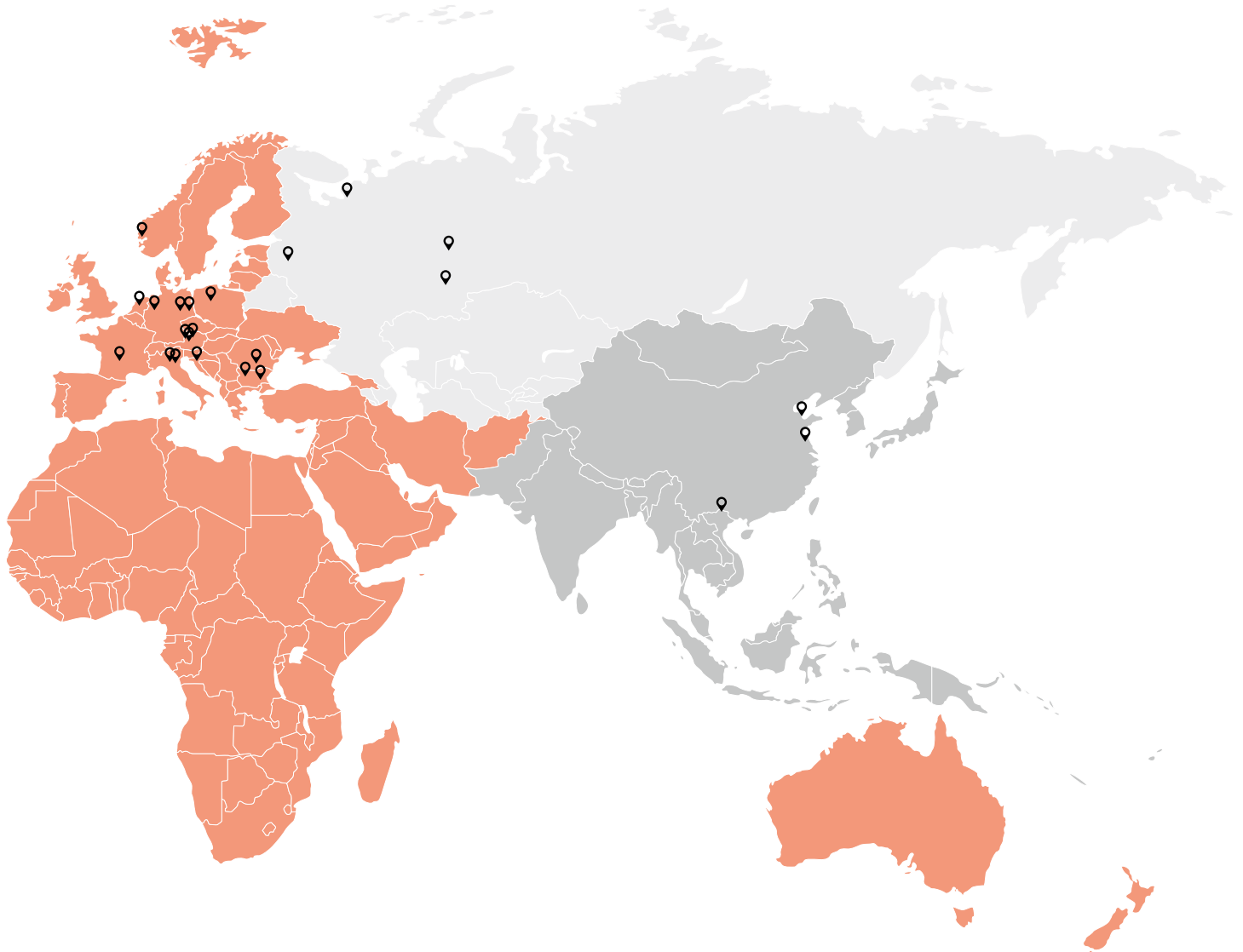
32

Countries

33

Production plants

SEA	NAM	LATAM
Revenue: EUR 192.5 million	Revenue: EUR 355.4 million	Revenue: EUR 39.5 million
Production plants: 6	Production plants: 5	Production plants: 2
Employees: 1,496	Employees: 1,080	Employees: 516



EMEA	
Revenue:	EUR 1,022.8 million
Production plants:	16
Employees incl. headquarters:	6,317

CIS	
Revenue:	EUR 100.5 million
Production plants:	4
Employees:	1,570

APAC	
Revenue:	EUR 43.2 million
Production plants:	1
Employees:	147

STAKEHOLDER MANAGEMENT

- **Stakeholders are engaged, their interests are taken into account**
- **The materiality analysis from 2017 was reviewed, leading to a reranking of sustainability topics**
- **All non-financial targets in the environmental area achieved in 2019**

Stakeholders

PALFINGER takes into account the consequences of its operations along the entire value chain. To achieve this, PALFINGER proactively engages its stakeholders. The result is reflected in the following four sustainability areas: Responsible Employer, Eco-efficiency in Production, Sustainable Products, and Fair Business.

Those who are affected by the company’s activities or whose activities influence PALFINGER are considered stakeholders. PALFINGER’s approach to addressing individual interests of legal entities and natural persons and their claims is as balanced as possible. As part of the materiality analysis, PALFINGER regularly conducts a comprehensive stakeholder survey, most recently in 2017. The stakeholders identified here as material; their involvement and the stakeholder dialog are shown in the overview below and described in detail in the respective sections.

🌐 **GRI 102-21, 102-40, 102-42, 102-43, 102-44**

🌐 **NaDiVeG**

📄 **Materiality analysis, page 45**



LOCAL ENVIRONMENT

PALFINGER strives to position itself as a reliable partner and an attractive employer in all regions worldwide. This is based on collaboration with regional suppliers and trusting partner companies. To achieve this, PALFINGER relies on transparent dialog and direct contact on equal footing. Decision-makers at the regional level appreciate this approach. PALFINGER's active participation in events and the involvement in regional media relations support the local position of PALFINGER. Voluntary donations and sponsoring activities benefitting local communities occur at both the central and the local level. A separate budget is allocated to the plant management of all PALFINGER sites for this purpose.

 **Commitment, page 54**

MONETARY FLOWS TO STAKEHOLDERS

All stakeholders contribute to PALFINGER's success. In return, employees, suppliers, investors, banks, and public authorities participate in the Group's earnings. PALFINGER's income also includes income from other services, from leases and from the sale of assets, as well as interest income. The directly generated economic value increased from EUR 1,620.0 million in 2018 to EUR 1,758.4 million in fiscal year 2019. In concrete terms, the sustainable economic success resulted in the following monetary flows to stakeholders in 2019:

In the reporting period 2019, suppliers – as the largest recipient of monetary flows – received payments in the total amount of EUR 1,136.3 million (2018: EUR 1,006.2 million) for supplies such as raw materials, parts and components, plants, operating supplies, and energy.

Employees were transferred wages and salaries totaling EUR 469.4 million (2018: EUR 422.7 million). This represents an increase of 11.0 percent compared with the previous year, 2018 and is primarily attributable to the implementation of the GPO and related investments in human resources.

The inflow of payments to lenders such as banks, investors, and the Palfinger family as majority owners is made up of interest and dividends. Since going public in 1999, PALFINGER has pursued a stable dividend policy. Around one-third of annual profit is distributed each year. In the reporting year 2019, payments to equity holders and lenders came to a total of EUR 43.6 million (2018: EUR 37.5 million).

Payments to public authorities in 2019 comprised taxes other than on income such as property tax and income-related taxes such as corporate income tax. In 2019, total taxes net of investment grants and research and development grants increased by approximately 8 percent. In the reporting period, the tax expense increased to EUR 41.1 million (2018: EUR 40.1 million). Grants fell to EUR 1.5 million (2018: EUR 2.2 million). PALFINGER considers fair tax payments to be a responsibility to society. Out of conviction, PALFINGER refrains from engaging in tax optimization by shifting income to countries with lower income tax rates, for instance using a corresponding price policy. Intercompany pricing is in line with the OECD Transfer Pricing Guidelines. There are no specific constructs under corporate law to avoid or circumvent taxes. PALFINGER pays the majority of its taxes on the value the company adds in Austria. Grants scarcely influence site and investment decisions along the value chain, even if they do provide welcome assistance.

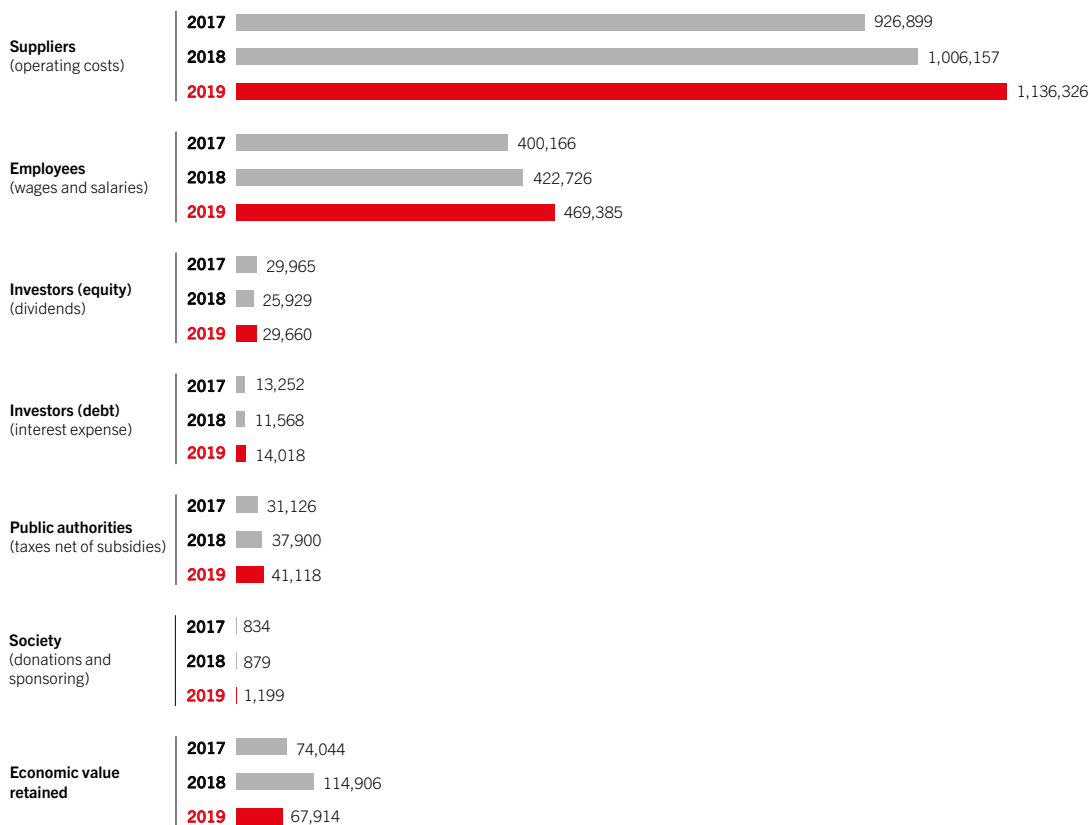
Investments in the common good in society and in local environments increased by 36.3 percent in 2019. Total expenses for donations and sponsoring came to EUR 1,199 thousand in fiscal year 2019 (2018: EUR 879 thousand), just under 0.1 percent of total revenue.

In total, these monetary flows account for a value amounting to EUR 1,689.0 million (2018: EUR 1,505.2 million). In the chart below, the difference between income and monetary flows to stakeholders represents the monetary value retained, which decreased by approximately 41 percent compared with the previous year. Income from companies measured using the equity method only impacts the balance sheet and causes no monetary flows; therefore, it is not shown.

🌐 GRI 207-1

MONETARY FLOWS TO STAKEHOLDERS¹⁾ (EUR thousand)

Direct economic value generated and distributed



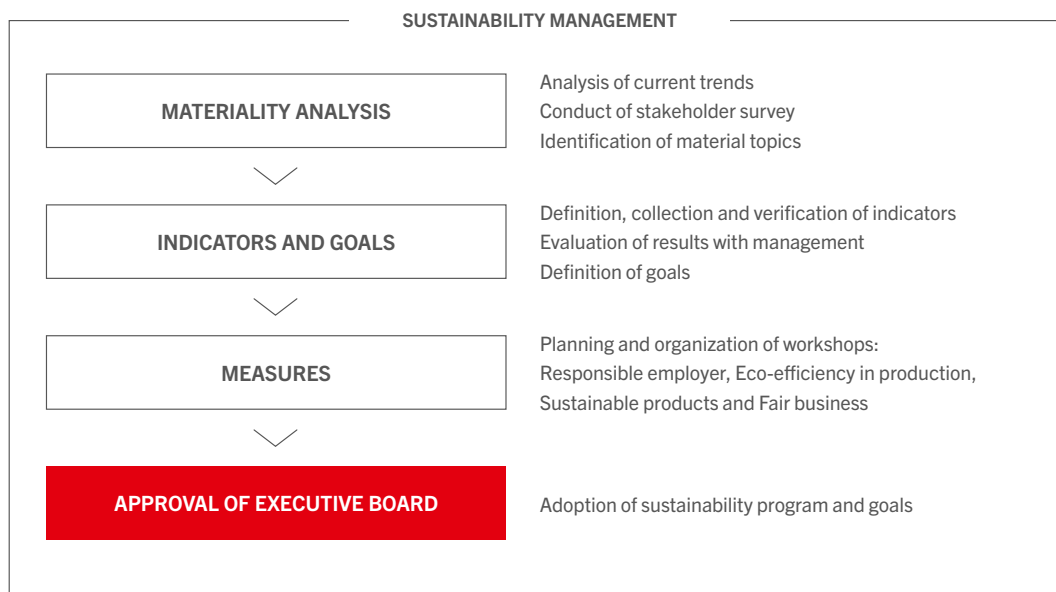
1) The above are exclusively actual monetary flows derived from the income statement that have occurred in the respective year. This explains any differences that may exist with regard to the income statement presented in the Integrated Annual Report.

🌐 GRI 201-1

Sustainability management

The topic of sustainability has been a key component of the PALFINGER Group's strategy for many years. Accordingly, management is committed to professional implementation of the sustainability strategy throughout the Group. Sustainability management is a responsibility of the CEO. The sustainability officer is assigned to the Marketing, Communications & Sustainability corporate function and communicates directly with the Executive Board.

🌐 GRI 102-18, 102-20, 102-32



MATERIALITY ANALYSIS

In a materiality analysis carried out in 2017, the economic, social, ecological, and ethical aspects that are identified as material both internally and externally were defined in a multi-stage process. An intensive stakeholder survey aided in identifying these topic categories of strategic importance to the company. PALFINGER's four sustainability areas show a balance of the topics identified through this process as being of material significance: Responsible Employer, Eco-efficiency in Production, Sustainable Products, and Fair Business. The materiality analysis and subsequent evaluation of the respective target attainment or relevant company progress is based on the frameworks of the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC). In addition, the Austrian Sustainability and Diversity Improvement Act and Sustainable Development Goals (SDGs) are thoroughly taken into consideration.

The current 13 most important sustainability topics from the materiality analysis are reviewed internally with regard to their significance on an annual basis. In 2019, two topics were found to have a greater significance for stakeholders or were attested to have a larger impact on the stakeholders.

- Health and safety:

In 2019, the topic of health and safety was assigned an even greater significance than before. Under the new GPO, the Safety & Quality corporate function had already been established in 2018 to handle occupational health and safety as well as quality management. During the reporting period, a decision was also made to expand this corporate function to include HSEQ (health, safety, environment, and quality) and thus to achieve better practical implementation of the interdisciplinary topics.

- Product research and development:

The topic of product research and development was reprioritized to account for its greater significance and also to reflect an impact which is gaining in importance over the long term. More and more, the significance of product development along sustainable criteria such as lifecycle analyses and noise and CO₂ emissions is being addressed as a strategic success factor in the Control, Communication, and Power Management System center of excellence, in the Structure System and Vehicle Integration center of excellence, and in individual product lines. Through this stronger positioning, the PALFINGER Group has once again assigned a high priority to the topic of climate protection.

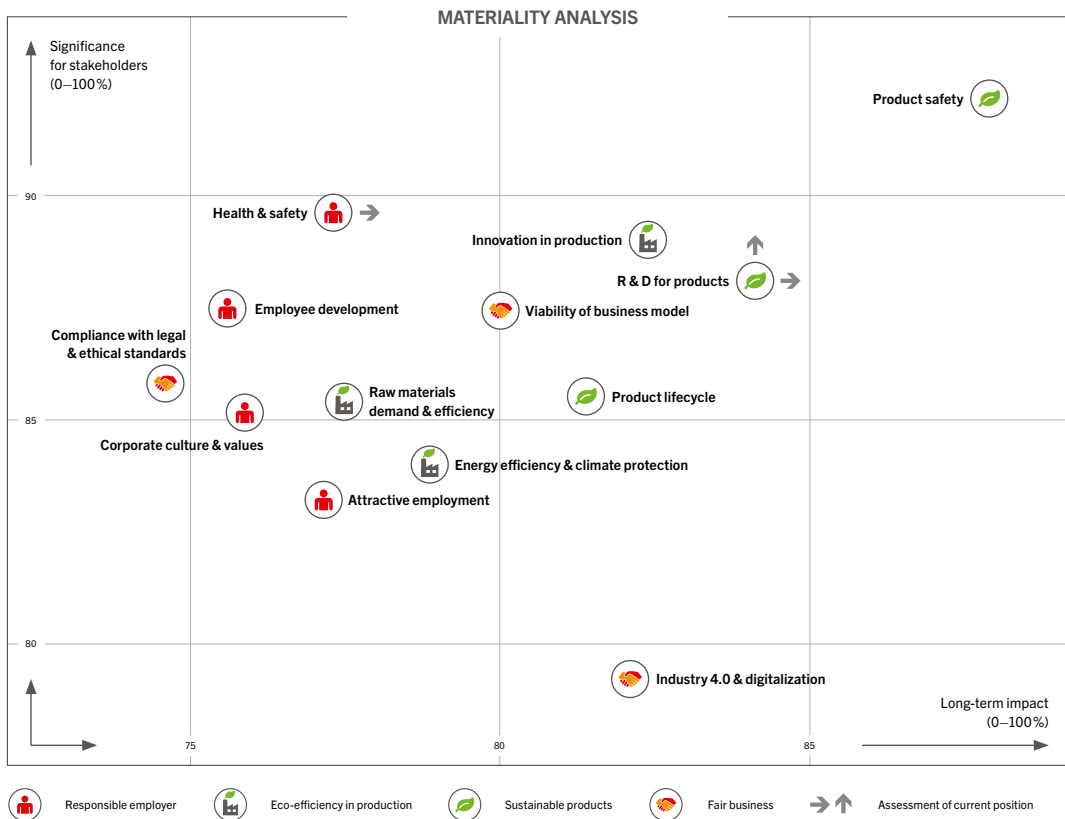
Besides the increased significance of these two topics, there were no noteworthy changes in the overall ranking of the material aspects compared with the previous year. However, due to the changes associated with the GPO, the current trend in climate protection and other changes in framework conditions, PALFINGER will conduct a new comprehensive materiality analysis in 2020.

The following chart shows the top 13 material sustainability topics classified by significance to the stakeholders on the Y-axis and long-term impact on the X-axis. Arrows indicate changes in 2019. This analysis is the basis for all stakeholder communication and all measures by PALFINGER in this regard.

🌐 GRI 102-43, 102-44, 102-46, 102-47, 102-49, 103-1

🌐 NaDiVeG

📄 Impact table, page 51; Value creation, page 62; Detailed GRI and sustainability disclosures, page 225



SUSTAINABILITY INDICATORS AND TARGETS

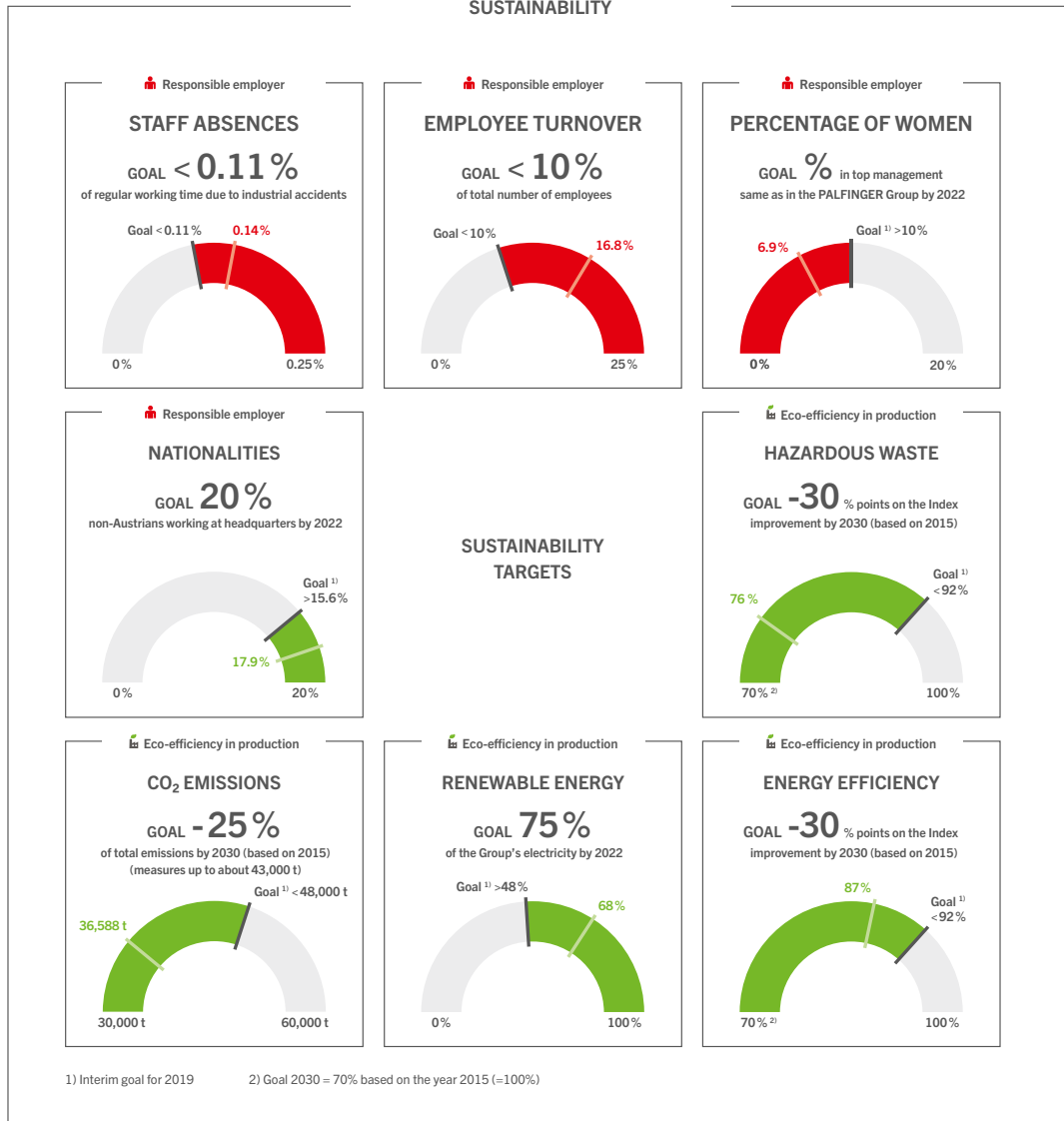
All corporate key performance indicators (KPIs) in the non-financial category at PALFINGER are based on the results of the materiality analysis. Together with the KPIs from financial reporting, these key figures are fully integrated into the overall group-wide reporting. The required data is collected on a monthly or quarterly basis. The top management addresses the trends of these KPIs as well as the other relevant developments reported at least on a quarterly basis.

All figures for the year 2019 are compared with those for the previous year. A three-year comparison period is used for some KPIs. The Group management report provides aggregated KPIs at the Group level. Similar to the financial section, more detailed reporting is included in the sections of the detailed GRI and sustainability disclosures.

PALFINGER defined two long-term targets in human resources: Employee turnover shall remain below 10 percent at all times, and staff absences due to industrial accidents shall be lower than 0.11 percent. These two targets were unable to be achieved in 2019. Two additional quantitative targets serve to reinforce PALFINGER's diversity plan through 2022: The first is the plan to raise the percentage of non-Austrians working at headquarters to 20 percent. PALFINGER has already made good progress toward achieving this goal since 2018. The second is to align the proportion of women in top management with the general proportion of women in the PALFINGER Group. In fiscal year 2019, women made up 13.6 percent of the total headcount (2018: 13.0 percent) and held 6.9 percent of the top management positions (2018: 9.0 percent). PALFINGER therefore departed from its stated objective in fiscal year 2019, but is actively pursuing it for 2022.

In the environmental realm, PALFINGER set four long-term targets for the areas of climate protection, energy, and waste reduction. Two of these targets in the environmental realm concern climate protection. PALFINGER undertook to reduce production-related CO₂ emissions by 25 percent beginning from 2015 through 2030 and to source 75 percent of the electricity purchased throughout the Group from renewable energy sources by 2022. Proportionate progress was made toward meeting these two targets in the reporting year. Additionally, compared with the base year 2015, energy efficiency and waste intensity are to be improved by at least 30 percentage points by 2030, as measured by the index. On a pro rata basis, these targets were substantially exceeded in 2019.

The following chart presents an overview of the targets and the current status of their fulfillment. The detailed results and measures are described in the corresponding sections.



📄 Responsible Employer, page 90; Eco-efficiency in Production, page 115; Corporate governance report, Diversity plan, page 133

SUSTAINABILITY PROGRAM

The Executive Board works with other executives to define the corporate strategy, policies, and values. As part of the strategy process, the Executive Board ultimately also adopts the results of the materiality analysis as well as the sustainability program and targets. The individual measures that form PALFINGER's sustainability program are broken down according to the four sustainability areas. They contribute to achieving the qualitative and quantitative goals and they support the Sustainable Development Goals (SDGs) that are relevant to PALFINGER. The following chart summarizes the PALFINGER sustainability program.

🌐 GRI 102-19, 102-32

🌐 NaDiVeG

📄 Materiality analysis, page 45; Detailed GRI and sustainability disclosures, page 225

🔗 www.palfinger.ag/en/sustainability

RESPONSIBLE EMPLOYER 

Measures	Status	Goal
Health & safety 3		
Standardized global definition of accidents and uniform accident reporting	●	2019
Expansion of PALfit	⊙	2019
Global health initiative	◐	2020
Restructuring of occupational health and PALfit concept	○	2020
Employee development 4 8		
Expansion of employee development	◐	2020
Learning strategy/Talent management	◐	2022
Global leadership framework & program	◐	2020
PALFINGER Campus	○	2021
Attractive employment 4 5 8		
Establishment of employer branding strategy	◐	2020
Recruiting	●	2019
Onboarding process	○	2020
HR strategy	●	2020
HR system	◐	2021
Job architecture	◐	2021
Global process of increasing salary	○	2021
Talent & performance management	○	2022
New labor-management agreement in Austria	●	2019
Corporate structure & values 8		
Organizational structure	●	2019
Leadership Principles	●	2019
Cultural analysis	○	2020
Diversity & equal opportunity 5 10		
PALiversity project "Working Conditions"	⊗	2019
Diversity plan	◐	2022
Objectivity of the recruiting process	○	2021
Diversity in talent & performance management	○	2020
Communication with employees 10		
New intranet	⊙	2021
Communication strategy and concept	●	2019
Concept of internal communication	◐	2020

ECO-EFFICIENCY IN PRODUCTION 

Measures	Status	Goal
Innovation in production 9 13		
R&D process (production)	◐	2020
Energy efficiency & climate protection 13		
Energy efficiency Russia	●	2019
Dialogue on environmental topics	◐	2020
Photovoltaic systems	◐	2020
Climate strategy	◐	2020
Renewable energy	◐	2022
Renewable energy at the Lazuri (RO) and Maribor (SI) sites	●	2019
Raw material demand & efficiency 12		
Evaluation of steel suppliers	◐	2020
Waste cuttings rate	●	2019
Effluents & wastes 12		
Reduction of hazardous waste	●	2019
Environmentally friendly transport		
CO ₂ emissions in transport	○	2020

FAIR BUSINESS 

Measures	Status	Goal
Viability of the business model 8 9		
GLOBAL PALFINGER ORGANIZATION	◐	2022
Compliance with legal & ethical standards 5 8 10 16		
Compliance training	◐	2020
Compliance risk analysis	◐	2020
Group Policy System	●	2019
Human rights assessment	◐	2020
Updating the Code of Conduct	◐	2020
Data protection	●	2019
Industry 4.0 & digitalization 9		
PALFINGER 21st	●	2019
Overall performance		
PALdrive platform	◐	2020

SUSTAINABLE PRODUCTS 

Measures	Status	Goal
Product safety		
Product data tracking for safety	◐	2020
Product research & development 9 13		
R&D process (product development)	◐	2020
Training of the R&D employees	◐	2020
Product lifecycle 12		
Best invest (= lifecycle app)	◐	2020
Business model innovation (TCO)	◐	2020
Environmentally friendly products 12 13		
Definition of ecologically friendly products	◐	2020
CO ₂ emissions through the use of products	◐	2020
PALFINGER Lubricants	◐	2020
Product information & fair marketing		
End customers in the system	◐	2020

SUSTAINABILITY MANAGEMENT

Measures	Status	Goal
Targeted stakeholder communication	◐	2020
Sustainability vision	●	2019
Concept for health, safety, environment & quality	◐	2020
Merchandising fan shop	◐	2020
Sustainable mobility	○	2020

○ New ◐ In preparation ● Completed ⊙ Deferred ⊗ Cancelled

Priority:

3
GOOD HEALTH AND WELL-BEING

4
QUALITY EDUCATION

5
GENDER EQUALITY

8
DECENT WORK AND ECONOMIC GROWTH

9
INDUSTRY, INNOVATION AND INFRASTRUCTURE

10
REDUCED INEQUALITIES

12
RESPONSIBLE CONSUMPTION AND PRODUCTION

13
CLIMATE ACTION

16
PEACE, JUSTICE AND STRONG INSTITUTIONS

SUSTAINABLE DEVELOPMENT GOALS

The United Nations' 2030 Agenda for Sustainable Development contains 17 global Sustainable Development Goals (SDGs), which were adopted by the UN General Assembly in September 2015 and signed by Austria. The purpose of the SDGs is to address the global challenges we face, promote prosperity, and protect the environment. The SDG Index published annually by the Bertelsmann Stiftung foundation and the Sustainable Development Solutions Network (SDSN) serves as a guide to the performance of countries in implementing SDGs. In 2019, Austria ranked fifth out of 162 countries in these publications. At first glance, this is a positive result. However, a closer analysis of the individual goals reveals that the stoplight indicators used for these rankings still identify many yellow to dark red challenges. Based on the results of this global index, the SDGs will only be achieved worldwide in 2073. For this reason, it is still essential to prioritize and promote strengths.

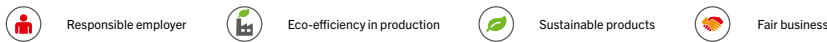
PALFINGER is committed to sustainable development and has therefore comprehensively incorporated the SDGs into its business operations. The direct and indirect impacts of the catalogue of topics relevant to PALFINGER on the 17 SDGs were discussed in a multi-stage process. PALFINGER considers its most relevant impacts to be mainly on five development goals. These naturally influence the strategic direction of sustainability management:

 [Impact table, page 51](#)






























Impact table

This abridged impact table presents the 13 sustainability topics with the greatest significance for PALFINGER. Risks are assigned to these from an external perspective (risks from the company to the interests). It also shows at which stage of the value chain their impacts occur and to which areas their impacts are allocated. Applicable guidelines, reporting standards, and topic-specific measures are also categorized accordingly. The ranking of the material topics corresponds to their long-term impacts and at the same time the overall relevance identified by internal and external stakeholders in 2017. A complete impact table including all 38 topics can be found in the sustainability disclosures in the annex to this report.



Ranking	Relevant topics	Impact on value chain			External perspective on risk	Measures
		Supply chain	Within the company	Product use		
1	Product safety PALFINGER's products shall be distinguished by utmost safety. The prevention of accidents during their use shall go beyond statutory requirements.				If statutory requirements are not upheld in the area of safety, this could present a risk to employees in the production process and to users of the product in day-to-day use as well as result in environmental damage.	<ul style="list-style-type: none"> Product data tracking for safety
2	Product research and development PALFINGER aims to invest more heavily in product research and development and offer the latest technologies.		 		Neglected developments at PALFINGER could result in outdated technologies on the market and in the supply chain and result in loss of efficiency and profitability at the customer. The opportunity to achieve technological leaps that could also contribute to solving urgent global problems would be missed. It is difficult to force the pace of sustainable consumer behavior.	<ul style="list-style-type: none"> Product development R&D process Training of R&D employees
3	Innovation in production PALFINGER aims to promote sustainable innovations and technologies in the production process in order to increase efficiency ("more output with less input").	 	 		Developments in the production process always accompany product developments. If these are neglected, customer requirements may not be met or global challenges mastered. Sustainable production and consumer behavior is not achieved. Inefficient, error-prone or possibly dangerous production processes can result in long-term damages if not improved.	<ul style="list-style-type: none"> Production R&D process
4	Viability of the business model PALFINGER must make sure that its business model remains viable in the long term and actively pursue trends (e.g. urbanization, rental instead of purchase, circular economy, etc.). PALFINGER aims to make a contribution to society.		 		If business models are not designed to be viable, necessary improvements such as those that could master global challenges will not be achieved. If improvements are not achieved, even environmental impacts will not be reduced. Through their dependencies, suppliers and partners could also be negatively impacted in terms of their operations. It would be difficult to guarantee job security and additional social benefits.	<ul style="list-style-type: none"> GLOBAL PALFINGER ORGANIZATION Business model innovation (TCO)

Ranking	Relevant topics	Impact on value creation chain			External perspective on risk	Measures
		Supply chain	Within the company	Product use		
5	<p>Health and safety PALFINGER shall protect its employees against accidents and proactively promote occupational health and safety as well as preventive health care and social security provision. A good work-life balance shall contribute to the employees' well-being.</p>		 		<p>If PALFINGER does not respect the health and safety of its employees, this could give rise to high costs for external third parties as well. A lack of global health and safety standards can result in lengthy employee illnesses/injuries, institutions are unable to take proactive measures to counteract this development, and this ultimately results in higher costs for health insurance companies and the insured. A lack of initiatives to encourage a healthy work-life balance can result in employees losing their sense of security in the workplace, and thus could lead to a reduction in long-term investments for the economy (construction of homes) and family planning, which in turn can negatively impact demographic trends.</p>	<ul style="list-style-type: none"> • Uniform global definition of accidents and uniform reporting • Expansion of PALfit • Global health initiative • Restructuring occupational health and safety and PALfit concept • Concept for health, safety, environment, and quality
6	<p>Product lifecycle PALFINGER products shall be characterized by their reduced weight and their lower need for energy and operating materials over the entire product lifecycle. The product design must be high quality, reliable, durable, and low in maintenance.</p>				<p>A lack of product lifecycle analyses could lead customers to make bad purchase decisions if the decision only takes the initial product cost into consideration, omitting the use of consumables and supplies, which could also be excluded during the development phase. This could result in a negative impact to the environment. Responsible patterns of production and consumption will not be achieved.</p>	<ul style="list-style-type: none"> • Best Invest • Business model innovation (TCO)
7	<p>Employee development PALFINGER shall promote the training and further education of its employees and shall prepare them in advance for changes in their working environment (e.g. Industry 4.0, expert development).</p>				<p>If employees are not supported in their development, it will be difficult for them to keep their jobs in the working world of the future (structural unemployment, age-related unemployment); the risk is higher in the production area, where lowered motivation can result in illness and low-quality work. This can result in product defects, thus endangering the user. Global challenges can only be mastered with well-trained and versatile employees. A lack of support, training, incentives, and diversity hinders innovation.</p>	<ul style="list-style-type: none"> • Expansion of employee development • Learning strategy/talent management • Global leadership framework and program • PALFINGER Campus
8	<p>Energy efficiency and climate protection PALFINGER must strive to continuously optimize energy consumption and intra-company transport (e.g. on-demand logistics, e-drive induction loops) and to reduce costs and emissions, thus making an active contribution to climate protection. PALFINGER must aim for the highest building efficiency possible under regional conditions.</p>				<p>If PALFINGER does not make a contribution to climate protection, efficiency and the use of renewable energy technologies may fall, slowing the process of transformation in that direction. If climate goals are not fulfilled, this may lead to considerable government intervention and high taxes. CO₂ emissions will also rise and the 1.5°C target will not be achieved, which would have negative implications. This negative impact will be multiplied if PALFINGER does not impose environmental requirements on its supply chain.</p>	<ul style="list-style-type: none"> • Energy efficiency in Russia • Exchange of information on environmental topics • Photovoltaic systems • Climate strategy • Renewable energy • Renewable energy at Lazuri (RO) and Maribor (SI) sites • Merchandise fan shop • Sustainable mobility
9	<p>Raw material requirements and efficiency In production, PALFINGER aims to use raw materials such as steel, aluminum, and glass fiber efficiently.</p>	 	 		<p>If raw materials are not used efficiently, this can increase waste volumes and lead to raw material shortages and higher costs of products on the market side. Bottlenecks can result in the use of poorer-quality raw materials or substitutes with a higher negative impact on the environment and people in terms of their extraction, production, and use. Bottlenecks can cause national relocations to resource-rich countries, trigger political crises. Corruption issues and the formation of black markets become more likely.</p>	<ul style="list-style-type: none"> • Steel supplier assessment • Waste cuttings rate

Ranking	Relevant topics	Impact on value creation chain			External perspective on risk	Measures
		Supply chain	Within the company	Product use		
10	<p>Attractive employment PALFINGER aims to be highly reputed as an attractive employer, maintain a high employee retention rate and create development opportunities (horizontally and vertically) within the company.</p>				<p>Attractive employment models and development opportunities provide for decent work conditions and economic growth. A lack of these can negatively impact purchasing power, result in fluctuations on the labor market, and increase emigration to more attractive countries. Corruption and incidents of discrimination can potentially occur at higher rates given a lack of values and principles and when topics such as fair working conditions recede into the background. Global challenges can only be mastered with well-trained employees. Attractive employment is considered a source of satisfaction. Without this, the standard and quality of living can drop (mental resignation, poorer performance).</p>	<ul style="list-style-type: none"> • Establish an employer branding strategy • Recruitment • Onboarding process • HR strategy • HR system • Job architecture • Global pay raise process • Talent and performance management • New works agreement in Austria
11	<p>Corporate culture and values PALFINGER employees, in particular executives, shall set an example when it comes to embracing PALFINGER's corporate culture and acting on the basis of its values of entrepreneurship, respect, and learning. This is intended, among other things, to lead to intercultural understanding, a higher level of recognition and appreciation and an active exchange of knowledge.</p>				<p>Values serve as an important moral compass to ensure a world worth living in. A lack of culture and values – and the associated lack of role model effects – can result in increased incidents of corruption and discrimination. Inequality can increase and the motivation to participate in the labor market can decrease. This can also negatively impact purchasing power and economic growth. Furthermore, moral decline endangers the quality of life together and the institutional framework.</p>	<ul style="list-style-type: none"> • Organizational structure • Leadership Principles • Cultural analysis
12	<p>Compliance with legal and ethical standards PALFINGER shall act in an ethically correct manner. Laws are obeyed, taxes are paid properly, and measures are taken to prevent corruption.</p>		 		<p>Long-term business relationships based on the principle of a partnership with customers, suppliers, and employees can suffer from misconduct and result in a loss of contractual and legal security. Misconduct or breaches of taxation, anti-corruption, anti-trust law, etc. may result in increased enforcement of international laws and guidelines and a progressively restricted ability to act. There could be an increase in global tax havens and incidents of corruption. Actions with a distorting effect on competition can result in an imbalance of power and thus to significant limitations for the end customer in particular.</p>	<ul style="list-style-type: none"> • Compliance training • Compliance risk analysis • Human rights assessment • Group Policy System • Code of Conduct update • Data protection
13	<p>Industry 4.0 and digitalization PALFINGER must focus increasingly on the digitalization and connectivity of machinery; this also extends to its suppliers (open sourcing). The responsible handling of data, in particular utmost data protection, must be guaranteed.</p>	 	  	 	<p>If PALFINGER does not contribute to economic advancement, information availability, and innovation, it will be difficult to master the global challenges in many of PALFINGER's customer segments, limiting the advancement of innovative solutions. Working with partners to develop innovations could also be negatively impacted by this, and corruption issues (particularly with regard to data protection) could increase throughout the entire value chain as a result.</p>	<ul style="list-style-type: none"> • PALFINGER 21st • Data protection

🌐 GRI 102-47, 103-1

📄 Detailed GRI and sustainability disclosures, Impact table, page 230

Commitment

PALFINGER plays an active role in shaping standards and guidelines related to the products in its business. PALFINGER is heavily involved in various associations and cooperates with several educational organizations and institutes. PALFINGER is deeply committed to supporting climate protection. PALFINGER commits to upholding the principles relating to human rights, working conditions, environmental protection, and anti-corruption. As part of its global activities, PALFINGER initiates training programs around the world and in some cases is also responsible for their implementation in cooperation with local institutions.

Within the framework of its membership of the Austrian sustainability network respACT, PALFINGER took on the role of respACT country coordinator for Salzburg in August 2019. Moreover, PALFINGER has been a member of Cercle Investor Relations Austria (C.I.R.A.) since 2000.

Donations and sponsoring activities at PALFINGER are mostly of a financial nature; they are aligned with the PALFINGER values and aim to provide support for children and young people. They also reflect PALFINGER's broad commitment. PALFINGER places a high value on continuity and long-term ties in connection with all these activities. Donations and sponsoring amounted to EUR 1,198,996 in 2019.

🌐 GRI 102-12, 102-13, 201-1

🌐 NaDiVeG

SPONSORING

PALFINGER uses sponsoring as a tool to enhance brand awareness, staff motivation, and customer relationship management. For many years, PALFINGER has maintained partnerships with the athletes Jochen Hahn (five-time European champion in truck racing), Heinz Ollesch (multiple winner of the competition "Germany's Strongest Man"), and Thomas Geierspichler, Paralympic gold medalist and multiple world and European champion in wheelchair racing. PALFINGER also sponsors Austria's bobsled team.

In early 2019, PALFINGER sponsored the KAMAZ-Master truck racing team at the Dakar Rally in Peru for the first time. Continuation of this sponsoring at the Dakar Rally in Saudi Arabia in early 2020 helped the team to reach first and second place. The beach volleyball team of Doppler and Horst (runners-up in the 2017 world championship) recently joined the PALFINGER team of athletes. PALFINGER sponsored the two up-and-coming Austrian winter sports athletes Elisabeth Reisinger (alpine skiing) and Barbara Walchhofer (cross-country skiing) for the first time in the 2019–2020 winter season.

Furthermore, PALFINGER sponsored a project aimed at protecting honeybees conducted by the iGEM Graz team made up of students of the Graz University of Technology and Karl-Franzens University. In this project, a biosensor was developed to diagnose the disease referred to as American foulbrood among bee colonies. In addition, PALFINGER equipped young beekeepers with a starter set under HektarNektar's Project 2028.

DONATIONS

Through its donations, PALFINGER directly supports target groups. Administrative and organizational expenses are kept to an absolute minimum. To PALFINGER, commitment means that the successful deployment of funds is regularly monitored. PALFINGER wants its employees to take pride in the company's social commitment. As a matter of principle, PALFINGER does not make any donations to political parties or political organizations. This principle is also established in the PALFINGER Group Policy.

Since 1992, PALFINGER has been a partner of AMREF (African Medical and Research Foundation) and the Institute of Cooperation for Development Projects (ICEP) as well as the latter's corporAID initiative, where it acts as a donation partner. AMREF has committed itself to the objective of improving medical care for the poorest and most disadvantaged people in Africa. AMREF develops health projects in close cooperation with African communities.

The Salzburg children's cancer charity, Kinderkrebshilfe Salzburg, is an organization striving to improve the situation for children suffering from cancer and for their families. PALFINGER has partnered with this organization for many years. One particular highlight is the annual traditional sports car outing for and with young cancer patients, an event for which PALFINGER provides both organizational and financial support. The outing took place for the 16th time in 2019, with the event course ending at Salzburg Zoo.

As part of a sponsorship taken on in 2018, the female cheetah at Salzburg Zoo was "adopted" in 2019. PALFINGER employees took part in an internal survey, ultimately choosing to name the big cat "Niara".

PALFINGER also supports projects to ensure that basic needs are met, such as water, food, and medical care, with a special focus on children and young people. In 2019, PALFINGER provided financial support to charitable institutions such as Caritas, UNICEF, Ein Funken Wärme, the Ö3 Weihnachtswunder, and the Barmherzigen Brüder hospital in Salzburg.

🌐 102-12, 415-1

📄 Monetary flows to stakeholders, page 43

Awards

PALFINGER's efforts benefiting its stakeholders have been recognized time and again in the form of Austrian and international awards.

PRODUCTS

STRUCINSPECT, the digital solution for bridge inspection realized through the PALFINGER 21st business area, won the Iceberg Innovation Leadership Award 2019 in the reporting year just ended. This award recognizes sustainable innovations from Austrian companies.

In fiscal year 2019, PALFINGER also won the ETM Award "Best Brand" in the loader crane category for the fifth time in succession. Readers of the German magazines *lastauto omnibus*, *trans aktuell*, *FERNFAHRER*, and *eurotransport.de* voted on the best commercial vehicles and brands. The annual ETM Award is regarded as the benchmark in the commercial vehicle industry. The competition has been held since 1997 in accordance with a uniform process and allows long-term comparisons to be drawn between competitors.

In the reporting year, PALFINGER took first place in the truck-mounted loader crane category at the Image Awards for commercial vehicles, products, and services hosted by the German magazine *Verkehrsrundschau*. The decision is based on over 663 individual interviews with fleet park managers to find the brands with the best image. At the Movicarga Lifting Awards 2019 in Madrid, the PALFINGER PK 53002 SH was also recognized as the best hydraulic knuckle boom crane.

EMPLOYEES

In the fiscal year just ended, Austrian business magazine *trend* ranked PALFINGER in 22nd place in its list of Austria's 300 best employees of 2019. This ranking is prepared by *trend* in collaboration with Xing, kununu, and Statista. After ranking 48th (2017) and 28th (2018), PALFINGER is among Austria's top 25 employers and is included among the top three in the category of Austria's industrial sector. In addition, apprentices trained by PALFINGER earned several awards in Austria. PALFINGER was also presented with a local award for the apprenticeship program in China in 2019. In Brazil, PALFINGER received a "Great Place to Work" certification. The Salzburg Regionality Award 2019 in the category of "Traffic and Mobility" also went to PALFINGER in 2019, specifically to the PALFINGER site in Köstendorf. The award was given in recognition of the PALFINGER car-pooling concept in which employees at four different sites in Austria can offer rides to colleagues.

BUSINESS AND COMMUNICATION

The ALC (Austria's Leading Companies) Award regularly recognizes PALFINGER as one of the most successful Salzburg-based companies. In 2019, PALFINGER took second place in the international category.

PALFINGER received the HERMES business award, HERMES.Wirtschafts.Preis., in the industrial category in 2019. This award recognizes outstanding Austrian entrepreneurship in a variety of categories. The award aims to contribute to Austria's standing as a business location.

Under the Austrian Federal Ministry of Sustainability and Tourism's klimaaktiv mobile program, PALFINGER received an award for its expertise in the field of climate protection in 2019. This award was based on activities in the past reporting year including purchasing shuttle buses for PALFINGER employees, installing charging stations, and purchasing electric cars.

PALFINGER's integrated annual reports have won numerous national and international awards. At the international Annual Report Competition (ARC) in New York in 2019, the report was able to improve on the success of the previous year. The contents and graphic design of the Integrated Annual Report 2018 won five gold and five silver medals and one bronze medal. The special "Winner of Winners" award conferred on the occasion of the 20th anniversary of the Austrian Sustainability Reporting Award (ASRA) went to PALFINGER in 2019 and honors the company's multiple ASRA-award winning reporting in the field of sustainability in past years.

Accounting and consulting firm PricewaterhouseCoopers (PwC) Deutschland bestowed the Building Public Trust Award for the fourth time in October 2019. Since 2016, PwC has used this award to recognize companies that are especially convincing through their clear and transparent reporting on sustainability aspects. Companies in Austria were also chosen in 2019 for the first time. PALFINGER received the award in the category of "Best integrated report" for Austria. The judges highlighted the fact that, at PALFINGER, sustainability was an integral component of the corporate strategy and corporate leadership.

www.palfinger.ag/en/company

VALUE MANAGEMENT

- **The indicators for 2019 confirm strategy of profitable growth**
- **The global production network facilitates efficiency improvements and optimum customer solutions**
- **The PALFINGER brand promises LIFETIME EXCELLENCE**

PALFINGER measures its long-term group development progress using financial and non-financial indicators. PALFINGER's short-term value enhancement is seen in the operational profitability and revenue growth. The medium- to long-term success is measured by other indicators such as capital employed, but also the health of employees and environmentally friendly business operations. The main indicators for PALFINGER in 2019 were therefore:

- Revenue
- EBIT margin
- Capital employed
- Return on capital employed (ROCE)
- Staff absences due to industrial accidents
- Absentee rate due to sick leave, occupational diseases, and other causes
- Energy consumption in relation to revenue

PALFINGER aims to achieve long-term, profitable growth. Therefore, the focus is on the long-term trend of the KPIs listed here. Financial indicators show a consistently positive trend since 2009. One exception is the 2017 results, which were negatively impacted by the impairment of goodwill in Segment SEA. Following the rapid growth of previous years, revenue rose in reporting year 2019 by 8.6 percent. The EBIT margin increased to 8.5 percent. The average capital employed rose to EUR 1,113.1 million in the reporting period. This trend is mainly attributable to higher inventories and trade receivables in connection with the significant expansion of business. In the reporting period, ROCE reached 9.9 percent. The ongoing initiatives by PALFINGER support the improvement of these indicators, in particular profitability and return on investment.

The economic significance of integrated sustainability management is confirmed by the performance of the following KPIs: The absentee rate due to sick leave, occupational diseases, and other causes increased to 4.02 percent of regular working time in the reporting year (2018: 3.92 percent). This unfavorable change in the absentee rate of 0.1 percent generated higher expenses of approximately EUR 500,000 million compared with 2018.

PALFINGER managed to improve energy efficiency by 2 percentage points in relation to revenue in 2019. In doing so, PALFINGER achieved cost savings on electricity and gas of approximately EUR 260,000 in the past reporting year (2018: EUR 1.2 million).

 [Sustainability management, page 45](#); [Detailed GRI and sustainability disclosures, page 225](#)

Value creation

The realigned and professionalized Sales & Operations Planning process and the structures defined in the GPO support a holistic view of the supply chain from supplier through end customer. Implementing these makes it possible to achieve a high degree of planning quality for the suppliers and the company's own production plants. The focus on quality and occupational safety is another cornerstone.

GLOBAL FOCUS

PALFINGER has a strong global value network in all regions of the world and, in combination with local procurement structures, enjoys a highly competitive global footprint. In a global production network, the focus is on production and procurement "in the region, for the region". Competitive advantages are produced by exploiting synergies in globally focused product lines. The regional customer focus makes it possible for PALFINGER to anticipate customers' needs and implement them in products and services. The global value network ensures their productive realization. In fiscal year 2019, decisive progress was made in designing end-to-end processes and developing and implementing globally standardized process templates. The introduction of the process organization and the SAP S/4 HANA go-live at Epsilon in Elsbethen (AT) constituted successful milestones in the fiscal year just ended. These represented the formation of a strong foundation within the value chain for cutting process costs and implementing digital solutions.

PPS (PALFINGER Production System), which brings the lean culture to all levels of the company, is of vital importance in the management of the production network. This system generated cost savings in 2019.

Lean management and Industry 4.0 are complementary topics for PALFINGER and operate using the approach to first establish stable processes before automating and digitalizing them. Humans, machines, and data form a network with far greater transparency in operating performance. This makes it possible to promote continuous improvement throughout the entire value chain even more effectively.

LOCAL FOCUS

Making value creation a more flexible process is extremely important for the further development of PALFINGER's production network. Production and assembly plants need to react more quickly to changing market demand. The ability to adapt capacity to market demand is a key factor for future success. In 2019, PALFINGER succeeded in meeting heavy market demand by investing in infrastructure and machinery. Strained since the beginning of the 2019, the capacity situation with regard to the company's internal value creation and suppliers' value creation was able to be eased by year's end.

SEGMENT SALES & SERVICE LAND AND SEGMENT OPERATIONS LAND

EMEA

As in previous years, the EMEA region held the largest share of PALFINGER's production network in 2019. The assembly plants of the individual product lines supply customers in the EMEA region, while at the same time acting as suppliers for sales organizations outside this region. The components factories supplying various product lines and assembly plants make up the core element of value creation in EMEA.

PALFINGER relocates simple and repetitive operations to best-cost countries, where the company makes corresponding investments in infrastructure, machinery, and employee training. The expansion of capacity and skills at the Cherven Brjag (BG) plant continued in 2019, and the supply performance stabilized. Considerable demand for components and pre-assemblies represented a major challenge for Maribor (SI) in 2019. The site in Tenevo (BG) was most severely affected by the high utilization rate in recent years. The expansion of areas for adding value and investments made in replacements and expansions made it possible as of 2019 to operate using a two- to three-shift model for the long term. The assembly plants in Austria also had very good capacity utilization rates and continually rising output performance in 2019. During the reporting period, expansion work was carried out at the site in Köstendorf (AT) so that future market potential (particularly in the area of rail systems) can also be leveraged and to create the necessary prototyping, testing, and office space for the R&D area.

CIS

The demand situation in the CIS region was very strong at the beginning of 2019, and the plants were operating at full capacity. Toward the end of the year, however, the Timber & Recycling product line showed a decline in demand. Capacity was adjusted accordingly. The cylinder manufacturing plant in Neftekamsk (RU) reacts continually to the drop in orders at KAMAZ, the joint venture partner. Generally speaking, the plants performed favorably in terms of quality and output performance. This allowed PALFINGER to supply a higher number of components from CIS to the EMEA region in 2019. The site in Archangelsk (RU) was further consolidated in 2019 and the remaining infrastructure was modernized. In Velikiye Luki (RU), the investments were approved for a component paint shop, and implementation began. In addition, the employees at the site were able to enjoy a new cafeteria. At the plant in Ischimbai (RU), new products for distribution on the local market as well as for export were gradually added in fiscal year 2019.

NAM

In the NAM region, most of the PALFINGER sites recorded growing utilization levels in 2019. At the site in Council Bluffs (US), PALFINGER used the rising demand for pickup bodies with service cranes and worked on efficiency enhancement projects. The local value structure for the Taillift product line was revised and is expected to demonstrate cost savings in 2020. The plant in Niagara Falls (CA) made a very positive contribution to earnings in 2019 thanks to its good capacity utilization. Following difficult period (triggered by changing market requirements), the plant in Oklahoma (US) improved significantly in the fourth quarter of 2019. A continued favorable trend is forecast for 2020. The plants we will use to develop turnkey solutions made positive contributions to earnings in the NAM region in 2019.

LATAM

In Brazil, good capacity utilization was achieved for the plant in Caxias do Sul (BR) along with a significant improvement in earnings despite a challenging market environment in 2019. Additionally, further progress was achieved in launching products for the local market as well as for export. Supply relationships with plants in North America were expanded and stabilized. The contribution to the Americas value network made by the site in Caxias do Sul is becoming increasingly important.

In Rio Tercero (AR), a joint venture is also producing and assembling cranes and access platforms specified for the local market.

APAC

By assuming operational responsibility for the plant in Rudong (CN), a joint venture with SANY, progress was made on integrating processes and establishing the necessary structures in 2019. The production plants in China will be more closely integrated into the global PALFINGER production network in 2020.

In Chennai (IN), PALFINGER is focused primarily on assembling complete vehicles and developing holistic solutions.

SEGMENT SEA

Segment SEA and the six production plants located there were impacted by turnaround management measures for nearly the entire year in 2019. In the course of the restructuring, preparations were made in the reporting period to integrate the entire value footprint of the SEA product lines into the GPO and initial synergies were realized. In the future, this will make it possible to leverage key synergies from the GPO and to realize cost savings from the value footprint.

DIGITALIZATION IN PRODUCTION

PALFINGER has initiated numerous activities related to Industry 4.0 in recent years. A three-step process was used to develop a corresponding strategy in 2018. First, internal expectations were evaluated. The organizational structure and framework for Industry 4.0 projects were created on this basis. This was done with a special focus on the close cooperation with PALFINGER 21st. The third and final step involved defining specific short-, medium-, and long-term activities within the plants.

Under the strategy called “The Production of the Future”, PALFINGER takes a holistic approach covering all areas of manufacturing, coating, assembly, and mounting.

Industry 4.0 projects were tested by PALFINGER in several plants and areas in 2019. The spectrum ranged from virtual reality/augmented reality technologies through the specific logging and analysis of machine and process data to supporting production staff by means of production apps. The goal is to use new technologies to identify process inefficiencies more quickly and easily and to develop improvement activities.

Cognitive assistance systems represent one of the focus topics related to Industry 4.0 at PALFINGER. For example, work to develop a welding assistance program was carried out in 2018 and 2019. The program is intended to provide the user with necessary information while simplifying the process by relying on the system to configure the process parameters. Furthermore, this program trains new employees and apprentices in a targeted manner and assists them in learning the production skills specific to PALFINGER. This project was launched as an open innovation at the Pioneers Industry 4.0 Hackathon in Linz in 2018. Another pilot project started in 2019 at the site in Lengau (AT) involves driverless transport systems. This represents the first field test in the field of autonomous solutions.

Another test project focused on collecting machine data aims to achieve transparency of the machine’s status throughout the entire value stream. Detailed sensor analysis for critical machines should help in particular to prevent unplanned downtimes.

PALFINGER’s overarching goal is to develop global solutions from pilot projects.

🌐 GRI 102-9, 102-10

🌐 NaDiVeG

Brand and brand world

The PALFINGER brand is synonymous with innovation, reliability, and efficiency and upholds the promise of LIFETIME EXCELLENCE to PALFINGER customers.

In a comprehensive process managed by the Marketing, Communications, and Sustainability corporate function, the positioning of the PALFINGER brand with the brand values has been under review since mid-2019. Among other things, this makes it possible to continuously deepen the PALFINGER vision and further anchor it in the entire PALFINGER Group. The new GPO additionally promotes and supports these new directions.

In 2017, PALFINGER opened the exhibition PALFINGER World in the Upper Austrian town of Lengau – a forward-looking presentation of the promise of LIFETIME EXCELLENCE. In addition to the numerous plant tours conducted in 2019, PALFINGER World was also used for a wide array of different events in the fiscal year just ended, including the PALFINGER Annual General Meeting, the open house day, for apprentice training, various dealer conferences, external events, and many others.

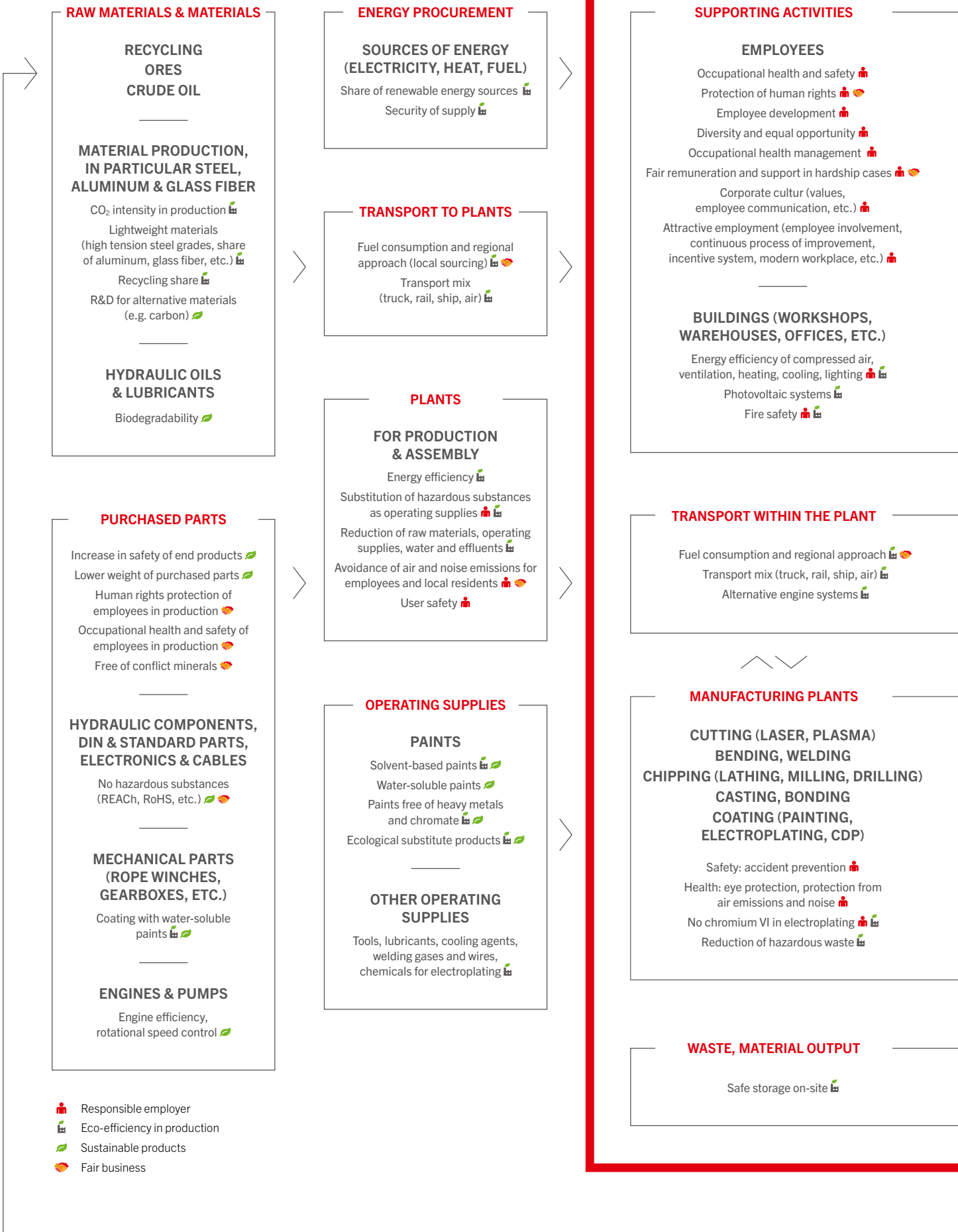
2019 saw innovations in the field of virtual reality (VR). The new VR crane simulator was put into operation in the fiscal year just ended, and at PALFINGER World guests were able to try their hand at virtually operating a crane themselves.

The new interactive service wall has brought PALFINGER's idea of service closer to the visitors to PALFINGER World. Guests can find out more by participating in activities that are both fun and informative.

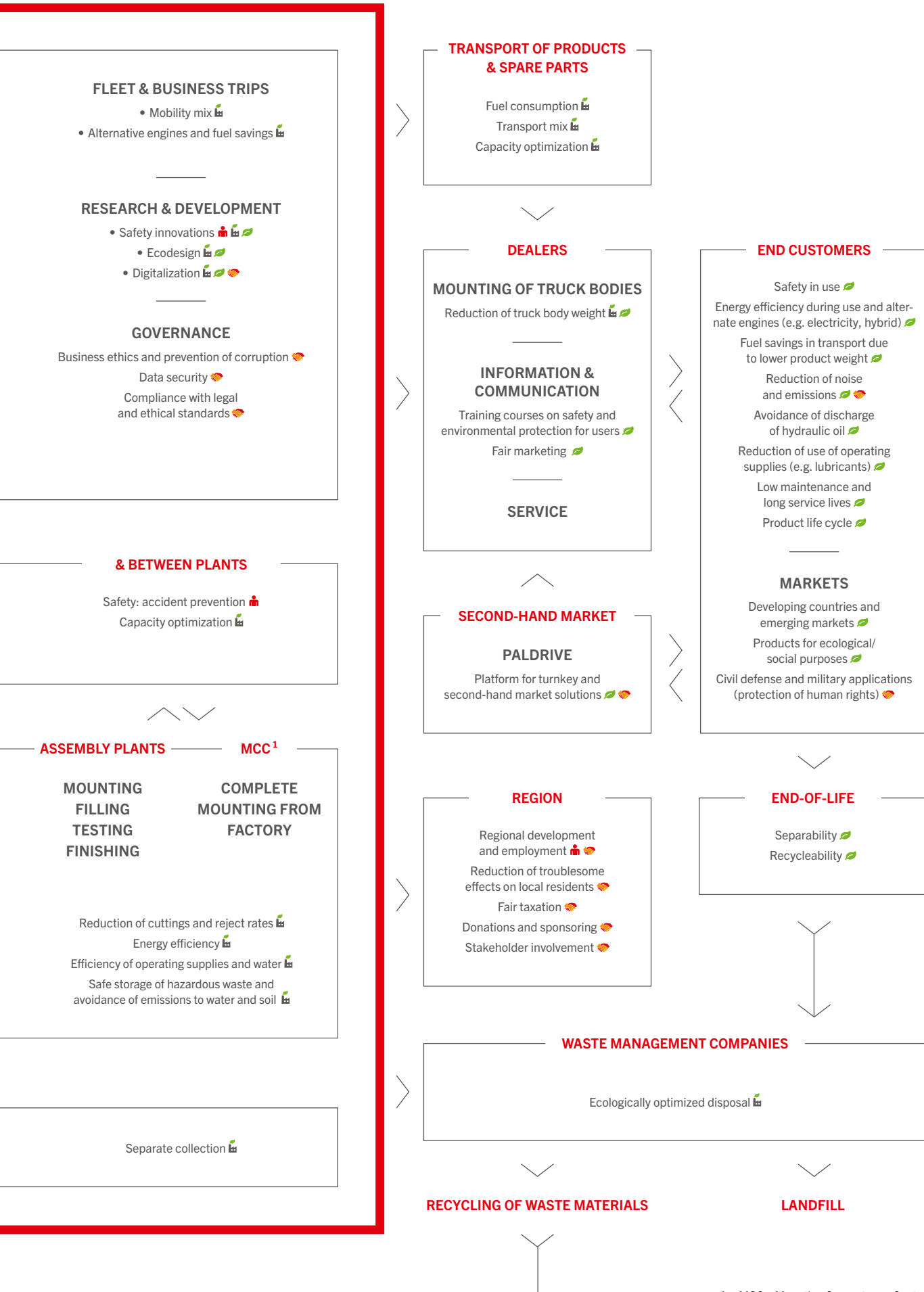
The expansion to PALFINGER World approved in 2019 will result in many synergies and improvements. PALFINGER World and the plant in Lengau (AT) will be redesigned to share an entry and reception area. In the future, this will not only be the starting point for plant tours, it will also serve as the reception area and the place for registering guests to the Lengau plant.

Plans also include an additional room for addressing trends of the future and for presenting developments and solutions from the PALFINGER 21st business area.

Furthermore, the first shop for PALFINGER merchandise will also be opening in PALFINGER World. A multi-functional event hall will also serve as a venue for PALFINGER and external events. The expansion at PALFINGER World is scheduled to be completed in 2021.



VALUE CHAIN



1 – MCC = Mounting Competence Center

MARKET REVIEW

- **Regional disparity in economic environment continued in 2019**
- **Competitive environment showed strong pricing rivalries and slight market downturn in EMEA**
- **Demand rebounds in Segment SEA**

Around the world, PALFINGER addresses numerous customers in a wide array of industries with its different product lines in the individual regions. Developments in these regions and industries are as relevant to PALFINGER as good cooperation with its suppliers and its network of dealers and service providers.

REGIONS AND INDUSTRIES

EMEA

In the EMEA region, PALFINGER's customers come from the most diverse industries. These include the construction industry, transport and logistics, rentals and leases, agriculture and forestry, waste management, railways, and state institutions.

In 2019, the EMEA region faced growing uncertainty and volatility. The environment was heavily impacted by trade conflicts, Brexit, and even the threat of war in the Middle East. While the construction industry, buoyed by strong utilization levels and a good order situation, continued to generate strong demand for PALFINGER lifting solutions in 2019, a decrease could be seen in the number of building permits issued for new projects. For 2020 overall, PALFINGER expects a difficult market environment in Europe in the core industries.

2019 saw a positive trend in demand for additional features, comfort, and assistance systems aimed at supporting PALFINGER customers in offsetting the growing lack of skilled workers. The trend toward end-to-end solutions and faster availability remains unbroken. The demand from many PALFINGER customers for full service packages continued to grow in 2019. In some PALFINGER industries, consolidation among customers persisted in 2019. There were numerous takeovers and expansions particularly among the large rental and leasing companies, causing the trend toward centralization of procurement processes to continue.

At BAUMA 2019, the world's leading trade fair for construction machinery, building materials machinery, and construction vehicles, PALFINGER was able to gain the confidence of its customers with a plethora of product innovations and new solutions from the company's innovation leadership in the fields of digitalization and electrification of lifting solutions. In the fiscal year just ended, 1,000 vehicles were equipped with telematics solutions from PALFINGER aimed at increasing efficiency in lifting solutions.

NAM

In North America (NAM region), PALFINGER supplies customers in more than 20 different market segments, focusing in particular on the construction, infrastructure, agriculture and forestry, railway, and waste management segments. In addition, PALFINGER is represented in the transportation and logistics industries with its own product lines. For many years now, the construction industry in the NAM region has recorded stable growth; PALFINGER was able to further reinforce its market position in 2019, particularly in the building materials industry. By investing continually in the distribution and service network, PALFINGER as a solutions provider focuses squarely on the needs of customers. It is well positioned for further growth through its dense network at the regional level, e.g. with mobile service buses in the NAM region.

Despite some risks (trade disputes and differences in US domestic politics), a favorable market environment is expected in 2020 due to sustained strong construction activities and rising building permits.

LATAM

Construction, the industrial sector, and rentals are the main industries in which PALFINGER is active in Latin America (LATAM region). The energy supply industry is gaining in significance and is developing into a market of the future for PALFINGER in this region. Brazil, the largest market in the LATAM region, recorded a significant economic recovery in 2019 after several years of recession. Demand for PALFINGER lifting solutions has risen considerably compared with the previous year. Furthermore, the willingness of local governments to accept reform measures leads us to expect a lasting upswing. Chile, too, is showing a positive trend in market demand. Mining in particular and the associated demand for natural resources (primarily copper ore) represents a major pillar of Chile's economy. In Argentina, 2019 was characterized by instability in economic policies, growing uncertainty, and a related decrease in market demand.

PALFINGER's customers in LATAM appreciate the customer-oriented solutions as well as the tightly woven and highly qualified service network. Local added value was also a major factor contributing to PALFINGER's success in this region.

CIS

The loader crane and the forestry crane remain PALFINGER's core products in the CIS region. The main industries in which PALFINGER customers are present include the construction industry, transport and logistics, the oil and gas industry, and agriculture and forestry. In addition to local added value, PALFINGER's main advantages in the CIS region are the broad range of products and the comprehensive distribution and service network.

Inflation expectations in the CIS region remain high. In 2019, the Russian economy grew at a rate below the forecasts of the Bank of Russia, which predicts that the annual inflation rate will climb back to four percent in early 2020. According to the International Monetary Fund (October 2019), GDP growth for 2019 should amount to 1.08 percent.

The market for new vehicles in Russia declined by 6 percent compared with reporting period 2018. Purchases and orders from companies in the oil and gas industry have been decreasing since April 2019. From September 1, 2019 through December 31, 2019, export quotas were also defined for iron and steel scrap to countries that are not members of the Eurasian Economic Union (EAEU). In addition, an export ban on unprocessed wood will take effect beginning in 2020.

APAC

PALFINGER's most important customer industries in Asia are construction and infrastructure, transport and logistics, waste management, railways, agriculture and forestry, and state institutions. Due to the demographic shift, rapid industrialization, and urbanization, many developing countries are slowly but surely transitioning to safer work methods that also require safe equipment. The waste management industry and recycling are likewise becoming increasingly important. India is making rapid progress in developing high-speed rail systems and in increasing the speed of trains. Some countries in Southeast Asia are also investing in improvements to electricity supply infrastructures.

Demand for cranes in China continued to be strong in fiscal year 2019, and there was a clear trend toward the use of lifting solutions with higher-quality fittings in order to work more safely at higher elevations. India still continued to show preference for the pick-and-carry cranes, although demand for truck loader cranes also rose. The satisfactory demand in Japan held strong in the reporting period just ended. Many countries in Southeast Asia are currently politically stable, which meant that the market environment was favorable in 2019.

www.palfinger.com/en/segments

SEA

Under the higher-level industries of offshore (oil and gas), wind, cruise, navy and coast guard, and fisheries, trade and transport, PALFINGER addresses a diverse array of industries in Segment SEA. PALFINGER receives many requests for customer-specific product solutions for individual projects. For the most part, PALFINGER's product and service business is characterized by global structures. The trend toward larger projects with higher order volumes and more equipment continued in the fiscal year just ended with a recovery in demand. Customers' growing willingness to invest consequently pushed up demand for services.

In spite of an economic rebound, global developments such as Brexit and potential new customs regulations continue to represent a risk in this international business. The offshore industry nevertheless recovered slightly in 2019, reaching an acceptable level at the end of the fiscal year. The improved environment led to investments in existing fleets. Service revenues showed a rising trend due to stabilization of the market. A positive trend can be seen in customized deck equipment for special offshore vessels such as cable-laying vessels for offshore wind farms.

The aquaculture/fish farming sector grew very rapidly in 2019. Merchant shipping remained highly competitive in terms of pricing and therefore less profitable. In 2020, demand for solutions made for expedition cruise ships and coast guard is expected to grow further.

The rising cruise ship trend continued in 2019. Accordingly, the performance of this industry was excellent. Investments in new ships entailed increased equipment needs for boats and davits, but also for cranes, winches, and specific entry systems. Particularly on expedition cruises, which are becoming more and more popular, ships require special deck and lifesaving equipment that complies with high safety standards such as the Polar Code. This is opening up a promising niche market for PALFINGER. It is becoming evident due to the high level of capacity utilization of the shipyards in this industry that capacity in Europe has largely been exhausted and the focus is shifting to Asia.

Solutions for police, special units, fire departments, coast guard and port security, and offshore patrol vessels continued to gain importance for PALFINGER in 2019 in all marine product sectors.

Offshore wind energy (wind farms and supply boats, crew transfer boats) is a cyclical industry. Brexit put a damper on growth in 2019 as the United Kingdom is still considered to be a growth market in this sector and British manufacturers are given preference due to the political situation. China and the United States established themselves as new markets alongside Taiwan. The favorable performance and additional investments in wind energy in these markets will continue in the years to come. Furthermore, they are showing a tendency toward larger plants with greater capacity.

🌐 GRI 102-6

🔗 www.palfingermarine.com/en/segments

CUSTOMERS AND DEALER NETWORK

PALFINGER products are distributed in more than 130 countries all over the world, primarily through some 200 general importers and/or independent dealers as well as the Group's distribution and service companies. Together with more than 5,000 service centers, this forms a comprehensive network and is the link from PALFINGER to the end customer.

PALFINGER supplies the most cost-effective, reliable, and innovative lifting solutions to these customers. Through its global network of skilled service partners, PALFINGER guarantees its promise of LIFETIME EXCELLENCE – minimal downtime, durable components, and a high resale value – over the entire lifetime of the product.

PALFINGER holds annual international dealer conferences in order to ensure the dealers' commitment to PALFINGER's business. Involving the dealers in the continuous internal improvement process and group-wide standards improves the level of quality. Every year, PALFINGER also conducts comprehensive customer surveys in selected product areas and the results are incorporated into the measures subsequently taken. In 2019, more than 15 surveys were carried out with end customers, potential customers, dealers, and subdealers in different countries.

There are no markets in which PALFINGER products and services are not authorized.

In the NAM region, the distribution and service network was further expanded in fiscal year 2019 in order to be able to leverage PALFINGER's market potential to an even greater degree. Falcon Equipment, one of the leading dealers for lifting solutions in Western Canada, will join the network of PALFINGER dealers. For PALFINGER, this partnership signifies a boost in growth in this region.

In 2019, PALFINGER expanded its direct sales in the LATAM region. This generated an increase in revenue in Brazil toward the end of the fiscal year. Ongoing service training including implementation of the PALFINGER standards was carried out throughout the entire network.

In the CIS region, PALFINGER focused on developing the larger truck mounting partners and improving service quality and employee training in the service centers in 2019. Dealers in this region receive an annual certification. Sales of PALFINGER complete solutions through the dealer network continued to perform well.

In the fiscal year just ended, PALFINGER expanded direct sales in the APAC region and handled some markets itself in parallel to the existing dealer structure. As a result of numerous new product launches in APAC, the focus in 2019 was on training the service organization.

🌐 GRI 102-2, 102-6, 102-7

🌐 NaDiVeG

SUPPLIERS

Throughout the industry, 2019 was marked by a clear upward trend resulting in resource shortages and sharp price increases. Despite overtime and weekend work, average delivery times rose. Many suppliers saw high employee turnover and machine downtime as a result. In the second half of 2019, the situation eased due to general market conditions. For the most part, the backlogs had been reduced by year end. PALFINGER's multiple sourcing strategy proved valuable. The required price increases were significantly cushioned thanks to longstanding partnerships and the stockpiling strategy.

This success was based on PALFINGER's good collaboration with suppliers. PALFINGER has defined around 200 strategic main suppliers and subsequently entered into delivery and quality assurance contracts with them regarding cost effectiveness, products, the environment, and social matters.

🌐 GRI 102-9, 102-10, 414-2

🌐 NaDiVeG

Procurement factors, markets, and strategies

The main purchasing flows at PALFINGER involve the procurement of raw materials (steel, aluminum), building parts and components (hydraulics, electronics, plastics), facilities (buildings, machinery), operating supplies, energy, and outsourced manufacturing. Raw materials accounted for the biggest share of procurement costs in fiscal year 2019, approximately 17 percent. PALFINGER considers flexibility in its procurement to be a success factor. PALFINGER enters into long-term contracts with its strategic main suppliers in which the prices are fixed and the annual purchase quantities are variable. This enables PALFINGER to keep up with the expected demand while also allowing it to act quickly in response to volatile market conditions.

The use of the latest technologies and innovations represents yet another essential contribution to PALFINGER's success. Advancing digitalization and the ensuing increase in the number of electronic components have also made procurement more complex. PALFINGER therefore proactively uses electronic interfaces to its suppliers.

The cooperation with an Austrian bank initiated in late 2017 to prefinance supplier invoices was expanded further in 2019. PALFINGER's suppliers now receive payment within just a few days and PALFINGER's payment terms vis-à-vis the bank are significantly longer.

All in all, PALFINGER is committed to sourcing locally. This increases flexibility in areas relevant to profitability, reduces transport distances and the accompanying environmental footprint, and helps to stimulate the local economy. Global Sourcing focuses on harnessing the potential of new procurement markets for PALFINGER. Recently, PALFINGER has expanded its portfolio of suppliers in Asia. New suppliers are required to be reliable in upholding quality and sustainability standards such as human rights and prevention of corruption. PALFINGER is not subject to Section 1502 of the Dodd-Frank Act on conflict minerals. Thus, the supply chain is not examined for their presence.

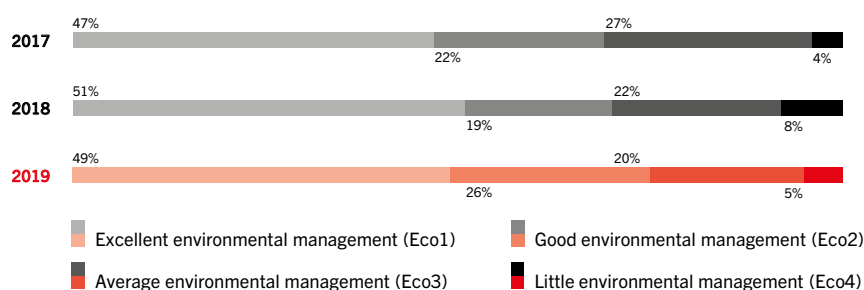
PALFINGER seeks to maintain long-term relationships with its suppliers aimed at continuously enhancing quality and competitiveness. In order to improve the suppliers' involvement in the company's activities, PALFINGER also organizes a conference for EMEA suppliers every two years. In reporting year 2019, this was held in Lengau (AT) in early October. Additional supplier conferences are planned in the other regions. Moreover, strategically important suppliers regularly undergo risk analyses and corresponding audits – in some cases annually. These allow changes in the processes and in economic stability to be identified at an early stage. If necessary, PALFINGER provides assistance to its suppliers in optimizing their processes.

Sustainability at PALFINGER suppliers

PALFINGER systematically conducts surveys among all strategic partners and most of all among suppliers of environmentally relevant materials (such as paint shops, disposal contractors, and cleaning and linen rental companies) on their environmental management systems and analyzes the results using an evaluation scale. This means that suppliers' environmental management has an active impact on their ranking in the quarterly supplier assessment. PALFINGER believes that suppliers' environmental and social awareness and corruption prevention improve the quality of the business relationship.

According to their own assessments, the environmental management pursued by PALFINGER's suppliers has improved continuously in recent years. In 2019, 75 percent (2018: 70 percent) of suppliers had a very good or a good environmental management system in place (Eco1 and Eco2), and the proportion of suppliers with a very good environmental system was 49 percent (2018: 51 percent).

ENVIRONMENTAL MANAGEMENT OF STRATEGIC AND OTHER ENVIRONMENTALLY RELEVANT SUPPLIERS (in percent)



As a matter of principle, all of PALFINGER's new suppliers have to undergo an initial audit. PALFINGER conducted a revolving audit of just under half of its 200 strategic suppliers in 2019. The main focus – as in previous years – was on inspecting the quality of the processes. The sustainability aspects within the audit process are based on the PALFINGER Code of Conduct, which all strategic suppliers agree to follow.

The PALFINGER Code of Conduct applicable in the reporting year includes the following:

- Human rights: prohibition of child labor, free choice of employment, prohibition of discrimination, freedom of association, and a proactive approach to health and safety
- Environmental standards: environmental responsibility in general, environmentally friendly production, and manufacturing environmentally friendly products
- Business ethics: active corruption prevention and compliant conduct in accepting gifts, hospitality, and invitations

The suppliers' own assessments of their environmental management systems are verified specifically in on-site audits. In recent years, PALFINGER auditors who perform supplier audits have received additional training on environmental aspects and human rights. In 2019, the sustainability audits resulted in no objections in the environmental or social area and no imposition of mandatory improvement measures. No such severe misconduct was observed that should have resulted in a termination of the contract with the supplier.

🌐 GRI 102-9, 102-10, 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2

🌐 NaDiVeG

📄 Eco-efficiency in Production, page 115; Corporate governance report, Fair Business, page 136

PALFINGER AND ITS COMPETITORS

EMEA

The competitive environment for PALFINGER in the EMEA region continued to be characterized by strong price competition in 2019. The slight market downturn exacerbated this. Many competitors tried to utilize their production capacity by offering favorable prices. HIAB's acquisition of Effer in 2018 was noticeable in various ways. In some cases, the sales organizations were combined and had a shared presence on the market, while in other cases, there were two completely separate sales presences. Throughout Europe, HMF continued to be the most aggressive participant in terms of pricing. Despite this, PALFINGER was able to stabilize at a high level in the most important product areas in 2019. Customers prioritize the product qualities of reliability and availability along with the dense service network.

NAM

In 2019, PALFINGER made progress in all of the main product categories in the NAM region. Beyond that, PALFINGER also continued to expand its service and spare parts business, which now makes up a significant share of total revenue in the region.

LATAM

In the LATAM region, PALFINGER was able to further improve its market position in 2019. The main market, Brazil, was characterized by intense price competition between local manufacturers. In Argentina, a major devaluation of the Argentinian peso had a favorable impact on local manufacturers. PALFINGER was also able to improve its market position in Argentina by acquiring a majority interest in crane and lift manufacturer Hidro-Grubert. In Chile, the Cargotec Group merged the sales channels of Hiab and Effer at the end of 2019.

APAC

In the APAC region, PALFINGER further reinforced its good position in the loader crane segment in 2019. Hiab, Fassi, and the Chinese crane manufacturer XCMG are PALFINGER's key competitors in this area. The APAC region is highly price sensitive, and some countries require local added value. In the region, PALFINGER is perceived as a strong brand and technology leader.

CIS

PALFINGER is a leader in all major product areas in the CIS region. Despite growing competition from local knuckle boom crane manufacturers and Korean manufacturers of stiff boom cranes, PALFINGER still holds a leading position in the market for loader cranes in the CIS region. As a whole, however, the market declined in 2019.

The market volume for cranes increased in the first six months of 2019, and the share of the total market held by PALFINGER products in 2019 also remained at a very high level. Generally speaking, though, the forecast for the market trend is somewhat negative. In the second half of 2019, a significant decline was seen in the market for forestry and recycling cranes; this could continue in 2020.

In contrast, the market for hooklifts grew in fiscal year 2019, when PALFINGER's main competitor HYVA recorded a significant decline.

SEA

The major market consolidations in 2018 (MacGregor acquired TTS and Rapp Marine, Kongsberg acquired Rolls Royce Marine, Viking acquired Norsafe) created large and financially strong competitors for PALFINGER. At the same time, small, agile, and price aggressive companies took advantage of the consolidation in the market.

Business Performance

EUR **1,753.8**
million in revenue

EUR **149.0**
million of EBIT

8.5%
EBIT margin

EUR **133.1**
million EBT

9.9%
ROCE

Top Topics

GPO: Internal cooperation improved

Restructuring of Segment SEA:

Positive operating result in second half of the year

STRUCINSPECT: First tangible result from PALFINGER 21st

Goals 2022

EUR **2,000**
million in revenue

10%
average EBIT margin
throughout the economic cycle

10%
average ROCE
throughout the economic cycle

SDGs

8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



PERFORMANCE OF THE PALFINGER GROUP

- **Fiscal year 2019 was very successful for PALFINGER's operations**
- **Revenue rose to EUR 1.75 billion, EBIT improved to EUR 149.0 million**
- **Consolidated net profit rose disproportionately due to a lower tax rate and a reduced share of income attributable to non-controlling interests**

BUSINESS PERFORMANCE IN 2019

The PALFINGER Group continued to grow in fiscal year 2019, with revenue reaching a new record high of EUR 1,753.8 million. Compared with the 2018 figure of EUR 1,615.6 million, this corresponds to an increase of 8.6 percent that was achieved without any additions or acquisitions. One of the main reasons for this expansion of business was the outstanding performance in Europe. PALFINGER also posted significant revenue increases in North, Central and South America, Russia, and China. However, the order situation deteriorated during the course of 2019. This resulted in a stabilization of supply from the value chain and shorter delivery times for PALFINGER products. By contrast, the global marine business in Segment SEA continued to be characterized by a difficult market environment in 2019, with the beginnings of a recovery in sight. After implementing extensive restructuring measures and diversifying business segments, Segment SEA achieved a positive operating result in the second half of 2019.

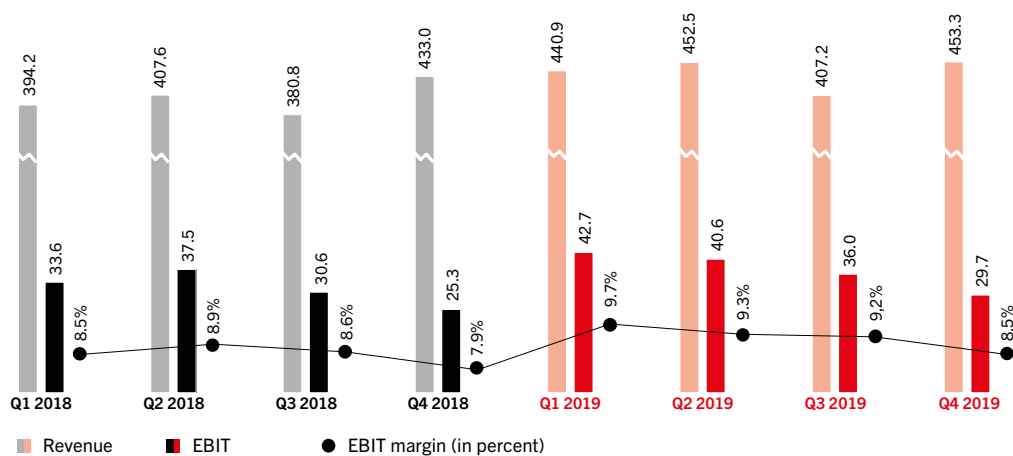
Initial successes from the GPO implemented in 2019 are already visible in the 2019 results described here.

 [Value creation, page 58](#); [Performance by segment, page 122](#)

Despite the divergent global environment, PALFINGER's operating business improved in 2019 compared with the previous year. EBITDA increased by 13.7 percent, from EUR 196.7 million to EUR 223.6 million, and the EBITDA margin was 12.8 percent, up from 12.2 percent in fiscal year 2018. Quarterly performance of the past two years shows a continual increase in revenue and operating profit. However, the second half of the year is always influenced by the lower number of working days due to PALFINGER's company holidays at the European sites and the Christmas holidays.

 [GRI 102-7](#)

DEVELOPMENT OF REVENUE AND EBIT (EUR million)



FINANCIAL POSITION, CASH FLOWS, AND RESULTS OF OPERATIONS


Results of operations

Revenue rose by 8.6 percent to EUR 1,753.8 million in fiscal year 2019 (2018: EUR 1,615.6 million). From a regional perspective, the EMEA region was the most important market in 2019, accounting for 61.4 percent of revenue, followed by NAM with 23.4 percent, and CIS with 6.8 percent. Exchange rate changes (primarily of the U.S. dollar and the Russian rubles) had a positive impact of EUR 13.2 million on revenue development.

RESULT OVERVIEW

EUR million	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2019
Revenue	1,471.1	1,615.6	1,753.8
EBITDA	167.4	196.7	223.6
EBITDA margin	11.4%	12.2%	12.8%
EBIT	27.8	127.0	149.0
EBIT margin	1.9%	7.9%	8.5%
Consolidated net profit or loss	(11.4)	58.0	80.0
Earnings per share (EUR)	(0.30)	1.54	2.13
Dividend per share (EUR)	0.47	0.51	0.71 ¹⁾

¹⁾ Proposal to the Annual General Meeting.

 Consolidated financial statements, Notes to the consolidated income statement, page 164

The cost of sales rose in connection with the growth from EUR 1,211.5 million to EUR 1,321.3 million, with the relative cost of materials slightly above the previous year's level. Personnel costs increased by 7.1 percent to EUR 188.0 million and remained at approximately the same level in relation to revenue year-on-year. Gross profit rose in comparison with the same period of the previous year from EUR 404.1 million to EUR 432.6 million. The gross profit margin was 24.7 percent as of the reporting date (2018: 25.0 percent).

Structural costs, which include research and development, selling, and general and administrative expenses, increased from EUR 284.2 million to EUR 304.4 million. The increase in costs in 2019 was primarily in connection with the forward-looking PALFINGER Process Excellence and PALFINGER 21st group-wide initiatives, as well as the implementation of the new GPO. In relation to revenue, structural costs fell by 0.2 percentage points compared with the same period of the previous year.

EBITDA increased by a substantial 13.7 percent from EUR 196.7 million in 2018 to EUR 223.6 million in 2019. On the one hand, this significant improvement reflects PALFINGER's positive business development, while on the other hand, the new accounting requirements for leases (IFRS 16 Leases) resulted in an increase of around EUR 11.0 million. The EBITDA margin was 12.8 percent, up from 12.2 percent in the previous year. On this basis, the operating result (EBIT) rose by 17.4 percent, from EUR 127.0 million in 2018 to EUR 149.0 million in the reporting period. Segment SEA turned around and reached break even in the second half of 2019. Despite additional one-off items, EBIT thus reached a record high in the history of PALFINGER. The EBIT margin improved from 7.9 percent in 2018 to 8.5 percent in 2019.

The net financial result was unchanged year-on-year. While borrowing costs declined in 2019, the accounting changes in connection with IFRS 16 had a negative impact. In contrast, the absolute expenses for income taxes were higher than in the previous year, totaling EUR 35.3 million in the reporting period after EUR 34.3 million in the preceding year. However, the tax rate declined to 26.5 percent. The consolidated net profit for 2019 was EUR 80.0 million, a significant 38.1 percent increase over the previous year's level of EUR 58.0 million, due to the decreased share of income attributable to non-controlling interests. Earnings per share increased from EUR 1.54 in the previous year to EUR 2.13 in the reporting period. In line with PALFINGER's dividend policy, the Executive Board and the Supervisory Board will propose to the Annual General Meeting that a dividend of EUR 0.71 be distributed for fiscal year 2019 (2018: EUR 0.51).

 [Investor relations, Dividends, page 30](#)

Net assets

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	12/31/2017	12/31/2018	12/31/2019
Assets			
Noncurrent assets	828.0	811.3	914.6
Current assets	650.4	716.8	727.0
	1,478.4	1,528.1	1,641.6
Equity and liabilities			
Equity	511.8	555.7	629.1
Noncurrent liabilities	576.1	557.0	609.0
Current liabilities	390.5	415.3	403.5
	1,478.4	1,528.1	1,641.6

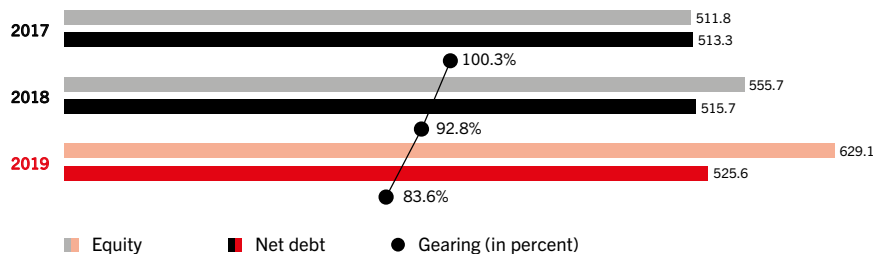
 [Consolidated financial statements, Notes to the consolidated balance sheet, page 174](#)

Total assets increased from EUR 1,528.1 million as of December 31, 2018 to EUR 1,641.6 million as of the December 31, 2019 balance sheet date. Noncurrent assets rose from EUR 811.3 million to EUR 914.6 million, mostly due to the accounting changes in connection with IFRS 16 and increased investment activity in the EMEA region. Current assets rose from EUR 716.8 million in 2018 to EUR 727.0 million in fiscal year 2019. This development was primarily due to higher inventory levels as well as the increase in trade receivables as a result of the significant business expansion.

Equity rose from EUR 555.7 million to EUR 629.1 million as of December 31, 2019, largely due to the increase in retained earnings in connection with the positive earnings situation. The equity ratio increased from 36.4 percent to 38.3 percent at the balance sheet date.

Noncurrent liabilities rose from EUR 557.0 million in the prior-year period to EUR 609.0 million at the end of 2019. This development was primarily attributable to the first-time application of the IFRS 16 accounting standard. Current liabilities declined from EUR 415.3 million to EUR 403.5 million due to debt rescheduling. As of the December 31, 2019 reporting date, 99.7 percent of the capital employed was secured on a long-term basis. The accounting changes had a negative impact of about EUR 59.6 million on net financial debt. The overall increase was significantly less pronounced due to the sale of shares in Sany Lifting Solutions, a better group result and an increase in the credit limit at Factorbank, from EUR 515.7 million in 2018 to EUR 525.6 million at the end of 2019. The gearing ratio amounted to 83.6 percent as of the December 31, 2019 reporting date, compared with 92.8 percent as of the previous year's reporting date.

EQUITY AND NET DEBT (EUR million)



Net investments in the reporting period amounted to EUR 90.8 million, excluding the effect of the sale of the interest in Sany Lifting Solutions in the amount of EUR 28.6 million. These investments primarily concerned the expansion of production capacity as well as ongoing replacement investments.

Financial position

EUR million	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2019
Cash flows from operating activities	92.0	126.5	156.0
Cash flows from investing activities	(58.7)	(87.7)	(54.0)
	33.3	38.8	102.1
Adjusted interest on borrowings after tax	9.8	8.0	10.3
Free cash flow	43.1	46.8	112.4

Cash flows from operating activities reached EUR 156.0 million in 2019 after EUR 126.5 million in the previous year's reporting period. In addition to a significant improvement in earnings, the actions taken for using working capital more efficiently also had a positive impact. Cash flows from investing activities amounted to EUR –54.0 million in 2019, after EUR –87.7 million in the prior-year period. The positive change was due to the sales proceeds of EUR 28.6 million for the 2.5 percent interest in Sany Lifting Solutions, which PALFINGER sold in the first quarter of 2019. Free cash flow increased to EUR 112.4 million as of the reporting date, compared with EUR 46.8 million in 2018.

Cash flows from financing activities amounted to EUR–95.2 million in 2019, following EUR –43.1 million in the prior-year reporting period. The negative development arose primarily from repayments of loans and lower financing.

The value creation indicators developed positively in fiscal year 2019, although the numerous one-off items and restructuring securities in 2018 make a previous year comparison unrepresentative. The return on equity increased from 14.4 percent at year-end 2018 to 16.5 percent as of December 31, 2019. At 9.9 percent, the return on capital employed was significantly above the previous year's level of 8.5 percent. The weighted average cost of capital (WACC) was 6.0 percent in 2019, also higher than in the previous year (2018: 5.5 percent) due to the higher market capitalization but reduced borrowing costs. This development resulted in a sharp increase in economic value added from EUR 31.6 million to EUR 43.4 million in reporting period 2019.

EUR million	Jan–Dec 2017	Jan–Dec 2018	Jan–Dec 2019
NOPLAT			
EBIT	27.8	127.0	149.0
Adjusted income tax	(10.2)	(37.8)	(39.3)
	17.6	89.2	109.7
Capital employed¹⁾			
Inventories	285.9	308.2	339.4
Trade receivables	259.3	271.9	276.2
Trade payables	(129.6)	(154.7)	(165.9)
Payments received on account of orders	(25.2)	(25.8)	(25.5)
Current capital	390.5	399.6	424.3
Other current receivables and assets	40.4	55.0	54.3
Income tax receivables	3.0	4.3	8.6
Current provisions	(18.8)	(20.9)	(22.3)
Current liabilities	(101.7)	(92.7)	(102.7)
Income tax liabilities	(9.6)	(10.6)	(9.5)
Net working capital¹⁾	303.8	334.8	352.7
Noncurrent operating assets	843.1	792.0	840.9
Noncurrent provisions	(47.9)	(47.6)	(55.2)
Deferred tax liabilities	(18.8)	(13.3)	(11.5)
Liabilities from puttable noncontrolling interests	(2.8)	(1.3)	0.0
Other noncurrent liabilities	(18.5)	(16.3)	(13.8)
	1,059.0	1,048.3	1,113.1
ROCE	1.7%	8.5%	9.9%

¹⁾ Annual average.

SIGNIFICANT CHANGES WITHIN THE PALFINGER GROUP

New GLOBAL PALFINGER ORGANIZATION (GPO)

The new GLOBAL PALFINGER ORGANIZATION (GPO) was implemented as of January 1, 2019. The integrated organizational structure better utilizes the strengths and synergies of the entire PALFINGER Group and ensures higher profitability and better customer service. Parallel work is replaced by the bundling of competencies, ideas, and innovations. Management tasks and areas of responsibility have been redefined. Through global networking, PALFINGER unfolds its full potential, increases its efficiency, and exploits synergies.

 [Implementing the GLOBAL PALFINGER ORGANIZATION, page 38](#)

Significant changes at PALFINGER's sites and in regions

The EMEA region accounts for the largest share of revenue. Here, PALFINGER is relocating less complex or repetitive operations to best-cost countries and is investing in infrastructure, machinery, and employee training. The expansion of capacity and capabilities at the Cherven Brjag (BG) plant was continued in 2019 and delivery performance was stabilized. The increased demand for components and pre-assembled modules was a challenge in Maribor (SI). The Tenevo (BG) site was the most severely affected by high capacity utilization, so a switch was made to three-shift operation. The Austrian assembly plants were very well utilized and continuously improved their output performance. The Köstendorf (AT) site was also expanded in order to cover market potential in the best possible way, especially in railway systems, and to create prototype, testing, and office space for research and development.

Demand in the CIS region remained at a very high level at the beginning of 2019 and the plants were at full capacity, with demand declining during the course of the year. That put PALFINGER in a position to supply more components to the EMEA region from CIS in the course of 2019.

In the NAM region, the majority of locations enjoyed good capacity utilization in 2019. In addition to consolidation and the creation of effective structures, the focus was on output and delivery reliability.

Work on the integration of processes and the establishment of necessary structures in the APAC region began with taking on operational responsibility for the Rudong (CN) plant in 2019 in the joint venture with SANY. This resulted in a significant improvement in the earnings situation as well as high capacity utilization. The production plants in China will also be increasingly integrated into the global PALFINGER production network in 2020.

In 2019, Segment SEA and its six production plants were marked by far-reaching turnaround measures. PALFINGER thus recorded substantial operational improvements in Segment SEA in 2019. The higher oil price was reflected in incoming orders from the offshore industry. In addition, orders from other customer segments increased significantly. The restructuring of Segment SEA was largely completed in 2019. Segment Sea posted a positive operating result in the second half of 2019.

 [Performance by segment, page 122](#)

Expansion of sales structures

In June 2019, PALFINGER agreed to set up a joint sales venture with the Chinese rescue boat manufacturer Neptune. The closing is currently being worked on and is expected to take place in the first half of 2020, subject to the approval of the responsible Chinese authorities. This collaboration will open up new market opportunities for PALFINGER, especially in the extremely dynamic Chinese cruise rescue equipment market.

In addition, the PALFINGER Group expanded its business in the NAM region with a strong new partner: Falcon Equipment, one of the leading dealers for lifting solutions in Western Canada. This will complement PALFINGER's independent dealer network. With its distribution, service, and rental business, the company is one of the leading dealers in Western Canada. Falcon Equipment will distribute the PALFINGER Crane, Timber & Recycling, Hooklift, Truck Mounted Forklift (TMF), Railway, and Platforms product lines. For PALFINGER this partnership means a growth spurt in the North American business.

PALFINGER Turnkey Solutions executive project

The aim of this project is to offer PALFINGER customers first-class, integrated turnkey solutions, i.e. system integration services for vehicles and PALFINGER Lifting Solutions. Based on this project PALFINGER customers receive better end-to-end systems at competitive terms in less time.

 [Executive projects, page 38](#)

Further changes in the PALFINGER Group under company law

In January 2019, PALFINGER AG acquired a 51 percent interest in UAV Structural Inspection GmbH in Austria. The company was renamed Palfinger Structural Inspection GmbH in the course of the acquisition.

Also, in January 2019, the liquidation of Dreggen (Hong Kong) Company Ltd. was completed and Palfinger Boats Vietnam Co Ltd. was merged into Palfinger Marine Vietnam Co., Ltd. The liquidation of Noreq LLC in the USA was finalized on January 23, 2019.

In March 2019, the investment in SANY Automobile Hoisting Machinery Co Ltd (SAHM) was reduced by 2.5 percentage points. As a result, Palfinger Asia Pacific Ptc. Ltd., Singapore, held 7.5 percent of the shares of SAHM as of the balance sheet date. Furthermore, the Polish company Palfinger Marine LSE Poland sp.z.o.o. was renamed Palfinger Poland sp.z.o.o. effective as of March 18, 2019.

Effective as of April 11, 2019, Palfinger S. Units GmbH in Austria acquired the remaining 23 percent of Palfinger Platforms Italy srl. from the minority shareholder Sky Access Srl. and is thus the sole shareholder.

In May 2019, Megarme Qatar WLL was renamed Palfinger Marine Doha WLL.

In June 2019, Palfinger Marine GmbH, Austria, and Jiangyin Neptune Marine Appliance Co. Ltd., China, agreed to establish a joint venture. The transaction is expected to close in the first half of 2020, subject to the approval of the responsible Chinese authorities.

The Dutch company Palfinger Projects B.V. was liquidated in October 2019.

In December 2019, Palfinger Americas GmbH in Austria acquired a further 40 percent of Andrés N. Bertotto S.A.I.C., Argentina (Hidro-Grubert).

🌐 GRI 102-10

DISCLOSURES PURSUANT TO SEC. 243A OF THE AUSTRIAN COMMERCIAL CODE

As of December 31, 2019, the share capital of PALFINGER AG was EUR 37,593,258, divided into 37,593,258 no-par value bearer shares. Each PALFINGER share entitles the holder to one vote at the Annual General Meeting.

As of December 31, 2019, PALFINGER AG did not hold any treasury shares.

PALFINGER AG is not aware of any restrictions regarding the voting rights of the PALFINGER shares and their transferability, including restrictions agreed on between shareholders. Nor are there any PALFINGER shares with special control rights.

As of December 31, 2019, the Palfinger family directly or indirectly held approximately 56.6 percent of the shares in PALFINGER AG. About 7.5 percent of the shares were held by the Chinese SANY Group through the German company, SANY Germany GmbH. The share of PALFINGER shares in free float was around 35.9 percent as of the reporting date.

There is no employee stock option plan within the PALFINGER Group, and in particular no equity investment system in which an employee does not directly exercise the voting rights for their shares in PALFINGER AG.

Furthermore, there are no provisions in the Articles of Association that go beyond the statutory provisions on the appointment of the Executive Board and Supervisory Board members and on amendments to the Articles of Association.

The agreements on the promissory note loans include change of control clauses.

No agreements on compensation in the event of a public takeover bid have been entered into between PALFINGER AG and the members of the Executive Board and the Supervisory Board.

🌐 GRI 102-5

NON-FINANCIAL STATEMENT PURSUANT TO SEC. 267A OF THE AUSTRIAN COMMERCIAL CODE

As a long-standing family enterprise, sustainable business has always been a matter of course for PALFINGER. For the past 15 years, PALFINGER has taken an active approach in this connection, which also includes managing relevant sustainability aspects. PALFINGER also supports the United Nations' Global Compact and Sustainable Development Goals.

In a multi-stage process, which also involved stakeholders, PALFINGER defined the material aspects of sustainability, most recently in fiscal year 2017. They can be broken down into the following four sustainability areas:

- Responsible Employer
- Eco-efficiency in Production
- Sustainable Products
- Fair Business

Since 2013, PALFINGER has published an integrated annual report, which contains financial and non-financial information presented by topic. Information on individual sustainability aspects and schemes, their outcomes, and the relevant key figures – including disclosures required under the Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz - NaDiVeG) – is disclosed in the respective sections of this Integrated Annual Report 2019. A summary of risk topics can be found in the risk report.

This non-financial statement, in conjunction with the following table, provides an overview of the relevant aspects and topics, and references the relevant pages in the management report of this Integrated Annual Report 2019 of the PALFINGER Group.

ASPECTS AND TOPICS AND THEIR MANAGEMENT APPROACHES

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CORPORATE GOVERNANCE

The corporate governance report prepared by PALFINGER AG for fiscal year 2019 is also available on the company's website.

 Corporate governance report, page 128

 www.palfinger.ag/en/investors/corporate-governance

TREASURY

The PALFINGER Treasury department coordinates and manages currency and interest rate risks throughout the Group. In addition, liquidity is managed centrally throughout the entire PALFINGER Group. The paramount principle here is to ensure sufficient liquidity at all times, both for payment obligations and for further corporate growth. Cash inflows from operating activities are the most important source of financing for PALFINGER.

The principle of internal financing applies within the PALFINGER Group. Under PALFINGER's in-house banking scheme, the financing needs of subsidiaries are covered by internal loans – to the extent possible. Excess liquid funds of Group companies are used to reduce the need for external financing and thus also the net interest expense. Bank transactions and fees are reduced by settling intra-Group transactions through settlement accounts. The Group's credit rating for financing Group companies can thus be used by the centralized management of Group financing and the necessary liquidity can be secured at low cost.

The Group Treasury department also centrally manages global insurance solutions, such as property, liability, cyber, and transport insurance.

Financial management is based on uniform principles applied globally across the Group. At the level of the subsidiaries, the heads of finance are responsible for compliance with these Treasury guidelines.

Cash and liquidity management

Using cash management systems in day-to-day liquidity management, PALFINGER utilizes liquidity surpluses of individual Group companies (cash pooling) to cover the funding needs of other Group companies. The existing cash pools were expanded in 2019 and preparations for the introduction of a SEPA cash pool in the euro-zone were begun. In addition, PALFINGER has access to extensive approved credit lines made available by the core banks currently providing financing. This also ensures the solvency of the PALFINGER Group at all times. On average, these unutilized financing reserves exceed 20 percent of PALFINGER's net financial debt. In order to further optimize liquidity management, the Group started to roll out monthly rolling liquidity planning on a twelve-month basis, broken down by currency, in 2019.

Back in 2014, PALFINGER AG and selected Austrian and German subsidiaries concluded a factoring agreement to optimize working capital. Under this agreement, trade receivables are sold monthly on a revolving basis. In 2019, the maximum volume was increased from EUR 60 million to EUR 90 million and extended to three additional PALFINGER European subsidiaries. As of the December 31, 2019 balance sheet date, such receivables amounted to EUR 49.3 million (2018: EUR 47.3 million). In accordance with the rules of IAS 39, these receivables were derecognized in full at the end of the fiscal year due to the transfer of control.

The reverse factoring structure implemented jointly with an Austrian bank at the end of 2017 was also expanded to other suppliers and companies in 2019. As of December 31, 2019, this concerned trade payables totaling EUR 21.2 million.

In 2019, PALFINGER took advantage of the favorable interest rate environment to improve its financing structure. For example, tranches of promissory notes maturing in November 2019 were refinanced by a bilateral loan of EUR 30 million. The repayment of maturing loans and the long-term refinancing of maturing promissory note loan tranches also extended the interest rate and capital commitment of financial liabilities, smoothed the repayment profile, and thus optimized the overall financing portfolio in 2019.

RISK REPORT

Risk management system

PALFINGER's risk management serves to comprehensively identify, assess, and manage risks within the PALFINGER Group at an early stage. For this purpose, PALFINGER has developed and documented group-wide planning, management, and control processes as well as Group policies and reporting systems across the Group. Risk management thus supports the achievement of financial and strategic goals.



The Executive Board has general responsibility for risk management at PALFINGER. Corporate Governance, Risk, Compliance & Internal Audit (Corporate GRC) manages and coordinates the risk management process and reports directly to the Executive Board. Corporate GRC & Internal Audit coordinates the global and corporate functions, which are the risk carriers. The risk management process is documented in a Group policy that applies throughout the Group.

RISK IDENTIFICATION

PALFINGER defines risk as the possibility of a positive or negative deviation from targets, which may occur, for example, due to the unpredictability of the future or accidental events. A standardized risk catalog and joint discussions with the responsible management and experts ensure that strategic and operating risks are fully identified.

RISK ASSESSMENT

Risks are assessed in joint discussions with the global and corporate functions, as well as experts from the areas in question. The assessment dimensions relate to the probability of occurrence and financial impact on Group results, which also determines the materiality of the individual risks for the PALFINGER Group. In addition, possible non-financial risks are discussed, which primarily comprise PALFINGER's strategy and competitive position and the possible long-term consequences associated with such risks.

RISK REPORTING

The risk position at Group level is presented and reported transparently in an assessed form as part of the budget and by aggregating the total risks taken on by the Group at Group level. In addition, the Executive Board is regularly informed about the Group's material risks.

RISK MANAGEMENT AND MONITORING

The decision on mitigating or accepting risks is based on monetary considerations, taking into account the overall risk acceptable to PALFINGER and the effects on the long-term market position. The responsible management is accountable for defining and implementing measures.

Corporate GRC ensures the implementation of risk mitigation measures and thus the management of risks, through central monitoring. These items are reported to the Executive Board. In addition, regular reports on the overall risk position and material risks are submitted to the Supervisory Board, which thus exercises its monitoring function with regard to the risk management process.

The entire risk management process as well as its appropriateness and effectiveness are reviewed and assessed annually by an external auditor.

🌐 GRI 201-2

🌐 NaDiVeG

Risk exposure

The PALFINGER Group's current risk position is highly dependent on market developments. The current risk position is shaped above all by political, legal, and regulatory changes and challenges. The risks identified and assessed in the course of the enterprise risk management process are essentially summarized in the following categories: strategy & organization, product development & innovation, distribution & service, purchasing & supply chain, operations & production, IT & communication management, legal & compliance, human resources, finance & taxes, and risk related to preparation of the financial statements. Sustainability risks are considered equally in the process and reporting to ensure that data on climate and environmental protection, social and employee concerns, human rights, and combating corruption is systematically recorded and their effects are taken into account in the overall risk position. The recently published risks from the World Economic Forum's Global Risk Report 2020 were also included in the risk analysis. Of the top five global risks, the following four were identified: number one "extreme weather", number two "climate action failure", number four "natural disasters", and number five "human-made environmental disasters". The PALFINGER Group's material risks are described in more detail in the following table:

Risk Category	Risk Description	Risk Mitigation Measures
Strategy & Organization		
Organizational development/standardization	The corporate structure was changed in 2019 with the implementation of the GPO. The standardization and optimization of core processes is being pushed forward.	<ul style="list-style-type: none"> • Changed responsibilities and changes in group-wide management may lead to delays in operating activities and decision-making processes. • The standardization of processes and the establishment of a uniform system landscape throughout the Group may slow down productivity and give rise to additional costs.
Dependence on JV partners	PALFINGER has opted for strategic partnerships in selected areas.	<ul style="list-style-type: none"> • The resulting dependence with respect to performance, integrity, and loyalty of the partners constitutes a significant cooperation risk. • High standards regarding matching values when choosing a partner. • Continuous control through coordination in the regular Steering Committee.
Product Development & Innovation		
Loss of technological leadership WEF top risk no. 2	PALFINGER intends to safeguard its position as market and innovation leader in the long term.	<ul style="list-style-type: none"> • Product development projects could be cost-intensive and complex or require higher upfront costs and/or longer development times. • Changes in legal and regulatory requirements, including those concerning climate change, could delay product development or give rise to additional development costs. • Establishment of standardized processes in product development for continuous development work and innovation projects. • Close project controlling for cost and project management. • Establishment of a requirements management system to ensure that legal and regulatory requirements are implemented.
Disruptive technologies	Disruptive technologies and current trends in digitalization are influencing PALFINGER's markets.	<ul style="list-style-type: none"> • Disruptive technologies and current trends in digitalization not only offer opportunities but also harbor risks for PALFINGER, such as losing existing markets. • Establishment of PALFINGER 21st as a hotbed of innovation for new business developments. • Focus on developing digital solutions that cover the customer's entire value chain.
Distribution & Service		
Sales market development	Macroeconomic, political, and economic developments influence the size, stability, and growth of markets.	<ul style="list-style-type: none"> • Negative market developments could lead to a decline in sales. • Established reporting system and coordination in the regular Steering Committee allow for prompt control. • Action plan in the event of a decline in revenue.
Market consolidation	Mergers of competitors and customers are changing the sales market.	<ul style="list-style-type: none"> • Mergers of competitors could lead to continuous consolidation of the market and strengthen the market power of competitors or the bargaining power of customers. • Building strategic partnerships.
Dependence on external partners	Market development is carried out through a sales and service network, largely with external dealers.	<ul style="list-style-type: none"> • Dependence on external dealers. • Strategic partnerships with dealers. • Establishment of dealer standards for long-term quality improvement.
Credit risk/default on receivables	PALFINGER grants customers payment terms.	<ul style="list-style-type: none"> • Customer-specific macroeconomic developments or political circumstances may lead to insolvency, illiquidity or other defaults by creditors. • Establishment of a uniform process for the preventive reduction of credit risks through management of payment terms and defined credit limits. • Credit insurance for specific receivables from end customers.

Risk Category	Risk Description	Risk Mitigation Measures
Export and customs regulations	PALFINGER operates as an international company and is subject to export regulations.	<ul style="list-style-type: none"> Economic sanctions and import and export restrictions could minimize existing market potential. Changes in customs regulations could lead to additional fees and higher costs and thus to lower demand in export markets.
		<ul style="list-style-type: none"> Implementation of processes to identify and avoid economic sanctions. Strategic direction: development of markets as a global player with local production.
Purchasing & Supply Chain		
Price fluctuations	As an industrial company, the cost structure is heavily dependent on material prices.	<ul style="list-style-type: none"> Purchase prices for raw materials and components are volatile and depend on supply and demand, market conditions, seasonality, purchase quantities, CO₂ taxes, etc. and could fluctuate.
		<ul style="list-style-type: none"> Longer-term supply agreements reduce the risk of fluctuating purchase prices.
Loss of supply of individual purchased parts/loss of strategic suppliers	PALFINGER relies on strategic cooperation with suppliers.	<ul style="list-style-type: none"> The loss of strategic suppliers could lead to material/component bottlenecks in production operations; replacement procurement at short notice could give rise to additional costs.
		<ul style="list-style-type: none"> Implementation of multiple procurement options Performance monitoring of suppliers is carried out with the help of selection, risk management, and supplier management systems
Import and customs regulations	PALFINGER operates as an international company and is subject to import regulations.	<ul style="list-style-type: none"> Changes in import and customs regulations could lead to delays in cross-border shipments or higher costs.
		<ul style="list-style-type: none"> Optimization of the supply chain and further development of the sourcing strategy (local vs. international procurement)
Operations & Production		
Product quality and liability	PALFINGER focuses on high product quality and has a quality management system in accordance with ISO 9001.	<ul style="list-style-type: none"> High capacity utilization in assembly and production plants could increase the error rate and thus lead to additional costs through rework. Defective products could cause injury to people and environmental damage and result in additional costs and damage to reputation.
WEF top risk no. 5		
Machine failures	PALFINGER's main stages in the value chain are manufacturing and assembly.	<ul style="list-style-type: none"> Machinery and production tools could be out of operation in the short term and result in local interruptions in production processes and additional costs. Long-term machine breakdowns could lead to considerable delays in the entire production chain and thus increase concomitant costs, especially at strategically important locations.
		<ul style="list-style-type: none"> Implemented measures such as renovation of machinery and optimization of production systems.
Business interruption due to lack of infrastructure, pandemics, disasters, hazards and force majeure, and strikes	PALFINGER's main stages in the value chain are manufacturing and assembly.	<ul style="list-style-type: none"> Acts of God such as pandemics and natural disasters could damage production facilities, lead to business interruption, and give rise to additional costs. Insufficient supplies of electricity, gas, and water as well as IT system failures could lead to business interruptions and give rise to additional costs. Heating can lead to high fluctuations in energy demand and high costs due to climate change and the resulting more intensive heat and cold periods. Political dissatisfaction in general, with our industry or with PALFINGER in particular could lead to strikes and thus to production outages and loss of efficiency.
WEF top risk no. 1		
WEF top risk no. 4		
		<ul style="list-style-type: none"> Measures for compliance with legal regulations, e.g. fire protection provisions Comprehensive central insurance program established Fair remuneration and creation of an attractive work environment

Risk Category	Risk Description	Risk Mitigation Measures
IT & Communication Management		
System failure and data availability	Operational and strategic management decisions in particular depend on information generated by IT systems.	<ul style="list-style-type: none"> • Failure of systems and processes could lead to operational downtime. • Temporarily limited availability of data and data loss could affect information for operational and strategic management decisions. • Physical intrusion into production facilities, headquarters or data centers could result in the theft of or damage to hardware, thus resulting in data loss and increased costs.
Cybercrime	Recent incidents have clearly shown that international enterprises are increasingly targets of cybercrime.	<ul style="list-style-type: none"> • Regular maintenance of the ICT infrastructure • Implementation of technical security and protection measures to minimize risks of data loss.
		<ul style="list-style-type: none"> • Rising indicators in 2019: phishing emails, hacking attacks, data theft, and even blackmail attempts by encrypting company data. • Establishment of a central office for data security • Implementation of training courses, newsletters, forensic investigations • Continuous further development of the internal control system
Legal & Compliance		
Compliance WEF top risk no. 5	As an internationally operating company, PALFINGER is subject to a large number of local laws, international standards, and jurisdictions. Important compliance topics for PALFINGER include: <ul style="list-style-type: none"> • Fraud and corruption • Sanctions and export control • Antitrust law • Data protection • Securities issuer compliance • Human rights • Environmental standards 	<ul style="list-style-type: none"> • Violations of laws and international standards, fraud and corruption could result in severe fines and significant damage to the company's reputation. • Binding Code of Conduct forms the basis for employees and PALFINGER partners • Organizational measures: Establishment of a compliance department in the Corporate GRC as well as establishment of group-wide responsible persons, e.g. data protection manager, securities issuer compliance officer • Group policy for the implementation of compliance-related topics e.g. anticorruption • Group-wide training program on compliance topics to raise employee awareness
Legal proceedings and litigation	The outcome of ongoing legal proceedings is forecast as best as possible and related costs are recognized as a provision.	<ul style="list-style-type: none"> • Legal proceedings and litigation could unexpectedly turn out to be disadvantageous for PALFINGER and lead to higher-than-expected penalties and costs. • Ongoing legal proceedings are managed centrally by corporate counsels.
Human resources		
Lack of qualified personnel	PALFINGER regards its employees as a key factor for success.	<ul style="list-style-type: none"> • Due to demographic and geographic developments, the availability of qualified personnel may be limited and lead to a shortage of specialists and managers. • Attractive offers from competitors could lead to the loss of employees. • Positioning as an attractive employer through healthcare offers, flexible working time models, etc. • Establishment of additional measures for training and continuing education of employees, e.g. training centers for apprentice training, management development. • Attractive and fair payment as a significant contribution to employee satisfaction (collective agreements, voluntary social benefits, etc.).
Personnel costs	PALFINGER employs 11,126 people worldwide. Personnel costs represent a significant proportion of total costs.	<ul style="list-style-type: none"> • Collective bargaining or the local need to increase wages and salaries could increase personnel costs more than planned. • Establishment of a standardized process and centralized management of wage and salary increases for the entire Group

Risk Category	Risk Description	Risk Mitigation Measures	
Occupational safety and health	PALFINGER sees its employees as a key factor for success and assumes social responsibility for the health of its employees.	<ul style="list-style-type: none"> • Accidents at work could result in damage to PALFINGER's reputation and financial costs. • Sick and overworked employees reduce productivity through above-average absenteeism. 	<ul style="list-style-type: none"> • Establishment of a central HSEQ (Health, Safety, Environment, and Quality) management system • Rollout of group-wide standards for occupational safety • Continuous further development of the PALfit company health management system. • Monitoring of compliance with worker protection provisions, such as maximum working hours and rest periods.
Finance & Taxes			
Foreign currency risks	PALFINGER's international activities give rise to receivables and liabilities in foreign currencies.	<ul style="list-style-type: none"> • Changes in exchange rates can lead to losses. Natural hedges, i.e. offsetting payment obligations and incoming payments from operating activities in the same currency, reduce the foreign currency risk. 	<ul style="list-style-type: none"> • Risk positions are analyzed, monitored, and limited by implementing appropriate hedging strategies • Regular meetings with the Executive Board; adjustment of the hedging strategy if necessary
Liquidity risk	PALFINGER relies on company-wide cash reporting to control the efficient use of funds.	<ul style="list-style-type: none"> • Liquidity bottlenecks could lead to increased refinancing costs and outstanding liabilities not being settled on time. 	<ul style="list-style-type: none"> • Early coordination of liquidity requirements by means of medium to long-term planning • Centralized control by the company's internal Treasury department: intra-Group financial equalization is carried out via cash pooling and a centralized clearing system
Interest rate risk	Group-wide financing requirements are covered by short-term and long-term financing instruments.	<ul style="list-style-type: none"> • There is a risk of changes in variable interest rates. 	<ul style="list-style-type: none"> • Centralized management of interest rate risk for the entire Group by the internal Treasury department • Hedging of variable interest rates through the use of derivative financial instruments.
Tax risks	Due to its international activities, PALFINGER is not only subject to Austrian tax laws but also to local international tax laws.	<ul style="list-style-type: none"> • Tax regulations in an international context are not always clear; tax legislation changes over time, especially in less developed countries. Tax audits by local tax authorities could result in subsequent tax payments from previous years. 	<ul style="list-style-type: none"> • Tax compliance ensured by group-wide and local managers.
Risks relating to balance sheet preparation			
Disclosure and estimates	The necessary use of estimates and judgments in the fields of non-financial assets, deferred tax assets, measurements of inventories and receivables, provisions for pensions, severance payments, and anniversary bonuses, as well as provisions for guarantees and warranties has a direct impact on the presentation of the Group's assets and results of operations. The steadily increasing requirements imposed by regulators have increased the complexity of financial reporting.	<ul style="list-style-type: none"> • Changes in accounting regulations in the national or international environment may lead to errors in the consolidated financial statements or corrections of previously reported figures. • Estimation risks may arise due to the accounting recognition of acquisitions and the related evaluation of facts necessary for this purpose. The consolidation of various entries entails a certain reporting risk. 	<ul style="list-style-type: none"> • Corporate manual defining the material accounting treatments used by PALFINGER ensures a standardized process and thus minimizes the risk of different approaches being used within the Group. • An internal control system adapted to the company is integrated into the accounting process. • The cornerstones of this system include the segregation of duties and the dual control procedure. • Audits by the Internal Audits department and the auditors of the annual financial statements ensure that processes are continuously improved and optimized.

Risk Category	Risk Description	Risk Mitigation Measures
Impairments	<p>When allocating purchase prices in connection with business acquisitions, assumptions are made on the existence and measurement of the assets (especially intangible assets) acquired and the liabilities and contingent liabilities assumed. Assumptions are also made during the purchase price allocation when determining fair values, particularly on cash flows and the discount rate.</p>	<ul style="list-style-type: none"> • If the market situation deteriorates drastically, there is the risk that individual intangible assets will have to be adjusted to the revised measurement (impairment) or that investments may not amortize as planned. • Additional write-downs of Segment SEA goodwill (impairment in 2017) are improbable due to restructuring actions taken. The development of goodwill depends in particular on changes in the market and foreign exchange rates. A long-term deterioration could necessitate an impairment loss. • The investment in SANY's lifting business from 2014 is reported as a share in a company accounted for using the equity method in the amount of EUR 108.1 million as of the balance sheet date. The recoverability of the carrying amount of this investment depends on the development of the Chinese economy and the success of the division's internationalization strategy. In China, the development of the construction industry is particularly responsible for the recoverability of this investment. Continuing urbanization and the infrastructure projects required as a result play a decisive role in this context. There are various political macroeconomic risks in the international markets that could impact the recoverability of the investment in SANY's lifting business.

🌐 GRI 102-11, 102-15, 201-2, 203-2, 207-2

🌐 NaDiVeG

Summary risk assessment and outlook

The PALFINGER Group's risks are manageable and can be managed by taking appropriate measures. In any event, the continued existence of the Group as a going concern is ensured from the perspective as of the December 31, 2019 reporting date.

Important features of the internal control and risk management systems with respect to the accounting process

The internal control system is based on the Group policies applicable throughout the Group. These Group policies include standards and rules such as the dual control procedure and segregation of duties, which are aimed at minimizing the risk of errors and losses that may be caused by PALFINGER's own employees or by third parties. In addition, the material accounting-related controls to be implemented by the responsible management in the respective local processes are defined from the Group's perspective. The implementation of key controls is reported by the Group companies as part of quarterly reporting.

Corporate GRC & Internal Audit monitors compliance with Group policies and implementation of internal controls. Corporate GRC & Internal Audit conducts regular audits and ad hoc examinations based on the audit plan approved by the Supervisory Board. The results of audits are reported to the Executive Board and the Supervisory Board's Audit Committee. PALFINGER works continually to improve the effectiveness, efficiency, and accuracy of the entire system.

Uniform Group rules for the recognition, posting, and accounting of business transactions for the preparation of annual financial statements are set out in the IFRS Group manual. The Group manual is updated on an ongoing basis and must be implemented by the Group companies. A group-wide standardized monthly reporting system ensures that management has an overview of the performance of the PALFINGER Group for controlling purposes.

Responsible Employer

11,126
Employees

16.8%
Employee Turnover

14/86
Ratio female/male

6.9%
of Women in
Top Management

79
Nationalities

18.6h
Training & further Education
per Employee

0.14%
Staff Absences
due to Industrial Accidents

Top Topics

Emphasis on leadership development

Leadership Principles, GLP development program, culture diagnosis

Processes and tools

new works agreement and flexible working time model,
SAP go-live, SuccessFactors modules Employee Central and
Recruiting in selected countries

Proactive personnel cost management

updated salary process incl. approvals and reporting

Goals

<0.11%
Staff absences
(regular working time)
due to industrial accidents

% of Women
in Top Management
same as in the PALFINGER
Group by 2022

<10%
Employee Turnover
of total number of
employees

20%
non-Austrians
working at
headquarters

SDGs

8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



10 REDUCED
INEQUALITIES



RESPONSIBLE EMPLOYER

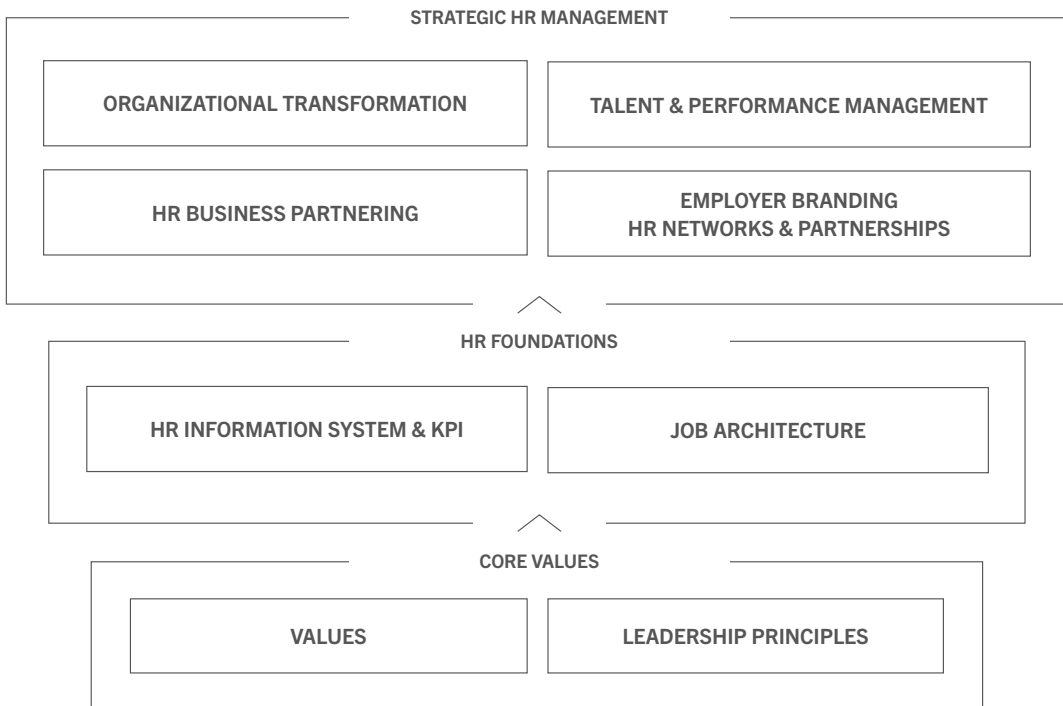
- **11,697 internal and external PALFINGER employees on all continents**
- **11,126 own staff (including 188 trainees) and 571 contract workers**
- **HR Strategy 2020 actively supports personnel and organizational development**
- **Corporate culture promotes diversity and communication**

It is above all PALFINGER’s employees who are behind its success. Every day, people with passion and energy happily make PALFINGER what it is. Accordingly, PALFINGER actively promotes the satisfaction, motivation, and loyalty of its staff through an open corporate culture and open communication. The motto of PALFINGER’s corporate culture is “We value people. People create value.”

🌐 GRI 102-7

HR Strategy 2020

In recent years, PALFINGER has set the course for the successful advancement of the Group. The new directions it has taken are based on global trends and changes taking place in the business world in general, as well as in the work and private life of each and every staff member. The changes in the organization also give new impetus to PALFINGER’s corporate culture and core values. The HR strategy developed in 2017 takes into account the changing demands on employees and the organization, as well as on human resources management. In the period under review, the HR strategy was again verified and operationalized in greater depth with regard to the new GLOBAL PALFINGER ORGANIZATION. Planning extends to 2022.



HR priorities in the reporting period

In 2019, the focus of HR Strategy 2020 was on the following key areas:

- Support and further development of the GPO and joint implementation in the “GPO Implementation” executive project with the global management team. The organizational roles, responsibilities, and management structure were defined, assigned, and implemented.

- Further development of the HR organization into a global business partner organization.
- Targeted initiatives to create a global PALFINGER culture: This included conducting a culture survey, defining new PALFINGER management principles, and strengthening cooperation and communication between corporate units.

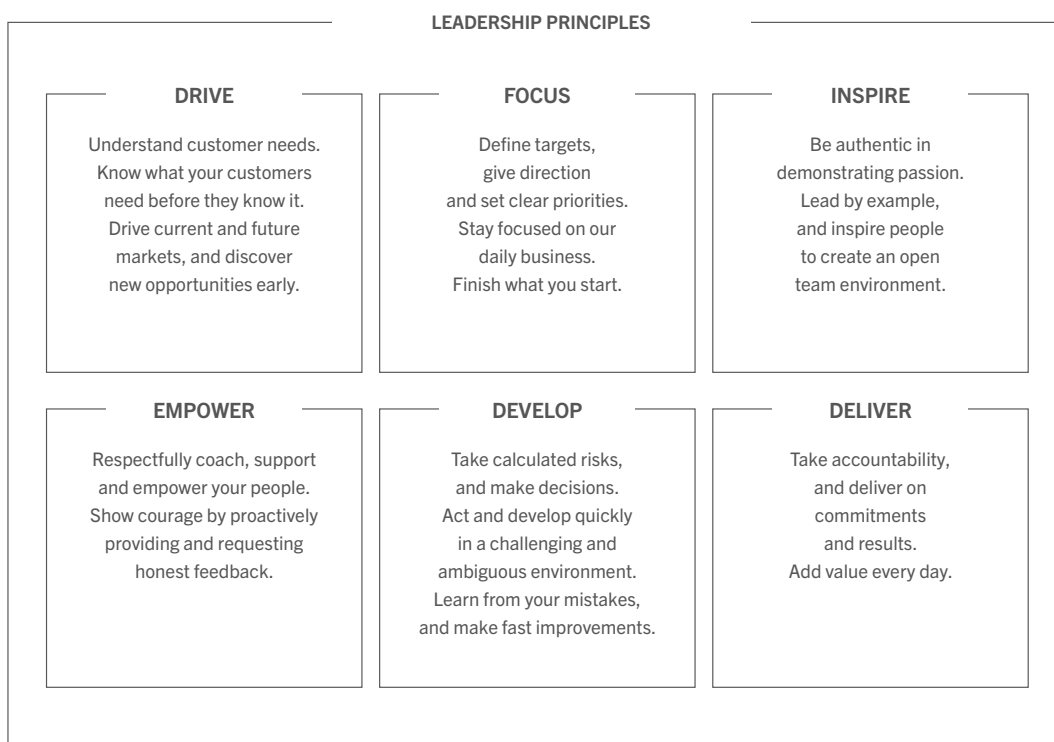
In addition, the “Employee and Organization Management” and “Recruiting” modules of the HR information system were rolled out. Further focal points in 2019 were creating greater transparency on the development of personnel costs using control tools along the GPO as well as the continuous improvement and automation of HR reporting indicators. Additional topics comprised the rollout of global processes to increase the quality of decision-making and transparency. These included the individual pay raise process and the process for approving new positions.

Corporate culture

Over its more than 85-year history, PALFINGER has built up a solid corporate culture. Particularly in view of the rapid growth achieved in recent years, the organization’s values and standards of behavior provide direction and a joint framework for action. Diversity — that is, diversity within the company, respectful interaction with people from different cultures with different ideas and values — plays an important role in the further development of the common corporate culture.

In the course of implementing the GPO, the current status of the corporate culture was evaluated with external partners. The main dimensions of the corporate culture were identified in an anonymous survey, in which around 150 managers gave their assessment. The result clearly confirmed the successful anchoring of corporate values in the organization.

In addition to the cultural topics, there was also a deliberate focus on the further development and sharpening of management principles, which was intensively discussed by senior management. Finally, the results were presented in October 2019 – with the current "Global Leadership Program" management training course playing a major role – in the form of the new PALFINGER Leadership Principles:



There are six Leadership Principles which define quite explicitly what is expected of managers at PALFINGER. The Leadership Principles — closely aligned with the corporate values — are intended to create clear expectations both internally and externally.

In order to make the Leadership Principles perceptible in actual, day-to-day collaboration and dealings with one another, they are built on a stable and strong foundation:

- Clearly defined line by the Executive Board
- Involving as many employees as possible
- Corporate culture and leadership as separate dimensions in the change process
- Gradual anchoring of the Leadership Principles in the core HR processes

🌐 GRI 102-16

🌐 NaDiVeG

📄 Diversity, page 93

VALUES

PALFINGER's core values — entrepreneurship, respect and learning — have remained the basis for cooperation for many years. Against the backdrop of the GPO, these values are being reviewed starting this fiscal year and, where necessary, reinterpreted for company-wide implementation. In particular, the “entrepreneurship” value will be interpreted more broadly in the future in the course of the GPO. This process is expected to increase awareness of the core values.

A healthy work-life balance is another key objective. Flexibility in time and space will be more firmly anchored as a fundamental organizational principle. This will be agreed on in local contracts if the job position and legal context allow it. In Austria, for example, a new works agreement on flextime has been adopted. This gives the company and its employees more time flexibility, an even better response to corporate requirements, and the opportunity for employees to consciously allocate their time.

PALFINGER advocates communication across all hierarchies. This also applies to internal bodies for representation of employees and to works councils. PALFINGER is actively opposed to any restriction of the freedom of assembly. In accordance with the company's values, PALFINGER is also concerned about facilitating and maintaining an active exchange with employees and an articulation of their needs at all times. In principle, there is freedom of assembly and the possibility of employee representation at all sites to the extent that this is legally permitted in the country in question.

For PALFINGER, observance of human rights is a clear must. The PALFINGER Code of Conduct defines the principles that apply to the corporate group — both internally and externally. The Code of Conduct includes measures to prevent human trafficking and child labor as well as forced and compulsory labor, respect for freedom of assembly within the company's own organization, and regular supplier audits in this regard along the value chain. The “Integrity Line”, which has been successfully implemented globally for many years, deserves particular mention as an example of PALFINGER's commitment to a fair and just (working) world. In addition to customers, suppliers, and shareholders, this Integrity Line allows employees to anonymously report possible misconduct at all times and PALFINGER guarantees to follow up any information received.

🌐 GRI 102-16, 407-1, 408-1, 409-1

🌐 NaDiVeG

📄 Corporate governance report, Fair Business, page 136

COMMUNITY ACTIVITIES

PALFINGER offers its employees at numerous locations worldwide activities to strengthen the community. These include informal events such as barbecues or family days, training courses, and joint sports activities. For PALFINGER as a mature family business in its third generation, the compatibility of work and family life in connection with the personal environment is of great importance.

Many of these activities are also communicated worldwide through the public corporate blog and in PIN, the employee magazine.

🌐 GRI 102-43

🌐 NaDiVeG

🔗 blog.palfinger.ag/en

DIVERSITY

The PALFINGER Group currently employs 11,126 people from 79 different nations. For PALFINGER, this diversity represents a challenge and holds potential at the same time. For some years now, PALFINGER has described specifically defined goals and initiatives in its diversity strategy aimed at increasing diversity within the Group by 2022. The relevant concept is described in detail in the Corporate Governance section of this report.

While PALFINGER's overriding aim is to find the best person for each position, PALFINGER is at the same time committed to measurable diversity goals: The objectives are to increase the proportion of non-Austrians at headquarters in Bergheim to 20 percent and to align the proportion of women in top management with the general proportion of women in the PALFINGER Group.

PALFINGER is well positioned in many aspects related to diversity. For years now, diversity in terms of gender and generations has also been explicitly included in the development of employment. As is typical for the industry and for a company with an intensive focus on mechanical engineering and production, the percentage of women within the PALFINGER Group is low, including in management positions. However, the diversity plan explicitly deals with this aspect. The integration of employees with disabilities is described in more detail in the section of the report on sustainability and GRI.

Numerous measures have been taken, particularly in connection with employee postings, partnerships to promote diversity, and intercultural competence. One example of this is the 2019 internal communication campaign, in which the topic of diversity was addressed by a video with employee interviews, a blog post, information walls, and a speaker at a top management event. Since 2018, separate regular reporting on the topic of diversity has also taken place, revealing the current status and the achievement of annual targets. For PALFINGER as a corporate group with a global footprint, diversity is seen as an opportunity and exploited. Again in fiscal year 2019, no incidents of discrimination were reported at PALFINGER.

🌐 GRI 406-1

🌐 NaDiVeG

📄 Corporate governance report, Diversity plan, page 133;

Detailed GRI and sustainability disclosures, page 225

<https://blog.palfinger.ag/en/diversity-at-palfinger-it-is-worth-being-diverse/>

COMMUNICATION

A central theme at PALFINGER is a common language in the PALFINGER Group. A good basis for discussion simplifies work on customer solutions, promotes intercultural understanding, and strengthens networks across cultures and countries. English has been established as the corporate language at PALFINGER for many years. Group-wide reports and presentations have been written in English since 2018. Executive recruitment is conducted partially in English worldwide. In addition, the range of English courses offered in the various countries is constantly being expanded in the form of on-site training and assisted e-learning courses. In 2019, a global partner was sought and deployed to cover the required English language training courses even more flexibly in terms of time and location. Integration into the Learning Management System is planned for 2020. Training for this purpose is offered organization-wide in each of the different regions. All employees are also informed promptly about pending operational changes so that their concerns can be heard and incorporated.

In the context of the GPO, the Corporate Communications and Corporate Marketing departments were merged in fiscal year 2018 to form the Marketing, Communications & Sustainability (MCS) corporate function. From the vision established for the digital age, “Together we are shaping the future of our customers’ lifting solutions”, a new internal and external communication policy emerged in 2019. In order to disseminate this to all PALFINGER employees, a graphical theme was also used that runs through all internal communication channels. The PALFINGER Internal Newsletter (PIN) has also been an established staff magazine for many years, published three times a year in 14 languages, both digitally and in print. Since November 2019, an electronic newsletter in eight languages has also been sent out bi-monthly and published on the bulletin boards. Furthermore, online collaboration and communication using the “Yammer” system, which has been implemented throughout the Group, has been used extensively at PALFINGER since 2019. The Microsoft Teams program is increasingly being used as a new collaboration platform.

A newly developed design in the remit of the Marketing, Communications & Sustainability (MCS) corporate function and an updated brand language guarantee a corporate-wide common line for management meetings, international conferences, texts, videos, and communication routines.

🌐 GRI 402-1

🌐 NaDiVeG

Attractive employer

PALFINGER continually endeavors to offer its employees and interested applicants attractive jobs. This is based on the core values of entrepreneurship, respect, and learning. In addition, factors such as the opportunity to help shape one’s own work environment, global career and development options, and attractive social benefits such as PALfit, a stable environment, and long-term future prospects speak for PALFINGER.

Feedback on the attractiveness of the employer can be derived not only from employee satisfaction but also from loyalty to the company. Satisfied employees are the best brand ambassadors and form the most effective basis for employer branding. At many sites, PALFINGER has numerous long-standing employees. In addition to the feedback from loyal employees within the organization, exit interviews with employees who have decided to leave PALFINGER are used to gather feedback.

In order to increase the attractiveness of PALFINGER, targeted investments are made in the PALFINGER employer brand. PALFINGER’s visibility is promoted, among other ways, through participation in job fairs, collaborations with schools and universities, as well as guided plant tours at various locations. The project to further strengthen the PALFINGER brand, which was launched group-wide in 2019, will also have a direct positive effect on the employer brand. A further strengthening of the PALFINGER employer brand is planned for 2020. A project in this regard should be based mainly on local examples of best practices, which are subsequently consolidated into a clear, generally applicable message in a global context.

In Austria in particular, measures have been taken to improve the compatibility of career and family: care for employees’ children during summer vacation and providing flexibility of work hours. PALFINGER attaches great importance to being perceived as a modern employer. Awards such as those of trend, a well-known magazine in Austria, or “Great Place to Work” certification in Brazil confirm PALFINGER’s positive image.

PALFINGER’s HR strategies, processes, and offers are subject to a continuous improvement process to attract and retain the best employees. In this context, the company pays particular attention to talent management and decision-making processes for salary increases and promotions. The continuous professionalization of management work is supported not least by training in labor law, leadership basics, coaching, and mentoring.

📄 [Brand and brand world, page 61](#)

CAREER PATHS

Internal development opportunities and career options are another significant factor for the high level of employee loyalty at PALFINGER. PALFINGER is currently working on the development of a global job architecture that will create more transparency globally with regard to job families as well as roles and responsibilities. The common architecture is expected to result in more targeted training and development programs and create a direct link with succession and career planning processes. For many years PALFINGER has been successful in filling the majority of management positions with internal candidates.

The central office for talent and performance management, created in 2019, takes even greater account of the importance of the global talent management strategy. A globally uniform template for employee appraisals, which was implemented at the beginning of 2020, forms the basis of the feedback processes required for recognizing potential candidates.

PALFINGER expects the standardization and professionalization of feedback processes between managers and employees to improve the evaluation of leadership performance and provide more opportunities for individual development measures.

REMUNERATION

Naturally, attractive and fair remuneration also makes a significant contribution to employee satisfaction. PALFINGER usually pays wages above the respective regional standard. Collective bargaining agreements apply to 85.7 percent of all PALFINGER employees. Moreover, PALFINGER offers specific voluntary social benefits and initiatives at many locations that vary depending on local needs. PALFINGER's salary policy also includes variable remuneration components to a large extent. This provides attractive income opportunities in addition to the basic salaries. PALFINGER uses regular cross-comparisons and benchmarking to evaluate and ensure the reasonableness of remuneration.

A new group-wide bonus model has been a common standard since 2018. Under this model, the variable remuneration of all members of upper management is linked to a uniform performance measure. This step further promotes the alignment across sites and regions and gives the overall PALFINGER management direction on the common strategy.

Furthermore, PALFINGER is required by law to present income reports for its Austrian companies. The assignments to categories and the evaluation of pay are reviewed by gender based on these reports. No significant differences have appeared in recent years. In any event, when employees are being hired any distinction made is based solely on the collective bargaining agreement and in no way on the basis of gender.

🌐 GRI 102-41

🌐 NaDiVeG

WORK TIME MODELS

PALFINGER attaches importance to flexible working time schemes in order to maintain a high level of entrepreneurial flexibility. To this end, PALFINGER created a new works agreement in Austria in reporting year 2019 and new employment contracts based on it. There are also home office regulations to the extent that work and local circumstances permit. Flextime models and self-organization allow for high productivity, especially when demand fluctuates. This enables PALFINGER to offer its employees a comparatively high level of job security even in periods of weaker demand and once again score points as an attractive employer.

APPRAISAL INTERVIEWS

Group-wide, 36.0 percent (2018: 34.0 percent) of employees were invited to at least one appraisal interview in the reporting period. Particularly in areas in which production is indirect, appraisal interviews with superiors take place at least once a year. Half-year reviews are also often performed in addition to the formal annual interviews. In production areas, discussions often take place as required and are therefore less systematic. This circumstance poses a certain challenge for consistent documentation or company-wide consolidation of employee appraisals in this area.

A new process will be defined for 2020, which will further combine appraisal interviews with the GPO organization. This takes into account the demand for an international HR tool based on the foundations that have been created.

🌐 NaDiVeG

Learning organization

Learning is one of PALFINGER's core values. This illustrates the worldwide importance of training and continuing education at PALFINGER. Training and continuing education measures are continually expanded and improved with the objective of enhancing the qualifications of employees in all countries. The number of training hours per employee increased in 2019 from 17.1 auf 18.6.

In addition to regional offers that have been established for years, such as the PALFINGER College in Austria, PALFINGER uses e-learning platforms, for example, in North America, Europe, and Russia. These platforms make it easier to offer learning opportunities and give many employees access to further training. Both internally prepared training content and external training courses are offered. SAP SuccessFactors, the holistic HR information system used at PALFINGER with its state-of-the-art digital learning platform, provides the medium-term basis for globally integrated learning from a combination of on-site events and e-learning.

🌐 GRI 404-1

🌐 NaDiVeG

📄 [Detailed GRI and sustainability disclosures, page 225](#)

DEVELOPMENT PROGRAMS

In addition to professional continuing education, personal development programs are an essential component of PALFINGER's learning strategy. For many years now, PALFINGER has therefore been in a position to successfully fill strategic leadership roles and lower management positions through internal recruitment.

Management

Participants in internal management development programs are given the opportunity to reflect on and expand their potential in a practice-based environment. Internal decision-makers from PALFINGER's top management are available as mentors and discussion partners in all programs.

The Global Leadership Program is at the core of internal management development. The twelve-month course prepares participants for their future in international top management positions. The current course has 14 participants from six nations; two of the participants are women.

In September 2019, the next generation of the Region Leadership Program was launched in the EMEA region. Three women are among the twelve participants from six nations. Such programs are also planned for 2020 in other regions.

Besides these two corporate programs, PALFINGER supports the individual development of executives. Mentoring and coaching by selected trainers are offered in addition to targeted professional training through executive courses or basic leadership programs — depending on the various characteristics, regions, and needs.

A feedback component is essential to lifelong learning at PALFINGER. Numerous employees in positions with responsibility participate in 360-degree feedback interviews to critically analyze their abilities and use the personal evaluations for tailored development measures.

The new Leadership Principles established in 2019 primarily provide new executives with an orientation guide and support.

Apprentices

PALFINGER attaches great importance not only to the training and continuing education of its managers but also to the promotion of young people. Apprentice training is a key qualification issue at PALFINGER.

In fiscal year 2019, 71 apprentices were trained in Austria, primarily mechanical engineers, process engineers, mechatronic engineers, designers, vehicle construction engineers, welders, and industrial management assistants. As many as 64 of the 71 apprentices graduated from vocational school with distinction or merit. Several PALFINGER apprentices took top places in the Upper Austria Apprentice Awards. A total of 26 apprentices participated in the “Lehre mit Matura” (apprenticeship and vocational school leaving certificate) model.

PALFINGER is increasingly implementing the dual training model for the targeted qualification of skilled workers. This also applies to locations outside Austria. In Bulgaria, Slovenia, and China, for example, government-certified training models are being promoted in cooperation with local technical colleges. Similar to the Austrian apprenticeship system, these combine theoretical expertise with several months of practical training directly at the plant.

At the EMEA sites, PALFINGER is continuing to expand its apprentice training and the training and continuing education of its employees in order to prepare the skilled workers of tomorrow for the various fields of application within the PALFINGER Group.

Since the end of 2016, the Chinese joint venture Sany Palfinger has also implemented an apprenticeship program at the Rudong site. In addition, investments were made in 2019 in infrastructure and machinery for apprentice training. This enabled the training there to be taken to the next level. The first apprentices have almost reached the end of their apprenticeship period and are being prepared for the final apprenticeship examination in June 2020.

“Apprentice goes international“: Among other things, selected apprentices were deployed internationally for further training in China, Germany, Bulgaria, and Spain. This allowed them to broaden their personal horizons and perspectives.

PALFINGER made a landmark decision in the reporting period to invest in expanding the training center at the Lengau (AT) site into a PALFINGER campus. This campus will provide a state-of-the-art infrastructure and thus the opportunity to train additional professions and significantly more apprentices.

In 2019, 188 employees worldwide (2018: 183 employees) took part in apprenticeship programs or similar offers. A total of 49 of the participants were women.

International assignments

International assignments for a specified period of time are a special form of development opportunity. They give employees the opportunity for personal and professional development. These assignments also promote diversity at PALFINGER internally. As a global company, PALFINGER attaches great importance to these international assignments, especially in organizational development and with respect to leveraging synergies within the organizational culture.

A total of 32 employees were abroad on such assignments during the course of 2019. PALFINGER has created different types of assignments for this purpose: the long-term expatriate, the flyer for project assignments, and the exchange program. All these assignments strengthen the transfer of knowledge between the individual sites. They also increase awareness of cultural differences, mutual respect, and understanding of other countries and markets. What is more, they support successful intercultural cooperation. PALFINGER will therefore continue to expand the mobility programs.

A global expert training program is already in its second year as part of the PALFINGER Production System (PPS). A specially trained PPS team of experts ensures the worldwide transfer of know-how, the culture of continuous improvement, and the implementation of standards in the course of PPS.

 [Value creation, page 58](#)

Health and safety

OCCUPATIONAL HEALTH MANAGEMENT

At PALFINGER, occupational health management is represented as part of the PALfit initiative. It comprises programs concerning the workplace and work content and also promotes the personal development and strengthening of individual employees.

PALFINGER uses the ABI Plus™ work ability index every two years as a measuring instrument at all its Austrian sites. Since 2018, the company has conducted group-wide surveys on occupational health, safety, training, and development. During the reporting period, the results of the group-wide 2018 survey were analyzed. The sites were then given concrete support in developing and implementing measures through proactive knowledge transfer and best practice examples.

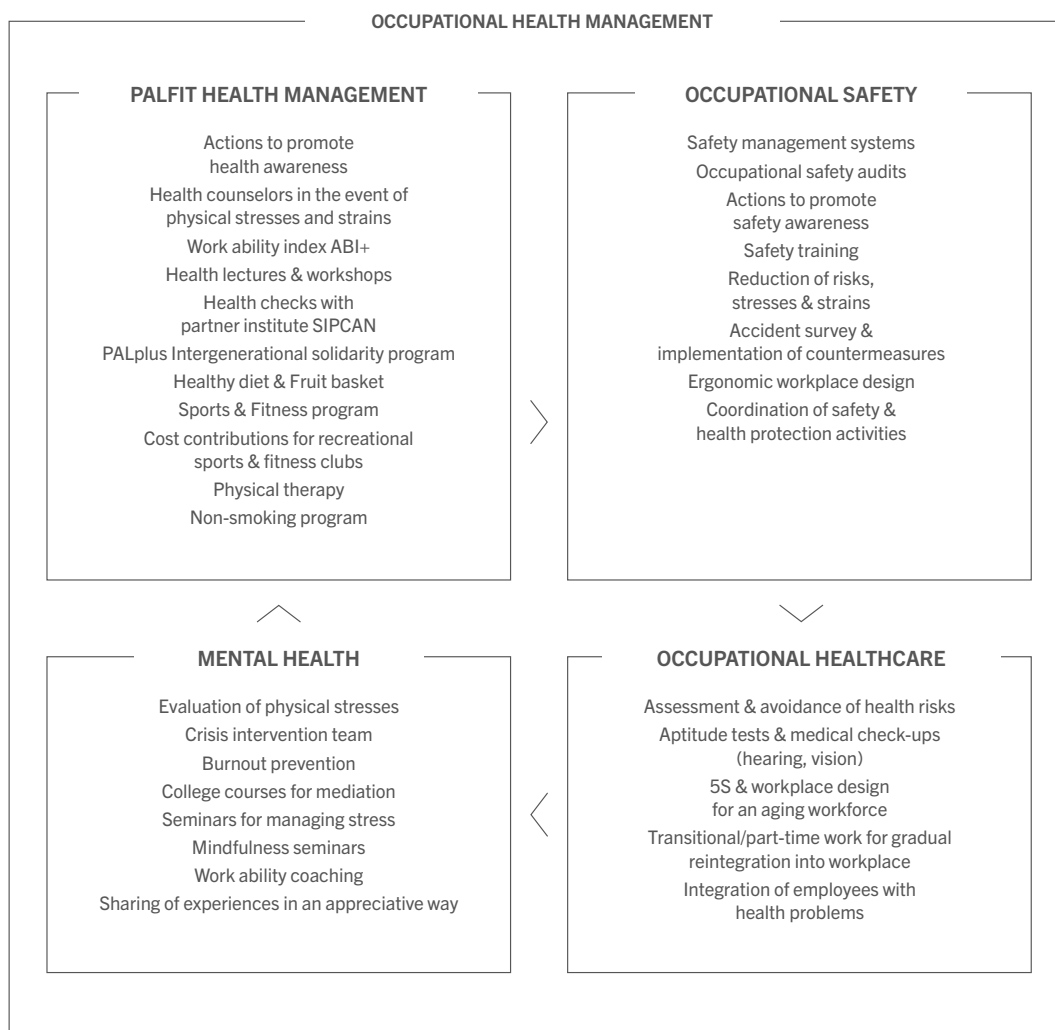
In order to better reflect the importance of the integrated management of health, occupational safety, environmental protection, and quality, a Corporate HSE Manager was appointed in the new organizational structure as of August 2019. At the end of 2019, the Safety & Quality corporate function was also expanded to include this area and became active as the Health, Safety, Environment, Quality (HSEQ) corporate function at the beginning of 2020.

The new function will develop global standards and processes for health protection, occupational safety, environmental protection, and quality. These will be implemented in close cooperation with the Sustainability, PALfit, Operations, Research & Development, and Human Resources functions.

Through the HSEQ corporate function and the new regional HSE organizational structure, occupational health management is being ensured and promoted to an even greater extent with appropriate standards and programs at both the regional and site levels.

 [Detailed GRI and sustainability disclosures, page 225](#)

 www.fit2work.at



ABSENTEEISM

The total absenteeism rate edged up to 4.16 percent in reporting period 2019 (2018: 4.09 percent). Absenteeism due to illness and work-related accidents decreased. However, the rate of absenteeism due to other causes rose slightly, with regional differences in values and trends.

As a general rule, absenteeism rates of between 3 and 4 percent are not uncommon in the manufacturing sector and are considered a comparatively good figure. It is difficult to ascertain the exact reasons for increased absences. PALFINGER estimates that, for example, an unhealthy work-life balance, a person's economic situation, and personal circumstances can affect the absenteeism rate. In the Asian region in particular, actions as part of the PALfit program have ultimately led to a positive regression of initially high absenteeism. Healthy and well-rested employees are a major concern for PALFINGER. In this context, PALFINGER is paying increased attention to its commitment to health and the design of the working environment.

🌐 GRI 403-2

🌐 NaDiVeG

📄 Value management, page 57; Detailed GRI and sustainability disclosures, page 225

OCCUPATIONAL SAFETY AND ACCIDENT PREVENTION

PALFINGER's actions to prevent accidents are taking effect and have led to low levels of absenteeism due to workplace accidents. There were 392 workplace accidents in fiscal year 2019 (2018: 563), absenteeism was reduced to 0.14 percent of regular working time (2018: 0.17 percent). The ambitious goal of lowering absenteeism due to accidents to less than 0.11 percent was thus not achieved in the reporting period. One employee fell ill and died in 2019 (2018: zero fatalities).

PALFINGER actively implements measures to prevent accidents. Experience has shown that consistent investment in raising awareness, training, and monitoring increases attention to accident prevention and further reduces the risk of accidents. Consistent reporting also ensures the necessary attention by management.

The management of occupational health and safety aspects at PALFINGER is governed, among other ways, by certification pursuant to ISO 45001. In 2019, 34 percent of all staff members worked at locations with this certification.

🌐 GRI 403-2

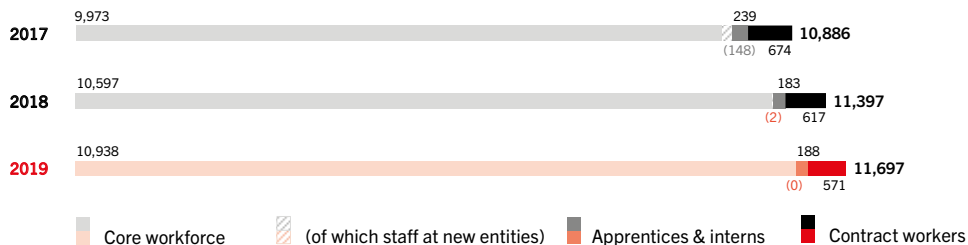
🌐 NaDiVeG

📄 Value management, page 57; Detailed GRI and sustainability disclosures, page 225

Development of employment

The number of people employed by the PALFINGER Group rose steadily in fiscal year 2019. As of December 31, 2019, the consolidated companies had 11,126 own employees. This is 3.2 percent or 346 individuals more than in the previous year. These figures included 188 apprentices and interns. While the headcount increased in the EMEA, NAM and LATAM regions due to higher order intake, the restructuring projects and necessary savings in Segment SEA resulted in a decline.

EMPLOYMENT TREND AS AT 31 DEC



Broken down by function, the GPO resulted in targeted investments in 2019 in various functions such as R&D, Sales & Service, and Marketing. In the course of fiscal year 2019, the number of employees working in production increased by more than 270.

PALFINGER continued to focus on organic growth at its headquarters in 2019. Newly created positions as a result of the GPO were staffed by internal and external employees. Due to the positive economic situation in LATAM, the number of employees increased in 2019, especially in production-related jobs, in order to be able to cover market demand. By contrast, the CIS region has been in a strained market situation since mid-2019.

In the APAC region PALFINGER took over management of the joint venture between Sany and PALFINGER. In addition to the apprentice training that has been running for years, PALFINGER initiated measures for leadership development and in the talent management processes in 2019. Due to the strong market environment in the EMEA region, PALFINGER focused both on hiring new employees and on targeted retention measures in order to be able to cover the personnel requirements in competitive labor markets.

Restructuring measures in Segment SEA were largely completed. This led to a reduction in the number of employees by 32 in 2019. A new partnership was also entered into in the past fiscal year to strengthen the market position. The integration of the segment into the functional GPO structure will give rise to additional synergies in the coming years.

🌐 GRI 102-8

🌐 NaDiVeG

TYPES OF EMPLOYMENT

As a mechanical engineering company with a high level of value creation, PALFINGER has a large percentage of full-time employees. There are very few part-time contracts. In 2019, 3.4 percent (2018: 2.6 percent) of all employees had part-time contracts.

Most PALFINGER employees are employed for an indefinite term because PALFINGER strives to retain its highly qualified, motivated staff on a long-term basis. Temporary employment is only used in special situations, e.g. temporary replacements, special projects or to cover peaks in capacity utilization. The share of temporary employment was 1.9 percent in the reporting period (2018: 4.2 percent).

🌐 GRI 102-8

🌐 NaDiVeG

📄 Detailed GRI and sustainability disclosures, page 225

EMPLOYEE TURNOVER AND NEW EMPLOYEE HIRES

Employee turnover fell by 1.9 percentage points compared with fiscal year 2018 and was 16.8 percent in 2019 (2018: 18.7 percent). Accordingly, 1,779 employees (2018: 1,866) left PALFINGER during 2019. This figure includes all departures including retirements as compared to the total headcount in the previous period, excluding contract workers. At 15.1 percent or 206 female employees, the turnover rate for women was lower than the overall figure for the PALFINGER Group. At the same time, 2,346 individuals, 279 of whom were women, started working for PALFINGER during the reporting period.

PALFINGER has set an ambitious annual target for employee turnover of a maximum of 10 percent, and thus came closer to reaching this target in the reporting period.

🌐 GRI 401-1

🌐 NaDiVeG

📄 Detailed GRI and sustainability disclosures, page 225

GENDER

Overall, the share of female employees was largely stable at 13.6 percent (2018: 13.0 percent; this value has changed due to a change in the system boundaries, now including apprentices). However, percentages vary greatly from site to site: In many regions, in particular at manufacturing sites, men comprise the majority of employees.

The proportion of women in management positions decreased in 2019 and was 14.4 percent as of the reporting date (2018: 16.8 percent). Included in these leadership positions are all members of the Executive Board, all heads of global functions and corporate functions, regional, category or product line managers, and all employees in a disciplinary management role. Five women were in top management in fiscal year 2019, which corresponds to 6.9 percent.

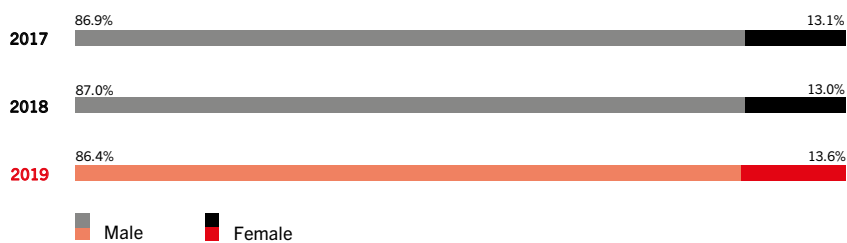
🌐 GRI 405-1

🌐 NaDiVeG

📄 Corporate governance report, Diversity plan, page 133;

Detailed GRI and sustainability disclosures, page 225

GENDER DISTRIBUTION (in percent)



GENERATIONS

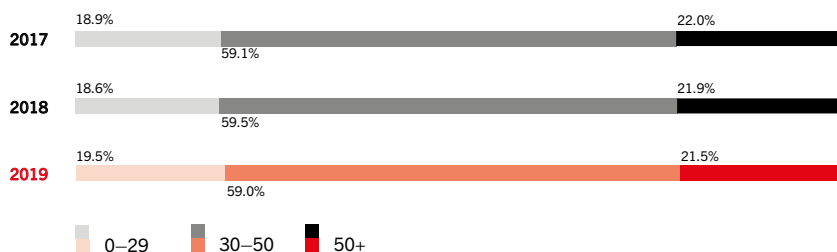
The average age structure in the PALFINGER Group has changed only slightly in recent years. Around 19.5 percent of staff members belong to the youngest age category of 29 or under. About 59 percent of them are between 30 and 50, and 21.5 percent are over 50.

🌐 GRI 405-1

🌐 NaDiVeG

📄 Detailed GRI and sustainability disclosures, page 225

GENERATIONS (in percent)



Sustainable Products

EUR **54.7**
million Research & Development

73
Patents

Top Topics

Product Research & Development:

Three new centers of excellence installed

PALFINGER Lubricants: Product launch completed

STRUCINSPECT: holistic solution for bridge and building inspections placed in the market

Focus topics: autonomy, 3E (efficiency improvement, energy & emissions reduction), networking, alternative handling systems, eco-systems, Industry 4.0

SDGs

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



RESEARCH AND DEVELOPMENT

- **New and critical capabilities in mechatronics and digitalization defined and expanded in 2019**
- **Group-wide research and development center at the Köstendorf site in Austria**
- **PALFINGER focuses on safe and efficient products**

The PALFINGER brand stands for innovative, reliable, and efficient lifting solutions, the advantages of which create monetary value added for customers throughout the products' lifecycles. The brand promise is therefore: LIFETIME EXCELLENCE. In order to maintain and expand its leadership in technology and service, PALFINGER is boosting research and development (R&D) relating to products, systems, and processes. R&D activities are long term and performed in a targeted manner. Core R&D competencies have been bundled in centers of excellence (CoEs) in the new GPO. This is intended to promote synergies in product development across regions.

With the introduction of the GPO, three CoEs were established within the Product Line Management & Engineering Organization (PLM & E Organization) global function. The aims of the CoEs are to provide uniform skills and competencies across all product lines, to introduce uniform and standardized processes, methods and tools, and to establish and maintain a standard modular construction kit for parts and components.

Several R&D departments as well as CoEs have been situated at the Köstendorf site in Austria since 2019. The establishment of a centralized testing, verification, and validation center ensures the highest quality when testing products and the consolidation of necessary investments. Consolidating centralized R&D activities at one site increases efficiency in product development and allows synergies to be exploited. Excluding those in Segment SEA, which will follow in 2020, all national and international development sites have been integrated into the new organizational structure in order to continue to cover the local requirements of the global market successfully.

In addition to the introduction of the uniform global product development process, the cross-product line modular system was also established. Methods and tools were standardized and the exchange of expert knowledge and skills coordinated across the entire PALFINGER Group.

The CoE, a global product line management structure, and the use of uniform production standards help PALFINGER cater to customer requirements in the best possible manner when development projects comprise multiple business units or market regions. PALFINGER invested EUR 54.7 million (2018: EUR 51.1 million) in research and development in 2019, which corresponds to 3.1 percent of total revenue.

RESEARCH AND DEVELOPMENT (EUR thousand)



PALFINGER's three proven strategic pillars are being supplemented by PALFINGER 21st. PALFINGER 21st is the fourth pillar for the revolutionary approach to new topics, core expertise, products, and business models – particularly in connection with digitalization.

The PLM & E Organization is responsible for management of the entire product lifecycle and thus the development of all products. This includes the continuing development of existing business models and the integration of innovations and technologies available in the short and medium term. To accelerate product-related innovations, the PLM & E Organization uses technologies developed by PALFINGER 21st as well as available competencies, knowledge, and infrastructure.

Close cooperation and collaboration between PALFINGER 21st and the PLM & E Organization is vital to ensure innovations at all levels and in all areas. Therefore, the distribution of tasks between the two units was coordinated and specified in the course of rolling out the GPO.

Product Line Management & Engineering

The PLM & E Organization comprises ten global product lines and three centers of excellence with integrated competence clusters.

CENTER OF EXCELLENCE – SYSTEM ENGINEERING AND MANAGEMENT

In 2019, capacity-building and the creation of critical competencies in the development and integration of complex systems and solutions as well as the effective management of the entire product development process were advanced in the System Engineering and Management center of excellence.

Standards for project management were also created in 2019, laying the foundation for joint management and reporting. In addition, a PALFINGER development process was laid down and a comprehensive program for the automation, connectivity, and electrification of PALFINGER solutions was introduced. All of these initiatives ensure optimized procedures within R&D as well as with its stakeholders.

CENTER OF EXCELLENCE – STRUCTURAL SYSTEM AND VEHICLE INTEGRATION

The Structural System and Vehicle Integration center of excellence was responsible for the bundling and further development of PALFINGER mechanics in 2019. These activities comprise the further development of critical competencies in structural analysis, stability calculation, mechanical drive systems, and actuators.

All PALFINGER R&D locations will be supported with the latest technology with the implementation of the R&D Toolchain in 2019. This work will continue in 2020. In addition, several initiatives have been launched to create synergies between the product lines. One such initiative is the modularization and standardization of hydraulic cylinders to reduce complexity and outlay in production and procurement.

CENTER OF EXCELLENCE — CONTROL, COMMUNICATION, AND POWER MANAGEMENT SYSTEM

The Control, Communication and Power Management System center of excellence was established in 2019 and advanced numerous activities. These included the bundling and further development of PALFINGER electrical, control, and communication technologies including increased harmonization of the application software development processes, the introduction of a uniform control hardware modular construction kit, as well as the building of critical competencies in the development and integration of electric drive systems.

To this end, the former Mechatronics EMEA department, which has been working on harmonizing control systems and the corresponding development processes since 2017, was completely transferred to the Electronics, Sensors, and Electrical Components competence cluster integrated into the Control, Communication, and Power Management System CoE in 2019. In 2019, the Application Software Development competence cluster began developing a uniform application software architecture that enables use of reusable software modules across all product lines. The Communication System Architecture competence cluster is responsible for the development of a standardized telematics system and for supporting integration into all PALFINGER product lines.

PALFINGER 21st

The PALFINGER 21st strategic pillar has been organizationally defined as a separate corporate function that openly and flexibly promotes digital ideas and — disruptive — innovations. This ensures that new things can emerge in addition to PALFINGER's successful business. PALFINGER 21st is based on the readiness to try out ideas quickly and to learn from mistakes. In addition to collaborations with different partners, digital innovation and maximum creativity are key factors for success in this area.

PALFINGER 21st thus follows the open innovation approach. It is being implemented through collaboration with international technology companies, through cooperation with the Viennese start-up center weXelerate, and by conducting hackathons. This gives PALFINGER 21st access to external expertise. Within PALFINGER, ideas are collected in think tanks and innovation competitions.

The first PALFINGER 21st innovation think tank took place in 2019. The three-day workshop with a field of participants from all PALFINGER management levels will be held at regular intervals. The objective is a creative exchange on innovation topics, trends, and market potential which — apart from the very successful core business — promises great potential for the future of PALFINGER. Methodological skills in the areas of data engineering & analytics and cyber physical systems have been established since 2019. The aim of these activities is to enable data-driven business models to be defined through the evaluation of machine data. Together with the product lines and global functions, the existing data quality is evaluated as part of data assessments. The technological basis is a globally available, cloud-based data lake infrastructure. Concrete technical proof of concepts are implemented together with system integrators and method partners, which serve as a basis for evaluating the business potential.

All PALFINGER products and services always focus on the added value for PALFINGER customers and users. Digital assistance systems and tools simplify workflows at the customer. They also improve service processing, support cost-effectiveness, and make everyday work safer.

Mechatronics and digitalization

The ACE (Autonomous, Connected & Electrified) program was established in 2019 to combine all activities in the area of new mechatronic and digital products and product functions. The aim is to centrally coordinate all development activities in the area of the development of assisted and autonomous product functions, developments related to telematics and the Internet of Things (IoT), as well as the development of electric functions and interfaces, and to manage the individual project dependencies and interfaces.

Digital solutions open up new possibilities in terms of the user friendliness, safety, and efficiency of PALFINGER products. In 2019, the first virtual reality applications, assistance systems and telematics-based fleet management solutions were field tested as further developments of existing systems.

 [Value creation, page 58](#)

Patents

In order to better protect intellectual property (IP) in the future and to use it strategically for further product differentiation, a central unit for IP management was established in 2019 within PALFINGER's PLM & E Organization. By centralizing this function, development organizations will be effectively supported in defining, describing, and registering critical intellectual properties.

PALFINGER had a total of 73 active domestic and international patents in 2019. A large number of patents are in preparation and in the application process to protect additional novel and innovative solutions as well as critical intellectual property.

Safe and efficient products

Safety is always the top priority at PALFINGER, which means that all possible means of increasing product safety and efficiency are used in product development. A central topic is the use of a consistent requirements management system which ensures that all critical product requirements are integrated and verified during product development.

A new oil cooler system was successfully introduced in the Timber & Recycling product line to reduce oil volume and tank size and improve cooling performance.

A new Smart Boom Control from the Crane product line was presented at BAUMA 2019. This function, which allows intuitive handling of the crane, increases safety and efficiency and reduces operator fatigue. PALFINGER is also one of the few suppliers of lifting solutions in the world who, with its innovative and unique geometry detection system, fully integrates mechanical extensions — via the MEXT (Manual Extension) safety feature — into the stability and overload system. The TOOL safety feature was also introduced in 2019. This integrates additional equipment into the stability system.

 [Eco-efficiency in Production, page 115](#); [Detailed GRI and sustainability disclosures, page 225](#)

PALFINGER LUBRICANTS

The PALFINGER Lubricants cross-product line project is a joint project of the PLM & E Organization with and Service corporate function. The aim is to significantly extend the replacement cycle for hydraulic oil, reducing costs for the operator, and protecting the environment.

FLEET AND OPERATOR MONITOR

Using PALFINGER's Fleet and Operator Monitor, fleet managers, operators, and service partners have a direct view of the data from the PALFINGER systems via a telematics interface. This allows better planning of service and maintenance schedules and the associated travel and increases machine availability.

BEST INVEST

The "Best Invest" application is used to calculate a product's lifecycle costs. In addition to the economic efficiency calculation, the presentation of emission reductions is an important component of the application. A graphic illustrates how low the investment in a high-quality product is in relation to the costs over the entire lifecycle.

PRODUCT SAFETY AND ACCIDENT PREVENTION

Numerous innovations at PALFINGER focus on user safety. This also includes prevention of accidents that can occur due to operating errors. PALFINGER's products comply with all mandatory safety standards, with PALFINGER being guided by European standards, including at its international locations. As a result, PALFINGER often exceeds local minimum standards — especially in the Asian, Arab, and African regions.

All PALFINGER products are assessed with regard to their effects on the health and safety of the operators. Improvements are continuously implemented. An overview of the relevant safety standards can be found in the detailed GRI and sustainability disclosures in the annex to this report.

 [GRI 416-1](#)

 [NaDiVeG](#)

 [Detailed GRI and sustainability disclosures, page 225](#)

In reporting year 2019 there were no convictions of PALFINGER for non-compliance with safety regulations. Irrespective of the question of fault, PALFINGER nevertheless examines all incidents involving PALFINGER products in which persons are injured. The majority of these are errors in operation, as a result of which no legal claims can be brought against PALFINGER. In these cases, a good network and an understanding of safety awareness in the relevant countries are a prerequisite for PALFINGER to learn about these incidents. All accident-related information is then evaluated internally so that PALFINGER can design its products to be even safer than the legal standards in the future.

🌐 GRI 416-2

🌐 NaDiVeG

There were 18 reported accidents in the field with PALFINGER products in 2019. Use of PALFINGER products led to 21 injuries of varying degrees and, regrettably, to ten fatal accidents. In the year under review, PALFINGER initiated product recalls in nine instances as internal testing and ongoing quality assurance revealed a need for improvement in each case. At PALFINGER, product safety comes first.

Accidents with PALFINGER products	2017	2018	2019
Reported accidents	4	18	18
Fatalities ¹⁾	1	5	10
Injuries of varying severity ¹⁾	3	14	21
Penalties imposed by court on grounds of accidents	0	0	0
Pending complaints on grounds of accidents with products (as at 31 Dec)	4	3	7
Convictions	0	0	0

¹⁾ Irrespective of fault.

Products such as loader cranes, hooklifts and skiploaders, truck mounted forklifts, and boats as well as naval cranes, davits, and slipway systems are also in demand by the military and civil defense. Revenue from products used in the military and civil defense sectors fell to EUR 54.9 million in 2019 (2018: EUR 59.4 million). This corresponds to 3.1 percent of consolidated revenue. PALFINGER does not produce any weapons systems and observes all embargos imposed by the EU or the international community.

Major innovations in 2019

In the Taillift product line, taillift developments were launched in 2019 with a focus on modularity and light-weight to heavy-duty capacities. An initial result of this next generation of taillifts is the four-cylinder MBB PTC 750 S, in which the product's weight has been successfully reduced by 13 percent, thus contributing to lower vehicle fuel consumption.

A new hydraulic fast unloading system, a new hydraulic supply system for telescopes, and a new container handling system for loading ISO containers in difficult terrain have been developed for the Hooklift product family.

The development of a uniform modular construction kit for davit systems is a key focus in the Davits product line. In the future, this modular kit strategy will enable PALFINGER to offer customer tailored solutions and reduce internal variance and complexity. In addition, PALFINGER will thus be able to develop complex product solutions with higher quality and reliability standards more quickly.

Smart Boom Control, the innovative crane tip control, was the most important new development from PALFINGER in 2019 in the Crane product line. Simple and efficient working is made possible because the crane tip is controlled directly by the movement of the control levers. After the electric concept crane was unveiled at the BAUMA trade fair and the IAA, testing with end customers began in 2019. Further pre-series production development and the launch of an initial small series is planned as part of the ACE program in 2020.

In the Railway and Special Solutions segment, the PCC 57.002 crawler crane was launched in 2019 following the successful presentation of this product. Development of the new bridge inspection unit PB 240 is also advancing and initial endurance tests have been successfully completed. In the Railway product line, the basic line was developed with the PK 18.502 model. Further redesigns and cost-cutting programs were successfully initiated. An additional focus of PALFINGER's activities in 2019 was the further development of modular scissor and column lifts.

In the Platforms product line, the focus in fiscal year 2019 was on completing the product portfolio of the crawler access platforms. The P250AJTK completes the product family and is available to PALFINGER customers in working heights of 15 m to 25 m. The P250AJTK access platform is operated by a diesel engine as standard. As an option, especially for use within buildings, the platform can be driven emission-free by an electric motor. With the complete product portfolio of PALFINGER Lifting Solutions in the classes Tracked, Smart, Light NX, Premium, Jumbo NX and Top, PALFINGER provides its customers with the best and, above all, the safest product available for use in difficult terrain conditions at working heights of 15 m to 102.5 m.

 [Detailed GRI and sustainability disclosures, page 225](#)

IMPORTANT DEVELOPMENTS IN DIGITALIZATION

The development and introduction of additional digital functions in the PALFINGER product portfolio was further advanced in 2019 in close cooperation with end customers and users. The most important element in this process was the development of the necessary new competencies and skills in the centers of excellence and in the product lines.

The development of a uniform, standardized telematics system with an integrated cloud connection was completed and its integration into the PALFINGER product portfolio begun. The aim is to increase customer value added through networked work and bi-directional communication. In the Taillift product line, a product line-specific variant of the TaLiMatics® (Tail Lift Telematics) telematics system was developed in close cooperation with end customers for the European and North American target markets, with the product focus on capturing operating and usage data and cloud communication.

In order to significantly improve the human-machine interface, a new TOUCH HMI control unit including a cabin-side joystick was launched in the Hooklift product line. This is essential for the future introduction of assisted and semi-autonomous functions. For this reason, PALFINGER has set up a specific internal competence cluster for the development of the human-machine interface — known as "Usability". In addition, the development of the first version of the Intelligent Loading Assist function in cooperation with an external development partner was a success story for PALFINGER in 2019.

In the Timber & Recycling product line, a new arm system for the Next Epsolution series with integrated sensor technology, including internal cabling (preparation for Smart Control), was developed in 2019.

In the Crane product line, the following innovations in digitalization were implemented in fiscal year 2019. A telematics module will be fitted as standard in all SH and TEC cranes. Fleet managers, operators, and service partners have a direct view of the device's data through the Fleet and Operator Monitor functions.

XR applications, VR applications, and PALFINGER Smart Eye

The whole world of PALFINGER products on a mobile device — the Augmented Reality app makes it possible. It shows the properties of the current products in 3D, AR (augmented reality), and VR (virtual reality).

For example, the new PK 37.002 TEC 7 loader crane can be viewed on a mobile phone as a 3D animation against a neutral background. A side menu provides important information on the product using videos, text, and images.

The AR mode allows selected models to be projected onto the conference table in the meeting room or to be displayed on the factory premises using the LIFE-SIZE mode. The PALFINGER XR app is already available for the following products: PK 135.002 TEC 7 and PK 37.002 TEC 7 loader cranes, Epsilon Q17Z, P 370 KS access platform, PST 14 TEC hook- and skiploader, and MBB C 1500L taillift.

A PALFINGER VR crane simulator was developed for users to experience PALFINGER products in the virtual world. All they need is VR glasses, the PALCOM P7 radio remote control, a laptop, and some space. Then PALFINGER's latest crane model can be experienced as if in real operation.

Different loads can be lifted onto the roof of a multistory building on a virtual construction site using the PK 135.002 TEC 7. This allows the P-Fold assistance function to be tested straightforwardly in a near real world. The user immediately gets a feel for the crane and receives informative descriptions, images, and videos of the crane's most important functions. The PALFINGER VR crane simulator can be used for trade fairs or individual customer events. VR simulators are currently available for the PK 135.002 TEC 7, the PCC 115.002 crawler crane, and the TKA 28 KS access platforms. In the marine business, fish farming and offshore cranes are offered.

Another VR crane simulator with a high seat, e-joystick control, and the new load detection system, HPSC-Plus LOAD, was presented at BAUMA 2019. This feature detects the loading of the truck and thus enables the loader crane range to be increased.

The new virtual reality control mode in the Timber & Recycling product line also allows the crane to be controlled from the truck cab. A perfectly designed VR control system offers not only comfort and safety for the driver, but also a number of additional benefits such as a better overview, the ability to transport additional loads, and lower fuel consumption. To date, only a fully functional concept prototype has been presented, as current VR glasses technology does not offer either the field of vision or the resolution that PALFINGER expects. The system will be ready for use as soon as the appropriate resolutions become available.

With the Smart Eye data glasses, PALFINGER supports service technicians in error analysis and repair of PALFINGER products. The remote solution with real-time transmission and an AR function is proving to be a safe and efficient service tool in challenging situations. The technicians thus have their hands free to continue with their work while receiving audio and video support.

PALFINGER Connected — higher efficiency for fleets, trucks, and cranes

PALFINGER Connected is part of a cutting-edge fleet management system and provides efficient solutions in the form of two digital user interfaces — optimized for fleet managers and crane drivers. The Operator Monitor focuses on features that support the operator of the device in operational use. The Fleet Monitor focuses on fleet managers and provides them with essential and up-to-date information on the equipment fleet. At the beginning of next year, the applications will be supplemented by a further view for PALFINGER service partners.

The PALFINGER Connected system is based on a telematics solution and thus enables simple, prompt exchange of technical information for specific crane models. PALFINGER Connected was presented at BAUMA 2019 and officially launched at the end of May 2019. The system will be continually expanded and refined.

Important partnerships with business partners, research institutes, and universities

To accelerate the development of long-term technologies and innovations as well as new innovative business models, a site was opened in fall 2017 at the weXelerate start-up center in Vienna. PALFINGER regards the cooperation of startups, coaches, venture partners, investors, and industrial partners as an outstanding opportunity to realize its plans. Several successful projects have already emerged from this collaboration, for example several hackathons have been conducted to generate external ideas for these and solutions to specific problems. A successful global competition of ideas within PALFINGER was also held in 2019. In addition, a think tank was set up in the past fiscal year to improve the focus of activities. The close cooperation with weXelerate has thus been successful in deepening and widening access to startups and the innovation ecosystem.

In light of the growing importance of open innovation, PALFINGER introduced a use case for an Industry 4.0 hackathon in Linz (AT) back in 2018. The challenge was to develop an intelligent welding assistance system. This concerns a knowledge management system that guides the worker through the process in the workplace at the right time. PALFINGER defined a follow-up project with the winning team to bring the solution into a productive environment. This was successfully executed and completed in 2019.

In addition to the activities with PALFINGER 21st, PALFINGER's collaboration with universities, universities of applied science, and technical colleges as well as institutions for development cooperation is becoming increasingly important. The focus is on the exchange of knowledge, the promotion of research work, and the advancement of employees. Besides this, PALFINGER cooperates with non-university centers of excellence in the fields of mechatronics, mechanical engineering, materials technology, and materials science.

In the Taillift product line, there were various new, successful collaborations with providers of engineering services in 2019, including for new finite element methods (FEMs) or certain railway components, as well as for cooperation with providers of environmentally friendly technologies, for example for charging the vehicle batteries. Additional collaborations were initiated in Europe and Latin America in fiscal year 2019 aimed at reducing costs.

In the Crane product line there is a long-standing close cooperation with the Universities of Munich and Graz, the Fraunhofer Institute Center, and a number of universities of applied sciences on the topics human and machine, stability, materials, applications, and much more. Continuous product enhancements with renowned international partners such as Bosch Rexroth, Danfoss, Hydac, voestalpine, and others are essential for PALFINGER.

In 2019, a shock and vibration test of the GLS 55 truck mounted forklift was conducted in the Truck Mounted Forklift (TMF) product line together with MAGNA, the engineering service provider, which also covered the entire lifecycle of the forklift. For this purpose, acceleration data was recorded on five forklifts in operation and a load spectrum was created. This load spectrum was then run and tested on a specially constructed test stand.

STRUCINSPECT – PALFINGER JOINT VENTURE FOR DIGITAL BRIDGE INSPECTION

PALFINGER AG founded PALFINGER Structural Inspection GmbH (STRUCINSPECT), in Vienna, together with VCE Vienna Consulting Engineers ZT GmbH and the ANGST GROUP in fiscal year 2019. STRUCINSPECT revolutionizes the inspection of railway and road bridges in particular. The combined use of drones, multispectral sensor technology, artificial intelligence, and three-dimensional data processing allows structures to be inspected in less time and in greater detail than before. Time-consuming and cost-intensive closures are no longer necessary because work is done on a digital 3D twin of the bridge in question. In Austria and Germany alone, some 40,000 road and 25,000 railway bridges have to be inspected regularly. Based on an idea from the Railway product line, the concept was developed and implemented in the corporate incubator PALFINGER 21st. PALFINGER AG has a 51 percent interest in STRUCINSPECT. The two consortium partners each hold 24.5 percent. The joint venture combines PALFINGER's global market access and its experience in bridge inspection with VCE's expertise and customer access and the technological competence of the ANGST GROUP.

QUALITY MANAGEMENT

The quality of PALFINGER products and solutions represents an essential competitive advantage. In particular, the continuous improvement process and product and system audits contribute to ongoing quality improvements. Guarantee costs at the Group level as a percentage of revenue were again reduced in 2019.

With the implementation of the GPO, quality management was further strengthened at the central level, as the standardized approach of advance quality planning in accordance with RAMS (Reliability, Availability, Maintenance, Safety) management was already pursued during the basic development. New roles and competencies at the regional level and in the product lines in this regard were defined at PALFINGER and were already being established at the end of 2019.

PALFINGER's Safety & Quality corporate function was also tasked with the establishment of a system for product and occupational safety in fiscal year 2019. The expansion into HSEQ (Health, Safety, Environment, and Quality) and implementation took place on January 1, 2020.

 [Occupational health management, page 98](#)

The measures implemented in 2019 to improve the audit function through a broader and more efficient positioning and the standardization of processes and roles are beginning to bear fruit. Synergies across all functions became visible and PALFINGER resources were able to be utilized much better. In 2020, PALFINGER will continue to pursue this path intensively and will also strengthen its quality strategy in the regions.

In 2019, around 86 percent of all employees at production plants were employed at locations that have quality management systems in accordance with ISO 9001.

 [Detailed GRI and sustainability disclosures, page 225](#)

QUALITY MANAGEMENT SYSTEM ISO 9001* (in percent of employees)

*as well as other similar quality management standards



MANUFACTURING FOR THIRD PARTIES

PALFINGER also makes its production capacity and production expertise available to external customers. This enables them to benefit from PALFINGER's strength in the manufacturing of complex components that meet the most exacting quality standards. Production plants in best-cost countries are mainly used for manufacturing for third parties.

Revenue from manufacturing for third parties in reporting period 2019 remained stable at approximately EUR 97 million (2018: EUR 98 million).

The creation of new painting capacity at the Slovenian site in Maribor in fiscal year 2019 also facilitated an increase in value creation for some customers. Since 2019, it has therefore been possible to deliver components in the desired customer color.

Piston rods and linear guides for the global market are manufactured at the Lazuri site in Romania. To strengthen customer loyalty, additional customer-oriented machining work will be offered here in the future as services for third parties.

PALFINGER is thus adhering to the business model of manufacturing for third parties. Given the capacity constraints, internal customers were not given preference over external customers. The focus on proper planning of all products will continue in order to continuously improve delivery reliability.

Not only does manufacturing for third parties at PALFINGER generate additional revenue and better capacity utilization, but it is also instrumental in achieving a better comparison with the open market and improving internal processes at PALFINGER.

Eco-efficiency in Production

18,451 t
CO₂ Emissions avoided

68 %
Renewable Electricity

-13 % points
Energy Consumption

-24 % points
Hazardous Waste

Top Topics

Climate strategy launched

Proportion of renewable energy and **photovoltaics systems** increased

Integration of environmental topics into HSEQ resolved

Goals

-25 %
of absolute
CO₂ Emissions
until 2030

75 %
Renewable Energy of
the Group's Electricity
by 2022

-30 % points
on the Index
Energy Efficiency
until 2030

-30 % points
on the Index
Hazardous Waste
until 2030

SDGs

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



ECO-EFFICIENCY IN PRODUCTION

- **PALFINGER works continually to reduce the production of steel and aluminum scrap as well as hazardous waste**
- **Group targets for reducing hazardous waste and increasing energy efficiency met in 2019**
- **Use of electricity from renewable sources helps to lower CO₂ emissions**

A clear commitment to the efficient use of resources is a matter of course for PALFINGER as a sustainable and economically oriented company. In this context, PALFINGER is very intent on working as efficiently as possible, both ecologically and economically, especially in production. The range of challenges associated with eco-efficient production at PALFINGER therefore extends:

- from the efficient use of raw materials
- to the responsible handling of hazardous waste and problematic substances
- on to increasing energy efficiency
- and reduction of CO₂ emissions for climate protection.

Efficient use of raw materials

The majority of PALFINGER's products are made of steel. In 2019, 124,577 metric tons of steel were used throughout the company (2018: 122,970 metric tons; figure subsequently corrected due to internal quality grinding). Steel consumption in 2019 was thus roughly at the previous year's level. In addition, aluminum is used extensively, primarily for taillifts. In 2019, 2,249 metric tons (previous year: 2,162 metric tons) of aluminum were used to manufacture products, four percent more than in fiscal year 2018. The share of renewable materials is not relevant for the manufacture of the products and thus also not relevant for reporting.

For PALFINGER, the efficiency of the use of raw materials is of economic and ecological importance: On the one hand, raw materials account for approximately 8.7 percent of total costs. On the other hand, the upstream generation of raw materials and materials has a considerable environmental cost. For example, the mining of ores and the extraction of crude oil require the use of large areas of land and natural resources. In addition, processing of the raw materials into steel and aluminum entails a high and intensive use of energy, which in turn leads to substantial climate-relevant emissions. The volumes of energy required for steel production alone, as well as the resulting CO₂ emissions, by far exceed the quantities that are attributable to the entire PALFINGER Group.

It is precisely because of the effects of the raw materials used by PALFINGER that management, the Development department, and the employees working in production areas focus on the efficient use of materials from both an economic and an ecological perspective.

Among other things, PALFINGER works continuously on reducing the amount of steel and aluminum waste cuttings. The waste that occurs in the production plants is continuously optimized. Changes in the key figures for waste cuttings rates vary from site to site. Additional information can be found in the detailed GRI and sustainability disclosures.

🌐 **GRI 301-1, 305-1**

🌐 **NaDiVeG**

📄 **Detailed GRI and sustainability disclosures, page 225**

Hazardous waste

A small share of waste created in the manufacturing process is classified hazardous at PALFINGER plants. This class of waste consists primarily of waste generated during surface treatment and painting. This includes paint waste and galvanic sludge, but also waste such as hydraulic oil, lubricants, and coolants. The regional plant management is responsible for waste optimization, proper disposal, and compliance with local laws. A minimum standard is set throughout the Group on the basis of a comprehensive group-wide guideline. The development of hazardous waste is continuously monitored and reviewed as part of the reporting process.

A ranking of the production plants based on the absolute volume of hazardous waste is as follows: Lazuri (RO), Maribor (SI), Lengau (AT), Tenevo (BG), and Velikiye Luki (RU). The waste volume of these five plants alone accounts for 88 percent of the total waste volume of the PALFINGER Group. Naturally, these plants are either sites with paint shops or production plants with electroplating facilities.

Despite increasing production, the absolute volume of hazardous waste was further reduced in 2019 at sites with paint shops to 2,336 metric tons (2018: 2,679 metric tons). The picture differed at the two sites with electroplating processes in the fiscal year just ended. While both the absolute quantities and the intensity of hazardous waste in relation to the production volume improved at the Tenevo (BG) site, the quantities at the Lazuri (RO) site increased both in absolute terms and compared to the index.

PALFINGER has operated an electroplating facility in Lazuri since 2013, around 90 percent of whose capacity is available for coatings for external customers. The depth of value creation has also been increased in Lazuri since then. Components that used to be processed by suppliers have been increasingly processed by PALFINGER. The overall effects on the environment remain at least unchanged as a result of this development, because processing is now carried out at PALFINGER instead of at the supplier. In 2018, capacity and production volume in Lazuri were also increased through the addition of another production hall with two new electroplating facilities. The weight of the waste at the site is relatively high, mainly due to the high water content. However, volume and weight could be visibly reduced in the future by separating the water from the waste. The investment in the implementation of two vacuum evaporators made in reporting year 2019 is already beginning to pay off.

The most important facts on how PALFINGER deals with the issue of hazardous waste are summarized in the following key figures, targets, and measures.

To determine the change in efficiency in this area, PALFINGER uses the ratio of waste volume to revenue in order to visualize an increase in efficiency excluding growth effects. Improvements were clearly evident in reporting year 2019. For example, the PALFINGER Group's total hazardous waste in 2019 in relation to revenue (index) was reduced by 6.8 percentage points to 75.9 percent (previous year: 82.7 percent). The clear goal set of reducing waste intensity by 30 percentage points by 2030 compared with 2015 was thus achieved proportionately for that year. The data from 2015 provides the foundation for a uniform basis for comparison for the achievement of objectives in the entire "Eco-efficiency in Production" area.

As part of this, the waste volumes from nickel and chromium processing and coolant residues from machining processes for the Lazuri site for 2015 and 2016 were adjusted in the reporting to ensure comparability with the base year (2015). This did not become reportable until 2017 due to legal provisions and internal classifications. Proper disposal of waste was ensured at all times.

Compared to the company's growth rate of recent years the absolute volume of hazardous waste increased, only slightly in 2019 to 5,293 metric tons (2018: 5,286 metric tons).

As a usable alternative to solvents in paints, solvent-free paints can now be used for almost all product applications with the exception of the marine business, where only solvent-based paints can currently be used due to marine-specific regulations. Group-wide ecological minimum standards have been complied with in tender invitations for new paint shops since 2014. All paint shops are examined to determine whether they are suitable for the use of solvent-free paints and are converted if necessary. PALFINGER's sites in Europe with large paint shops now use largely solvent-free paints. PALFINGER still sees potential for improvement outside Europe.

A broad overview of the ecological standards for PALFINGER's electroplating plants and paint shops as well as additional information on hazardous waste by individual geographical regions can be found in the detailed GRI and sustainability disclosures.

🌐 NaDiVeG

📄 Detailed GRI and sustainability disclosures, page 225

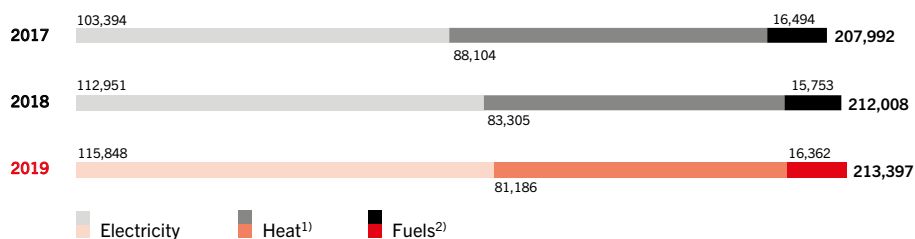
Energy efficiency

In 2019, the PALFINGER Group's energy costs rose by 11.4 percent to EUR 8.8 million (2018: EUR 7.9 million). This increase is attributable to higher absolute energy consumption in the PALFINGER Group as well as higher energy prices. In absolute terms, total energy consumption increased only minimally to 213 million kWh (2018: 212 million kWh) despite the company's strong growth in the reporting year. Europe accounted for the largest share of energy consumption. A detailed statement on energy efficiency and the distribution of consumption, broken down by energy source and geographical region, is available in the detailed GRI and sustainability disclosures.

🌐 GRI 302-1

🌐 NaDiVeG

ENERGY CONSUMPTION BY ENERGY SOURCE (in MWh)



1) Includes the consumption of heating oil, natural gas, butane, propane, LPG, coal, and district heating.
2) Includes the consumption of diesel fuel, petrol, and kerosene.

The following process assessment provides a comprehensive overview of the causes and efficiency improvements associated with global energy consumption:

Paint shops and electroplating facilities consume the most energy at PALFINGER. The largest paint shops are at the sites in Lengau (AT), Maribor (SI), and Council Bluffs (US). Electroplating comes second in terms of energy intensity of production processes at PALFINGER. PALFINGER's electroplating facilities are located in Lazuri (RO) and Tenevo (BG). Growth at these sites naturally also resulted in a further increase in energy consumption. Energy efficiency was improved further during reporting year 2019 following the successful implementation of optimization measures in previous years.

Apart from the painting and electroplating processes described above, no energy-intensive processes take place during manufacturing at PALFINGER. Compressed air systems, cutting processes (laser and plasma cutting machines), welding, and the testing of products consume comparatively moderate amounts of energy. Therefore, at the majority of PALFINGER sites, a large part of the energy is used in heating and ventilating the halls.

The weather is naturally a significant factor influencing energy consumption. Particularly at the Russian sites, low temperatures and long winters and the required heating of the buildings have a major impact on efficiency assessments. For this reason, weather-related temperature differences have been taken into account in the form of heating degree days since 2018. This normalizes weather effects when calculating the index so that PALFINGER management can get a clear overview of efficiency gains in this area.

In general, the absolute energy requirement for processing and heating was further reduced in the reporting year compared with the previous year. The high level of awareness of energy efficiency in the PALFINGER Group is reflected in the large number of measures implemented at the sites. These included conversions to LED lighting and fast closing industrial doors, optimization of compressed air and welding processes, the use of waste heat, and improvements in the thermal quality of building envelopes. Taken as a whole, the continuous implementation of measures had a positive effect again in 2019. More details on the individual geographical regions can be found in the detailed GRI and sustainability disclosures.

PALFINGER also includes the centrally recorded fuel consumption in its calculation of energy efficiency. A large percentage of transport is outsourced to logistics companies. Transport comprises the delivery of raw materials and components, transport between the PALFINGER plants, and transport of the products to the customers. The transport mix at PALFINGER is predominately by truck and ship.

PALFINGER is increasingly converting its vehicle fleet for passenger business trips to electric mobility. To that end, some sites have also been equipped with electric charging stations in recent years. A carpooling project for employees was additionally initiated at the Bergheim, Kasern, Lengau, and Köstendorf sites in Austria in 2019. In the first six months, more than 80,000 kilometers have already been saved with this project. PALFINGER plans to roll out this model to other sites in the coming years.

The most important facts on how PALFINGER deals with the issue of energy efficiency are summarized in the following key figures, targets, and measures. The energy efficiency index illustrates the changes in energy consumption in relation to revenue over the years. In order to make sure that this positive trend continues long term, PALFINGER also defined a target in this area of improving energy efficiency by 30 percentage points by 2030, based on the 2015 value.

The development of this index has been positive for many years. Only in 2016 did developments in Russia cause a one-off decline in energy efficiency. In reporting year 2019, energy consumption in relation to revenue was 86.5 percent (previous year: 88.8 percent), a reduction of more than 2 percentage points compared with the previous year. This means that not only was a further improvement attained, but the interim target for 2019 of 92 percent of the index was also exceeded by a large margin.

Consistent energy management allows PALFINGER to expect further improvements here in the future as well.

🌐 GRI 302-1, 302-3

🌐 NaDiVeG

📄 Detailed GRI and sustainability disclosures, page 225

Climate protection

PALFINGER commits itself to adhere to climate targets. Although PALFINGER is not legally obligated to participate in trading emissions certificates, the company is intensively addressing climate-impacting emissions from its own energy consumption.

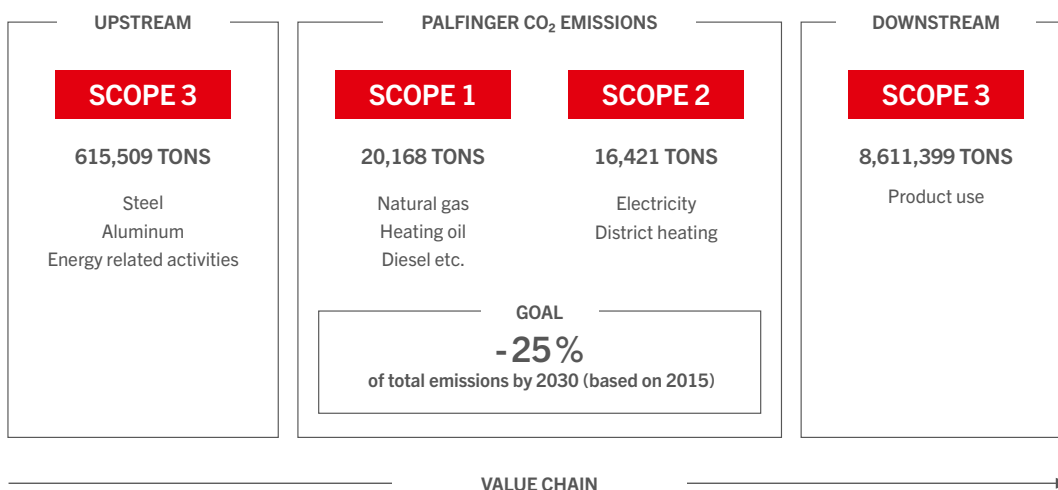
At the Group level, PALFINGER defined the long-term target of reducing production-related CO₂ emissions by 25 percent by 2030 versus 2015 back in late 2017. In this context, the share of renewable electricity is also to be increased to 75 percent group-wide by 2022.

Both targets are a major step in the right direction. The switch to electricity from renewable sources in Lazuri (RO) and Maribor (SI) increased the share of green electricity to 68.3 percent group-wide (2018: 29.3 percent). As a result, absolute emissions were also reduced in the reporting period by about one-third to 36,588 metric tons of CO₂ equivalents (2018: 55,039 metric tons).

PALFINGER also reports on greenhouse gas emissions and climate protection initiatives as part of the CDP disclosure program. PALFINGER's climate protection activities are guided by the Science Based Targets initiative for companies seeking to cut their CO₂ emissions in line with the global 1.5°C target. At PALFINGER, decisions on the implementation of climate protection measures are made at plant level. Emissions were recorded in the group-wide monitoring system using a notional CO₂ price of EUR 30 per metric ton of CO₂ equivalents. PALFINGER is thus preparing for a future taxation of CO₂, which is already increasingly on the political agenda in some countries.

 [Investor Relations, Ratings, page 29](#); [Risk report, page 81](#)

Implementation of a comprehensive climate strategy, which also correspondingly takes into account emissions from the upstream and downstream value chain, was started in 2019 and is scheduled for the 2020 reporting year.



The internal production-related CO₂ emissions (Scope 1 and 2) at PALFINGER are divided into the following two categories: on the one hand, direct emissions from fuels and, on the other, indirect emissions from electricity and district heating. Externally caused emissions from the upstream and downstream value chain are also considered and presented.

PALFINGER's activities gave rise to 20,168 metric tons of CO₂ equivalents of direct emissions from fuels in 2019 (2018: 20,368 metric tons). Direct emissions include all emissions of the PALFINGER plants from natural gas, diesel, gasoline, kerosene, liquefied petroleum gas, butane, propane, and coal. Absolute CO₂ emissions thus decreased in reporting period 2019, reflecting the drop in production-related consumption of heat. In the near future, PALFINGER will continue to strive for the increasing decoupling of climate-impacting emissions from energy consumption.

PALFINGER's activities gave rise to 16,421 metric tons of CO₂ equivalents of indirect emissions (Scope 2 "market based") from electricity and district heating in 2019 (2018: 34,671 metric tons). Several initiatives contributed to this reduction in climate-impacting emissions. However, most of this can be attributed to the conversion of the two sites in Maribor (SI) and the site in Lazuri (RO) to electricity from renewable sources.

Under a lease model, PALFINGER provides roof areas for photovoltaic systems from which PALFINGER can obtain emission-neutral energy without itself having to invest in the systems. The first photovoltaic system in Lengau (AT) was put into operation in 2018. One additional photovoltaic system was implemented in fiscal year 2019 at the site in Köstendorf (AT). PALFINGER continuously looks into the possibility of installing such systems at other European sites. An implementation in Tenevo (BG) is planned for 2020.

The direct and indirect CO₂ equivalents were recalculated retroactively to the base year 2015 based on the IEA 2018 database and ecoinvent version 3.5 so as to ensure an up-to-date and accurate conversion of the various energy sources. More detailed information may be found in the section on reporting boundaries in the annex.

Details on the specific greenhouse gas emissions broken down by geographical region can be found in the detailed GRI and sustainability disclosures.

The internal CO₂ emissions (Scope 1 and Scope 2) caused by energy consumption at the PALFINGER Group's sites represent only a small proportion of the total climate-relevant emissions generated in comparison with the externally caused CO₂ emissions from the upstream and downstream value chain outside of PALFINGER (Scope 3).

The following three categories are significant for PALFINGER when considering external emissions along the value chain:

- Externally caused emissions from the downstream use of PALFINGER products:
Emissions which are mostly emitted over the entire service life of a product, mainly due to operation primarily with diesel, were analyzed for the first time in 2018. The basis was the use of a medium-sized crane over ten years. If the result is extrapolated to all of the Group's product areas, emissions during the product utilization phase are more than 230 times higher than production-related emissions due to energy consumption at PALFINGER sites. This calculation has to be made on the basis of assumptions, but nevertheless clearly shows the leverage of energy-saving measures during product use.
- Steel production:
PALFINGER primarily purchases steel and aluminum from Europe. The resulting emissions can therefore be estimated at around 601,836 metric tons of CO₂ equivalents. They are thus more than 15 times higher than the production-related emissions at PALFINGER's sites.
- External emissions caused by PALFINGER at energy suppliers:
By purchasing energy, PALFINGER caused further external emissions in the upstream value chain. These resulted directly from energy consumption from Scope 1 and Scope 2 and remained relatively constant in the reporting year.

🌐 GRI 305-1, 305-2, 305-3

🌐 NaDiVeG

📄 Detailed GRI and sustainability disclosures, page 225

Environmental and energy management

PALFINGER's environmental protection guideline defines uniform group-wide standards for comprehensive environmental management systems at all production and distribution sites. The guideline covers the following areas: energy, waste, water, environmental law, and environmental emergency preparedness. Implementation of environmental protection-related training and communication, responsibility for monitoring the relevant key figures, implementation of measures, and achievement of Group targets are also governed in the environmental protection guideline.

According to the materiality analysis, topics such as water consumption, transport, and biodiversity are less significant at PALFINGER and are therefore not addressed centrally in the environmental guideline. Nevertheless, the water risk filter is used at all sites in accordance with the Group policy. This is an easy-to-use tool that identifies key issues from geographical location data based on scientific data. The result is that particularly PALFINGER sites located in areas where the availability or quality of water is critical are called on to take steps toward efficient water use.

When it comes to acquiring new plants or buildings, PALFINGER includes binding minimum standards for environmentally relevant aspects in the tender documents. This concerns, in particular, paint shops and electroplating facilities, welding equipment, engines, compressed air systems, offices and production floors, as well as ventilation systems.

An overview of all relevant sites with environmental management systems certified to ISO 14001 and energy management systems certified to ISO 50001 is provided in the annex to this report.

 **NaDiVeG**

 **Detailed GRI and sustainability disclosures, page 225**

PERFORMANCE BY SEGMENT

- **Growth in Segments Sales & Service LAND and Operations LAND**
- **Successful restructuring and turnaround of Segment SEA in a challenging market environment**
- **Forward-looking group-wide initiatives underway in the HOLDING unit**

Segment reporting was adapted to the new organizational structure at the beginning of 2019. Since the start of reporting period 2019, PALFINGER has divided its business in the former Segment LAND into two new segments, Sales & Service LAND and Operations LAND. Segment SEA remained as a separate segment in connection with the restructuring program and will be integrated into the new GPO structure in the course of 2020. The HOLDING unit, which comprises the expenses of Group administration and strategic future projects as a cost center, also remained unchanged in 2019. The corresponding prior-period amounts were adjusted retrospectively.

🌐 GRI 102-6

EUR million	SALES & SERVICE LAND	OPERATIONS LAND	SEA	HOLDING	Consolidation	PALFINGER Group
Revenue	1,448.4	113.0	192.5	-	-	1,753.8
Revenue share	82.6%	6.4%	11.0%	-	-	-
EBITDA	175.9	64.4	6.7	(23.4)	0.0	223.6
EBITDA margin	12.1%	57.0%	3.5%	-	-	12.8%
EBIT	155.0	31.7	(8.2)	(29.5)	0.0	149.0
EBIT margin	10.7%	28.0%	(4.3)%	-	-	8.5%

SEGMENT SALES & SERVICE LAND

Segment Sales & Service LAND comprises the sales and service units in connection with the landside product lines. The segment includes the EMEA, NAM, LATAM, CIS, and APAC business regions. PALFINGER's landside product lines in these markets include Crane, Timber & Recycling, Hooklift, Platforms, Railway, Truck Mounted Forklift (TMF), and Taillift.

🌐 GRI 102-2, 102-6

Business performance in 2019

The Crane, Timber & Recycling, and Hooklift product lines were the main contributors to the increase in segment revenue from EUR 1,285.6 million in 2018 to EUR 1,448.4 million in reporting period 2019. As a result, segment EBITDA increased from EUR 161.2 million to EUR 175.9 million in 2019. Segment EBIT rose from EUR 145.0 million to EUR 155.0 million, yet the EBIT margin of 10.7 percent in 2019 was below the 2018 level of 11.3 percent due to a change in the product and regional mix.

EUR thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Revenue	312,389	323,012	298,565	351,600	360,531	373,205	334,617	380,080
EBITDA	41,956	45,661	37,282	36,311	49,955	43,029	36,816	46,128
EBIT	39,476	39,516	36,151	29,857	44,471	38,121	33,628	38,801

Operational highlights

The market environment in the EMEA region was strong in fiscal year 2019 despite the predicted economic slowdown. However, a decline in incoming orders was noticeable from the end of the second quarter of 2019 onward.

In the NAM region, the success of the restructuring completed in 2018 was increasingly visible. PALFINGER came significantly closer to its goal of increasing profitability toward 10 percent with continuing strong demand. Sales growth in the LATAM region was recorded in 2019, but earnings remained at a low level. However, in 2018 PALFINGER had started adjusting its structures and capacity to match the incipient decline in demand, which also had a positive effect on earnings in 2019. The previous shareholding in the Hidro Gruber in Argentina was increased from 30 percent to 70 percent in December 2019. The economic environment in the CIS region remained weaker due to the renewed extension of sanctions. Nevertheless, the local value creation has proved to be an advantage for PALFINGER for some time now and enabled further business growth in this region again in 2019. In the APAC region, especially in China, the partnership with SANY in 2019 formed the basis for the positive development. The Sany Palfinger joint venture posted an increase in revenue of more than 30 percent once again in reporting period 2019.

Income statement (EUR thousand)	2018	2019	in % of Group
External revenue	1,285,566	1,448,433	82.6%
EBITDA	161,210	175,928	78.7%
Depreciation, amortization and impairment	16,210	20,907	28.0%
EBIT	145,000	155,021	104.0%
EBIT margin	11.3%	10.7%	

SEGMENT OPERATIONS LAND

Segment Operations LAND comprises the production plants and the respective production share of a company in connection with all PALFINGER product lines for use on land.


Business performance in 2019

External revenue in Segment Operations LAND in 2019 was EUR 113.0 million, 0.7 percent below the previous year's level of EUR 113.8 million. Segment EBITDA increased slightly from EUR 63.3 million in 2018 to EUR 64.4 million in the reporting period. Segment EBIT reached EUR 31.7 million, following EUR 32.9 million in fiscal year 2018.

EUR thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Revenue	25,402	26,147	31,001	31,246	33,401	31,089	25,760	22,705
EBITDA	14,952	11,760	12,618	23,970	19,747	19,179	18,330	7,128
EBIT	5,756	7,407	3,341	16,386	11,716	11,182	7,712	1,067

Operational highlights

The order situation remained high in 2019, although declining year-on-year. Segment Operations LAND was thus characterized by very good capacity utilization in 2019. However, there is a current slowdown in incoming orders. After the previous year's delivery difficulties, in 2019 the PALFINGER production plants were able to produce on schedule for the most part and to the required quality standards. Initial bottlenecks were compensated for by alternative procurement options. At the same time, the situation on the procurement market eased. Security of supply has now returned to a high level. PALFINGER continues to expect a stable and sizable contribution to earnings from this segment.

 Significant changes within the PALFINGER Group, page 76

Income statement (EUR thousand)	2018	2019	in % of Group
External revenue	113,796	112,955	6.4%
EBITDA	63,300	64,384	28.8%
Depreciation, amortization and impairment	30,410	32,707	43.8%
EBIT	32,890	31,677	21.3%
EBIT margin	28.9%	28.0%	

SEGMENT SEA

Segment SEA comprises PALFINGER's global maritime product groups. This includes Marine & Wind Cranes, Davits, Boats, and Offshore, Lifting & Handling Solutions. The service business in the Marine area, with 25 PALFINGER service centers in the most important ports all over the world, is a central component of Segment SEA. The Rope Access business segment was integrated into the Marine Service unit in 2019.

🌐 GRI 102-2, 102-6

Business performance in 2019

Revenue generated by Segment SEA decreased to EUR 192.5 million in fiscal year 2019. This decline of 11.0 percent compared with the revenue of EUR 216.3 million in reporting period 2018 is essentially attributable to the low order intake in 2017 and 2018 and the weak market environment in recent years. Due to the long project completion times newly won orders do not impact revenue until subsequent years.

Segment SEA's contribution to consolidated revenue in 2019 thus declined to 11.0 percent (2018: 13.4 percent). Segment EBITDA improved sharply from EUR –9.3 million in 2018 to EUR 6,7 million in 2019. Accordingly, the segment's EBITDA margin was 3.5 percent after –4.3 percent in the previous year's reporting period. On the one hand, the low level shows the complex general environment, and on the other hand the improvement already reflects the successful restructuring of the entire segment. At EUR –8.2 million, Segment EBIT remained negative in the reporting period, following EUR –29.1 million in fiscal year 2018.

EUR thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Revenue	56,434	58,472	50,405	50,955	47,052	48,201	46,842	50,366
EBITDA	(1,032)	(1,022)	(880)	(6,380)	(3,034)	2,906	3,980	2,840
EBIT	(6,012)	(3,873)	(4,067)	(15,126)	(6,749)	(1,161)	258	(548)

Operational highlights

PALFINGER posted significant improvements in Segment SEA in 2019. The product areas' dependence on oil and gas was reduced. Incoming orders recovered slightly after years of unwillingness to invest by the offshore industry. Orders from the other customer segments also rose significantly. Other growth segments such as the cruise ships or fish farms will continue to be promoted. The restructuring of the entire marine business was largely completed in 2019 and the successes are already reflected in the development of earnings. Segment SEA posted a positive operating result in the second half of 2019.

In June 2019, PALFINGER agreed to set up a joint sales venture with the Chinese rescue boat manufacturer Neptune. The closing is expected to take place in the first half of 2020. This collaboration in distribution and service opens up new opportunities for PALFINGER on the global market, particularly in the very dynamic Chinese cruise lifesaving equipment market. The outlook for 2020 is positive based on the strong orders situation and the successful restructuring.

Income statement (EUR thousand)	2018	2019	in % of Group
External revenue	216,266	192,461	11.0%
EBITDA	(9,314)	6,692	3.0%
Depreciation, amortization and impairment	19,764	14,892	20.0%
EBIT	(29,078)	(8,200)	(5.5)%
EBIT margin	(13.4)%	(4.3)%	

HOLDING UNIT

Reporting on the HOLDING unit presents the set of group functions that are bundled at headquarters, as well as strategic project costs incurred by this unit.

Business performance in 2019

EBITDA in the HOLDING unit was EUR –23.4 million in 2019, while EBIT amounted to EUR –29.5 million after EUR –21.8 million in reporting period 2018. The higher expenses were mainly in connection with the implementation of the new GLOBAL PALFINGER ORGANIZATION, PALFINGER Process Excellence and PALFINGER 21st, the forward-looking groupwide initiatives. Higher personnel expenses and external consulting services also increased costs.

EUR thousand	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
EBITDA	(4,882)	(4,739)	(3,879)	(4,947)	(5,430)	(6,216)	(4,135)	(7,580)
EBIT	(5,703)	(5,560)	(4,753)	(5,822)	(6,730)	(7,567)	(5,609)	(9,577)

Income statement (EUR thousand)	2018	2019	in % of Group
EBITDA	(18,447)	(23,361)	(10.4)%
EBIT	(21,838)	(29,483)	(19.8)%

OUTLOOK

- **The effects of the GLOBAL PALFINGER ORGANIZATION are coming to fruition**
- **Segment SEA will make a positive earnings contribution after successful restructuring**
- **The Executive Board maintains its targets for 2022**

The year 2020 will again be marked by the GPO. The increases in efficiency and synergy gains will have a greater impact at all levels. The greater precision of the brand core will support the positive developments.

Numerous new product launches will characterize the year 2020 at PALFINGER, many of which will take place at the IAA trade fair in Hanover in September 2020. In NAM, the new truck mounted forklift will come on the market by the end of the first quarter of 2020 – a product that is specially tailored to the needs of this market. PALFINGER expects this to lead to additional growth and a further improvement in its market share in the NAM region.

The potential of the Latin American market will be better exploited through new structures, a clearer focus on the portfolio, and turnkey solutions. PALFINGER strives for growth in market share in the LATAM region and the African market. PALFINGER expects a stable development of its market share in the important European market in 2020.

Following its successful turnaround, the diversification of the product portfolio, the focus on profitable segments such as cruise lifesaving equipment, and the expansion of markets, especially to East Asia, Segment SEA will make a positive contribution to the earnings of the PALFINGER Group.

In spite of the unpredictability of global economic development and the more difficult market conditions in Europe, PALFINGER expects 2020 to be a solid year.

Thanks to its global presence, PALFINGER is now positioned better than ever to adapt to disparities in economic trends. All the more so as the effects of the GPO come to full fruition in the coming years. For this reason, management is maintaining its targets for 2022: total revenue of EUR 2.0 billion and, over the economic cycle as a whole, an EBIT margin of 10 percent plus ROCE of 10 percent.

Even
profound
changes
have humble
beginnings.

CORPORATE GOVERNANCE REPORT

DECLARATION OF COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE PURSUANT TO SECS. 243C AND 267B OF THE AUSTRIAN COMMERCIAL CODE (UNTERNEHMENSGESETZBUCH, UGB)

PALFINGER is committed to the standards of the Austrian Code of Corporate Governance, satisfies the requirements of the mandatory L-rules (legal requirements) and adheres to nearly all C-rules (comply or explain) of the Code. In accordance with legal provisions, this commitment is evaluated annually by an external auditor. The result of this evaluation confirms that corporate governance is put into practice at PALFINGER. The report on the evaluation of compliance with the Austrian Code of Corporate Governance is made available to all interested parties on PALFINGER's corporate website.

🔗 www.palfinger.ag/en/investors/corporate-governance; www.corporate-governance.at/code

GOVERNING BODIES OF THE COMPANY AND FUNCTIONING OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD PURSUANT TO SECS. 243C(2) AND 267B OF THE UGB

In accordance with the Austrian Stock Corporation Act (Aktiengesetz, AktG), the Executive Board of PALFINGER AG manages the company under its own responsibility in the best interest of the company, taking into consideration the interests of all stakeholders. The principles guiding the work of the individual board members include fostering a positive working relationship and continuous communication with the other members of the board, keeping an open mind and reaching decisions quickly and efficiently. The Executive Board directs the management teams responsible for operations in the individual segments and/or businesses and functions. In addition, the Executive Board is represented at the management level of individual Austrian PALFINGER holding companies. Martin Zehnder is also a member of the Supervisory Board of Palfinger Europe GmbH.

The Supervisory Board of PALFINGER AG supervises the management and supports the Executive Board in major decisions. Open communication between the Executive Board and the Supervisory Board and also within the respective Boards has a long-standing tradition at PALFINGER.

The Supervisory Board focused on the following topics during its meetings in 2019: the current performance of the business, the effects of the challenging economic operating environment, measures intended to reduce costs and the capital employed, the implementation of the new GLOBAL PALFINGER ORGANIZATION (GPO), the restructuring of Segment SEA, other projects aimed at integration, restructuring, and expansion, risk management and the internal control system, key sustainability issues, the diversity plan, and the strategic orientation of the PALFINGER Group for the next few years.

Special expertise and experience with respect to sustainability topics are not currently criteria in the selection of new members of the Supervisory and Executive Boards. The Palfinger family, as the principal owner, as well as the Supervisory Board members delegated by the Works Council ensure that sustainability aspects are taken into account by the Supervisory Board. There is no independent assessment of sustainability governance nor a remuneration system based on such criteria in place within the PALFINGER Group at this time.

🌐 GRI 102-18, 102-19, 102-22, 102-24

📄 Management report, Sustainability management, page 45

EXECUTIVE BOARD

The Executive Board of PALFINGER AG comprised three people over the entire fiscal year 2019.

Name	Initial appointment	End of the term of office	Diversity factors ¹⁾
Andreas Klauser (CEO)	6/1/2018	5/31/2023	male; born in 1965; AT
Felix Strohbichler (CFO)	10/1/2017	12/31/2022	male; born in 1974; AT
Martin Zehnder (COO/CTO)	1/1/2008	12/31/2023	male; born in 1967; CH

¹⁾ Diversity factors include gender, age, and nationality.

Andreas Klauser

CEO – Chief Executive Officer (since June 1, 2018)

Born in 1965, Andreas Klauser began his career at STEYR Landmaschinentechnik in Upper Austria. He was responsible for the integration of twelve brands and nine business units in Turin, Italy, as the COO of CNH Industrial for the EMEA region until 2015. Most recently, Klauser was a member of the CNH Industrial board of directors based in the US as well as acting as the Global Brand President of Case IH and STEYR. Andreas Klauser has been the Chief Executive Officer of PALFINGER AG since June 2018. In his capacity as the CEO, his responsibilities include the following areas: Business Development, PALFINGER 21st, Human Resources, Marketing, Communications, Investor Relations, Sustainability, and implementation of the GPO executive project. Furthermore, he is responsible for Segment Sales & Service LAND.

Andreas Klauser has been the Chairman of the Supervisory Board of CTI Holding AG and Chairman of the Supervisory Board of Trivest AG since September 18, 2019.

Felix Strohbichler

CFO – Chief Financial Officer (since October 1, 2017)

Born in 1974, Strohbichler became head of the Legal department of PALFINGER AG in 2000. He went on to hold numerous executive positions in several areas of the PALFINGER Group, most recently that of EMEA Area Manager in charge of Marketing, Sales and Service, Finance, and Controlling. Strohbichler became the Managing Director of B&C Industrieholding GmbH in May 2015 – a position he held until September 2017. In his capacity as CFO of PALFINGER AG, he has been responsible for the areas of Controlling, Accounting, Tax, Treasury, Legal Affairs, Risk Management, Internal Audit, Compliance, and Sales & Operations Planning as well as Information and Communication Technology since October 2017. In addition, he is in charge of Segment SEA.

Martin Zehnder

COO/CTO – Chief Operating Officer and Chief Technology Officer (since January 1, 2008)

Born in 1967, Martin Zehnder began his career at Alstom Schienenfahrzeuge AG in 1984. From 2000 to 2005 he was the Managing Director of Development and Production for Keystone Europe in France. In 2005, Zehnder took charge of all production facilities in the PALFINGER Group as Global Manufacturing Manager. Zehnder has been responsible for the worldwide manufacturing and assembly area as the Chief Operating Officer since January 2008. In addition, his responsibilities have included the following areas since September 2017: Product Line Management, Research & Development, Purchasing, Safety & Quality, and the two executive projects Process Excellence and Turnkey Solutions. He is also responsible for Segment Operations LAND.

Furthermore, Martin Zehnder is a member of the Supervisory Board of Rosenbauer International AG.

🌐 GRI 102-18, 102-20, 102-22, 102-32, 405-1

🌐 NaDiVeG

SUPERVISORY BOARD

In 2019, the Supervisory Board of PALFINGER AG comprised six members elected at the Annual General Meeting and three members delegated by the Works Council. Hubert Palfinger is the Chairman. Gerhard Rauch and Hannes Palfinger are the Deputy Chairmen.

 [Report of the Supervisory Board, page 280](#)

Name	Initial appointment	End of the term of office	Diversity factors ²⁾
Hubert Palfinger (Chairman since 12/10/2013)	4/13/2005	AGM 2020	male; born in 1969; AT
Gerhard Rauch (First Deputy Chairman since 6/6/2016)	3/9/2016	AGM 2021	male; born in 1963; AT
Hannes Palfinger (Second Deputy Chairman since 12/10/2013)	3/30/2011	AGM 2021	male; born in 1973; AT
Hannes Bogner	3/8/2017	AGM 2022	male; born in 1959; AT
Ellyn Shenglin Cai	3/7/2018	AGM 2023	female; born in 1986; CN
Heinrich Dieter Kiener	3/30/2011	AGM 2021	male; born in 1956; AT
Johannes Kücher¹⁾	2/6/2015	¹⁾	male; born in 1963; AT
Alois Weiss¹⁾	2/13/2006	¹⁾	male; born in 1962; AT
Erwin Asen¹⁾	12/20/2017	¹⁾	male; born in 1971; AT

¹⁾ Delegated by the Works Council.

²⁾ Diversity factors include: gender, age and nationality.

Hubert Palfinger

CHAIRMAN OF THE SUPERVISORY BOARD

After 15 years in various companies of the PALFINGER Group, Hubert Palfinger took over the management of Industrieholding GmbH in 2004. He has been a member of the Supervisory Board of PALFINGER AG since 2005 and became Deputy Chairman in September 2008. In 2013, he was elected Chairman of the Supervisory Board. Furthermore, Hubert Palfinger is Managing Director of IC International Consulting GmbH, HP Immobilien GmbH, and Industrieholding GmbH. In addition, he was a member of the Supervisory Board of Salzburger Flughafen GmbH until May 28, 2019.

Gerhard Rauch

FIRST DEPUTY CHAIRMAN

As Managing Partner of the Walser Group, Gerhard Rauch has wide-ranging experience in truck body manufacturing and vehicle construction and has cooperated with the PALFINGER Group in this business area for decades. Furthermore, Gerhard Rauch is co-owner of Rauch Fruchtsäfte GmbH & Co. OG. Since 2016, he has been a member of the Supervisory Board of PALFINGER AG, serving as First Deputy Chairman.

Hannes Palfinger

SECOND DEPUTY CHAIRMAN

After studying business administration and pursuing a career as an athlete, Hannes Palfinger spent three years working for PricewaterhouseCoopers in Vienna as an assistant auditor. From 2007 to 2010, he held an executive position at Palfinger Systems GmbH. Hannes Palfinger is currently Managing Director of both Clear Holding GmbH, HP Immobilien GmbH, Industrieholding GmbH, as well as Audiodata Lautsprecher GmbH. He has been a member of the Supervisory Board of PALFINGER AG since 2011 and has served as Second Deputy Chairman since 2013.

Further positions held by members of the Supervisory Board

HANNES BOGNER

In addition to being a member of the Supervisory Board of PALFINGER AG, Hannes Bogner is a member of the Supervisory Board of Niederösterreichische Versicherung AG.

ELLYN SHENGLIN CAI

In addition to being a member of the Supervisory Board of PALFINGER AG, Ellyn Shenglin Cai is Group Accounting Manager of Sany Heavy Industries Co., Ltd., as well as a member of the Supervisory Board of Putzmeister Holding GmbH.

HEINRICH DIETER KIENER

In addition to being a member of the Supervisory Board of PALFINGER AG, Heinrich Dieter Kiener is Managing Director of Stieglbrauerei zu Salzburg GmbH and a member of the Supervisory Board of Schoellerbank AG. Furthermore, Kiener is a member of the Executive Council of the Federation of Austrian Industries (Industriellenvereinigung) as well as of its Salzburg branch. Mr. Kiener is also a member of the Steering Committee of the Austrian Brewers' Association (Verband der Brauereien Österreichs) as well as a member of the management of the Industry Division of the Salzburg Economic Chamber.

Other than Hubert Palfinger and Hannes Palfinger, none of the Supervisory Board members is a shareholder or stakeholder with an interest of more than 10 percent in PALFINGER AG.

Pursuant to Rule No. 58 of the Austrian Code of Corporate Governance, please note that Ms. Cai was unable to participate in three (out of a total of four) Supervisory Board meetings in 2019 due to scheduling conflicts.

🌐 **GRI 102-22, 102-24, 405-1**

🌐 **NaDiVeG**

🔗 www.palfinger.ag/en/company/management

SUPERVISORY BOARD COMMITTEES

Audit Committee

The decision-making authority of the Audit Committee of PALFINGER AG is in compliance with the provisions of the AktG. In 2019, the Audit Committee held three meetings dealing with the 2018 financial statements, the internal control system, risk management, IFRS/accounting topics, and internal audits as well as cooperation with the independent auditor.

The following people were members of the Audit Committee in 2019: Hannes Bogner (Chairman, financial expert), Hubert Palfinger, Gerhard Rauch, Hannes Palfinger, and Johannes Kücher.

Nomination Committee

The Nomination Committee met regularly in 2019 to discuss in particular the following topics: the collaboration and functioning of the Executive Board, the development of recommendations for the appointment of new members and the appointment of a member to fill a vacancy during the course of the Annual General Meeting 2020.

The following people were members of the Nomination Committee in 2019: Hubert Palfinger (Chairman), Gerhard Rauch, and Hannes Palfinger.

Remuneration Committee

At its regular meetings in 2019, the Remuneration Committee dealt with the remuneration of Executive Board members and provided feedback in discussions with each member of the Executive Board. Furthermore, the Remuneration Committee drafted a resolution proposal regarding the remuneration policy for the Executive Board and the Supervisory Board for the Annual General Meeting 2020.

The following people were members of the Remuneration Committee in 2019: Hubert Palfinger (Chairman), Gerhard Rauch, and Hannes Palfinger.

🌐 GRI 102-18, 102-24

🌐 NaDiVeG

AUDITOR

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, was proposed by the Supervisory Board to be the auditor of the 2019 financial statements and consolidated financial statements of PALFINGER AG and elected by the Annual General Meeting on March 20, 2019.

🌐 GRI 102-56

📄 Auditor's Reports, page 270

DIVERSITY PLAN

PALFINGER understands diversity to include not only the primary dimensions such as origin, cultural background, gender, and generations, but also secondary dimensions such as a person's working style, values, knowledge, and skills. PALFINGER is convinced that diversity, as part of its corporate culture, benefits all stakeholders, not least its employees.

In 2017, PALFINGER revised its diversity strategy for the entire Group. Concrete goals and initiatives were defined in this context in order to further increase the diversity within the PALFINGER Group by 2022. These include the use of English as the common group language, the internationalization and intercultural understanding of the employees at headquarters, family-friendly working conditions, and the global transfer of knowledge by way of greater mobility.

Two defined quantitative targets underpin this diversity plan: The share of representatives of other nationalities at corporate headquarters in Austria should increase considerably so that PALFINGER can benefit more from the numerous advantages provided by a diverse environment. PALFINGER intends to achieve a 20 percent share of non-Austrians at its headquarters by 2022, while still remaining committed to its Austrian roots.

There are currently no women on PALFINGER's Executive Board. However, the Supervisory Board has had one female board member since 2018, and there is likewise one woman in a top management position in the leadership team. In the levels below that, the percentage of female executives is low, and women work primarily in commercial roles. This should change in the medium term. To this end, PALFINGER continues to present itself at job fairs and also specifically addresses prospective female applicants with high potential. Whenever new executive positions are created or existing ones become vacant, PALFINGER actively encourages women to apply for them. PALFINGER is striving to further increase the share of female executives in its training programs. The goal is, at a minimum, to align the proportion of women in the upper management levels with the proportion of women in the PALFINGER Group as a whole by 2022. In 2019, the percentage of women in the Group amounted to 13.6 percent, compared with a 6.9 percent share of women in upper management.

🌐 GRI 405-1

🌐 NaDiVeG

📄 Management report, Responsible employer, page 90;
Detailed GRI and sustainability disclosures, page 225

REMUNERATION REPORT

The remuneration system for the members of PALFINGER'S Executive Board includes fixed and performance-based components. The adequacy was evaluated based on a comparison with companies of the same size and complexity. In 2019, performance-based remuneration was based on the one hand on EBT and on the other hand on a personal assessment on the part of the Supervisory Board as well as the increase in ROCE and the structural cost trend over the long term. The variable remuneration of the Executive Board members constituted on average around 48 percent of their total annual salaries in 2019. For detailed information on remuneration, please refer to the Notes to the consolidated financial statements of this report.

 **Consolidated financial statements, Disclosures of governing bodies and employees, page 214**

Since the resolution adopted at the Annual General Meeting on March 9, 2016, the members of the Supervisory Board have been entitled to the following remuneration:

The members of the Supervisory Board (shareholder representatives) elected at the Annual General Meeting receive EUR 2,500 for each Supervisory Board meeting attended in person. In addition, they receive an annual payment for fiscal 2016 and the subsequent fiscal years (unless a future Annual General Meeting decides otherwise). This payment was determined as follows:

- EUR 45,000 for the Chairman of the Supervisory Board
- EUR 20,000 for the Deputy Chairmen of the Supervisory Board
- EUR 7,000 for each member of the Supervisory Board
- an additional EUR 2,000 for each committee member for each seat they hold on a committee

Insofar as members of the Supervisory Board and/or a committee have not held their seat for the entire fiscal year, their remuneration will be pro-rated (on a monthly basis). Beginning with fiscal year 2017 (base: January 2016), the specified amounts of the attendance fee and fixed remuneration will be indexed to the Consumer Price Index 2010 published by Statistics Austria.

At the Annual General Meeting held on March 7, 2018, it was also decided that the Chairman of the Audit Committee was to receive an annual remuneration of EUR 15,000, which is likewise to be indexed to the Consumer Price Index 2010 published by Statistics Austria beginning with fiscal year 2018 (base: January 2018). If a chairperson has not held their seat on the Audit Committee for an entire fiscal year, their remuneration shall be pro-rated on a monthly basis. A D&O insurance policy for which the annual premiums are paid by PALFINGER AG has been taken out for Supervisory and Executive Board members as well as for other high-ranking executives of the PALFINGER Group.

Fair Business

No Incidents of Corruption

Three Internal Audits

Top Topics

Group policies systematically updated
Compliance training carried out on a continual basis
Consistent, detailed integration
of non-financial topics into the risk area

SDGs

8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



10 REDUCED
INEQUALITIES



FAIR BUSINESS

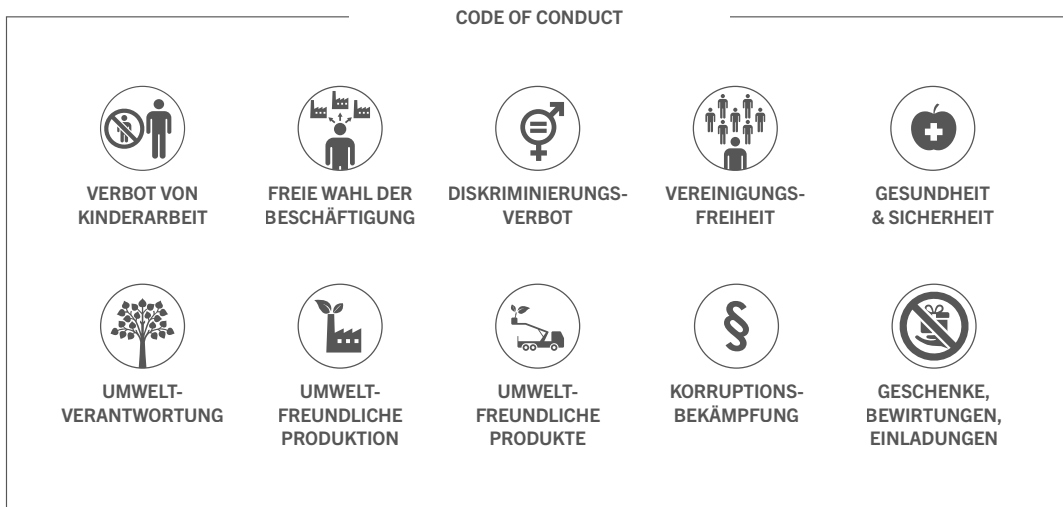
- **The Code of Conduct updated in 2019 applies from 2020**
- **The Group policies were systematically updated**
- **No major instances of corruption were reported in 2019**
- **Three internal audits were conducted in fiscal year 2019**

CORPORATE ETHICS AND PREVENTION OF CORRUPTION

PALFINGER considers human rights violations and corruption to be morally intolerable. They contradict its corporate values and are harmful to the economy – and consequently also to PALFINGER. PALFINGER takes action immediately whenever any irregularities are suspected. PALFINGER has defined a multi-layered catalog of measures to prevent or, if need be, detect any violations.

Code of Conduct and Group policies

The PALFINGER Code of Conduct forms the basis for the fair and ethical conduct of business and governs guidelines for human rights, business ethics, and environmental standards. Agreements with employees, dealers, suppliers and collaborative partners include binding references to the PALFINGER Code of Conduct. This Code of Conduct can be found on PALFINGER’s website.



A project was initiated in 2019 to revise the PALFINGER Code of Conduct. The updated Code applies beginning in 2020 and strengthens PALFINGER’s commitment to conducting business fairly and ethically.

Furthermore, the Group policy system was systematically updated. The Group policies contained therein describe the principles for implementation across the entire PALFINGER Group. Among other things, these Group policies, which were extensively revised in 2019, include principles of conduct for the prevention of corruption and anticompetitive behavior as well as for the giving and receiving of gifts. Awareness for these topics was increased significantly on the basis of training measures.

Based on the current findings, no instances of child labor or forced or compulsory labor were identified at any of PALFINGER’s sites in the reporting 2019 period, nor were any young employees subjected to dangerous work.

Violations of the Code of Conduct and the Group policies are analyzed by the Corporate Governance, Risk, Compliance (GRC) & Internal Audit department in coordination with the Executive Board. Concrete measures are derived from such an analysis on a case-by-case basis.

🌐 GRI 102-16, 102-17, 407-1, 408-1, 409-1

🌐 NaDiVeG

📄 Management report, Risk report, page 81

🔗 www.palfinger.ag/en/code-of-conduct

The principle of dual control and the separation of functions

PALFINGER follows the principles of dual control and the separation of functions. These two principles were anchored more firmly in the Group by the GPO in 2019. Group policies govern the internal approval process (delegation of authorities), taking into account the principles of dual control and the separation of functions. Topicality and implementation are ensured by the heads of the PALFINGER functions and reviewed by the Corporate GRC & Internal Audit department. These Group policies apply for all of PALFINGER's business units and processes.

Communication regarding the Code of Conduct and Group policies

The Corporate GRC & Internal Audit department makes use of the existing internal communications media, such as the PALFINGER internal newsletter and ad-hoc reports, in order to disseminate current topics and new developments within the company. Furthermore, PALFINGER employees are trained in compliance topics as part of a training program.

New or updated Group policies are published over the central Group policy system and communicated to the employees by the Corporate GRC & Internal Audit department as well as by the responsible management. New employees receive collected information regarding the Code of Conduct and the Group policy system over the course of the onboarding process.

Governance, risk management and compliance as well as internal audits

Information regarding the PALFINGER Group's risk situation is gathered in interviews with experts and the responsible management, then assessed and reported to the Executive Board. Measures are defined by the responsible management to actively manage high risks. The implementation of the measures is regularly reviewed by the Corporate GRC & Internal Audit department.

Awareness for such compliance issues is increased through internal training. In addition, an "Integrity Line" enables the anonymous reporting of potential violations of laws and the Group policies. It can be reached over PALFINGER's corporate website. The reports are received by the Corporate GRC & Internal Audit department. In the reporting period, 17 such reports were received and investigated by PALFINGER. Appropriate measures were defined and initiated.

The Corporate GRC & Internal Audit department performs planned audits of the companies of the PALFINGER Group on the basis of the annual audit plan. There were three internal audits in fiscal year 2019. One audit involved PALFINGER sites in Bulgaria and Austria, one took place in Slovenia, and one in Russia. Human rights aspects are also a component of the Code of Conduct. They are regularly reviewed and training on human rights is conducted periodically. The corresponding results were presented to the Executive Board of the PALFINGER Group as well as to the responsible management.

COMPLIANCE VIOLATIONS

Reports of compliance violations are collected in the Corporate GRC & Internal Audit department. As in previous years, no major incidents of corruption were reported at PALFINGER in 2019. No public corruption charges were filed against the company or its employees in the reporting period. Similarly, no major fines were imposed for any violations of legal provisions by PALFINGER. In addition, no pending charges have been lodged against PALFINGER on grounds of anti-competitive conduct.

There are no indications of material violations of environmental laws and regulations, civil and financial laws and regulations regarding health or safety implications on the part of products or services or in connection with product and service information or labeling, and there are likewise no indications of irregularities in connection with marketing or communications measures on the part of PALFINGER in fiscal year 2019.

🌐 GRI 102-17, 205-1, 205-3, 206-1, 307-1, 412-1, 416-2, 417-2, 417-3, 419-1

🌐 NaDiVeG

European data protection provisions

PALFINGER dealt at an early stage with the stricter requirements of the European General Data Protection Regulation (GDPR), which entered into effect on May 25, 2018. A Group Data Protection Officer was appointed at the beginning of 2018 and has since then ensured the implementation and continuous improvement of provisions to comply with the law. In this context, processes are evaluated and entered in the records of processing activities, employees are trained, and their knowledge is tested. The exchange of personal data between companies is regulated in corresponding contracts. An additional position was also established in 2019 to provide support for this area.

CORPORATE GOVERNANCE CODE

PALFINGER satisfies the requirements of the mandatory L-rules (legal requirements) and adheres to nearly all C-rules (comply or explain) of the Austrian Code of Corporate Governance in the version dated January 2018.

Only the requirements for **C-rules no. 39 and no. 53 (independence of the supervisory board and independence of the committee members)** are not met.

For example, PALFINGER AG does not fully adhere to rule no. 53, because criteria for the independence of the Supervisory Board have not been defined. On the contrary, PALFINGER AG publishes personal and qualification profiles of the members of the Supervisory Board and discloses any circumstances that might limit their independence in the Corporate Governance Report of this Integrated Annual Report 2019 as well as on the corporate website of PALFINGER. Any shareholder as well as the general public can gain insight into the qualifications of the members of the Supervisory Board and assess their suitability for this Board on the basis of this information.

The performance of the Supervisory Board members has contributed substantially to the success of PALFINGER AG in recent years. The well-balanced composition of the Supervisory Board and the prudent selection of the individual members based on their professional qualifications and personal qualities as well as their knowledge of the company and of the sector as a whole have been of great importance in this respect. For all of these reasons, PALFINGER AG does not consider it necessary to establish criteria for the independence of its Supervisory Board members.

This approach and point of view also apply with respect to the committee members (rule no. 39).

Bergheim, February 7, 2020

Andreas Klauser

Felix Strohbichler

Martin Zehnder

Chairman of the Executive Board

Chief Financial Officer

Chief Operating and Chief Technology Officer

🌐 GRI 102-22

📄 Consolidated financial statements, Disclosures of business transactions with related parties, page 213

🔗 www.palfinger.ag/en/investors/corporate-governance

DEFINITION OF METRICS AND KEY PERFORMANCE INDICATORS

FINANCES

Capital employed	Reflects capital investment and is calculated as: <ul style="list-style-type: none"> • intangible assets • plus property, plant and equipment, equity interests, and net working capital
Current capital	Current capital is composed of inventories and trade receivables on the assets side and trade payables and advances received on the liabilities side.
EBIT	(Earnings before interest and taxes) is the company's operating result.
EBITDA	(Earnings before interest, taxes, depreciation, and amortization) is the operating result before amortization of intangible assets and depreciation of property, plant and equipment and investment properties.
Earnings per share	The ratio of consolidated profit or loss for the period to the weighted average number of shares in circulation.
EVA	(Economic value added) indicates the increase in the value of the company: <ul style="list-style-type: none"> • ROCE minus WACC • multiplied by average capital employed
Free cash flow	Indicates the amount of cash available, for example, to distribute to shareholders or service debt: <ul style="list-style-type: none"> • cash flows generated from operating and investing activities • plus interest on borrowings • minus tax-deductible interest expenses
Gearing ratio	The indicator of the company's debt: <ul style="list-style-type: none"> • the ratio of net financial debt to equity in percent
Net financial debt	Calculated as: <ul style="list-style-type: none"> • noncurrent and current financial liabilities less <ul style="list-style-type: none"> • long-term and short-term securities • long-term loans • cash and cash equivalents
Net Capex	Capital expenditures in intangible assets, property, plant and equipment, investment property and shareholdings, minus disposals
Net working capital	The absolute surplus of current assets over current liabilities.
NOPLAT	(Net operating profit less adjusted taxes) is calculated as: <ul style="list-style-type: none"> • EBIT • minus taxes on EBIT
ROCE	(Return on capital employed) indicates the rate of return generated on capital invested in the company: <ul style="list-style-type: none"> • ratio of NOPLAT and • average capital employed (from the prior-year reporting date to current reporting date) in percent

WACC | (Weighted average cost of capital) is a measure of the average cost of capital employed (debt and equity)

EMPLOYEES

Full-time equivalent | An employee's total hours worked as stipulated in the employment contract divided by the number of hours worked in a regular full-time schedule. A full-time equivalent of 1.0 is a full-time employee.

Turnover | Defined as the number of employees that have left the company during a certain year, including retirees. Turnover is the number of departures expressed as a percentage of the total headcount at the end of the previous year. This ratio does not take into consideration any new employees joining the company.

Staff absences due to accidents | Staff absences due to accidents are directly measured in hours and include any degree of severity. They are put in relation to the regular working time and full-time equivalents of the company's employees. This rule is deemed to be the uniform mode of calculation, regardless of the respective national calculation rules.

Absences | Three types of absences are measured: absences due to sick leaves, absences due to occupational diseases, and absences for other reasons (doctors' appointments, voluntary service, etc.). Absences are measured in hours and put in relation to the regular working time and full-time equivalents of the company's employees. Sick leaves that are no longer covered by the company itself but by government benefits are not included in this count. This rule is deemed to be the uniform mode of calculation, regardless of the respective national calculation rules.

Training and further education | This refers to any kind of vocational training and education that is not directly provided at the employee's workplace but is carried out internally or externally. The hours of training are expressed as a percentage of full-time equivalents of the company's employees.

Percentage of women in management | This is defined as the number of female employees with disciplinary management responsibilities divided by the total number of managers.

ENVIRONMENT

Index: Energy consumption in relation to revenue | This index shows the efficiency of the internal energy input in relation to the local revenue of the individual site (volume in 2015 = 100%). It takes into account electricity, fuel, heating energy, and process energy. In calculating group-wide indices, the various production plants are weighted by the volume of energy consumed in the reporting period. This index will be adjusted for temperature effects on the basis of the respective previous year beginning with the 2018 reporting period. The index is not adjusted for inflation.

Index: Hazardous waste in relation to revenue | This index shows the intensity of hazardous waste produced in relation to the local revenue of the individual site (volume in 2015 = 100%). In calculating group-wide indices, the various production plants are weighted by the volume of waste produced in the reporting period. The index is not adjusted for inflation.

🌐 GRI 302-3, 403-2

**Major
challenges**
are best
tackled with
holistic
solutions.

CONSOLIDATED STATEMENT OF INCOME

EUR thousand	Note	Jan–Dec 2018	Jan–Dec 2019
Revenue	15	1,615,628	1,753,849
Cost of sales	17, 23, 24, 25	(1,211,502)	(1,321,250)
Gross profit		404,126	432,599
Other operating income	16	19,939	17,220
Research and development costs	18, 24, 25	(34,138)	(38,988)
Distribution costs	19, 24, 25	(122,793)	(130,268)
Administrative costs	20, 24, 25	(127,294)	(135,130)
Other operating expenses	21	(21,491)	(15,849)
Income from entities accounted for using the equity method	22	8,625	19,431
Earnings before interest and taxes – EBIT		126,974	149,015
Interest income	26	1,519	792
Interest expenses from financial liabilities	26	(11,019)	(12,447)
Other interest expenses	26	(1,829)	(2,371)
Currency differences	26	(2,908)	(1,877)
Other financial result	26	(1,689)	12
Financial result		(15,926)	(15,891)
Result before income tax		111,048	133,124
Income tax	27, 69	(34,286)	(35,302)
Result after income tax		76,762	97,822
attributable to shareholders of PALFINGER AG (consolidated net profit or loss)		57,951	80,028
attributable to non–controlling interests		18,811	17,794
EUR			
Earnings per share (undiluted and diluted)	44	1.54	2.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan–Dec 2018	Jan–Dec 2019
Result after income tax		76,762	97,822
Amounts that will not be reclassified to the income statement in future periods			
Re-measurements pursuant to IAS 19	51	1,150	(5,439)
Deferred taxes thereon		(219)	1,326
		931	(4,113)
Amounts that may be reclassified to the income statement in future periods			
Unrealized gains (+)/losses (–) from foreign currency translation of foreign subsidiaries		(12,085)	6,288
Unrealized gains (+)/losses (–) from foreign currency translation of entities accounted for using the equity method/investments held for sale	32	(2,040)	1,142
Unrealized gains (+)/losses (–) from foreign currency translation of long-term loans to foreign subsidiaries (pursuant to IAS 21.15)		1,907	3,161
Deferred taxes thereon		881	(319)
Actual taxes thereon		(764)	(307)
Gains (+)/losses (–) from cash flow hedge	46		
Changes in unrealized profits (+)/losses (–)		(3,789)	(1,062)
Deferred taxes thereon		144	(365)
Actual taxes thereon		749	658
Realized gains (–)/losses (+)		5,319	3,253
Deferred taxes thereon		(450)	(89)
Actual taxes thereon		(833)	(708)
		(10,961)	11,652
Other comprehensive income after income tax		(10,030)	7,539
Total comprehensive income		66,732	105,361
attributable to shareholders of PALFINGER AG		51,078	87,860
attributable to non–controlling interests		15,654	17,501

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	12/31/2018	12/31/2019
Noncurrent assets			
Intangible assets	1, 2, 3, 28, 60	277,304	280,392
Property, plant and equipment	2, 29, 61	339,398	427,673
Investment property	31, 62	288	0
Interests in entities accounted for using the equity method	5, 22, 32	140,689	155,112
Other noncurrent assets	35	1,385	3,963
Deferred tax assets	9, 33, 69	27,045	28,382
Noncurrent financial assets	13, 34, 56, 66	25,199	19,127
		811,308	914,649
Current assets			
Inventories	8, 36, 63	327,440	351,357
Trade receivables	6, 37, 56, 64, 66	227,602	240,417
Contract assets from customer contracts	37, 64	49,238	35,137
Other current receivables and assets	39	37,715	42,440
Income tax receivables	27, 69	6,736	10,511
Current financial assets	13, 38, 56, 66	4,837	5,064
Cash and cash equivalents	40, 56, 66	34,684	42,037
		688,252	726,963
Noncurrent assets held for sale		28,524	0
		716,776	726,963
Assets		1,528,084	1,641,612
Equity			
Share capital	41	37,593	37,593
Share premium	42	86,844	86,844
Retained earnings	44, 45, 46	440,135	496,149
Currency translation adjustments	43	(52,264)	(40,363)
Foreign currency translation reserve from assets held for sale		1,725	0
Total equity of the shareholders of PALFINGER AG		514,033	580,223
Noncontrolling interests	47	41,693	48,869
		555,726	629,092
Noncurrent liabilities			
Noncurrent financial liabilities	49, 56, 66	482,544	522,083
Noncurrent purchase price liabilities from acquisitions	12, 50, 56, 66	9,731	10,562
Noncurrent provisions	10, 51, 67, 68	48,967	61,337
Deferred tax liabilities	33, 69	11,842	11,060
Noncurrent contract liabilities from customer contracts	55	3,841	3,881
Other noncurrent liabilities	52	95	75
		557,020	608,998
Current liabilities			
Current financial liabilities	56, 66	97,840	69,715
Current purchase price liabilities from acquisitions	12, 50, 56, 66	1,355	528
Current provisions	11, 53, 68	21,609	21,186
Income tax liabilities	27, 69	9,939	9,042
Trade payables and other current liabilities	54, 56, 66	260,036	273,198
Current contractual obligations under customer contracts	55	24,559	29,853
		415,338	403,522
Equity and liabilities		1,528,084	1,641,612

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Equity attributable to the shareholders of PALFINGER AG	
		Share capital	Share premium
As of 1/1/2018		37,593	86,844
Total comprehensive income			
Result after income tax		0	0
Other comprehensive income after income tax			
Unrealized gains (+)/losses (–) from foreign currency translation	43	0	0
Re-measurements pursuant to IAS 19	51	0	0
Gains (+)/losses (–) from cash flow hedge	46	0	0
		0	0
		0	0
Transactions with shareholders			
Dividends	45	0	0
Reclassification noncontrolling interests	45, 48, 65	0	0
Addition of noncontrolling interests		0	0
Other changes	42	0	0
		0	0
As of 12/31/2018		37,593	86,844
As of 1/1/2019		37,593	86,844
Total comprehensive income			
Result after income tax		0	0
Other comprehensive income after income tax			
Unrealized gains (+)/losses (–) from foreign currency translation	43	0	0
Re-measurements pursuant to IAS 19	51	0	0
Gains (+)/losses (–) from cash flow hedge	46	0	0
		0	0
		0	0
Transactions with shareholders			
Dividends	45	0	0
Addition of noncontrolling interests		0	0
Disposal of noncontrolling interests		0	0
Other changes		0	0
		0	0
As of 12/31/2019		37,593	86,844

Equity attributable to the shareholders of PALFINGER AG							
Retained earnings				Currency translation adjustments	Total	Noncontrolling interests	Equity
Other retained earnings	Re-measurements pursuant to IAS 19	Valuation reserve pursuant to IFRS 9					
411,704	(11,737)	(5,065)	(41,555)	477,784	32,765	510,549	
57,951	0	0	0	57,951	18,811	76,762	
0	0	0	(8,984)	(8,984)	(3,117)	(12,101)	
0	971	0	0	971	(40)	931	
0	0	1,140	0	1,140	0	1,140	
0	971	1,140	(8,984)	(6,873)	(3,157)	(10,030)	
57,951	971	1,140	(8,984)	51,078	15,654	66,732	
(17,669)	0	0	0	(17,669)	(8,204)	(25,873)	
2,129	0	0	0	2,129	450	2,579	
713	0	0	0	713	1,028	1,741	
(2)	0	0	0	(2)	0	(2)	
(14,829)	0	0	0	(14,829)	(6,726)	(21,555)	
454,826	(10,766)	(3,925)	(50,539)	514,033	41,693	555,726	
454,826	(10,766)	(3,925)	(50,539)	514,033	41,693	555,726	
80,028	0	0	0	80,028	17,794	97,822	
0	0	0	10,176	10,176	(211)	9,965	
0	(4,031)	0	0	(4,031)	(82)	(4,113)	
0	0	1,687	0	1,687	0	1,687	
0	(4,031)	1,687	10,176	7,832	(293)	7,539	
80,028	(4,031)	1,687	10,176	87,860	17,501	105,361	
(19,173)	0	0	0	(19,173)	(10,458)	(29,631)	
0	0	0	0	0	2,408	2,408	
(2,495)	0	0	0	(2,495)	(2,273)	(4,768)	
(2)	0	0	0	(2)	(2)	(4)	
(21,670)	0	0	0	(21,670)	(10,325)	(31,995)	
513,184	(14,797)	(2,238)	(40,363)	580,223	48,869	629,092	

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan–Dec 2018	Jan–Dec 2019
Cash flows from operating activities			
Result before income tax		111,048	133,124
Depreciation, amortization and impairment losses (+)/reversal of impairment losses (–) on noncurrent assets		69,793	74,613
Gains (–)/losses (+) on the disposal of noncurrent assets	16, 21	(469)	(871)
Interest income (–)/interest expenses (+)	26	11,329	14,028
Income from entities accounted for using the equity method	32	(8,625)	(19,431)
Non-cash change in purchase price liabilities	50	2,891	404
Other non-cash income (–)/expenses (+)		9,299	2,778
Increase (–)/decrease (+) of assets		(51,591)	(24,983)
Increase (+)/decrease (–) of provisions		2,076	6,094
Increase (+)/decrease (–) of liabilities		25,250	18,778
Cash flows from ordinary operations		171,001	204,534
Interest received		1,250	604
Interest paid		(11,014)	(11,754)
Dividends received from entities accounted for using the equity method	32	4,638	5,399
Income tax paid		(39,373)	(42,752)
		126,502	156,031
Cash flows from investing activities			
Cash receipts from the sale of intangible assets and property, plant and equipment		4,075	7,891
Cash payments for the acquisition of intangible assets and property, plant and equipment		(99,304)	(95,641)
Cash payments for the acquisition of subsidiaries net of cash acquired ¹⁾		0	316
Cash payments for the acquisition of entities accounted for using the equity method	32	0	(1,050)
Cash receipts from the sale of entities accounted for using the equity method	32	0	28,600
Cash receipts from the disposal of other business units in the previous year	16	1,257	0
Cash receipts from the sale of securities		215	591
Cash payments for the acquisition of securities		0	(51)
Cash receipts for other assets		6,034	5,369
		(87,723)	(53,975)
Cash flows from financing activities			
Dividends to shareholders of PALFINGER AG	45	(17,669)	(19,172)
Dividends to noncontrolling shareholders	47	(8,205)	(10,458)
Cash payments for the acquisition of noncontrolling interests ¹⁾	47, 48	0	(4,768)
Repayment of purchase price liabilities	50	(6,447)	(2,018)
Issue of promissory note loans	49	101,596	0
Repayment of financing for the acquisition of investments		(24,167)	(14,000)
Long-term refinancing of redemptions and maturing short-term loans		30,000	30,000
Repayment of maturing/terminated loans		(90,000)	(20,000)
Repayment of maturing/terminated promissory note loans		(50,000)	(27,000)
Raising of short-term financing		45,000	0
Repayment of current financing		(47,678)	0
Repayment of lease liabilities		0	(11,880)
Cash payments for/cash receipts from other financial liabilities	49	24,489	(15,919)
		(43,081)	(95,215)
Total cash flows		(4,302)	6,841
Free cash flow²⁾		46,775	112,355

1) See scope of consolidation.

2) Sum total of operating cash flows and investing cash flows plus interest on borrowings minus tax-deductible interest on borrowings.

EUR thousand	Note	2018	2019
Funds as of 1/1	40	39,756	34,684
Effects of changes in exchange rates		(770)	512
Total cash flows		(4,302)	6,841
Funds as of 12/31	40	34,684	42,037

SEGMENTS

The Executive Board of PALFINGER AG manages the Group based on the application-related segments Operations LAND, Sales & Service LAND, and SEA. This segment structure follows the strategy pursued by the Executive Board as well as the organizational and management structures and separates the different customer segments, business models, and industry-specific risks.

Beginning in 2019, segment reporting was adapted to reflect the new organizational structure. Since the beginning of the reporting period 2019, PALFINGER has subdivided its business in the previous LAND segment into two new segments: Segment Sales & Service LAND and Segment Operations LAND. Segment SEA will continue to be managed as its own separate segment until the restructuring program is fully completed, upon which time it will be integrated into the new GPO structure in 2020. The HOLDING unit, which as a cost center comprises the Group's administrative expenses and strategic projects for the future, also remained substantively unchanged in 2019. The presentation of the segment reporting for 2018 was adjusted accordingly.

SEGMENT SALES & SERVICE LAND

Segment Sales & Service LAND comprises the business with lifting solutions for use on commercial vehicles (trucks and rail-ways) and includes the regions EMEA, NAM, LATAM, CIS, and APAC. It includes the product lines Cranes, Timber & Recycling, Hooklifts, Platforms, Railway, Truck Mounted Forklifts (TMF), and Taillift.

Segment Sales & Service LAND already encompasses a diversified product portfolio. The strategy pursued in this segment is to maintain market and technology leadership and to introduce customers to PALFINGER's products in regions that are still being built up and are therefore less developed, to further consolidate the Group's distribution and service structures and to expand PALFINGER's share of the market.

SEGMENT OPERATIONS LAND

Segment Operations LAND comprises the production plants and/or the production facilities of the individual companies in connection with all of PALFINGER's product lines for use on land.

SEGMENT SEA

Segment SEA encompasses all operations in connection with ships, offshore facilities, and wind energy plants. The Segment SEA operates globally and comprises a region from PALFINGER's perspective. This segment includes PALFINGER's maritime product lines: Marine & Wind Cranes, Davits, Boats, and Offshore, Lifting & Handling Solutions (OLHS). The marine business is largely characterized by global structures. With 25 PALFINGER service centers in the most important ports all over the world, the Service business in the Marine area is a central component of Segment SEA.

In 2019, the Rope Access area was increasingly integrated into the Marine Service area of the PALFINGER Group.

HOLDING UNIT

The HOLDING unit encompasses the expenses for group-wide functions related to the Group's administration as well as costs for strategic future projects incurred by the Holding company. No revenue is reported in the HOLDING unit.

Carrying amounts

The carrying amounts for the purposes of segment reporting correspond to the accounting policies applied for the IFRS consolidated financial statements. The operating result (EBIT) is reported as the segment result.

In previous years, PALFINGER used the metrics Current Capital and/or Current Capital Ratio to manage its current capital commitment. Since the beginning of 2018, Capital Employed and its influencing factors and/or Return on Capital Employed (ROCE) have been increasingly used for corporate management purposes instead. Capital Employed (reporting date) is composed of intangible assets, property, plant and equipment, investments in entities accounted for using the equity method, noncurrent operating assets, and net working capital.

 [Group management report, page 76](#)

Transfer pricing

Transfer prices are determined in accordance with the OECD Guidelines. The application of the arm's length principle and the principle of transparency is the first priority when determining transfer prices. In order to guarantee arm's length conditions, written contracts are required for intra-group deliveries and services.

Deliveries between subsidiaries are billed at the cost of production based on standard capacity utilization plus a markup derived from a standardized functional and risk analysis.

Services are subdivided into different groups and then either billed on a cost basis (final invoice, cost contribution arrangement, agreed flat rate) or using the markup method. Whether a markup may be charged depends on the specific allocability of the service as well as on whether it is a recurring routine function.

Unallocated amounts

Group financing and investment (financial receivables and liabilities, cash and cash equivalents as well as financial expenditure and income) are managed uniformly for the entire Group rather than being allocated to the individual segments.

Jan–Dec 2018

EUR thousand	SALES & SERVICE LAND	OPERATIONS LAND	SEA	HOLDING	Consolidation	Unallocated amounts	Total
External revenue	1,285,566	113,796	216,266	0	0	0	1,615,628
Internal revenue	0	887,595	21,297	0	(908,892)	0	0
Total revenue	1,285,566	1,001,391	237,563	0	(908,892)	0	1,615,628
Depreciation, amortization and impairment	(16,210)	(30,410)	(19,764)	(3,391)	0	0	(69,775)
thereof impairment	(4,603)		(5,749)	0	0	0	(10,352)
Income from entities accounted for using the equity method	6,846	1,780	0	0	0	0	8,626
EBIT	145,000	32,890	(29,078)	(21,838)	0	0	126,974
Capital employed assets	531,589	419,161	249,632	(128,906)	0	0	1,071,476

Jan–Dec 2019

EUR thousand	SALES & SERVICE LAND	OPERATIONS LAND	SEA	HOLDING	Consolidation	Unallocated amounts	Total
External revenue	1,448,433	112,955	192,461	0	0	0	1,753,849
Internal revenue	0	899,871	18,008	0	(917,879)	0	0
Total revenue	1,448,433	1,012,826	210,469	0	(917,879)	0	1,753,849
Depreciation, amortization and impairment	(20,907)	(32,707)	(14,892)	(6,122)	0	0	(74,628)
thereof impairment	0	0	0	0	0	0	0
Income from entities accounted for using the equity method	11,980	7,451	0	0	0	0	19,431
EBIT	155,021	31,677	(8,200)	(29,483)	0	0	149,015
Capital employed assets	600,312	433,998	245,792	(125,314)	0	0	1,154,788

The following table shows revenue broken down by product group:

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Loader Cranes	920,954	1,008,280
Hydraulic Systems	694,674	745,569
Revenue	1,615,628	1,753,849

The product line Loader Cranes is primarily composed of the products Cranes, Stiff Boom Cranes, Timber and Recycling, Marine and Wind Cranes, and the related Service business. The Hydraulic Systems product group comprises, among other things, the products Taillifts, Platforms, Hooklifts, Truck Mounted Forklifts, and Railway as well as Marine products such as Davits, Boats, Offshore, Lifting and Handling Solutions, and the related Service business.

No single external customer contributes more than 10 percent to external revenue.

Revenue broken down by geographical area is presented in Note (15).

INFORMATION ON GEOGRAPHICAL AREAS

Noncurrent assets can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Intangible assets		
Germany	37,291	36,830
France	16,458	16,325
Austria	73,213	85,328
Netherlands	3,863	3,593
Norway	70,309	62,541
Remaining foreign countries	11,697	10,655
Romania	6,392	6,146
Russia	20,274	22,584
Spain	5,998	5,479
USA	15,109	14,375
United Arab Emirates	16,700	16,536
	277,304	280,392
Property, plant and equipment		
Brazil	6,605	6,165
Bulgaria	40,446	51,644
Germany	27,106	32,174
France	4,427	6,201
Austria	91,443	121,084
Canada	4,732	4,700
Korea	5,604	5,022
Norway	4,448	8,963
Remaining foreign countries	29,707	46,091
Romania	28,494	31,269
Russia	27,678	35,296
Slovenia	27,779	30,993
USA	40,929	48,071
	339,398	427,673
Investment property		
Germany	288	0
	288	0
Other noncurrent assets		
Argentina	5	9
Brazil	176	2,633
Denmark	22	20
Germany	74	213
France	72	72
India	55	55
Austria	497	416
Remaining foreign countries	342	384
Russia	68	109
USA	74	52
	1,385	3,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

PALFINGER AG, headquartered at 5101 Bergheim near Salzburg, Austria, Lamprechtshausener Bundesstrasse 8, is the publicly listed parent of a group of companies. The main business activity is the production and sale of innovative lifting solutions for use on commercial vehicles and in the maritime field.

The consolidated financial statements of PALFINGER AG for the year ended December 31, 2019, were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the Interpretations of IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). As these consolidated financial statements meet the criteria laid down in section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB), the Company is not obliged to prepare financial statements in accordance with the provisions of the Austrian Commercial Code. All additional requirements set forth under section 245a(1) UGB have been satisfied.

These consolidated financial statements were prepared as of the reporting date of the parent company PALFINGER AG. The fiscal year corresponds to the calendar year. The financial statements of the individual Austrian and foreign companies included in the consolidated financial statements were prepared as of the reporting date of the consolidated financial statements. The only exception was the associated company SANY Automobile Hoisting Machinery Co., Ltd. Since the relevant information regarding this company is not available until after PALFINGER has published the respective consolidated financial statements, it was decided that the results of the respective previous quarter would always be used when preparing the consolidated financial statements. Any significant events that take place between the date of the quarterly financial information included in these consolidated financial statements and the reporting date are disclosed accordingly.

Uniform accounting policies are applied throughout the Group. The consolidated financial statements were prepared based on the assumption that the Company would continue as a going concern. Items are aggregated for the sake of clarity in the consolidated balance sheet, the consolidated income statement, the statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows. These same items are then listed and explained separately in the notes based on the principle of materiality.

The consolidated balance sheet is classified in accordance with IAS 1, separating current from noncurrent assets and liabilities. Assets and liabilities are classified as current if they are expected to be realized or settled within twelve months of the balance sheet date. The consolidated income statement is prepared based on the cost of sales (function of expense) method.

For the sake of clarity and comparability, all figures in the consolidated financial statements are expressed in thousands of euros as a general rule. The rounding of individual items and percentages can lead to minor differences in calculated amounts.

The consolidated financial statements and the separate financial statements of the entities included in the consolidated financial statements are published in accordance with statutory requirements. The consolidated financial statements of PALFINGER AG for the year ended December 31, 2019, were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, Austria. The consolidated financial statements for the year ended December 31, 2019, were approved for submission to the Supervisory Board on February 7, 2020, by the Executive Board of PALFINGER AG. It is the Supervisory Board's task to review the consolidated financial statements and state whether it approves the consolidated financial statements for the year ended December 31, 2019.

CONSOLIDATION POLICIES

Scope of consolidation

PALFINGER AG prepares the consolidated financial statements for the PALFINGER Group. The consolidated financial statements comprise the financial statements of PALFINGER AG and the financial statements of the entities controlled by PALFINGER AG as of December 31 of each year. Control has been established if an entity has the right to direct an investee's relevant activities, if it generates variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associated companies and joint ventures are included in the consolidated financial statements using equity method accounting. An associated company is an entity over which PALFINGER AG may exercise significant influence by participating in its financial and operating policy decisions but over which it has neither control nor joint control. There is a rebuttable presumption that the investor holds 20 to 50 percent of voting rights. A joint venture is a joint arrangement between PALFINGER and one or more other partners under which the parties having joint control of the joint venture hold rights to the net assets of this entity.

The 7.5 percent (as of December 31, 2018: 10 percent) interest in SANY Automobile Hoisting Machinery Co., Ltd., is included in the consolidated financial statements as an associated company using equity method accounting. The significant influence results from rights granted to PALFINGER by way of contract, such as the right to participate in material decision-making processes, including the determination of the dividend amount, veto rights on individual major decisions, the provision of technical expertise, and representation in the supervisory body. The sale of 2.5 percent of the interest in SANY Automobile Hoisting Machinery Co., Ltd., in January 2019 does not have any influence on these rights (see (32) Interests in entities accounted for using the equity method).

The scope of consolidation, including PALFINGER AG as the parent company, is disclosed in the investment overview.

 [List of Shareholdings, page 221](#)

REORGANIZATIONS

The following reorganizations did not have any effect on the scope of consolidation:

The merger of Palfinger Boats Vietnam Co., Ltd., with Palfinger Marine Vietnam Co., Ltd., was carried out in January 2019.

In March 2019, the equity interest in SAHM was reduced by 2.5 percentage points; as a result, the Singaporean entity Palfinger Asia Pacific Pte. Ltd. now holds 7.5 percent of the shares of SAHM.

Furthermore, the Polish entity Palfinger Marine LSE Poland sp.z.o.o. was renamed Palfinger Poland sp.z.o.o. effective March 18, 2019.

In May 2019, the Qatari entity Megarme Qatar WLL was renamed Palfinger Marine Doha.

LIQUIDATIONS

The liquidation of Dreggen (Hong Kong) Company Ltd. was completed in January 2019.

Furthermore, the liquidation of Noreq LLC in the US was finalized on January 23, 2019.

The Dutch entity Palfinger Projects BV was liquidated in October 2019.

The liquidations, which were carried out in 2019, led to a total deconsolidation result of EUR 1 thousand.

NONCONTROLLING INTERESTS

The Austrian entity Palfinger S. Units GmbH took over the remaining 23 percent interest in the Italian entity Palfinger Platforms Italy s.r.l. from the noncontrolling shareholder Sky Aces srl effective April 11, 2019, for a purchase price of EUR 1,350 thousand and is thus the sole shareholder. The difference between the purchase price and the carrying amount of the non-controlling interest was EUR – 802 thousand and was recognized directly to equity in retained earnings. In addition, an additional 40 percent interest in the Argentinian entity Andrés N. Bertotto S.A.I.C (Hidro-Grubert) was acquired from five local shareholders in December 2019 over the Austrian entity Palfinger Americas GmbH by exercising a call option. The means to control the company had already existed on the basis of the call option, exercisable at any time since 2017, and the company has already been consolidated since January 1, 2017. The purchase price amounted to EUR 3,418 thousand; the difference between the purchase price and the carrying amount of the non-controlling interest was EUR – 2,679 thousand and was recognized directly to equity in retained earnings.

ACQUISITIONS 2018/19

On December 19, 2018, the contracts for the acquisition of a 51 percent interest in UAV Structural Inspection GmbH, Austria, were signed. The company's name was then changed to Palfinger Structural Inspection GmbH. This company is a service provider in the area of construction inspection through the combined use of drones, multispectral sensors, artificial intelligence, and three-dimensional data processing, resulting in competitive advantages, such as a significant decrease in the time required for an inspection and the fact that it is no longer necessary to block traffic access to the construction site. The transaction closed on January 8, 2019. The cash purchase price was EUR 752 thousand. It was also agreed that Palfinger would make capital contributions to Palfinger Structural Inspection GmbH of EUR 2,153 thousand, contingent upon the attainment of stipulated technical and commercial criteria. Of that amount, 49 percent (EUR 1,056 thousand), which will be attributable to noncontrolling interests after the contribution, must be considered as part of the purchase price as contingent compensation. Due to consolidation effects, the remaining 51 percent has no impact on the consolidated financial statements. The first half of the contingent capital contributions were paid in August 2019, the remainders expected to be paid out at the beginning of 2020. The purchase price primarily reflects the fair value of the company's assets, which largely comprise technology and patents.

The purchase price allocation based on the determined fair value is presented below as of the acquisition date:

EUR thousand	2019
Purchase price paid in cash	752
Contingent consideration	1,205
Net assets attributable to noncontrolling interests	1,880
Subtotal	3,837
Net assets	(3,837)
Goodwill	0

EUR thousand	Fair value
Noncurrent assets	
Intangible assets	2,689
	2,689
Current assets	
Other current receivables and assets	753
Cash and cash equivalents	1,068
	1,821
Noncurrent liabilities	
Deferred tax liabilities	672
	672
Current liabilities	
Trade payables and other current liabilities	1
	1
Net assets	3,837

The net cash flow from the acquisition can be presented as follows:

EUR thousand	2019
Cash flows from operating activities	
Transaction costs	(100)
Cash flows from investing activities	
Purchase price paid in cash	(752)
Cash and cash equivalents	1,068
Net cash flows from the acquisition	216

The acquisition has contributed EUR 59 thousand to consolidated revenue since the first-time consolidation date. It has contributed EUR – 420 thousand to consolidated net profit or loss.

The carrying amounts of the acquired net assets remain unchanged from the acquisition date.

JOINT VENTURE

In June 2019, PALFINGER entered into an agreement with the Chinese lifeboat manufacturer Neptune to establish a distribution joint venture. The transaction is expected to close in the first half of 2020.

INTERESTS IN ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD

PALFINGER and SANY signed an agreement in 2018 for the repurchase of shares in SANY Automobile Hoisting Machinery Co., Ltd. held by PALFINGER. As part of a cross shareholding arrangement, PALFINGER acquired 10 percent of SANY Automobile Hoisting Machinery Co., Ltd., in 2014, of which 2.5 percent have now been repurchased by SANY at a purchase price of EUR 28.6 million. The 2.5-percent interest was already presented as available-for-sale as of December 31, 2018. See Note 31. The disposal resulted in a gain of EUR 1.8 million, the majority of which resulted from the recycling of currency translation reserves for the 2.5-percent interest. After this transaction, PALFINGER has a 7.5 percent interest in SANY Automobile Hoisting Machinery Co., Ltd., while SANY continues to hold a 7.5 percent interest in PALFINGER. This will not lead to any changes in PALFINGER's contractual rights and therefore PALFINGER continues to have significant influence. The transaction closed in March 2019.

Consolidation method

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is calculated as the sum of consideration transferred, measured at fair value as of the acquisition date, and the noncontrolling interest in the acquired entity. For each business combination, PALFINGER AG measures the noncontrolling interests in the acquiree either at fair value or at the corresponding share of the acquiree's identifiable net assets. Costs incurred in connection with the business combination are recorded as expense.

When the PALFINGER Group acquires a business entity, it determines the proper classification and designation of the financial assets and assumed liabilities in accordance with the terms and conditions of the contract, the economic circumstances, and the general conditions prevailing on the acquisition date.

For business combinations achieved in stages, the equity interest in the entity previously held by PALFINGER AG is remeasured at fair value as of the acquisition date, and the resulting gain or loss is recognized through profit or loss.

The agreed conditional consideration is recognized at the acquisition date fair value. Subsequent changes in the fair value of contingent consideration representing an asset or liability are recognized through profit or loss in accordance with IFRS 3.58.

Goodwill is initially measured at cost, determined as the excess of the consideration transferred plus the fair value of the previously held noncontrolling interests over the Group's identifiable assets and liabilities acquired. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized through profit or loss.

After the initial recognition, goodwill is measured at cost less cumulative impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated beginning with the acquisition date to each of the Group's cash-generating units that are expected to benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquiree are assigned to those cash-generating units.

If goodwill is assigned to a cash-generating unit and an operation representing part of this unit is sold, the goodwill attributable to the disposed operation is taken into account as a component of the operation's carrying amount when determining the gain or loss on the disposal of this operation. The value of the disposed portion of goodwill is determined based on the relative values of the disposed operation and the portion remaining with the cash-generating unit.

The net income as well as assets and liabilities of associated companies and joint ventures are included in the consolidated financial statements using equity method accounting. Investments in associated companies or joint ventures are reported in the balance sheet at cost after adjustment for changes in the Group's share of net assets after the acquisition date and for impairment losses. Losses exceeding the Group's investments in associated companies or joint ventures are not recognized unless the Group bears the economic risk. Goodwill related to the associated company or joint venture is included in the carrying amount of this share and is neither amortized nor subjected to a separate impairment test.

Any change in the amount of the interest held in a subsidiary not resulting in loss of control is accounted for as an equity transaction.

Intragroup accounts receivable and payable, income and expenses, and intercompany profits and losses are fully eliminated.

Currency translation within the Group

The consolidated financial statements are prepared in euros, the functional currency of PALFINGER AG.

Monetary assets and liabilities denominated in a foreign currency are translated to the functional currency at every reporting date using the exchange rate prevailing on the reporting date. All exchange rate differences are recognized in profit or loss. Nonmonetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing on the transaction date. Nonmonetary items that are measured at fair value in a foreign currency are translated at the exchange rate applicable when the fair value is determined.

Financial statements prepared in foreign currencies are translated in accordance with IAS 21 based on the concept of the functional currency. The assets and liabilities are translated from the functional currency into euros at the average exchange rate prevailing on the balance sheet date. Goodwill arising from the acquisition of foreign subsidiaries is assigned to the acquired company and translated at the average exchange rate prevailing on the balance sheet date. The line items of the income statement of the consolidated foreign entities are translated using average rates for the period.

Differences arising from the currency translation of the proportionate equity are recognized directly in other comprehensive income. These exchange rate differences are recognized through profit or loss when a foreign entity is deconsolidated. Exchange rate differences attributable to noncontrolling interests are offset against noncontrolling interests.

Noncurrent financial receivables from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are treated as a part of the net investment in the respective foreign subsidiary. Differences arising from the currency translation of such items are recognized directly in other comprehensive income. Upon disposal of the net investment, such exchange rate differences are reclassified from equity to profit or loss.

The following exchange rates are of particular importance for the consolidated financial statements:

1 euro equals	Reporting date rate		Average exchange rate	
	12/31/2018	12/31/2019	Jan–Dec 2018	Jan–Dec 2019
BRL	4.4440	4.5157	4.3294	4.4273
CAD	1.5605	1.4598	1.5329	1.4882
GBP	0.8945	0.8508	0.8860	0.8773
NOK	9.9483	9.8638	9.6268	9.8524
RMB	7.8751	7.8205	7.8156	7.7353
RUB	79.7153	69.9563	74.1711	72.7949
USD	1.1450	1.1234	1.1793	1.1214

STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME OR IN THE FUTURE

The following new, revised and/or supplemented IASB Standards and IFRS IC Interpretations must be applied for the first time in the fiscal year 2019.

Standards/Interpretations	Mandatory application in the EU	Endorsement status
Annual Improvements to IFRS Standards 2015-2017 Cycle (published in December 2017)	January 1, 2019	endorsed in March 2019
Amendments to IAS 19: Plan Amendment, Curtailment of Settlement (published in February 2018)	January 1, 2019	endorsed in March 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (published in October 2017)	January 1, 2019	endorsed in February 2019
IFRIC 23 Uncertainty over Income Tax Treatments (published in June 2017)	January 1, 2019	endorsed in October 2018
Amendments to IFRS 9: Prepayment Features with Negative Compensation (published in October 2017)	January 1, 2019	endorsed in March 2018
IFRS 16 Leases (published in January 2016)	January 1, 2019	endorsed in November 2017

IFRS 16 LEASES

IFRS 16, which supersedes IAS 17, contains new rules for the accounting treatment of leases. Effective immediately, lessees must recognize assets (rights to use the leased assets) and liabilities for most leases in the balance sheet, regardless of whether they were classified as operating leases or finance leases based on the criteria of the previously applicable IAS 17. IFRS 16 is to be applied for fiscal years beginning on or after January 1, 2019.

The first-time application of IFRS 16 will not have any effect on compliance with the covenants contained in the currently existing contracts for promissory note loans and loan agreements. PALFINGER applied IFRS 16 for the first time effective January 1, 2019, opting to use the modified retrospective method for its first-time application. The cumulative effect from the change was presented accordingly as a correction of the opening balance for the reporting period without adjusting the prior year's comparative figures. Lease liabilities were stated at the present value of the outstanding lease payments and right-of-use assets at the amount of the recognized lease liability, adjusted for advance payments and accrued lease payments. PALFINGER is adopting the expedient solution of applying IFRS 16 to all contracts entered into prior to January 1, 2019, that were defined as leases under IAS 17 and IFRIC 4. As a matter of exception, PALFINGER likewise opted not to include any initial direct costs when measuring right-of-use assets. In accordance with this exception, as of January 1, 2019, leased assets of low value (for example, printers, laptops, cellular phones, and other office equipment), short-term leases with a term of less than twelve months, and leases with

a remaining term of less than twelve months are not capitalized but instead recognized as expense proportionately over time. In addition, IFRS 16 is not applied to intangible assets.

The most significant effect on the consolidated financial statements will be the new capitalization of assets and liabilities for operating leases and the rental of office, production, and warehouse facilities as well as machines and vehicles, which will result in a significant increase in noncurrent assets and total assets as well as an increase in net financial debt as of the date of first-time application. Right-of-use assets are subsequently measured at cost less cumulative depreciation and impairment write-downs. The lease liabilities were discounted at the present value of the outstanding lease payments and recognized at the incremental borrowing rate. The weighted incremental borrowing rate on January 1, 2019, was 2.2 percent.

Consolidated Balance Sheet

EUR thousand	12/31/2019 as reported	Adjustments IFRS 16	12/31/2019 without IFRS adjustments
Property, plant and equipment	427,673	(59,143)	368,530
Other current receivables and assets	42,440	55	42,495
Total Assets	1,641,612	(59,088)	1,582,524
Equity	629,092	386	629,478
Noncurrent financial liabilities	522,083	(48,419)	473,664
Deferred tax liabilities	11,060	141	11,201
Current financial liabilities	69,715	(11,196)	58,519
Equity and liabilities	1,641,612	(59,088)	1,582,524

Consolidated Income Statement

EUR thousand	Jan–Dec 2019 as reported	Adjustments IFRS 16	Jan–Dec 2019 without IFRS adjustments
Earnings before interest and taxes – EBIT	149,015	(839)	148,176
Financial result	(15,891)	1,366	(14,525)
Result before income tax	133,124	527	133,651
Income tax	(35,302)	(141)	(35,443)
Result after income tax	97,822	386	98,208
Consolidated net profit or loss	80,028	386	80,414
Earnings per share (undiluted and diluted)	2.13		2.14

EUR thousand

Obligations under operating leases and rentals according to IAS 17, shown as of 12/31/2018	60,762
Discounting	(5,513)
Short-term leases	(2,366)
Leased assets of low value	(1,899)
Adjustment due to extension and termination options	13,692
Lease liabilities from contracts with availability date 1/1/2019	2,100
Index adjustments and other	(494)
Lease liabilities as of 1/1/2019	66,282
of which current	11,274
of which noncurrent	55,008

The capitalized right-of-use assets can be broken down into the following asset categories:

EUR thousand	1/1/2019	12/31/2019
Properties and plants	60,490	53,642
Other equipment, machinery and office equipment	1,614	1,264
Vehicles	4,270	4,237
Total rights of use	66,374	59,143

The type of expenses incurred in connection with these leases and rentals will also change, as IFRS 16 replaces recognition of lease and rental payments on a straight-line basis with depreciation of the right-of-use asset and interest expense for the lease liability. At the same time, cash flows from operating activities will improve as payments for rentals and leases will be divided into repayments of principal and interest, with the former reported as cash flows from financing activities.

The adjustment effect under IFRS 16 as of January 1, 2019, can be presented as follows:

EUR thousand	12/31/2018	Adjustments IFRS 16	1/1/2019
Property, plant and equipment	339,398	66,374	405,772
Other current receivables and assets	37,715	(92)	37,623
Total Assets	1,528,084	66,282	1,594,366
Noncurrent financial liabilities	482,544	55,008	537,552
Current financial liabilities	97,840	11,274	109,114
Equity and liabilities	1,528,084	66,282	1,594,366

Right-of-use assets are reported under property, plant and equipment. Lease liabilities are recognized in the line items for noncurrent and current financial liabilities.

IFRIC INTERPRETATION 23: UNCERTAINTY OVER INCOME TAX TREATMENTS

The Interpretation is to be applied to the accounting treatment of income taxes in accordance with IAS 12 Income Taxes when there is uncertainty with respect to income tax treatment. It does not apply for taxes or levies that do not fall under the scope of application of IAS 12 and does not contain any provisions regarding interest or late payment fees in connection with uncertain tax treatments. The Interpretation deals in particular with the following topics:

- Decision regarding whether an entity should consider uncertain tax treatments separately
- Assumptions an entity makes about the examination of tax treatments by taxation authorities
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates
- Consideration of changes in facts and circumstances

The Group must decide whether it will consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments, choosing the approach that better predicts the resolution of the uncertainty. The Group largely makes discretionary decisions in the identification of uncertainties with respect to income tax treatment. Since the Group operates in a complex international environment, it examined whether the Interpretation had an effect on its consolidated financial statements.

For the first-time application of the Interpretation, the PALFINGER Group considered whether there are uncertain tax issues – in particular in connection with transfer pricing. In the tax returns of Palfinger AG and its Group companies submitted in various countries, deductions were made in connection with transfer pricing based on the current OECD transfer pricing guidelines and/or corresponding national regulations. Based on an analysis of tax compliance and transfer pricing, the PALFINGER Group considered whether the respective taxation authorities were likely to accept each respective treatment. Based on the analyses conducted as well as past experience with national tax audits, PALFINGER AG came to the conclusion that implementation of IFRIC 23 has no effect on the PALFINGER Group's consolidated financial statements.

The following new, revised and/or supplemented IASB Standards and IFRS IC Interpretations of potential relevance for PALFINGER have been issued, but their application is not yet mandatory and/or they have not yet been endorsed by the European Commission. It is currently not planned to apply these Standards ahead of time. For this reason, they are not relevant for these consolidated financial statements:

Standards/Interpretations	Mandatory application
Amendments to References to the Conceptual Framework in IFRS Standards (published in March 2018)	January 1, 2020
Amendment to IFRS 3 Business Combinations (published in October 2018)	January 1, 2020
Amendments to IAS 1 and IAS 8: Definition of Material (published in October 2018)	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (published in May 2019)	January 1, 2020
IFRS 17 Insurance Contracts (published in May 2017)	January 1, 2021
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (published in January 2020)	January 1, 2022

USE OF ESTIMATES AND DISCRETIONARY DECISIONS

The preparation of the consolidated financial statements requires the use of estimates and assumptions that can influence the stated values of assets, liabilities, and financial obligations as of the balance sheet date as well as the income and expenses for the financial year. The actual values may differ from these estimates. The principle of a true and fair view is applied unconditionally in the use of all estimates. There is considerable risk associated with some of the most important assumptions regarding the future and other key sources of estimation uncertainty at the balance sheet date that it will be necessary to significantly adjust the carrying amounts of assets and liabilities within the next fiscal year; these assumptions and estimates are disclosed below.

(1) Purchase price allocations

Purchase price allocations made in the course of business acquisitions require assumptions as to the existence and measurement of the assets acquired (in particular intangible assets) and liabilities and contingent liabilities assumed. Assumptions – in particular regarding cash flows and the discount rate – are used when determining fair values in the course of the purchase price allocation.

(2) Impairment of nonfinancial assets

The impairment tests performed by PALFINGER with respect to goodwill, intangible assets with indefinite useful lives and unfinished capitalized development projects are based on calculations of value in use, for the purpose of which a discounted cash flow model was applied. The recoverable amount depends highly on the discount rates used under the discounted cash flow model and the expected future cash inflows. Impairment losses on nonfinancial assets are reported in the line items for amortization and impairment of intangible assets and depreciation and impairment of property, plant and equipment. Further details on the impairment of nonfinancial assets can be found under Note (28) Intangible assets and Note (29) Property, plant and equipment.

(3) Development costs

Development costs are capitalized in accordance with the presented accounting policies. The initial capitalization of costs is based on the management's assessment that technical and economic feasibility has been demonstrated. As a rule, this is the case if a product development project has reached a certain milestone in an existing project management model. For the purpose of determining the amount to be capitalized, the management makes assumptions regarding the volume of future cash flows expected from the project, the discount rates to be applied, and the period in which the inflow of future benefits is expected. The capitalized development costs relate primarily to development activities in the areas of Cranes, Platforms, Taillifts, Services, Railway Systems, Offshore Cranes, Davits, and Boats. The impairment test is based on the use of the individual asset regardless of the profit expectations of the unit as a whole. Further details on capitalized development costs can be found under Note (28) Intangible assets.

(4) Determination of the duration and interest rate of leases – the Group as lessee

The Group determines the duration of the lease based on the noncancelable base term of the lease as well as by factoring in the periods arising from an option to extend the lease if it is sufficiently certain that the Group will exercise such an option, or the periods arising from an option to terminate the lease if it is sufficiently certain that the Group will not exercise such an option. The Group has entered into multiple leases that include options to extend and terminate the lease. It makes discretionary decisions when assessing whether there is sufficient certainty that the option to extend or to terminate the lease will be exercised or not exercised, i.e. it considers all relevant factors representing an economic incentive for the Group to exercise the option to extend or to terminate the lease. These discretionary decisions must be scrutinized and reevaluated as circumstances change, which can result in an adjustment of the lease term and thus to adjustments to the lease liability and the right of use asset. After the provision date, the Group determines the term of the lease once again if a significant event or a change in circumstances has occurred that lies within its control and has an influence on whether it will exercise the option to extend or terminate the lease (e.g. carrying out major tenant's improvements or a material adjustment of the underlying asset). In addition, options to extend motor vehicle leases are not included in the term of the lease, since as a rule the Group leases vehicles for a period of not more than five years and consequently does not exercise options to extend such leases. Furthermore, periods associated with an option to terminate a lease are only included in the term of the lease if it is sufficiently certain that the option will not be exercised. If the exchange of a right-of-use assets is associated with high costs or expense, it is considered sufficiently certain as a rule that the option to extend the lease will be exercised.

Please see Note (30) Leases for details regarding potential future lease payments for periods occurring after the date on which the option to extend or terminate a lease is exercised that are not factored into the lease term.

Lease payments are discounted using the interest rate implied in the lease as long as it can be readily determined. Otherwise – and this is generally the case in the Group – the lessee's incremental borrowing rate is applied. This incremental borrowing rate is the interest rate the respective lessee would have to pay to borrow funds to purchase an asset of comparable value for a comparable term with comparable collateral in a comparable economic environment.

(5) Interests in entities accounted for using the equity method

Assumptions and estimates are made with respect to the assessment of impairment in the case of interests in entities accounted for using the equity method. The recoverability of the interest in entities held in connection with SANY (SANY Automobile Hoisting Machinery, Sany Palfinger SPV Equipment, and Palfinger Sany International Mobile Cranes Sales) accounted for using the equity method depends on the development of the Chinese economy, the success of the internationalization strategy, and the economic development of the sales markets of Palfinger Sany International Mobile Cranes Sales. In China, the recoverability of these interests is influenced primarily by the development of the construction industry. Increasing urbanization, the necessary infrastructure projects resulting therefrom, the increase in wage costs, and the increased profitability of the automation of lifting, loading, and unloading operations will play a vital role in this regard. In the international markets, there are various political and macroeconomic risks that might have an impact on the recoverability of the interest held in connection with the partnership with SANY (also see in this regard Scope of consolidation). The carrying amounts and further details regarding interests in entities accounted for using the equity method can be found under Note (32) Interests in entities accounted for using the equity method.

(6) Measurement of receivables

In addition to the standardized measurement of receivables based on an analysis of historical data and an assessment of future developments, taking into account the number of days overdue and country risk, the likelihood of receiving payment is assessed for the application of specific valuation allowances on receivables, whereby in particular previous experience with the specific customers, their creditworthiness, and any collateral provided are taken into account. Impairment losses on receivables and contract assets are presented in Note (37) Trade receivables and contract assets from contracts with customers. Uncollectible receivables are derecognized.

(7) Revenue recognition from contract manufacturing and rendering of services

Revenue from contract manufacturing and the rendering of services is accounted for based on the percentage-of-completion method. When applying this method, PALFINGER estimates the percentage of services already rendered by the balance sheet date in proportion to the overall scope of the orders and the order costs yet to be incurred. Expected losses are immediately realized as expense if the total contract costs are likely to exceed the contract revenue. There is a risk in particular in the case of technically complex and demanding projects that the actual costs incurred may deviate from this estimate of total costs. Further details on revenue recognition from contract manufacturing and the rendering of services can be found under Note (15) Revenue and Note (37) Trade receivables and contract assets from contracts with customers.

(8) Measurement of inventories

A standardized obsolescence measurement method was implemented in order to account for the risk of obsolescence. In addition to actual and planned consumption, minimum inventories, and inventory range specifications, this method also takes into account alternative uses of materials. Furthermore, the economic benefit of inventories on hand is also reviewed on a case-by-case basis and, if necessary, additional allowances are recorded on the basis of long-term storage, limited distribution channels, or defects in quality. In addition, a systematic review of finished goods is carried out with a view to achieving loss-free measurement, which is basically characterized by the expected sales prices, currency developments, the date of sale, and the costs yet to be expected. Further details on allowances for inventories can be found under Note (36) Inventories.

(9) Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carry forwards to the extent that it is likely that taxable income will be available for this purpose so that the loss carry forwards can in fact be used. In the case of loss carry forwards not subject to expiration, their usability within the next five years is taken as the decisive factor. Important discretionary decisions must be made by the management with respect to the anticipated time of occurrence and the amount of future taxable income as well as future tax planning strategies when determining the amount of the deferred tax assets that can be capitalized. Further details regarding deferred taxes can be found under Note (33) Deferred tax assets and liabilities.

(10) Pensions, severance payments, and anniversary bonuses

Expenses for defined benefit plans and statutory obligations upon the termination of employment as well as entitlements to anniversary bonuses are determined on the basis of actuarial calculations. The actuarial assessment is based on assumptions regarding discount rates, future increases in wages and salaries, mortality, and future increases in pension payments. All assumptions are reviewed at the end of every reporting period. The PALFINGER management uses long-term market interest rates when determining an adequate discount rate. The mortality rate is based on publicly available mortality tables for the corresponding country. Future increases in wages and salaries as well as pension payments are based on the future inflation rates expected for the country in question. Further details regarding the assumptions used are presented in Note (51) Noncurrent provisions.

(11) Provisions for guarantee and warranty expenses

When forming provisions for guarantee and warranty expenses, guarantee and warranty obligations are taken into consideration using a standardized method. This method is significantly influenced by the timing of warranty claim, specific product replacement campaigns, reimbursement rates for suppliers, the development of the revenue subject to warranty, and assumptions regarding gross profit margins on the basis of the implemented warranty process. Provisions for guarantee and warranty expenses are presented in Note (53) Current provisions.

(12) Purchase price liabilities from business acquisitions

Purchase price liabilities from business acquisitions include purchase price portions not yet payable that depend on the future development of the earnings of the acquired entities. Therefore, a change in the expected underlying values can lead to an adjustment of the carrying amounts recognized in profit or loss. These estimates are based on the PALFINGER Group's strategic corporate planning for the medium term. For details, please refer to Note (50) and the disclosures regarding financial instruments (56).

(13) Cash flow hedge

With respect to the accounting treatment of cash flow hedges for future cash flows, it is assumed that these cash flows are highly likely to occur. Hedge accounting is discontinued if the expected transaction is no longer expected to occur. Details can be found under Note (56) Financial instruments.

(14) Changes in estimates

No material changes were made to estimates in fiscal year 2019.

NOTES TO THE CONSOLIDATED INCOME STATEMENT**(15) Revenue****Jan–Dec 2018**

EUR thousand	Operations LAND	Sales & Service LAND	SEA	PALFINGER Group
EMEA	95,825	774,719	134,290	1,004,834
NAM	4,728	310,710	24,503	339,941
LATAM	2,741	41,882	4,358	48,981
CIS	9,031	89,614	17,614	116,259
APAC	1,470	63,970	35,499	100,939
Revenue from contracts with customers (IFRS 15)	113,795	1,280,895	216,264	1,610,954
Revenue other	0	4,674	0	4,674
Revenue total	113,795	1,285,569	216,264	1,615,628

Jan–Dec 2019

EUR thousand	Operations LAND	Sales & Service LAND	SEA	PALFINGER Group
EMEA	93,063	859,500	123,032	1,075,595
NAM	6,143	372,976	26,707	405,826
LATAM	3,691	51,023	6,684	61,398
CIS	8,827	97,899	13,231	119,957
APAC	1,231	61,309	22,807	85,347
Revenue from contracts with customers (IFRS 15)	112,955	1,442,707	192,461	1,748,123
Revenue other	0	5,726	0	5,726
Revenue total	112,955	1,448,433	192,461	1,753,849

The geographical areas are broken down according to the customers' registered offices, and the geographical areas have been adjusted in accordance with the GPO. Other revenue includes in particular revenue from the rental business. Revenue was generated in the amount of EUR 84,547 thousand (previous year: EUR 85,812 thousand) in Austria, PALFINGER's country of origin.

Revenue increased in the European Union, in particular in Austria, Germany, France, and Italy. The increase in NAM relates in particular to the US.

Expected future revenue from performance obligations under existing contracts that have not been (or not fully) satisfied as of the reporting date amounts to:

EUR thousand	2018	2019
Within one year	31,620	23,663
More than one year	17,618	11,474
Expected future revenue	49,238	35,137

EUR thousand	Operations LAND		Sales & Service LAND		SEA	
	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019
Revenue invoiced	113,795	112,955	1,242,891	1,421,190	114,448	134,174
Revenue from contract manufacturing and rendering of services	0	0	42,678	27,243	101,816	58,287
Revenue	113,795	112,955	1,285,569	1,448,433	216,264	192,461

Revenue from contract manufacturing decreased, in particular in Segment SEA. Revenue from services originates from Megarme and the service companies in the SEA region and relates to services that were realized based on the percentage of completion.

(16) Other operating income

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Income from the disposal of intangible assets and property, plant and equipment	989	1,917
Income from charges for services	2,117	1,843
Currency differences	8,378	6,635
Insurance recoveries	1,460	607
Rental income	327	256
Income from the sale of advertising material	467	429
Income from business transactions with employees	321	914
Income from other grants	1,083	563
Miscellaneous other operating income	4,796	4,056
Other operating income	19,939	17,220

Please refer to Note (56) Financial instruments, No. 3 Foreign exchange risk, for more information on exchange rate differences.

(17) Cost of sales

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Changes in inventories and own work capitalized	10,954	16,275
Cost of materials and purchased services	(807,802)	(890,201)
Personnel expenses	(266,904)	(298,126)
Depreciation, amortization and impairment	(45,371)	(49,831)
Outgoing freight costs	(23,105)	(24,220)
Guarantees and warranties	(12,228)	(13,454)
Repairs and maintenance	(15,062)	(16,918)
Rentals and leases	(7,730)	(2,509)
Commissions	(6,259)	(4,423)
Contract workers and other third-party services	(10,682)	(10,114)
Energy infrastructure	(7,158)	(8,093)
Travel expenses	(5,813)	(6,589)
Vehicle fleet	(3,493)	(2,993)
Consultancy services	(2,045)	(2,812)
Office and IT expenses	(3,165)	(3,358)
Miscellaneous other expenses	(5,639)	(3,884)
Cost of sales	(1,211,502)	(1,321,250)

The cost of sales rose somewhat less than revenues. The gross profit margin thus decreased from 25.0 percent to 24.7 percent.

(18) Research and development expenses

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Changes in inventories and own work capitalized	16,505	15,487
Cost of materials and purchased services	(3,010)	(572)
Personnel expenses	(37,106)	(39,864)
Depreciation, amortization and impairment	(1,683)	(2,016)
Income from research grants	1,950	1,376
Consultancy services	(4,969)	(6,753)
Contract workers and other third-party services	(2,284)	(2,472)
Travel expenses	(1,210)	(1,691)
Office and IT expenses	(1,583)	(1,634)
Miscellaneous other expenses	(748)	(849)
Research and development costs	(34,138)	(38,988)

Research and development expenses include research expenses, development expenses that cannot be capitalized, and product management costs.

Amortization charges and impairment write-downs of development costs are reported under cost of sales in the amount of EUR 11,346 thousand (previous year: EUR 8,883 thousand). Therefore, research and development expenses amounted to a total of EUR 50,334 thousand (previous year: EUR 43,021 thousand).

(19) Distribution costs

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Changes in inventories and own work capitalized	(18)	(145)
Cost of materials and purchased services	(1,714)	(1,526)
Personnel expenses	(69,961)	(81,916)
Depreciation, amortization and impairment	(16,098)	(9,681)
Advertising, representation and market costs	(11,591)	(14,001)
Travel expenses	(7,881)	(8,640)
Contract workers and other third-party services	(1,955)	(1,831)
Vehicle fleet	(3,150)	(2,709)
Transport costs	(2,240)	(2,037)
Consultancy services	(2,011)	(2,917)
Office and IT expenses	(1,655)	(1,547)
Miscellaneous other expenses	(4,519)	(3,318)
Distribution costs	(122,793)	(130,268)

(20) Administrative costs

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Changes in inventories and own work capitalized	196	778
Cost of materials and purchased services	(250)	(88)
Personnel expenses	(69,247)	(70,971)
Depreciation, amortization and impairment	(6,623)	(13,100)
Consultancy services	(12,245)	(15,694)
Contract workers and other third-party services	(7,099)	(8,323)
Office and IT expenses	(7,586)	(7,829)
Travel expenses	(4,139)	(4,029)
Vehicle fleet	(1,834)	(1,094)
Advertising, representation and market costs	(2,344)	(2,833)
Rentals and leases	(4,606)	(1,243)
Taxes other than on income	(3,035)	(2,953)
Insurance	(3,328)	(3,886)
Repair and maintenance	(1,703)	(2,158)
Miscellaneous other expenses	(3,451)	(1,707)
Administrative costs	(127,294)	(135,130)

FEES CHARGED BY THE AUDITOR

The following fees for services provided in fiscal year 2019 by the Group auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. and the companies of the global Ernst & Young network were recorded as expenses:

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Audit of the consolidated financial statements and related certification services (including reviews)	(1,027)	(904)
thereof Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	(275)	(255)
Tax advice	(180)	(202)
Other services	(29)	(35)
Fees charged by the auditor	(1,236)	(1,141)

(21) Other operating expenses

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Losses on the disposal of intangible assets and property, plant and equipment	(555)	(1,046)
Losses on receivables and impairment allowances	(3,291)	(2,941)
Currency differences	(9,533)	(4,480)
Losses	(498)	(67)
Expenses in connection with other income	(784)	(123)
Allocation provision purchase price liabilities	(1,560)	(404)
Allocation provision for legal disputes	(671)	(649)
Contractual and other penalties	(1,050)	(268)
Miscellaneous other operating expenses	(3,549)	(5,871)
Other operating expenses	(21,491)	(15,849)

(22) Income from entities accounted for using the equity method

Net income from associated companies and joint ventures accounted for using the equity method can be broken down as follows:

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Share in net profit or loss for the period	9,536	17,630
Impairment/disposal of shares	(911)	0
Income from disposal	0	76
Gain on exchange from the recycling of currency translation gains from OCI	0	1,725
Income from entities accounted for using the equity method	8,625	19,431

The impairment loss recorded in 2018 relates to the write-off in full of the 20 percent interest in Sky Steel Systems LLC.

The income from disposal as well as the gain on exchange from recycling of currency translation gains from OCI relates to the disposal of the 2.5-percent interest in SANY Automobile Hoisting Machinery.

(23) Cost of materials and purchased services

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Cost of materials	(750,875)	(825,693)
Cost of purchased services	(61,901)	(66,694)
Cost of materials and purchased services	(812,776)	(892,387)

Please refer to Note (36) Inventories regarding the impairment write-downs on inventories included in the cost of materials. Cost of materials relates mainly to metal components such as sheets, pipes, and profiles as well as purchased parts and electrical and hydraulic components.

(24) Personnel expenses

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Wages and salaries	(345,433)	(384,808)
Expenses for severance payments	(3,373)	(4,097)
Pension expenses	(3,945)	(4,333)
Expenses for statutory social security contributions, payroll-related levies and mandatory contributions	(69,974)	(75,567)
Other social costs	(20,492)	(22,072)
Personnel expenses	(443,217)	(490,877)

Expenses for severance payments include expenses under defined contribution plans in the amount of EUR 1,405 thousand (previous year: EUR 1,214 thousand). These include expenses for payments to employee pension funds in the amount of EUR 1,405 thousand (previous year: EUR 1,182 thousand).

Pension expenses include expenses under defined contribution plans in the amount of EUR 3,331 thousand (previous year: EUR 2,974 thousand).

(25) Amortization and impairment of intangible assets and depreciation and impairment of property, plant and equipment and investment properties

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Depreciation and amortization	(59,422)	(74,628)
Impairment losses	(10,352)	0
Depreciation of property, plant and equipment, investment property, amortization of intangible assets and impairment expenses	(69,774)	(74,628)

Please refer to the Notes (28) Intangible assets, (29) Property, plant and equipment, (30) Leases, and (31) Investment properties for more information on the development of depreciation, amortization and impairment.

The impairment loss in 2018 relates primarily to the Megarme brand, which is no longer used due to its integration into the marine service business, as well as to the OMAHA STANDARD brand (see Note (28) for more information).

(26) Net interest income and other financial result

Net interest income and other financial result can be broken down as follows:

Jan–Dec 2018		Financial instruments pursuant to IFRS 9	
EUR thousand	Total	Financial asset at amortized cost	Financial liabilities at amortized cost
Interest income	1,519	1,519	0
Interest expenses from financial liabilities	(11,019)	0	(11,019)
Other interest expenses	(1,829)	0	0
Net interest income	(11,329)	1,519	(11,019)
Valuation of financial liabilities	(1,591)	0	0
Income from the disposal of financial assets	35	0	0
Loss from the disposal of financial assets	0	0	0
Reversal of impairment losses on financial assets	0	0	0
Impairment of financial assets	(133)	(114)	0
Currency differences	(2,908)	(433)	(238)
Net profit or loss	(4,597)	(547)	(238)
Financial result	(15,926)	972	(11,257)

Jan–Dec 2019		Financial instruments pursuant to IFRS 9	
EUR thousand	Total	Financial asset at amortized cost	Financial liabilities at amortized cost
Interest income	792	792	0
Interest expenses from financial liabilities	(12,447)	0	(11,051)
Other interest expenses	(2,371)	0	0
Net interest income	(14,026)	792	(11,051)
Valuation of financial liabilities	0	0	0
Income from the disposal of financial assets	54	0	0
Loss from the disposal of financial assets	(41)	0	0
Reversal of impairment losses on financial assets	0	0	0
Impairment of financial assets	(1)	0	0
Currency differences	(1,877)	(659)	657
Net profit or loss	(1,865)	(659)	657
Financial result	(15,891)	133	(10,394)

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Financial instruments pursuant to IFRS 9					
Fair value through OCI	Fair value through P&L/other derivatives	Other noncurrent provisions and purchase price liabilities	Noncurrent provisions pursuant to IAS 19	Finance lease	
0	0	0	0	0	0
0	0	0	0	0	0
0	0	(1,075)	(754)	0	0
0	0	(1,075)	(754)	0	0
0	0	(1,591)	0	0	0
35	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(19)	0	0	0	0	0
0	(2,460)	223	0	0	0
16	(2,460)	(1,368)	0	0	0
16	(2,460)	(2,443)	(754)	0	0

Financial instruments pursuant to IFRS 9					
Fair value through OCI	Fair value through P&L/other derivatives	Other noncurrent provisions and purchase price liabilities	Noncurrent provisions pursuant to IAS 19	Leases IFRS 16	
0	0	0	0	0	0
0	0	0	0	0	(1,396)
0	0	(1,577)	(794)	0	0
0	0	(1,577)	(794)	0	(1,396)
0	0	0	0	0	0
54	0	0	0	0	0
(1)	0	(40)	0	0	0
0	0	0	0	0	0
(1)	0	0	0	0	0
0	(1,875)	0	0	0	0
52	(1,875)	(40)	0	0	0
52	(1,875)	(1,617)	(794)	0	(1,396)

(27) Income tax

As in the previous year 2018, the tax rate applicable for the parent company PALFINGER AG remains 25 percent.

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Actual tax expense (–)/income (+)	(33,619)	(37,562)
thereof from previous years	(914)	(3,136)
thereof from the use of previously unused tax loss carry forwards	565	491
Deferred income tax expense (–)/income (+)	(667)	2,260
thereof from previous years	0	3,430
thereof from the recognition of tax loss carry forwards from previous years	0	104
thereof due to tax rate changes	(121)	(122)
thereof from the adjustment of tax loss carry forwards	(532)	(308)
Income tax	(34,286)	(35,302)

The difference between the computed income tax expense and the actual income tax expense for the fiscal year as shown in the consolidated income statement is calculated as follows:

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Result before income tax	111,048	133,124
Tax rate of the Group	25.0%	25.0%
Calculated tax expense	27,762	33,281
Adjustment to foreign tax rates	(115)	(355)
Tax reduction due to		
Research and education allowances	(514)	(98)
Investment grants and other government aid	(422)	(300)
Tax rate changes	(321)	(251)
Tax-free income from investments accounted for using the equity method	(2,574)	(4,858)
Reversal of non-taxable provisions	0	(325)
Other tax-reducing factors	(3,692)	(1,531)
Recognition and use of loss carry forwards from previous years	(565)	(491)
Taxes not related to an accounting period	(2,030)	(3,897)
Reversal of allowances on deferred taxes	(239)	0
Measurements of investments and intra-group measurements of receivables	(12,532)	(6,413)
	(22,889)	(18,164)
Tax increase due to		
Tax rate changes	1,041	741
Non-capitalized loss carry-forwards	13,289	5,737
Allowances on loss carry-forwards	532	308
Non-tax-deductible expenses	8,907	5,653
Allocation non-taxable provisions	859	773
Minimum taxes	111	2
Taxes not related to an accounting period	2,542	3,580
Non-deductible withholding taxes	259	1,522
Measurements of investments and intra-group measurements of receivables	1,749	2,007
Different tax rate	211	17
Other tax-increasing factors	28	28
Allowances for deferred taxes	0	172
	29,528	20,540
Income tax	34,286	35,302

NOTES TO THE CONSOLIDATED BALANCE SHEET

(28) Intangible assets

The development of intangible assets can be broken down as follows:

EUR thousand	Goodwill
Acquisition cost	
As of 1/1/2018	229,991
Additions	0
Disposals	0
Reclassifications	0
Foreign currency translation	(3,443)
As of 12/31/2018	226,548
As of 1/1/2019	226,548
Acquisitions	0
Additions	0
Disposals	0
Reclassifications	0
Foreign currency translation	3,194
As of 12/31/2019	229,742
Accumulated depreciation, amortization and impairment	
As of 1/1/2018	82,398
Amortization	0
Impairment losses	0
Disposals	0
Foreign currency translation	(894)
As of 12/31/2018	81,504
As of 1/1/2019	81,504
Amortization	0
Impairment losses	0
Disposals	0
Foreign currency translation	731
As of 12/31/2019	82,235
Carrying amounts	
As of 12/31/2018	145,044
As of 12/31/2019	147,507

Intangible assets with indefinite useful lives	Development costs	Brands, customer base and order backlog	Other intangible assets	Prepayments	Total
27,879	99,855	84,266	27,824	22	469,837
0	17,007	0	1,829	11	18,847
0	(44)	0	(86)	0	(130)
0	195	0	1,209	(20)	1,384
(192)	(344)	(1,291)	(208)	(2)	(5,480)
27,687	116,669	82,975	30,568	11	484,458
27,687	116,669	82,975	30,568	11	484,458
0	2,689	0	0	0	2,689
0	15,755	0	2,272	29	18,056
0	(10,306)	0	(61)	0	(10,367)
0	0	0	1,242	(11)	1,231
547	387	1,469	71	0	5,668
28,234	125,194	84,444	34,092	29	501,735
0	34,244	48,136	19,285	0	184,066
0	8,883	5,790	2,707	0	17,380
7,490	0	0	0	0	7,490
0	(7)	0	(77)	0	(84)
181	(186)	(632)	(167)	0	(1,698)
7,671	42,934	53,294	21,748	0	207,154
7,671	42,934	53,294	21,748	0	207,154
0	11,346	5,488	2,999	0	19,831
0	0	0	0	0	0
0	(7,759)	0	(60)	0	(7,819)
159	140	1,113	34	0	2,177
7,830	46,661	59,895	24,721	0	221,343
20,016	73,735	29,681	8,820	11	277,304
20,404	78,533	24,549	9,371	29	280,392

GOODWILL

Due to the realignment of the organizational structure and segment reporting, the cash-generating units in LAND were reorganized in fiscal year 2019. As a result, it was also necessary to reassign the goodwill. The reassignment of goodwill was based on the ratio of useful lives of the groups of cash-generating units, Operations LAND and Sales & Service LAND.

The goodwill resulting from business combinations relates to the following groups of cash-generating units based on the new structure, whereby the presentation for 2018 was adjusted to the new structure. For comparison, the values are again stated here before the allocation for the year 2018:

EUR thousand	12/31/2018
Business area EMEA cash-generating unit	48,741
Business area Marine cash-generating unit	74,379
Business area CIS cash-generating unit	13,735
Business area Americas cash-generating unit	8,189
Goodwill	145,044

EUR thousand	12/31/2018	12/31/2019
Operations LAND	52,406	54,170
Sales & Service LAND	18,259	18,396
SEA	74,379	74,941
Goodwill	145,044	147,507

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangible assets with indefinite useful lives result from business combinations and are comprised as follows:

EUR thousand	12/31/2018	12/31/2019
Sales & Services LAND		
MBB brand	5,840	5,840
American Roll-off brand	602	613
ETI brand	4,974	5,071
Hidro-Grubert brand	257	166
INMAN brand	1,427	1,626
Velmarsh brand	2,098	2,391
	15,198	15,707
Operations LAND		
Nimet brand	4,818	4,697
	4,818	4,697
Intangible assets with indefinite useful lives	20,016	20,404

As the management intends to continue using the brands resulting from business combinations for an indefinite period of time, thereby rendering it impossible to determine the useful lives of these intangible assets, these intangible assets were assigned indefinite useful lives.

The Megarme brand was written off at the end of 2018, because the Rope Access segment was being integrated into the Marine service business under the PALFINGER brand, and the Megarme brand will no longer be used. The brand strategy was also reviewed while implementing the new organizational structure (GLOBAL PALFINGER ORGANIZATION), and it was decided to replace the OMAHA STANDARD product brand in the NAM region with the uniform PALFINGER brand in the future; consequently, it was likewise written off at the end of 2018. The recoverability of the other recognized intangible assets with indefinite useful lives was confirmed through the performance of impairment tests.

The recoverable amount of the cash-generating units is determined by calculating a value in use on the basis of an estimate of the future cash flows for a period of four years. The cash flows are then extrapolated using a growth rate. The growth rates applied in 2019 were 0.8 percent for Operations LAND , 0.8 percent for Sales & Service LAND and 0.8 percent for SEA. A strategic corporate plan was prepared in 2019.

The discount rates applied are in line with the weighted cost of capital typical for the market as well as with the cost of capital adjusted to specific risks on the basis of externally available capital market data and are presented in the following table in comparison with the corresponding discount rates for the previous year:

In percent	Pre-tax discount rate 2018
Cash Generating Unit Business Area EMEA	10.1
Cash Generating Unit Business Area Marine	10.2
Business area Americas cash-generating unit	11.8
Cash Generating Unit Business Area GUS	16.4

In percent	Pre-tax discount rate 2019
Operations LAND	9.9
Sales & Service LAND	9.9
SEA	9.9

A sensitivity analysis has found that even if the discount factor increases by 1 percentage point, the carrying amounts in all CGUs will still be covered and that there will be no need for impairment write-downs. The sensitivity analysis also determined that if the EBITs for the years 2019 to 2022 decrease by 10 percent with all other parameters remaining unchanged, the carrying amounts in all CGUs will still be covered and there will be no need for impairment write-downs.

No impairment tests were conducted for cash-generating units containing no goodwill or intangible assets with indefinite useful lives, as there was no indication of potential impairment. There is estimation uncertainty with respect to the assumptions underlying the calculation of the values in use of the cash-generating units. Gross profit margins are determined using the amounts that factor into rolling planning based on the experience of the current year. Thus, corporate planning is based on previous results as well as on current forecasts of future market developments.

DEVELOPMENT COSTS

In the fiscal year 2019, PALFINGER capitalized development costs in the amount of EUR 15,755 thousand (previous year: EUR 17,007 thousand) as internally generated intangible assets.

BRANDS, CUSTOMER BASE, AND ORDER BOOK

In fiscal year 2019, amortization was recognized on brands, customer bases and order books in the amount of EUR 5,488 thousand (previous year: EUR 5,790 thousand).

(29) Property, plant and equipment

The changes in property, plant and equipment can be broken down as follows:

EUR thousand	Land and buildings
Acquisition cost	
As of 1/1/2018	227,079
Additions	7,919
Additional capitalization	291
Disposals	(345)
Reclassifications	17,091
Foreign currency translation	(1,927)
As of 12/31/2018	250,108
As of 1/1/2019	250,108
IFRS 16 initial application	0
Additions	6,100
Disposals	(209)
Reclassifications	15,709
Foreign currency translation	2,020
As of 12/31/2019	273,728
Accumulated depreciation, amortization and impairment	
As of 1/1/2018	74,182
Depreciation	8,103
Impairment losses	0
Additional capitalization	0
Disposals	(175)
Reclassifications	(207)
Foreign currency translation	61
As of 12/31/2018	81,964
As of 1/1/2019	81,964
Depreciation	9,212
Disposals	(62)
Reclassifications	0
Foreign currency translation	551
As of 12/31/2019	91,665
Carrying amounts	
As of 12/31/2018	168,144
As of 12/31/2019	182,063

Right-of-use assets	Undeveloped land	Plant and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
0	1,967	227,930	110,182	32,712	599,870
0	857	14,831	18,202	39,810	81,619
0	339	(10)	(7)	1	614
0	(428)	(6,997)	(8,016)	(254)	(16,040)
0	(930)	20,057	2,976	(40,580)	(1,386)
0	24	(2,847)	429	(902)	(5,223)
0	1,829	252,964	123,766	30,787	659,454
0	1,829	252,964	123,766	30,787	659,454
66,374	0	0	0	0	66,374
5,412	0	16,495	19,799	34,025	81,831
(2,180)	0	(9,666)	(10,100)	(53)	(22,208)
0	(140)	11,357	3,078	(31,235)	(1,231)
501	0	2,706	1,051	380	6,658
70,107	1,689	273,856	137,594	33,904	790,878
0	(231)	147,502	66,311	0	287,764
0	19	18,499	14,185	1,411	42,217
0	0	2,290	377	0	2,667
0	355	(3)	(3)	0	349
0	(47)	(5,205)	(6,067)	0	(11,494)
0	0	78	129	0	0
0	(12)	(1,522)	122	(96)	(1,447)
0	84	161,639	75,054	1,315	320,056
0	84	161,639	75,054	1,315	320,056
11,044	0	18,288	16,250	0	54,794
(90)	0	(7,522)	(7,421)	0	(15,095)
0	0	(279)	279	0	0
10	0	1,816	1,092	(19)	3,450
10,964	84	173,942	85,254	1,296	363,205
0	1,745	91,325	48,712	29,472	339,398
59,143	1,605	99,914	52,340	32,608	427,673

Additions relate in particular to the expansion of production capacities in Austria, Bulgaria, Romania, Slovenia and Poland as well as to replacement investments.

Land and buildings include the land value of developed properties in the amount of EUR 34,983 thousand (previous year: EUR 33,519 thousand). Prepayments and assets under construction are reported at cost and represent assets with a total cost of EUR 30,161 thousand (previous year: EUR 27,623 thousand) that were under construction as of the balance sheet date.

A purchase option agreement was entered into in 2012, obligating and/or entitling PALFINGER to acquire additional parcels with a square area of around 19,000 square meters next to the plot of land where the new corporate headquarters is located after five or ten years following the planned rezoning of the plots of land (i.e. for the first time in October 2018). The exercise price of the option to acquire these additional properties amounts to EUR 4,353 thousand plus an adjustment for inflation up to the date on which the purchase option is exercised.

As in the previous year, no borrowing costs on qualifying assets were capitalized in the reporting period.

In the fiscal year 2019, no government grants (previous year: none) were recognized as reductions of acquisition and/or manufacturing costs in accordance with IAS 20.

As of December 31, 2019, no property, plant and equipment (previous year: none) was pledged as collateral for liabilities.

(30) Leases

The right-of-use assets accounted for in accordance with IFRS 16 are reported in the balance sheet under property, plant and equipment. Lease liabilities are reported in the balance sheet under noncurrent and current financial liabilities. The following changes were recorded for the right-of-use assets shown under property, plant and equipment:

Right-of-use

EUR thousand	Land and buildings	Equipment and machinery	Operating and office equipment	Vehicles	Total
As of 1/1/2019	0	0	0	0	0
Adjustments IFRS 16	60,489	1,280	334	4,271	66,374
As of 1/1/2019	60,489	1,280	334	4,271	66,374
Additions	2,763	423	0	2,226	5,412
Depreciation, amortization and impairment	(8,304)	(568)	(163)	(2,009)	(11,044)
Disposals	(1,789)	(45)	0	(256)	(2,090)
Foreign currency translation	484	1	0	6	491
As of 12/31/2019	53,643	1,091	171	4,238	59,143

The following changes were recorded for noncurrent and current lease liabilities:

Leases	2019
EUR thousand	
As of 1/1	0
Adjustments IFRS 16	66,282
As of 1/1	66,282
Currency differences	631
Additions	5,412
Disposals	(2,196)
Interest expenses	1,366
Payments	(11,880)
As of 12/31	59,615
of which current	11,196
of which noncurrent	48,419

The consolidated income statement includes the following amounts from leases:

EUR thousand	2019
Depreciation on right-of-use assets	(11,044)
Interest expenses for lease liabilities	(1,366)
Expense for leases for which the underlying asset is of low value, accounted for pursuant to IFRS 16.6	(581)
Expense for short-term leases, accounted for pursuant to IFRS 16.6	(3,170)
Expenses for variable lease payments not included in the lease liability	0
Income from the subleasing of right-of-use assets	478
Gains/losses from sale-and-lease-back transactions	0
Recognized in profit or loss	(15,683)

Total cash outflows for leases amount to EUR 15,631 thousand in fiscal year 2019.

The right-of-use assets reported for leasing activities are primarily rents for various office, production, and warehouse buildings as well as land and company cars. The contractual terms depend on the specific underlying right of use and include options to extend and terminate the lease. The lease payments for such options are included in the lease liability if it is sufficiently certain that the lease will be extended or it is unlikely that the right to terminate the lease will be exercised.

The potential future cash outflows from unexercised options to extend in the next 5 years and/or 10 years relate to options with respect to land and building rents:

Lease payments from non exercised options	12/31/2019
Up to 5 years	9,030
Up to 10 years	9,021

The exercise of extension options is not sufficiently certain as of December 31, 2019.

There are no material residual value guarantees or limitations with respect to right-of-use assets from leases.

(31) Investment property

The investment property was sold on January 30, 2019, at a sales price of EUR 570 thousand.

Up to the date of the sale, the investment property had acquisition costs in the amount of EUR 832 thousand (previous year: EUR 832 thousand) and a carrying amount of EUR 286 thousand (previous year: EUR 288 thousand).

Depreciation charges amounted to EUR 2 thousand (previous year: EUR 20 thousand) for the fiscal year. At the date of the sale, the fair value of the investment property was EUR 570 thousand (previous year: EUR 570 thousand).

The lease of the investment property resulted in rental income of EUR 6 thousand (previous year: EUR 77 thousand) as well as directly attributable operating expenses of EUR 0 thousand (previous year: EUR 27 thousand).

(32) Interests in entities accounted for using the equity method

The group of entities included in the consolidated financial statements using the equity method is presented in the list of shareholdings.

EUR thousand	2018	2019
As of 1/1	167,266	140,689
Capital increase	0	1,050
Share in net profit or loss for the period	9,536	17,630
Impairment losses	(911)	0
Dividends	(4,638)	(5,399)
Foreign currency translation	(2,040)	1,142
Reclassification	(28,524)	0
As of 12/31	140,689	155,112

The impairment loss recorded in 2018 relates to the write-off in full of the 20-percent interest in Sky Steel Systems LLC in the first half of 2018.

The reclassification in 2018 relates to the 2.5-percent interest in SANY Automobile Hoisting Machinery in Segment LAND, which was classified as held for sale in accordance with IFRS 5 at the end of 2018. On October 25, 2018, PALFINGER and SANY signed an agreement over the repurchase of shares in Sany Lifting Solutions (SANY Automobile Hoisting Machinery Co., Ltd.) held by PALFINGER. The purchase price of EUR 28.6 million was paid and the transaction closed in March 2019. The gain from the sale in the amount of EUR 76 thousand as well as the gain on exchange from the recycling of currency translation gains from OCI in the amount of EUR 1,725 thousand were recognized in the net income from entities accounted for using the equity method.

The tables below contain summarized financial information for the associated companies and joint ventures accounted for using the equity method that are material to the Group, whereby the disclosures relate in each case to 100 percent and not to PALFINGER's interest in these entities.

EUR thousand	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co., Ltd.		Sany Palfinger SPV Equipment Co., Ltd. ¹⁾	
	Jan–Dec 2018	Jan–Dec 2019	Oct 2017–Sept 2018	Oct 2018–Sept 2019	Jan–Dec 2018	Jan–Dec 2019
Revenue	128,870	175,970	1,058,658	1,791,226	51,113	63,230
Total comprehensive income						
Result after income tax	10,746	11,915	2,664	108,570	2,134	4,958
Other comprehensive income after income tax	0	0	(11,713)	8,160	(387)	247
	10,746	11,915	(9,049)	116,730	1,747	5,205

EUR thousand	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co., Ltd.		Sany Palfinger SPV Equipment Co., Ltd. ¹⁾	
	12/31/2018	12/31/2019	9/30/2018	9/30/2019	12/31/2018	12/31/2019
Noncurrent assets	1,324	5,438	288,575	330,691	7,567	8,555
Current assets	52,184	90,985	614,686	1,529,440	68,090	75,740
Noncurrent liabilities	1,622	2,147	15,885	14,362	(34)	(34)
Current liabilities	15,164	51,596	580,697	1,446,841	32,648	36,123
Net assets	36,722	42,680	306,679	398,928	43,043	48,206

EUR thousand	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co., Ltd.		Sany Palfinger SPV Equipment Co., Ltd. ¹⁾	
	2018	2019	2018	2019	2018	2019
Shares/voting rights	49%	49%	7.5%	7.5%	50%	50%
Carrying amount as of 1/1	13,869	16,440	128,964	100,367	20,608	21,483
Additions	0	0	0	0	0	0
Reclassification	0	0	(28,524)	0	0	0
Share in net profit or loss for the period	5,266	5,839	1,426	8,143	1,067	2,479
Foreign currency translation	0	0	(1,499)	612	(192)	123
Dividends	(2,695)	(3,186)	0	(1,054)	0	0
Carrying amount as of 12/31	16,440	19,093	100,367	108,068	21,483	24,085
thereof goodwill	0	0	64,883	65,336	0	0
thereof downstream sales	(1,553)	(1,820)	0	0	(39)	(18)
thereof pro-rata net assets	17,994	20,913	22,760	29,920	21,522	24,103
thereof receivable	0	0	12,724	12,812	0	0

1) As of the balance sheet date, the Company had cash and cash equivalents in the amount of EUR 2,818 thousand (previous year: EUR 5,832 thousand) and no financial debt as well as depreciation and amortization charges in the fiscal year of EUR 567 thousand (previous year: EUR 516 thousand), interest income of EUR 327 thousand (previous year: EUR 1,709 thousand) and a tax expense of EUR -98 thousand (previous year: EUR 67 thousand).

The carrying amount of SANY Automobile Hoisting Machinery Co., Ltd. determined using equity method accounting includes a receivable in the amount of EUR 12,812 thousand (previous year: EUR 12,724 thousand) from a claim in connection with the purchase agreement over 10 percent in 2014.

Palfinger France S.A.S. is a dealer for PALFINGER's products in France. SANY Automobile Hoisting Machinery Co., Ltd. is a strategic partner. Sany Palfinger SPV Equipment Co. Ltd. is the Group's production and distribution company in China.

The tables below contain summarized financial information for the associated companies and joint ventures accounted for using the equity method that are immaterial to the Group, whereby the disclosures relate in each case to PALFINGER's interest in these entities.

EUR thousand	Associated companies		Joint ventures	
	2018	2019	2018	2019
Carrying amounts of shares	2,838	3,042	(439)	824
Total comprehensive income				
Result after income tax	1,598	1,106	181	62
Other comprehensive income after income tax	(277)	256	(72)	151
	1,321	1,362	109	213

(33) Deferred tax assets and liabilities

EUR thousand	12/31/2018	12/31/2019
Noncurrent assets		
Intangible assets – different useful lives	941	1,073
Intangible assets – tax-deductible goodwill	241	196
Property, plant and equipment – different useful lives	1,261	882
Property, plant and equipment - IFRS 16 effect	0	222
Noncurrent financial assets – impairment losses on untaxed financial assets	25,319	25,887
Other noncurrent assets	29	137
	27,791	28,397
Current assets		
Inventories – elimination of intercompany profits, tax-related measurement differences in manufacturing costs	7,253	8,079
Trade receivables – tax-related measurement differences in impairment allowances	1,254	1,538
Other current assets – untaxed severance payments	474	481
	8,981	10,098
Noncurrent liabilities		
Noncurrent financial liabilities — Lease liabilities	0	3,303
Noncurrent provisions - different approaches provisions for personnel IAS 19	8,567	10,096
of which deferred taxes recognized directly in other comprehensive income	3,608	4,952
Other noncurrent liabilities	765	678
of which deferred taxes recognized directly in other comprehensive income	659	163
	9,332	14,077
Current liabilities		
Current financial liabilities – lease financing	218	7,896
Current provisions – Warranty provisions recognized at different rates	2,663	2,442
Trade payables and other current liabilities	1,340	1,341
	4,221	11,679
Deferred tax assets	50,325	64,251

EUR thousand	12/31/2018	12/31/2019
Noncurrent assets		
Intangible assets – acquisitions, development costs	(27,512)	(29,418)
Property, plant and equipment – different useful lives	(6,270)	(6,133)
Property, plant and equipment - IFRS 16 effect	0	(11,099)
Noncurrent financial assets	(2,822)	(3,196)
of which deferred taxes recognized directly in other comprehensive income	(1,164)	(1,442)
	(36,604)	(49,846)
Current assets		
Inventories – tax-related measurement differences in manufacturing costs	(296)	(233)
Trade receivables – Contract manufacturing (POC)	(5,970)	(4,001)
Other current assets – tax-related measurement differences	(1,850)	(1,865)
of which deferred taxes recognized directly in other comprehensive income	0	(33)
	(8,116)	(6,099)
Noncurrent liabilities		
Noncurrent financial liabilities — Tax-related measurement differences	0	(25)
Noncurrent provisions	(130)	(146)
of which deferred taxes recognized directly in other comprehensive income	(11)	(15)
	(130)	(171)
Current liabilities		
Current financial liabilities	(1)	(118)
Current provisions – Warranty provisions recognized at different rates	(355)	(266)
Trade payables and other current liabilities	(1,216)	(116)
	(1,572)	(500)
Deferred tax liabilities	(46,422)	(56,616)

EUR thousand	12/31/2018	12/31/2019
Deferred tax assets	50,325	64,251
Deferred tax liabilities	(46,422)	(56,616)
Deferred tax assets on loss carry forwards	11,300	9,687
Deferred taxes	15,203	17,322
thereof deferred tax assets accounted for	27,045	28,382
thereof deferred tax liabilities accounted for	(11,842)	(11,060)

Deferred taxes include deferred taxes recognized cumulatively in other comprehensive income in the amount of EUR 3,625 thousand (previous year: EUR 3,091 thousand).

Tax-loss carry forwards can be broken down as follows:

EUR thousand	Non-capitalized loss carry forwards		Capitalized loss carry-forwards	
	12/31/2018	12/31/2019	12/31/2018	12/31/2019
One year	623	2,903	0	0
Two years	1,234	2,362	823	0
Three years	2,993	3,087	9	157
Four years	3,123	1,254	209	694
Five years	2,926	1,668	738	4,206
More than five years	53,505	52,386	27,279	26,095
Loss carry forwards subject to expiry	64,404	63,660	29,058	31,152
Loss carry forwards not subject to expiry	68,906	92,016	18,879	8,991
	133,310	155,676	47,937	40,143

No deferred tax assets were recognized by the Group for tax-loss carry forwards in the amount of EUR 155,676 thousand (previous year: EUR 133,310 thousand), since their effectiveness as final tax relief is not yet sufficiently guaranteed within the context of the medium-term planning.

For temporary differences in the amount of EUR 408,043 thousand (previous year: EUR 356,801 thousand) from investments in subsidiaries and joint ventures, there were deferred tax liabilities in the amount of EUR 66,883 thousand (previous year: EUR 60,979 thousand) as of December 31, 2019. No deferred tax liabilities were recognized for these differences in accordance with IAS 12.39, as PALFINGER is able to control the timing of the reversal of the temporary differences and these temporary differences will not be reversed in the foreseeable future.

Deferred tax assets of EUR 1,772 thousand (previous year: EUR 3,546 thousand) on loss carry forwards and interest carry forwards totaling EUR 8,056 thousand (previous year: EUR 16,119 thousand) were recognized in the amount of taxable temporary differences on hand applicable to the same tax authority and the same taxpaying entity. It is expected that the future taxable income resulting from this can be offset against losses or interest carried forward. On the basis of future taxable income as forecast during the budgeting process, it is assumed that for all other deferred tax assets on losses and interest carried forward, these loss and interest amounts carried forward can be used before they expire.

(34) Noncurrent financial assets

Noncurrent financial assets can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Loans	4,702	3,259
Financial receivables from related parties	18,600	14,172
Securities	1,389	1,407
Deposits at banks	431	212
Other shareholdings	77	77
Noncurrent financial assets	25,199	19,127

Securities comprise units in investment funds and bonds for safeguarding provisions for personnel as required by law.

Receivables from related parties in the amount of EUR 17,902 thousand (previous year: EUR 21,257 thousand) (EUR 14,172 thousand of which noncurrent and EUR 3,730 thousand current) relate to accounts receivable from Hubert Palfinger Technologies GmbH; an installment plan is in place for the next five years. Compliance with this installment plan has been secured through various forms of collateral, so that the recoverability of the receivables is ensured in the full amount of EUR 17,902 thousand. The receivable bears interest at an arm's length rate and will be repaid in accordance with the installment plan.

(35) Other noncurrent assets

Other noncurrent assets can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Reimbursement rights and other receivables	1,364	3,698
Accrued expenses	4	253
Miscellaneous other noncurrent assets	17	12
Other noncurrent assets	1,385	3,963

Reimbursement rights relate, among other things, to repurchase rights for life insurance policies that do not meet the criteria for being offset against the provision for pensions in accordance with IAS 19.

(36) Inventories

Inventories can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Raw materials, consumables and supplies	137,662	139,883
Work in progress	96,615	102,777
Finished goods and merchandise	92,004	107,291
Prepayments	1,159	1,406
Inventories	327,440	351,357

Inventories were measured at the net realizable value of EUR 533 thousand (previous year: EUR 2,252 thousand).

In the fiscal year 2019, impairment write-downs on inventories were recognized in the amount of EUR 4,077 thousand (previous year: EUR 6,625 thousand) and reversals of impairment write-downs on inventories determined to be obsolete were recognized in the amount of EUR 645 thousand (previous year: EUR 967 thousand) and reported under cost of sales.

(37) Trade receivables and contract assets from customer contracts

There has been a factoring agreement from PALFINGER AG – or rather from a number of selected Austrian and German subsidiaries of the PALFINGER Group – with an Austrian bank since 2014. This agreement was extended in 2019 to selected Spanish, Portuguese, and Romanian subsidiaries. Under this factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 90,000 thousand (previous year: EUR 60,000 thousand). As of the balance sheet date December 31, 2019, the receivables sold in connection with the existing factoring agreement amounted to EUR 49,282 thousand (previous year: EUR 47,250 thousand) and were derecognized in their entirety in accordance with the rules of IFRS 9 due to the transfer of control. PALFINGER continues to bear the risk in connection with credit-risk-related defaults up to a contractually defined amount. As of December 31, 2019, the maximum risk of loss resulting therefrom amounted to EUR 1,020 thousand (previous year: EUR 857 thousand), corresponding to the maximum deductible. The total risk from the portfolio of receivables was covered in the balance sheet by means of impairment losses and the provision for the default reserve. The recognition of the expected loss as an expense primarily reflects the effect on the income statement during the reporting period.

Trade receivables include receivables in accordance with IFRS 15 in the amount of EUR 239,124 thousand (previous year: EUR 226,718 thousand).

Trade receivables are typically due within periods of up to 120 days; as a rule, contract assets from customer contracts are subject to payment plans with milestone payments. Receivables from contract manufacturing and rendering of services that are subject to revenue recognition over time in accordance with IFRS 15 are now recognized separately in the balance sheet under the item “Contract assets from customer contracts” based on the provisions of IFRS 15.

The contract assets from customer contracts recognized based on the percentage-of-completion method can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Costs incurred	213,296	189,985
Plus profits previously recognized	52,999	62,799
Recognized losses/Impairment allowances	(631)	(556)
Progress billings	(214,496)	(217,091)
Transition effect IFRS 15	(1,930)	0
Contract assets from customer contracts	49,238	35,137

Contract assets from customer contracts decreased mainly in Segment SEA, in particular in the area of Offshore Cranes and Lifesaving Equipment.

Changes in contract assets from customer contracts are presented below:

EUR thousand	2018	2019
Reclassification IFRS 15	76,844	0
Transition effect IFRS 15	(1,930)	0
As of 1/1	74,914	49,238
Addition due to PoC progress	122,627	161,268
Progress billings	(147,215)	(175,683)
Impairment loss	(631)	(71)
Accumulated adjustment	235	0
Foreign currency translation	(692)	385
As of 12/31	49,238	35,137

The risk of expected losses is taken into account by means of an allowance in the amount of EUR 13,506 thousand (previous year: EUR 11,046 thousand). This allowance relates primarily to trade receivables and contract assets from customer contracts. Changes in the allowance are presented below:

EUR thousand	Specific valuation allowances on receivables		General specific valuation allowances on receivables	
	2018	2019	2018	2019
As of 1/1	4,813	6,689	5,244	4,357
Adjustment IFRS 9	15	0	82	0
Allocation	2,571	2,334	3,448	4,734
Use	(223)	(259)	(343)	(245)
Reversal	(870)	(331)	(3,394)	(3,989)
Reclassification	595	(123)	(595)	123
Foreign currency translation	(212)	116	(85)	100
As of 12/31	6,689	8,426	4,357	5,080

(38) Current financial assets

Current financial assets can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Derivative financial instruments	1,732	1,285
Receivables from related parties	2,657	3,730
Other financing receivables	10	49
Securities	438	0
Current financial assets	4,837	5,064

Please refer to Note (34) for more information on receivables from related parties

(39) Other current receivables and assets

Other current receivables and assets can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Receivables relating to social security and other taxes	11,273	14,814
Other receivables	16,419	17,611
Accrued expenses and compensation payments	9,998	9,993
Receivables from entities accounted for using the equity method	25	22
Other current receivables and assets	37,715	42,440

Other receivables include receivables from the factor under the sale of trade receivables (see also Note (37) for more information on this).

(40) Cash-in-hand and short-term cash equivalents

Cash and cash equivalents, corresponding to cash-in-hand and other short-term financial resources, can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Cash-in-hand	1,757	238
Deposits at banks	32,927	41,799
Cash and cash equivalents	34,684	42,037

As of December 31, 2019, there were restrictions on the disposition of financial resources in the amount of EUR 5.7 million (previous year: EUR 3.2 million).

(41) Share capital

The Company's share capital is divided into 37,593,258 no-par-value shares (previous year: 37,593,258); all shares issued have been fully paid. As in the previous year, PALFINGER did not hold any treasury shares as of December 31, 2019.

(42) Share premium

The share premium relates to appropriated and unappropriated additional paid-in capital.

(43) Currency translation adjustments

In 2019, as a result of the sale of 2.5 percent holding in SANY Automobile Hoisting Machinery, a gain from foreign currency translation of EUR 1,725 thousand was reclassified from OCI to income from entities accounted for using the equity method. The foreign currency translation of the consolidated entities as well as that of the entities accounted for using the equity method are included in the adjustment item. The change in adjusting items from foreign currency translation is broken down by currency below:

EUR thousand	2018	2019
AED	712	238
BRL	(11)	(308)
GBP	(8)	62
NOK	(387)	590
RMB	(1,744)	(940)
RUB	(8,753)	8,910
USD	4,484	2,792
Other	(3,278)	(1,168)
Currency translation adjustments	(8,985)	10,176

(44) Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing consolidated net profit or loss by the weighted average number of shares in circulation. The weighted average number of shares in circulation in the fiscal year 2019 amounted to 37,593,258 shares (previous year: 37,593,258 shares).

Based on the consolidated net profit of EUR 80,028 thousand (previous year: EUR 57,951 thousand), undiluted earnings per share amounted to EUR 2.13 (previous year: EUR 1.54). Diluted earnings per share correspond to the undiluted earnings per share.

(45) Retained earnings

Retained earnings increased by EUR 2,129 thousand in 2018 owing to the reclassification of puttable noncontrolling instruments from the Company's current earnings. As of December 31, 2018, unchanged from the previous year, there are still no puttable noncontrolling instruments.

DIVIDENDS PER SHARE

The following dividends were resolved and paid to the shareholders of PALFINGER AG:

	Total EUR thousand	Number of shares	Dividend per share
Dividend resolved for the fiscal year 2018 (Annual General Meeting of March 20, 2019)	19,173	37,593,258	0.51
Dividend resolved for the fiscal year 2017 (Annual General Meeting of March 7, 2018)	17,669	37,593,258	0.47

The net profit for 2019 reported in the financial statements of PALFINGER AG in accordance with the Austrian Commercial Code (UGB) was distributed as follows:

EUR thousand	
Net profit 2019 of PALFINGER AG	13,850
Retained profits brought forward from 2018	304,836
Total net profit	318,686
Proposed dividend (EUR 0.71 per share)	26,691
Remaining accumulated profit	291,995

The Executive Board will propose to the Annual General Meeting held on March 18, 2020, that a dividend of EUR 0.71 per share be distributed.

(46) Valuation reserves pursuant to IFRS 9

As in the previous year, the valuation reserves pursuant to IFRS 9 only include reserves from cash flow hedges comprising gains and losses from the effective portion of cash flow hedges. The cumulative gain or loss on the hedging instrument allocated to the reserve will only be transferred to the income statement when the hedged item has also affected profit or loss. Changes in the cash flow hedging reserve are presented below (after taxes):

EUR thousand	2018	2019
As of 1/1	(5,065)	(3,925)
Changes in unrealized profits (+)/losses (-)		
interest rate swaps	(938)	(1,061)
Currency forwards	(1,958)	292
	(2,896)	(769)
Changes in realized gains (+)/losses (-)		
interest rate swaps	1,455	1,094
Currency forwards	2,581	1,362
	4,036	2,456
Change	1,140	1,687
As of 12/31	(3,925)	(2,238)

(47) Noncontrolling interests

The table below contains a summarized schedule of the financials before intra-group eliminations regarding each subsidiary in which material noncontrolling interests are held:

12/31/2018					
EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Net assets					
Noncurrent assets	3,734	2,137	9,635	34,887	5,298
Current assets	6,777	39,355	33,830	25,054	27,631
Noncurrent liabilities	870	964	927	973	1,757
Current liabilities	4,217	14,335	21,286	27,946	15,789
	5,424	26,193	21,252	31,022	15,383
Noncontrolling interests					
Shares/voting rights	70%	35%	25%	40%	35%
Carrying amount	3,194	9,356	5,626	11,968	5,329

12/31/2019

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Net assets					
Noncurrent assets	2,584	9,242	12,950	37,416	7,061
Current assets	5,995	64,433	36,227	14,282	31,239
Noncurrent liabilities	500	1,270	4,783	1,055	1,974
Current liabilities	3,731	35,645	20,481	19,088	17,163
	4,348	36,760	23,913	31,555	19,163
Noncontrolling interests					
Shares/voting rights	30%	35%	25%	40%	35%
Carrying amount	930	13,054	6,555	12,191	6,652

Jan–Dec 2018

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Cash flow					
Cash flows from operating activities	195	4,990	(4,820)	13,023	10,488
Cash flows from investing activities	(944)	9,011	(2)	(10,434)	(8,345)
Cash flows from financing activities	831	(14,000)	2,544	(2,957)	(1,961)
Noncontrolling interests					
Profit/loss attributable	1,078	7,333	1,054	5,647	2,132
Share of other comprehensive income	(2,055)	(3)	0	(47)	(37)
Dividends	391	4,900	87	2,178	661

Jan–Dec 2019

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Cash flow					
Cash flows from operating activities	1,641	36,300	5,851	22,388	9,868
Cash flows from investing activities	(307)	(29,736)	(4,744)	(7,054)	(8,682)
Cash flows from financing activities	(566)	(6,563)	(1,158)	(15,260)	(933)
Noncontrolling interests					
Profit/loss attributable	764	8,494	1,483	4,255	2,434
Share of other comprehensive income	(940)	(36)	0	(318)	(46)
Dividends	364	4,760	555	3,715	1,065

The net assets of EPSILON Kran GmbH are restricted insofar as share transfers are subject to the approval of the noncontrolling shareholder and any deviation from the existing agreement regarding a linear distribution of a maximum amount in relation to the equity ratio may only be made by mutual consent.

The net assets of Guima Palfinger S.A.S. are restricted insofar as any deviation from the existing agreement regarding the distribution of a minimum percentage of the annual profit may only be made by mutual consent.

The remaining immaterial noncontrolling interests are also governed by profit distribution agreements or subject to the restriction that distributions must be approved by the noncontrolling shareholders.

(48) Liabilities from puttable noncontrolling instruments

The following table shows the movement in liabilities from puttable noncontrolling instruments:

EUR thousand	2018	2019
As of 1/1	2,580	0
Increase directly in equity	174	0
Reversal directly in equity	(2,754)	0
As of 12/31	0	0

The liabilities from puttable noncontrolling instruments were reversed because the criteria regarding the performance metric that had to be met in order to exercise the put options in 2018 and 2019 were not satisfied and therefore the put option has lapsed. The noncontrolling interests will again be presented under equity. The difference between liabilities and pro-rata equity of EUR 2,129 thousand in 2018 was recorded in the revenue reserves.

(49) Noncurrent financial liabilities

In October 2018, PALFINGER placed another promissory note issue to improve its existing financing structure. As of October 24, 2018, in addition to the fixed and variable EUR tranches (5, 7, 8 and 10 years) of EUR 80 million, a five-year variable USD tranche in the amount of USD 25 million was issued.

Deferred interest expenses are included in current financial liabilities.

The average interest rate is determined as the interest expense as of December 31, 2019, after accounting for interest rate hedges in percent in relation to the carrying amount of the financial liabilities as of December 31, 2019, and amounts to 1.69 percent (previous year: 1.69 percent).

(50) Purchase price liabilities from business acquisitions

The following table shows the changes in purchase price liabilities from acquisitions:

EUR thousand	2018	2019
As of 1/1	15,478	11,086
Allocation	3,125	404
Interest effect	905	1,050
Redemption	(6,447)	(2,506)
Reversal	(37)	0
Addition	0	1,056
Disposal	(1,715)	0
Foreign currency translation	(223)	0
As of 12/31	11,086	11,090

In 2018, purchase price liabilities from acquisitions were used for the premature exercise of the put/call option of 20 percent of the PM-Group, Russia, as well as disproportionate dividends until 2017. There was still a liability for the disproportionate dividend for 2018 in the amount of EUR 1,355 thousand that was paid out in 2019 and which is included in the use of purchase price liabilities.

The purchase price liability from the acquisition of a 20 percent holding in Palfinger Boats B.V. of EUR 623 thousand was settled in the first quarter 2019. The amount is included in the use of purchase price liabilities.

Moreover, there has been contingent consideration since 2016 for the acquisition of the MYCSA Group (Palfinger Ibérica), which will be payable in 2021 and depends on the units' future earnings before interest and taxes. The maximum amount of the payment for this contingent consideration is unlimited.

A purchase price liability in the amount of EUR 1,056 thousand was added in fiscal year 2019 for the acquisition of Palfinger Structural Inspection GmbH. EUR 528 thousand of that amount was already paid in 2019 and is included in the use of the purchase price liability.

The following valuation methods and inputs were applied for the Level 3 carrying amounts for the determination of fair values:

Purchase price liabilities	Valuation method	Inputs
MYCSA Group	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in EUR

Sensitivity analysis for significant inputs for the determination of fair values as of December 31, 2019, and 2018:

Change in fair value

EUR thousand	Change in assumption	In the event of an increase		In the event of a decrease	
		2018	2019	2018	2019
Interest rate	+/-1%	(181)	(117)	186	119
Forecasted result	+/-10%	664	302	(664)	(302)
EUR/RUB	+/-10%	(165)	n/a	201	n/a

(51) Noncurrent provisions

Noncurrent provisions can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Pension provisions	11,785	12,683
Provisions for severance payments	26,339	30,278
Anniversary bonus provisions	7,354	8,923
Other noncurrent provisions	3,489	9,453
Noncurrent provisions	48,967	61,337

PENSION PROVISIONS

PALFINGER is obligated under the terms of individual contracts with certain employees to grant a retirement allowance from the beginning of their retirement. The amount of this pension is calculated on the basis of length of service and amount of the salary at the time of retirement.

The valuation was carried out based on the following parameters:

	Age of retirement		Interest rate (p.a.)		Pension increase (p.a.)	
	2018	2019	2018	2019	2018	2019
Germany	63 years	63-65 years	1.25%–2.00%	0.25%–1.00%	1.5%	1.5%
France	62–63 years	62-63 years	1.50%	0.50%	3.0%	2.8%
Norway	67 years	67 years	2.60%	2.60%	0.8%	0.8%
Austria	65 years	65 years	1.75%–2.00%	0.75%–1.00%	1.7%	1.7%

The change in the interest rate is based on the remeasurement necessitated by the change in market conditions.

As of December 31, 2019, the average duration of defined benefit pension obligations from pension commitments was 13.70 years (previous year: 13.17 years).

The pension provisions were calculated as of December 31, 2019, based on actuarial principles and taking into account the calculation rules under IAS 19. The obligations are measured according to the projected unit credit method.

The calculations in Austria are based on the earliest possible pensionable age in accordance with the 2004 Pension Reform [Austrian Budget Accompanying Act of 2003 (Budgetbegleitgesetz 2003, BBG 2003)], taking into consideration transitional regulations. The computed pensionable age with respect to women entitled to such benefits has been gradually raised in compliance with the Austrian Federal Constitutional Act Concerning Different Age Limits for Male and Female Citizens Covered by Social Security (Bundesverfassungsgesetz über unterschiedliche Altersgrenzen von männlichen und weiblichen Sozialversicherten). These bases for calculation were established using Austrian pension tables AVÖ-2018-P (version for salaried employees).

The calculations in Germany were based on the earliest possible pensionable age for German statutory pension insurance using the mortality tables "Richttafeln 2018 G".

Given that pension obligations are adjusted in line with the consumer price index, pension plans are exposed to the risk of inflation. In addition, there are interest rate risks and risks caused by changes in the life expectancy of retirees. Pension obligations are in part covered under reinsurance contracts, giving rise to a low counterparty risk vis-à-vis insurance companies.

PROVISIONS FOR SEVERANCE PAYMENTS

Severance payments are one-time settlements that must be paid to employees upon termination of employment as well as routinely upon retirement. They are calculated on the basis of the length of service and the amount of salary. Provisions for severance payments were recognized in an amount that is in line with actuarial principles.

They were measured based on the following parameters:

	Interest rate (p.a.)		Salary increases (p.a.)		Staff turnover allowance (p.a.)	
	2018	2019	2018	2019	2018	2019
Austria	1.50%–2.00%	0.5%–1.00%	3.0%	3.0%	based on length of service 0.15% to 0.32%	based on length of service 0.13% to 0.54%
Slovenia	2.00%	0.75%–1.00%	3.0%	3.0%	2.0%	2.0%
Bulgaria	1.50%	0.50%	5.0%	5.0%	age-related 5.0% to 20.0%	age-related 5% to 20%
UAE and Qatar	3.75%	3.25%	3.0%	3.0%	based on length of service 5.0% to 10.0%	based on length of service 5.0% to 10.0%

The change in the interest rate is based on the remeasurement necessitated by the change in market conditions.

As of December 31, 2019, the average duration of defined benefit obligations from severance payments was 13.65 years (previous year: 13.30 years).

Employees whose employment contract is governed by Austrian law and whose employment status began prior to January 1, 2003, are entitled to a severance payment if their contract is terminated by the employer or if they leave the company early for good cause, provided that their employment lasted for three years without interruptions. In addition, if their employment lasted for at least ten years without interruptions, they are entitled to a severance payment upon any kind of termination of employment when they have reached the statutory pensionable age. The amount of the severance payment depends on the amount of remuneration paid at the time of termination and the length of service.

This obligation has been transferred to a contribution-based system for employees in Austria whose employment commenced on or after January 1, 2003. These payments made to an external severance pay fund are recorded as expenses and amount to 1.53 percent of the remuneration paid.

Pension provisions and provisions for severance payments are presented below:

EUR thousand	Pensions		Severance payments	
	12/31/2018	12/31/2019	12/31/2018	12/31/2019
Net present value of the obligation	12,499	13,421	26,339	30,278
Fair value of plan assets	(714)	(738)	0	0
Provision	11,785	12,683	26,339	30,278

EUR thousand	Pensions		Severance payments	
	2018	2019	2018	2019
Net present value of the obligation as of 1/1	12,121	12,499	27,209	26,339
Service cost	218	211	1,704	1,560
Interest expenses	186	199	484	502
Gains (-)/losses (+) from re-measurements	523	1,461	(1,586)	3,992
Actual payments	(544)	(930)	(1,583)	(2,181)
Reclassification	0	(21)	0	21
Settlement	(7)	0	0	0
Foreign currency translation	2	2	111	45
Net present value of the obligation as of 12/31	12,499	13,421	26,339	30,278

Plan assets consist of a pension fund at a reputable insurance company.

EUR thousand	2018	2019
Fair value of plan assets as of 1/1	736	714
Settlement	(41)	0
Expected return on plan assets	9	9
Gains (+)/losses (-) from re-measurements	84	14
Benefits paid	(72)	0
Foreign currency translation	(2)	1
Fair value of plan assets as of 12/31	714	738

The actual return amounted to EUR 23 thousand (previous year: EUR 93 thousand).

Net costs for pensions and severance payments incurred in connection with defined benefit commitments can be broken down as follows:

EUR thousand	Pensions		Severance payments	
	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019
Personnel expenses				
Service cost	(218)	(211)	(1,704)	(1,560)
Interest expenses				
Interest expenses	(177)	(190)	(484)	(502)
Net cost	(395)	(401)	(2,188)	(2,062)

Remeasurements can be broken down as follows:

EUR thousand	Jan–Dec 2018	Pensions		Severance payments	
		Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019
Experience adjustments	167	(191)	(468)	92	
Changes in demographic assumptions	361	0	(224)	62	
Changes in financial assumptions	(5)	1,652	(894)	3,838	
Return on plan assets	(84)	(14)	0	0	
Gains (–)/losses (+) from re-measurements	439	1,447	(1,586)	3,992	

Realistic changes in the following actuarial parameters, which are deemed to be essential for calculating pension costs and the expected defined benefit claims as of the reporting date with all other parameters remaining constant, would give rise to the following change in the net present value of an obligation:

Change in the net present value of the obligation

EUR thousand	+ 1%		(1)%		+ 1%		(1)%	
	2018	2019	2018	2019	2018	2019	2018	2019
Interest rate	(1,488)	(1,639)	1,791	2,023	(3,097)	(3,620)	3,753	4,370
Pension increase/salary increase	1,702	1,807	(1,449)	(1,518)	3,561	4,099	(3,010)	(3,484)

ANNIVERSARY BONUS PROVISIONS

Provisions for anniversary bonuses derived from collective bargaining arrangements and/or works agreements were calculated using the same parameters as for the provision for severance payments.

Changes in anniversary bonus provisions are presented below:

EUR thousand	2018	2019
As of 1/1	6,422	7,354
Allocation	932	1,807
Interest effect	93	121
Use	(93)	(359)
As of 12/31	7,354	8,923

OTHER NONCURRENT PROVISIONS

The changes in other noncurrent provisions are presented below:

EUR thousand	2018	2019
As of 1/1	1,219	3,489
Change in scope of consolidation	0	0
Allocation	3,272	5,767
Interest effect	170	581
Use	(1,155)	(180)
Reversal	0	(2)
Reclassification	(36)	0
Foreign currency translation	19	(202)
As of 12/31	3,489	9,453

Other noncurrent provisions include other noncurrent provisions for personnel in the amount of EUR 9,122 thousand (previous year: EUR 3,175 thousand). A new long-term bonus agreement for executives and Executive Board members has been in place since fiscal year 2018 that is expected to be paid out in 2023 upon achievement of the targets.

(52) Other noncurrent liabilities

Other noncurrent liabilities relate primarily to liabilities to employees as well as deferred income.

(53) Current provisions

The development of current provisions can be broken down as follows:

EUR thousand	Provision for guarantee and warranty expenses		Other current provisions	
	2018	2019	2018	2019
As of 1/1	13,507	14,002	5,322	7,607
Adjustment IFRS 15	0	0	3,729	0
Allocation	2,505	3,363	5,476	3,281
Use	(1,382)	(2,935)	(6,841)	(4,408)
Reversal	(495)	(718)	0	(97)
Reclassification	0	0	(61)	0
Foreign currency translation	(133)	259	(18)	832
As of 12/31	14,002	13,971	7,607	7,215

Since 2018, other current provisions include provisions for expected losses from onerous customer contracts amounting to EUR 753 thousand as of December 31, 2019, that are to be reported as provisions due to the first-time application of IFRS 15.

(54) Trade payables and other current liabilities

Trade payables and other current liabilities can be broken down as follows:

EUR thousand	12/31/2018	12/31/2019
Trade payables	168,314	159,792
Liabilities to entities accounted for using the equity method	2,271	1,762
Liabilities to employees	39,705	47,773
Liabilities relating to social security and other taxes	23,423	21,776
Other liabilities	26,323	42,094
Trade payables and other current liabilities	260,036	273,197

Liabilities to employees amounting to EUR 47,773 thousand (previous year: EUR 39,705 thousand) include deferrals for unused vacation time, incentive bonuses, and accrued compensatory time off, as well as liabilities from wage and salary expenditures.

Other liabilities in the total amount of EUR 42,094 thousand (previous year: EUR 26,323 thousand) relate to customers with credit balances, liabilities to the factor arising from incoming payments for trade receivables sold (see also Note [37] for more information), and miscellaneous other liabilities.

At the end of 2017, PALFINGER started a reverse factoring program to help individual suppliers finance their receivables from PALFINGER. Under this program, which was expanded in 2018, suppliers are authorized to instruct contract banks to pay their receivables ahead of time. The program was expanded in 2018. In such agreements, PALFINGER is not released from its initial obligation and the terms of contract are not significantly modified as a result of quantitative and qualitative reviews. Therefore, the amount stated in the consolidated balance sheet has not been changed. The liability continues to be reported under trade payables as well as in cash flows from operating activities. As of December 31, 2019, the program was utilized for trade payables in the total amount of EUR 21,159 thousand (previous year: EUR 17,947 thousand).

(55) Contractual obligations from customer contracts

Deferred revenue and advances received on account of orders are reported under contractual obligations from customer contracts. Contractual obligations from customer contracts are presented below:

EUR thousand	2018	2019
Reclassification IFRS 15	33,428	0
Transition effect IFRS 15	(2,364)	0
As of 1/1	31,064	28,400
Addition	41,133	27,747
Recognized as revenue	(42,290)	(22,468)
Accumulated adjustment	0	(3)
Foreign currency translation	(1,507)	58
As of 12/31	28,400	33,734

(56) Financial instruments

The reconciliation of the carrying amounts for each category under IFRS 9 is presented below:

EUR thousand	Carrying amount 12/31/2018	No financial instrument/ recognition pursuant to IFRS 10	Measured pursuant to IAS 17
			At amortized cost
Noncurrent assets			
Noncurrent financial assets	25,199	0	0
thereof Level 1 fair value			
thereof Level 2 fair value			
Current assets			
Trade receivables	227,602	0	0
thereof Level 3 fair value			
Contract assets from customer contracts	49,238	49,238	0
Current financial assets	4,837	0	0
thereof Level 2 fair value			
Other current receivables and assets	37,715	21,617	0
Cash and cash equivalents	34,684	0	0
Assets	379,275	70,855	0
Noncurrent liabilities			
Noncurrent financial liabilities	482,544	0	0
thereof Level 2 fair value			
Noncurrent purchase price liabilities from acquisitions	9,731	0	0
thereof Level 3 fair value			
Other noncurrent liabilities	95	95	0
Noncurrent contract liabilities from customer contracts	3,841	3,841	0
Current liabilities			
Current financial liabilities	97,840	0	0
thereof Level 2 fair value			
Current purchase price liabilities from acquisitions	1,355	0	0
thereof Level 3 fair value			
Trade payables and other current liabilities	260,036	63,128	0
Current contractual obligations under customer contracts	24,559	24,559	0
Liabilities	880,001	91,623	0

At amortized cost		Measured pursuant to IFRS 9			Carrying amount of financial instruments 12/31/2018
		At fair value		At fair value through profit or loss / Other derivatives	
Financial asset at amortized cost	Financial liabilities at amortized cost	At fair value			At fair value through profit or loss / Other derivatives
		Recognized in other comprehensive income	Recognized in profit or loss		
		Hedging Derivatives/ Fair value OCI			
23,733		0	1,466		25,199
			1,389		
		0	77		
161,990	0	65,612	0		227,602
		65,612			
0	0	0	0		0
2,667	0	0	2,170		4,837
			2,170		
16,098	0	0	0		16,098
34,684	0	0	0		34,684
239,172	0	65,612	3,636		308,420
0	481,645	899	0		482,544
		899			
0	646	0	9,085		9,731
			9,085		
0	0	0	0		0
0	0	0	0		0
0	94,134	3,018	688		97,840
		3,018	688		
0	0	0	1,355		1,355
			1,355		
0	196,908	0	0		196,908
0	0	0	0		0
0	773,333	3,917	11,128		788,378

EUR thousand	Carrying amount 12/31/2019	No financial instrument/ recognition pursuant to IFRS 10	Measured pursuant to IFRS 16
Noncurrent assets			
Noncurrent financial assets	19,127	0	0
thereof Level 1 fair value			
thereof Level 2 fair value			
Current assets			
Trade receivables	240,417	0	0
thereof Level 3 fair value			
Contract assets from customer contracts	35,137	35,137	0
Current financial assets	5,064	0	0
thereof Level 2 fair value			
Cash and cash equivalents	42,037	0	0
Assets	341,782	35,137	0
Noncurrent liabilities			
Noncurrent financial liabilities	473,664	0	0
thereof Level 2 fair value			
Noncurrent purchase price liabilities from acquisitions	10,562	0	0
thereof Level 3 fair value			
Other noncurrent liabilities	75	75	0
Langfristige Leasingverbindlichkeiten	48,419	0	48,419
Noncurrent contract liabilities from customer contracts	3,881	3,881	0
Current liabilities			
Current financial liabilities	58,519	0	0
thereof Level 2 fair value			
Current purchase price liabilities from acquisitions	528	0	0
thereof Level 3 fair value			
Trade payables and other current liabilities	273,198	69,549	0
Current lease liabilities	11,196	0	11,196
Current contractual obligations under customer contracts	29,853	29,853	0
Liabilities	909,895	103,358	59,615

The fair value of currency forwards is determined by calculating the present value of cash flows on the basis of current yield curves for the respective currencies from observable market data as well as on the exchange rates prevailing on the valuation date. The fair value of interest rate swaps is determined by calculating the present value of cash flows on the basis of current yield curves for the respective currencies from observable market data. Securities are measured at the exchange rate prevailing on the valuation date.

		Measured pursuant to IFRS 9			Carrying amount of financial instruments 12/31/2019
At amortized cost		At fair value			
		Recognized in other comprehensive income	Recognized in profit or loss		
Financial asset at amortized cost	Financial liabilities at amortized cost	Hedging Derivatives/Fair value OCI	At fair value through profit or loss / Other derivatives		
17,643		0	1,484	19,127	
			1,407		
			77		
158,922	0	81,495	0	240,417	
		81,495			
0	0	0	0	0	
3,779	0	716	569	5,064	
42,037	0	0	0	42,037	
222,381	0	82,211	2,053	306,645	
0	472,385	1,279	0	473,664	
		1,279			
0	23	0	10,539	10,562	
			10,539		
0	0	0	0	0	
				48,419	
0	0	0	0	0	
0	56,349	1,217	953	58,519	
		1,217	953		
0	528	0	0	528	
0	203,649	0	0	203,649	
				11,196	
0	0	0	0	0	
0	732,934	2,496	11,492	806,537	

Material risks of nonperformance relating to financial assets and liabilities are accounted for on the basis of ratings as a deduction from the calculated value. The carrying amounts of current assets and current liabilities correspond to the market values, as they either have short-term maturities or variable interest rates. Default risks are accounted for by means of corresponding impairment losses. The carrying amounts of noncurrent financial liabilities in the amount of EUR 473,664 thousand (previous year: EUR 482,544 thousand) also roughly correspond to the market values (Level 2) in the amount of EUR 481,333 thousand (previous year: EUR 487,084 thousand). The market values were calculated on the basis of observable current yield curves for the respective currencies using the discounted cash flow method. Interest rate swaps held to hedge against interest rate exposure are accounted for at market value.

In the fiscal year 2019, gains on the disposal of securities amounted to EUR 54 thousand (previous year: EUR 35 thousand) and are shown under the other financial result (see Note (26) Interest result and other financial result).

Changes in Level 3 fair values are presented below:

EUR thousand	2018	2019
As of 1/1	8,496	10,440
Interest cost	882	1,050
Redemption	(125)	(1,355)
Increase through profit and loss	3,125	404
Exchange rate differences through profit and loss	(223)	0
Disposal	(1,715)	0
As of 12/31	10,440	10,539

Result in the income statement

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Other interest expenses	(882)	(1,050)
Other financial result	(1,565)	0
Other operating expenses/income	(1,560)	(404)
Currency differences in the financial result	223	0
Unrealized gain/loss for financial instruments held on the balance sheet date	(3,784)	(1,454)

As of December 31, 2019, Level 3 fair values comprised the liability in connection with the contingent purchase price liability from the acquisition of the MYCSA Group.

Capital management

The primary objective of PALFINGER's capital management is to secure financial flexibility by way of a credit rating.

A strong equity structure retains the trust of investors, lenders, and the market and guarantees a solid basis for the positive development of the business.

PALFINGER's net debt is managed at headquarters in coordination with the Corporate Treasury department, whose main responsibilities include liquidity management and securing long-term liquidity in support of business operations, an efficient use of banking and financial services, and limiting financial risks while optimizing revenue and expenses.

PALFINGER manages its capital structure taking into consideration changes in the economic environment, the specified strategic projects, and the internal goals set for the equity and gearing ratios. The management of the capital is guided in the long term by an equity ratio of more than 40 percent and a gearing ratio (corresponding to the ratio of net debt to equity) of less than 70 percent (not taking IFRS 16 into consideration). At the end of 2019, the equity ratio was 38.3 percent (previous year: 36.4 percent) and the gearing ratio was 83.6 percent (previous year: 92.8 percent). Net debt in the amount of EUR 525,647 thousand (previous year: EUR 515,739 thousand) includes noncurrent and current financial assets and cash-in-hand as well as noncurrent and current financial liabilities (including lease liabilities under IFRS 16). Equity corresponds to the equity reported pursuant to IFRS in the amount of EUR 629,092 thousand (previous year: EUR 555,726 thousand).

In order to maintain this capital structure, PALFINGER implements a consistent dividend policy based on the consolidated net profit or loss for the previous year. In accordance with PALFINGER's long-term dividend policy of distributing around one-third of the net profit to its shareholders, a dividend of EUR 0.51 (previous year: EUR 0.47) per share was paid in 2019 for fiscal year 2018.

Financial risk

In compliance with its treasury guidelines, PALFINGER focuses mainly on limiting financial risk. As a result of the PALFINGER Group's increased internationalization, the concentration of risk in the Group has been reduced. All relevant parameters in this context are regularly monitored and actively managed. The Group's operations entail financing risks as well as interest rate and foreign exchange risks. In addition to operational measures, derivative financial instruments such as currency forwards, interest rate swaps, and currency swaps are employed in order to limit and manage these risks. No derivative financial instruments are contracted for speculative purposes. The individual risks are discussed in detail below.

1. LIQUIDITY RISK

Liquidity risk describes the necessity of having sufficient funds available at all times in order to meet payment obligations and to ensure further growth of the business. Therefore, the objective lies in the analysis of the exposure to liquidity risk as well as in the consistent safeguarding of the liquidity by means of liquidity planning, arranging sufficient lines of credit, and the sufficient diversification of lenders.

Managing liquidity risk is the core task of Corporate Treasury, which uses efficient cash management systems for this purpose. Company-wide cash reporting ensures the transparency necessary to facilitate the systematic management of financial resources. Medium-to-long-term planning allows PALFINGER to identify any financial need that may arise and coordinate this need with its banking partners at an early stage. The efficient management and distribution of the required liquidity is ensured thanks to the intra-group financing structure and the use of cash pooling solutions in Europe, America, and Russia.

The existing promissory note loan agreements and credit arrangements contain contractual agreements stipulating the observance of financial covenants that provide for compliance with a consolidated equity ratio of at least 25 percent in accordance with IFRS. Noncompliance with this financial covenant entitles the lender to terminate the particular financing agreement. At the end of 2019, the equity ratio was 38.3 percent and therefore far above the externally stipulated threshold value.

The maintenance of long-term undrawn credit lines at banking partners represents another measure to ensure liquidity. The existing financing agreements are distributed across several core banking partners and currently have terms of up to three years. These unutilized financing reserves amount to more than 20 percent of the net debt on average and amounted to more than EUR 120 million as of December 31, 2019.

The contractual remaining term to maturity of undiscounted cash flows are broken down below:

2018

EUR thousand	< 1 year	1–5 years	> 5 years	12/31/2018
Trade payables and other liabilities				
Trade payables	170,359	0	0	170,359
Other liabilities for financial instruments	33,252	0	0	33,252
	203,611	0	0	203,611
Financial liabilities	104,304	285,035	225,500	614,839
Liabilities from cash flow hedges	2,512	2,094	579	5,185
Liabilities from derivatives held for trading	828	0	0	828
Noncurrent purchase price liabilities from acquisitions	1,355	11,607	0	12,962
Undiscounted cash flows	312,610	298,736	226,079	837,425

2019

EUR thousand	< 1 year	1–5 years	> 5 years	12/31/2019
Trade payables and other liabilities				
Trade payables	161,360	0	0	161,360
Other liabilities for financial instruments	42,288	0	0	42,288
	203,648	0	0	203,648
Financial liabilities	63,715	356,711	135,430	555,856
Lease liabilities	11,215	34,505	20,592	66,312
Liabilities from cash flow hedges	1,183	1,659	418	3,260
Liabilities from derivatives held for trading	1,298	0	0	1,298
Noncurrent purchase price liabilities from acquisitions	528	12,090	0	12,618
Undiscounted cash flows	281,587	404,965	156,440	842,992

2. CREDIT RISK

Credit risk is the risk of loss due to a contracting party's default in payment or nonpayment. The Group counters this risk by establishing internal limits for contracting parties – determined through solvency analyses – and taking out adequate insurance. Credit risk is limited to the amounts of the uninsured receivables reported in the balance sheet.

All overdue receivables are written down by means of standardized general specific allowances.

Under a factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 90,000 thousand (see comments in Note (37) for more information).

Receivables are broken down below:

12/31/2018

EUR thousand	Carrying amount	Gross carrying amount	Allowance	expected loss rates
Receivables not yet due	195,313	197,455	2,142	1%
Receivables due				
Overdue less than 30 days	47,876	48,359	483	1%
Overdue more than 30 days but less than 60 days	16,708	17,305	597	3%
Overdue more than 60 days but less than 90 days	5,560	5,662	102	2%
Overdue more than 90 days but less than 120 days	3,649	3,914	265	7%
Overdue more than 120 days	7,734	15,191	7,457	49%
	81,527	90,431	8,904	
Trade receivables and contract assets	276,840	287,886	11,046	

12/31/2019

EUR thousand	Carrying amount	Gross carrying amount	Allowance	expected loss rates
Receivables not yet due	172,264	174,401	2,137	1%
Receivables due				
Overdue less than 30 days	55,774	56,155	381	1%
Overdue more than 30 days but less than 60 days	19,974	20,122	148	1%
Overdue more than 60 days but less than 90 days	8,104	8,748	644	7%
Overdue more than 90 days but less than 120 days	4,562	4,783	221	5%
Overdue more than 120 days	14,876	24,355	9,479	39%
	103,290	114,163	10,873	
Trade receivables and contract assets	275,554	288,564	13,010	

Other receivables account for the remaining allowances.

Close attention is paid to good credit ratings when investing financial resources at banks. Credit risk is limited to the amounts reported in the balance sheet.

3. CURRENCY RISK

Currency risk arises as a result of exchange rate fluctuations. The value of a financial instrument may be affected by changes in the exchange rate.

The Group's internationality leads to payment transactions in various currencies. Surpluses in foreign exchange positions are minimized by adding value at the local level (natural hedges). Any resulting material foreign exchange exposure is hedged by means of appropriate hedging instruments. Some foreign exchange cash flows from ongoing operations are hedged using currency forwards (cash flow hedges).

The intra-group supply of finished products and components in countries with currencies other than the euro creates a risk that is not covered by natural hedges. The ongoing analyses of such a position are the basis for establishing a hedging strategy that is evaluated in regular meetings.

Financial transactions may only be entered into on the basis of appropriate underlying transactions. Speculative transactions (i.e. transactions unrelated to cash flows from operations) are prohibited.

Foreign exchange differences in the separate financial statements are reported in EBIT and/or the financial result, depending on their origin.

Foreign exchange differences had the following effects on the income statement:

EUR thousand	Jan–Dec 2018	Jan–Dec 2019
Foreign currency gains	8,378	6,635
Foreign currency losses	(9,533)	(4,480)
Currency differences in the result from entities accounted for using the equity method	(79)	110
Earnings before interest and taxes – EBIT	(1,234)	2,265
Currency differences in the financial result	(2,908)	(1,878)
Result from exchange rate differences	(4,142)	387

Sensitivity analysis currency risk:

Transactions that are carried out in a currency other than the respective functional currency may have an effect on currency risks. In the case of fair-value and cash-flow hedges, changes in the value of the underlying transaction and hedging transaction caused by changes in the exchange rate are nearly entirely balanced out in the same period in the income statement. Accordingly, these financial instruments are not associated with currency risks having the potential to affect net income or equity.

The effects of a hypothetical foreign exchange movement on net income or equity are described within the framework of a sensitivity analysis. This analysis assumes that the major exchange rates increase or decrease by 10 percent against the euro on the balance sheet date with all other variables remaining constant. The table below shows the effects of a 10 percent appreciation or depreciation of the most important exchange rates against the euro:

12/31/2018 EUR thousand	+10%			–10%		
	recognized in profit or loss	recognized directly in equity	Total effect	recognized in profit or loss	recognized directly in equity	Total effect
AED	(62)	0	(62)	75	0	75
AUD	(1)	0	(1)	1	0	1
BRL	(37)	(1,317)	(1,354)	45	1,610	1,655
CAD	6	150	156	(7)	(184)	(191)
CNY	(3)	0	(3)	4	0	4
CZK	82	0	82	(100)	0	(100)
DKK	(120)	0	(120)	146	0	146
GBP	(41)	(176)	(216)	50	215	264
HKD	(8)	0	(8)	10	0	10
HRK	118	0	118	(145)	0	(145)
INR	(301)	0	(301)	368	0	368
JPY	(27)	0	(27)	33	0	33
KRW	(413)	(334)	(747)	505	409	913
VND	340	0	340	(415)	0	(415)
NOK	671	(5,312)	(4,641)	(821)	6,493	5,672
PLN	(21)	0	(21)	25	0	25
RON	(626)	0	(626)	765	0	765
RUB	(406)	(684)	(1,090)	496	836	1,332
SEK	(1)	0	(1)	1	0	1
SGD	(234)	0	(234)	286	0	286
USD	(2,143)	(3,632)	(5,775)	2,619	4,439	7,058
Foreign currency sensitivities	(3,227)	(11,305)	(14,531)	3,941	13,818	17,757

12/31/2019 EUR thousand	+ 10%			-10%		
	recognized in profit or loss	recognized directly in equity	Total effect	recognized in profit or loss	recognized directly in equity	Total effect
AED	(85)	0	(85)	104	0	104
AUD	0	0	0	0	0	0
BRL	(201)	(1,007)	(1,208)	246	1,230	1,476
CAD	(173)	46	(127)	212	(56)	156
CNY	79	0	79	(96)	0	(96)
CZK	44	0	44	(54)	0	(54)
DKK	(65)	0	(65)	79	0	79
GBP	(104)	(199)	(304)	127	244	371
HKD	(10)	0	(10)	13	0	13
HRK	(149)	0	(149)	183	0	183
INR	(306)	0	(306)	374	0	374
JPY	21	0	21	(25)	0	(25)
KRW	(501)	(330)	(830)	612	403	1,015
VND	67	0	67	(82)	0	(82)
NOK	295	(6,090)	(5,795)	(361)	7,443	7,082
PLN	38	0	38	(47)	0	(47)
RON	(768)	0	(768)	939	0	939
RUB	(469)	(780)	(1,249)	573	953	1,526
SEK	0	0	0	0	0	0
SGD	(218)	0	(218)	266	0	266
USD	(2,343)	(2,991)	(5,334)	2,864	3,656	6,520
Foreign currency sensitivities	(4,848)	(11,351)	(16,199)	5,927	13,873	19,800

The calculation is made on the basis of the primary and derivative financial instruments denominated in non-functional foreign currencies on the balance sheet date before taxes. Foreign currency effects from intra-group accounts receivable and payable were reported in profit or loss, while any effects from noncurrent intra-group receivables that are a part of the net investment in foreign operations (IAS 21.15) as well as any changes in the cash flow hedging reserve were recognized directly in equity. Foreign currency translation effects caused by the translation of the financial statements of international subsidiaries into the Group currency, i.e. the euro, are not taken into account.

4. INTEREST RATE RISK

Changing interest rates have an effect on the value of financial instruments (in particular when interest rates are locked in for the long term) as well as on the interest result (income or expenses) resulting from these financial instruments. This influence depicts interest rate risk in its two forms: fair value risk and the downside risk with respect to net interest income.

Fair value risk is manifested in a depreciation of financial assets or an appreciation of financial liabilities. The effect of changes in values is more pronounced when interest rates are locked in for long periods of time than with variable interest arrangements.

Downside risk with respect to net interest income is manifested in higher interest expenses for financial liabilities or lower interest income on financial assets. This risk mainly relates to financial instruments for which variable (short-term) interest rates have been agreed.

The variable-rate exposure of the Group's financing is hedged with interest rate swaps in the amount of EUR 90.0 million (previous year: EUR 110.0 million).

The sensitivity analysis is conducted on the basis of PALFINGER's financial liabilities bearing interest at variable rates. A hypothetical change in variable interest rates of 100 basis points or one percentage point per year would lead to a change in PALFINGER's interest expenses amounting to EUR 901 thousand (previous year: EUR 772 thousand). A hypothetical increase in interest rates of 100 basis points would lead to an increase in other comprehensive income of EUR 2,211 thousand (previous year: EUR 3,093 thousand), whereas a decrease of 100 basis points would lead to a decrease in other comprehensive income of EUR 2,354 thousand (previous year: EUR 3,356 thousand).

Protective measures

HEDGING OF FUTURE CASH FLOWS

PALFINGER AG's currency risks result primarily from accounts receivable from Group companies and accounts payable to Group companies denominated in foreign currencies as well as from the international project business. Most of this exposure is reduced by means of intra-group foreign currency netting or is hedged with currency forwards and currency swaps. PALFINGER's hedging activities are guided exclusively by the underlying transaction. The credit risk with respect to both PALFINGER as well as the counterparties has no impact on the fair value of currency forwards or currency swaps and therefore is likewise not a source of hedge ineffectiveness.

The supply of finished products and components primarily from EMEA to NAM, LATAM, APAC, and CIS exposes PALFINGER to risk – in particular in US dollars, Brazilian reals and Russian rubles – that is not hedged by natural hedges. These risk positions are analyzed, monitored and limited through the implementation of an appropriate hedging strategy. These hedging strategies are discussed at regular meetings with the CFO and adjusted as necessary.

Project-related currency risk, in particular in the Marine and Offshore area, is transferred to the Central Treasury department and hedged on a project-to-project basis if invoicing in the local currency is not an option.

The sale of foreign currencies over currency forwards constitutes a hedge of operating cash inflows in foreign currencies. The result of the underlying transaction is balanced out by the inverse result of the currency forward. Outstanding hedges are measured and analyzed with respect to their risk on an ongoing basis (mark-to-market valuation). The hedging of currency risk relates to those cash flows that are expected within the next twelve months at the latest or which are matched to the duration of a project.

The existing interest rate swaps hedge against the risk of interest rate changes in the case of loans bearing interest at variable rates. Negative impacts on the financial result due to unforeseeable interest rate fluctuations are limited by such interest rate hedges.

Interest rate risk is managed for the entire PALFINGER Group over the Corporate Treasury department. In recent years, the need for more financing has increased the effect that fluctuations in interest rates have on the PALFINGER Group's financial result, which is why hedging against interest rate risks has become increasingly important. Exposure to variable rates is limited through the use of derivative financial instruments (interest rate swaps), which exchange the variable rate for a fixed rate.

Changes in the fair value of interest rate swaps classified as a cash flow hedge are recognized in other comprehensive income (revaluation reserve). When interest rate payments are made on the hedged underlying transaction, the revaluation reserve is reclassified from other comprehensive income and recognized through profit or loss in the interest result.

in thousands	Notional value in contract currency		Mark-to-market valuation (EUR)		Maximum duration/maturity
	12/31/2018	12/31/2019	12/31/2018	12/31/2019	
Currency forwards					
sell CAD/buy NOK	CAD 2,580	CAD 740	(15)	(22)	05/22/2020
sell EUR/buy NOK	EUR 48,383	EUR 56,852.1	(1,163)	(29)	04/16/2021
sell GBP/buy NOK	GBP 270	GBP 135	(6)	6	04/24/2020
sell USD/buy EUR	USD 24,000	USD 34,145	(183)	43	06/18/2021
sell USD/buy NOK	USD 10,256	USD 8,890	(402)	309	08/20/2021
			(1,769)	307	
Interest rate swaps	EUR 110,000	EUR 90,000	(2,148)	(2,104)	12/31/2026
Cash flow hedge			(3,917)	(1,797)	

The fair value of the hedges is reported as a cash flow hedge in accordance with IFRS 9. Valuation gains or losses as of the balance sheet date are to be presented accordingly in equity. As soon as the underlying transactions have been realized, the cumulative gains or losses are reversed from other comprehensive income and recognized in the income statement.

Amounts recorded in other comprehensive income as well as amounts that have been realized for cash flow hedges can be found in the statement of comprehensive income.

SAFEGUARDING OF FINANCIAL RESOURCES

Derivative financial instruments that the Group employs for the safeguarding of financial resources and the hedging of currency risks that do not meet the requirements for hedge accounting pursuant to IFRS 9 with respect to documentation and effectiveness are classified as at fair value through profit or loss. Changes in the fair values of these financial instruments are recognized in the income statement.

in thousands	Notional value in contract currency		Mark-to-market valuation (EUR)		Maximum duration/maturity
	12/31/2018	12/31/2019	12/31/2018	12/31/2019	
sell AED/buy EUR	AED 42,000	AED 45,500	21	126	06/10/2020
sell CNY/buy EUR	CNY 6,900	CNY 0	3	0	-
sell DKK/buy EUR	KK 30,800	DKK 9,500	9	2	06/10/2020
sell GBP/buy EUR	GBP 1,400	GBP 400	(5)	(138)	03/13/2020
sell JPY/buy EUR	JPY 325,000	JPY 360,000	(56)	127	03/13/2020
sell NOK/buy EUR	NOK 526,000	NOK 430,000	1,218	(402)	03/13/2020
sell PLN/buy EUR	PLN 37,600	PLN 15,900	(83)	(118)	03/13/2020
sell USD/buy EUR	USD 0	USD 6,500	(63)	19	06/10/2020
Currency swaps			1,044	(384)	

Changes in value from currency swaps amount to EUR –1,428 thousand (previous year: EUR –2,123 thousand) and are included in the financial result under currency differences in the amount of EUR –1,428 thousand (previous year: EUR –2,123 thousand).

Other financial obligations

As of December 31, 2019, and December 31, 2018, there were no contingent receivables or contingent liabilities.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The indirect method was chosen for the presentation of cash flows from operating activities in the consolidated statement of cash flows. Cash and cash equivalents corresponds to cash-in-hand and short-term financial resources.

Cash flows from operating activities increased, in particular due to the satisfactory earnings situation and the more efficient use of working capital in comparison with 2018.

Other non-cash income and expenses includes currency differences and measurement effects.

Cash flows from investing activities improved mainly due to the sale of the 2.5-percent interest in SANY Automobile Hoisting Machinery Co., Ltd.

Additions of intangible assets and property, plant and equipment include non-cash capital expenditures in the amount of EUR 3,796 thousand (previous year: EUR 4,961 thousand).

The reconciliation of changes in cash flows from financing activities is presented below:

EUR thousand	Promissory note loans	Equity financing	Finance lease liability	Other financing	Total
As of 1/1/2018	308,916	127,517	0	150,332	586,765
Changes in cash flows from financing activities					
Issue of promissory note loans	101,596	0	0	0	101,596
Raising of loans for the acquisition of investments	0	0	0	0	0
Repayment of financing for the acquisition of investments	0	(24,167)	0	0	(24,167)
Long-term refinancing of redemptions and maturing short-term loans	0	0	0	30,000	30,000
Repayment of maturing/terminated loans	0	0	0	(90,000)	(90,000)
Repayment of current bridge financing loans for the acquisition of investments	0	0	0	0	0
Repayment of maturing/terminated promissory note loans	(50,000)	0	0	0	(50,000)
Repayment of maturing/terminated lease liabilities	0	0	0	0	0
Raising of short-term financing	0	0	0	45,000	45,000
Repayment of current financing	0	0	0	(47,678)	(47,678)
Cash payments for/cash receipts from other financial liabilities	0	0	0	24,488	24,488
	51,596	(24,167)	0	(38,190)	(10,761)
Acquisition/change in scope of consolidation	0	0	0	0	0
Foreign currency translation	238	0	0	(648)	(410)
Accrued interest	185	0	0	0	185
As of 12/31/2018	360,935	103,350	0	111,494	575,779

EUR thousand	Promissory note loans	Equity financing	Lease liabilities	Other financing	Total
As of 1/1/2019	360,935	103,350	66,282	111,494	642,061
New lease contracts	0	0	5,412	0	5,412
Lease contract disposals	0	0	(2,196)	0	(2,196)
Changes in cash flows from financing activities					
Issue of promissory note loans	0	0	0	0	0
Raising of loans for the acquisition of investments	0	0	0	0	0
Repayment of financing for the acquisition of investments	0	(14,000)	0	0	(14,000)
Long-term refinancing of redemptions and maturing short-term loans	0	0	0	30,000	30,000
Repayment of maturing/terminated loans	0	0	0	(20,000)	(20,000)
Repayment of current bridge financing loans for the acquisition of investments	0	0	0	0	0
Repayment of maturing/terminated promissory note loans	(27,000)	0	0	0	(27,000)
Repayment of maturing/terminated lease liabilities	0	0	(11,880)	0	(11,880)
Raising of short-term financing	0	0	0	0	0
Repayment of current financing	0	0	0	0	0
Cash payments for/cash receipts from other financial liabilities	0	0	0	(15,919)	(15,919)
	(27,000)	(14,000)	(11,880)	(5,919)	(58,799)
Acquisition/change in scope of consolidation	0	0	0	0	0
Foreign currency translation	420	0	631	(423)	628
Accrued interest	(141)	0	1,366	0	1,225
As of 12/31/2019	334,214	89,350	59,615	105,152	588,331

The total column in the table above corresponds to the sum of current and noncurrent financial liabilities, excluding derivative financial instruments.

OTHER DISCLOSURES

(57) Disclosures of business transactions with related parties

At PALFINGER, related parties are grouped into associated companies and joint ventures, key management, and other related parties. Associated companies and joint ventures can be found in the list of shareholdings. The Supervisory Board and Executive Board of PALFINGER AG are subsumed under the term "key management". Other related parties primarily include entities that are controlled by the key management.

All transactions with associated companies and joint ventures result from the ordinary exchange of goods and services. Transactions carried out with the Supervisory Board result from the provision of consultancy services as well as from their remuneration as members of the Supervisory Board since 2016 in accordance with the resolution adopted at the Annual General Meeting held on March 9, 2016. Transactions carried out with other related parties relate primarily to the delivery of goods, rentals, and the provision of consultancy services.

Transactions with related parties are carried out under typical arm's length terms and conditions.

The following table shows transactions with associated companies and joint ventures disclosed in full. Transactions with Executive Board members are not included in the table below; for more information, please refer to the Note entitled "Disclosures concerning governing bodies and employees".

EUR thousand	Associated companies		Joint ventures		Supervisory Board		Other	
	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019
Receivables	8,211	10,874	945	853	0	0	22,954	18,456
Liabilities	196	87	2,400	2,755	191	180	554	471
Revenue	104,807	98,088	1,455	12,018	0	0	6,442	4,865
Other operating income	129	108	360	280	0	0	785	604
Purchased services	0	(5)	(759)	(414)	(191)	(186)	(2,682)	(1,275)
Cost of materials	(10)	(9)	(2,459)	(1,978)	0	0	(1)	0
Interest income	0	0	6	6	0	0	269	251
Allowances	0	(93)	0	0	0	0	0	(379)

Receivables from associated companies and joint ventures include trade receivables in the amount of EUR 11,298 thousand (previous year: EUR 8,673 thousand).

Of the liabilities to associated companies and joint ventures in the amount of EUR 2,843 thousand (previous year: EUR 2,596 thousand), EUR 1,568 thousand (previous year: EUR 2,045 thousand) resulted from the provision of goods and services.

An installment plan for repayment over the next five years has been agreed for receivables from related parties of EUR 17,902 thousand (previous year: EUR 21,257 thousand) related to Hubert Palfinger Technologies GmbH, and sufficient collateral has been provided (see Note (34) for more information). The receivable bears interest at an arm's length rate and will be repaid in accordance with the installment plan.

PALFINGER AG leases its corporate headquarters in Bergheim near Salzburg, Austria, from a company belonging to Palfinger Privatstiftung, which is a private foundation. The lease agreement was entered into for a period of 20 years, whereby the lease may be terminated by PALFINGER AG upon the expiration of 20 years at the end of each year with a twelve month period of notification. The rent was determined on the basis of an independent assessment of the current market value. PALFINGER AG has a preemptive right to this property.

(58) Disclosures regarding governing bodies and employees

EMPLOYEES

The average number of employees for the Group in fiscal year 2019 measured as full-time equivalents was 11,035 persons (previous year: 10,605 persons), including the Executive Board. As of the balance sheet date, the number of employees in the PALFINGER Group was 11,126 persons (previous year: 10,780 persons).

SUPERVISORY BOARD

The following individuals were either appointed or delegated by the Works Council to serve as members of the Supervisory Board in fiscal year 2019:

- Hubert Palfinger, Chairman of the Supervisory Board¹⁾
- Gerhard Rauch, 1st Deputy Chairman¹⁾
- Hannes Palfinger, 2nd Deputy Chairman¹⁾
- Heinrich Dieter Kiener
- Hannes Bogner²⁾
- Ellyn Shenglin Cai
- Johannes Kücher (Works Council)²⁾
- Alois Weiss (Works Council)
- Erwin Asen (Works Council)

1) Member of the Audit, Nomination and Remuneration Committees.

2) Member of the Audit Committee.

EXECUTIVE BOARD

- Andreas Klauser, Chief Executive Officer
- Felix Strohbichler, Chief Financial Officer
- Martin Zehnder, Chief Operating and Chief Technology Officer

The regular current remuneration of the Executive Board consists of several components and can be broken down as follows:

EUR thousand	Non-performance-related		Performance-based	
	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2018	Jan–Dec 2019
Andreas Klauser	357	618	263	642
Felix Strohbichler	418	426	331	341
Martin Zehnder	473	474	396	415
Current remuneration	1,248	1,518	990	1,398

There are liabilities in the amount of EUR 1,209 thousand (previous year: EUR 994 thousand) for the current performance-based remuneration of the members of the Executive Board.

In addition, noncurrent performance-based remuneration is shown below:

In the second quarter of 2018, a new bonus agreement was entered into with the Executive Board based on a long-term increase in enterprise value. The new agreement lasts until 2022, and the bonus is expected to be paid out in 2023. For this purpose, provisions were recognized through profit or loss in the amount of EUR 3,589 thousand in the fiscal year 2019.

The previous agreement related to the increase in enterprise value from 2016 to 2018. To settle the obligation under this previous agreement, bonuses for the increase in value were paid in September 2017 and January 2018 in the total amount of EUR 1,220 thousand to Herbert Ortner and in the total amount of EUR 1,620 thousand to Martin Zehnder.

EUR 10 thousand (previous year: EUR 10 thousand) was recognized as service costs for benefits payable after termination of employment. This relates to individual contractual pension commitments for Wolfgang Pilz.

Expenses for severance payments and pensions at PALFINGER AG amounted to EUR 173 thousand (previous year: EUR 31 thousand) for members of the Executive Board and senior executives and EUR 1,317 thousand (previous year: EUR 169 thousand) for the remaining employees.

Expenses for severance payments include payments made to defined contribution pension plans in the amount of EUR 41 thousand (previous year: EUR 35 thousand) for members of the Executive Board.

(59) Significant events after the reporting period

No events of particular significance occurred after the end of fiscal year 2019 that would have led to a different presentation of the Group's financial position, financial performance or cash flows.

ACCOUNTING POLICIES

The accounting policies that were applied in the preparation of the consolidated financial statements of the PALFINGER Group are discussed below.

Note	Balance sheet item	Accounting policies	Standard
(60) Intangible assets			
	Intangible assets with definite useful lives	<p>Amortized cost</p> <p>Straight-line depreciation over the useful life:</p> <p style="padding-left: 20px;">In general 2–15 years</p> <p style="padding-left: 20px;">Capitalized customer relationships 5–10 years</p> <p>An impairment test is conducted whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.</p>	IAS 38 IAS 36
	Intangible assets with indefinite useful lives and intangible assets under development	<p>Impairment-only approach: Periodic amortization charges are not recognized; instead, an impairment test is conducted once a year and whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.</p>	IAS 38 IAS 36
	Goodwill	<p>Impairment-only approach (see above)</p> <p>In order to conduct impairment tests, goodwill is allocated to cash-generating units. The essential standard applied for determining whether a production unit qualifies as a cash-generating unit is the assessment of its technical and economic independence for the generation of income. The impairment test of the cash-generating unit is conducted by comparing the current carrying amount (including the allocated goodwill) with the higher of either the fair value less costs to sell or the value in use.</p> <p>When determining the recoverable amount, assumptions regarding future development and estimates are made that might not occur as predicted.</p> <p>Value in use is calculated as the present value of associated estimated future cash flows before tax for the next four to five years on the basis of data from medium-term corporate planning. Medium-term corporate planning is prepared every second to third year. In the years in which no medium-term corporate planning is carried out, the estimated cash flows are adjusted on the basis of a deviation analysis. The most recent strategic corporate planning was carried out at the end of 2019. After the detailed planning period, the previous year's assumptions are applied on a perpetual basis. The discount rate is derived from the weighted average cost of capital customary for the market and adjusted to the specific risks on the basis of externally available capital market data. When determining the weighted average cost of capital, externally available capital market data are used.</p> <p>If the calculated amount is less than the carrying amount, an impairment loss in the amount of the difference is allocated first to reduce the goodwill. Any additional impairment loss is then to be allocated to the remaining assets of the cash-generating units in proportion to their carrying amounts.</p> <p>The impairment test is conducted for the entire capitalized goodwill. If noncontrolling interests are recognized at their fair values in the course of a business acquisition, the impairment loss is distributed over the individual groups of shareholders on the basis of the same logic that is also applied when distributing the earnings of the particular subsidiary among the shareholders.</p> <p>In accordance with IAS 36, once goodwill has been written down due to impairment, the impairment loss may not be reversed in later periods.</p>	IFRS 3 IAS 36
	Research and development	<p>Research expenses are recognized in the income statement when they are incurred.</p> <p>Development expenses incurred with the intention of a major further development for a product or a process are capitalized if the product or process is feasible both from a technological and economic point of view, the development is marketable, the expenses can be measured reliably, and PALFINGER has sufficient resources to complete the development project. All other development expenses are recognized in the income statement when they are incurred.</p> <p>Capitalized development expenses for completed projects are stated at cost less cumulative amortization. As long as a development project is not yet completed, the recoverability of the accumulated capitalized amounts is tested annually or more frequently if circumstances indicate that an impairment loss might have occurred.</p>	IAS 38 IAS 36

Note	Balance sheet item	Accounting policies	Standard
(61) Property, plant and equipment			
		Amortized cost	IAS 16
		In addition to direct costs, production costs also include an appropriate share of indirect material and production overhead as well as borrowing costs in the case of qualifying assets. General administrative expenses are not capitalized.	IAS 36
		Straight-line depreciation over the useful life:	
		Own buildings and investments (in third-party buildings)	20–50 years
		Plants and machinery	3–15 years
		Operating and office equipment	3–10 years
		In the case of asset disposals, the difference between the carrying amounts and the net realizable value is recognized in the income statement as either other operating income or other operating expenses.	
		An impairment test is conducted whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	
Government grants		Investment grants are presented as reductions of acquisition and/or manufacturing costs. Grants for research are recognized as income in research and development costs. A government grant is not recognized until there is reasonable assurance that the company will comply with the conditions attached to it, and that the grant will be received.	IAS 20
Leases as the lessee		Assets (rights to use leased assets) and liabilities are recognized in the balance sheet pursuant to IFRS 16. Lease liabilities are recognized at the present value of the outstanding lease payments and right-of-use assets at the amount of the recognized lease liability, adjusted for advance payments and accrued lease payments. Leased assets of low value (printers, laptops, cellular phones, and other office equipment) and short-term leases with a term of less than twelve months are not capitalized, but instead recognized as expense proportionately over time. In addition, IFRS 16 is not applied to intangible assets. Lease agreements can include both lease components and non-lease components. The Group allocates the contractually stipulated compensation based on the relative stand-alone selling price of the lease components and the aggregated stand-alone selling price of the non-lease components to the individual lease components. For leases of properties, the Group uses the practical expedient of not allocating to non-lease and lease components and instead, accounting for each lease component, and thus all related non-lease components, as a single lease component.	IFRS 16
Borrowing costs		Capitalized upon acquisition or production of a qualifying asset	IAS 23
(62) Investment property			
		Land or buildings held to earn rental income or for the purpose of capital appreciation are measured at amortized cost. The building is depreciated on a straight-line basis over a period of 25 years.	IAS 40 IAS 36 IFRS 13
(63) Inventories			
		Acquisition or production cost (see (61) Property, plant and equipment) or the lower net realizable value as of the balance sheet date	IAS 2
		Raw materials, consumables and supplies, as well as merchandise: moving average price method	
		Finished goods and work in progress: standard production costs, reviewed regularly and adjusted if necessary	
(64) Contract assets from customer contracts			
		Revenue is realized based on the percentage of completion, which is determined using the cost-to-cost method or the milestone method. When applying the cost-to-cost method, revenue and order results are recognized based on the manufacturing costs actually incurred in relation to the expected total costs. Reliable estimates of the total costs of the contracts, the selling prices, and the actual costs incurred are available on a monthly basis. When applying the milestone method, the percentage of completion is determined on the basis of certain defined milestone events. For technological and financial risks that might occur during the remainder of the project; a separate estimate is made for each contract, and a corresponding amount is recognized as part of the expected total costs. Expected losses are immediately expensed if the total contract costs are likely to exceed the contract revenue.	IFRS 15

Note	Balance sheet item	Accounting policies	Standard
(65) Liabilities from puttable noncontrolling instruments			
		Puttable or fixed-term equity interests in subsidiaries with a put option held by noncontrolling shareholders constitute financial liabilities. The liability is initially recognized at fair value, which as a rule corresponds to the fair value of the interest held by the noncontrolling shareholder in the subsidiary at the time the obligation was entered into. The fair value is calculated internally using generally accepted calculation models based on market interest rates in line with the respective maturities. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	IFRS 10 IFRS 13 IAS 32 IFRS 9
		<p>If noncontrolling shareholders are currently the beneficial owners of the interests, the results and distributions continue to be attributed to the noncontrolling interests and recognized pursuant to IFRS 10. This is in particular the case if PALFINGER and the noncontrolling shareholder intend for the latter to remain a noncontrolling shareholder in the long term and to benefit from the increases in value recorded by the unit. As of the balance sheet date, they are reclassified to liabilities, and any differences between the noncontrolling interest and the obligation are presented under retained earnings.</p> <p>If, however, the noncontrolling shareholders are not the beneficial owners, they are presented as an accelerated acquisition and recognized pursuant to IFRS 9/IAS 32. This is in particular the case if the noncontrolling shareholders and/or PALFINGER intend to exercise the put option. Measurement subsequent to initial recognition is recognized through profit or loss.</p> <p>As of December 31, 2019, and December 31, 2018, these liabilities only include puttable interests for which the noncontrolling shareholders are the beneficial owners of the shares.</p>	
(66) Financial instruments			
		<p>Financial assets are measured at fair value upon initial recognition. In the case of financial investments that are not recognized at fair value through profit or loss, transaction costs that are directly allocable to the acquisition of the assets are also taken into account.</p> <p>Fair values are determined on the basis of market information available on the balance sheet date. The values listed may differ from the values realized later in light of varying factors of influence.</p> <p>The fair value of financial assets and liabilities reflects the effects of the risk of nonperformance on the part of the counterparty. When determining the fair value of a financial asset, the banks' credit risks are taken into account based on their ratings. When determining the fair values of financial liabilities, the company's own credit risk is taken into account on the basis of the ratings made by the banks.</p> <p>Market values are available for all derivative financial instruments and securities. The fair values of all other financial instruments are determined based on the discounted expected cash flows.</p> <p>Acquisitions or disposals of financial assets are recognized at the trade date.</p> <p>Impairment losses for all financial instruments are recognized in the income statement. If the reason for the impairment no longer applies, the impairment losses are reversed in the income statement.</p>	IAS 32 IFRS 9 IFRS 7 IFRS 13
	Securities and other shareholdings	Fair value through profit or loss: Measurement subsequent to initial recognition at fair value	
	Loans	At amortized cost: Measurement subsequent to initial recognition recognized at amortized cost applying the effective interest method less any impairment losses	
	Receivables	<p>At amortized cost: Measurement subsequent to initial recognition recognized at amortized cost, less any impairment losses recorded in allowance accounts</p> <p>PALFINGER applies the simplified impairment model for trade receivables and contract assets from customer contracts, whereby lifetime expected losses are taken into consideration. General specific valuation allowances on receivables are recognized based on an assessment matrix, which is based on the results of an analysis of the losses occurring over the past five years as well as an assessment of future developments and takes into account days overdue and country risk.</p> <p>The likelihood of receiving payment is assessed for specific valuation allowances on receivables, whereby in particular previous experience with the particular customers, their creditworthiness, and any collateral are taken into account. Uncollectible receivables are derecognized.</p>	
	Cash and cash equivalents	Mark-to-market	
	Liabilities	At amortized cost: Measurement subsequent to initial recognition at amortized cost applying the effective interest method.	
	Purchase price liabilities from acquisitions	Purchase price liabilities from acquisitions are measured at fair value. The fair value is calculated internally using generally accepted calculation models based on market interest rates in line with the respective maturities. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	

Note	Balance sheet item	Accounting policies	Standard
	Derivative financial instruments	Derivative financial instruments that do not meet the criteria for hedge accounting set forth in IFRS 9 are classified as at fair value through profit or loss in accordance with IFRS 9 and recognized at fair value through profit or loss.	
	Cash flow hedge	In order to minimize the risk of fluctuations with respect to payments received in the future, expected foreign currency income and interest risks are hedged in the PALFINGER Group using currency forwards and interest swaps. The special hedge accounting rules of IFRS 9 are applied to ensure that the effects of hedged transactions and the hedging instruments in the income statement are compensated on an accrual basis. The fair values resulting on the balance sheet date after accounting for deferred taxes are recognized in other comprehensive income and shown under reserves in accordance with IFRS 9. The reserve is reversed to the income statement proportionate to the future proceeds generated in the corresponding fiscal year.	
(67) Long-term employment benefits			
	Defined benefit plans	<p>Defined benefit plans apply to pension commitments in Austria, France, Norway, and Germany as well as severance pay obligations in Austria, Slovenia, Bulgaria, South Korea, Qatar, and the United Arab Emirates.</p> <p>Provisions for pensions and other post-employment benefits as well as for severance payments and anniversary bonuses are measured on the basis of an actuarial opinion prepared by an actuary as of the balance sheet date using the projected unit credit method. The discount rate matching the maturity is determined based on the yield of senior fixed income industrial bonds, i.e. a rating of AA or higher.</p> <p>In accordance with IAS 19, remeasurements are recognized in other comprehensive income if they relate to provisions for pensions and other post-employment benefits or to severance payments.</p>	IAS 19
	Defined contribution plans	Defined contribution plans have been introduced at various Group companies on the basis of statutory obligations. In addition, individual pension agreements have been entered into. Contributions are recognized as expenses in the period for which they are paid.	
	Other long-term employment benefits provisions	<p>Other long-term employment benefits relate primarily to collective bargaining commitments for the payment of anniversary bonuses depending on years of service for the employees of Austrian and Slovenian companies and to bonus agreements entered into with the members of the Executive Board and other executives.</p> <p>In accordance with IAS 19, remeasurements are recognized as provisions for anniversary bonuses under personnel expenses in the income statement.</p>	
(68) Other provisions			
		Provisions are recognized at the expected settlement amount; noncurrent provisions are recognized at present value.	IAS 37
(69) Income tax			
		<p>Tax receivables and tax liabilities are netted when they relate to the same tax authority and the company has a right to offset the items.</p> <p>Deferred taxes are recognized according to the liability method and calculated using the respective country's applicable tax rate. Deferred tax assets are only recognized if it is likely that the corresponding tax benefits will actually be realized.</p> <p>Deferred tax is calculated using the tax rate expected to apply on the balance sheet date when the temporary differences reverse. As a general rule, changes in taxes result in tax expenses and/or tax income. Taxes on items recognized in other comprehensive income are recognized in other comprehensive income. Taxes on items recognized in other comprehensive income are taken into account in other comprehensive income.</p>	IAS 12

Note	Balance sheet item	Accounting policies	Standard
	(70) Revenue recognition		
		<p><i>Sale of products</i></p> <p>Revenue from the sale of series products is recognized when control of the goods is transferred to the customer in accordance with the terms and conditions of delivery. Revenue is recognized at that point in time provided that both revenue and cost can be reliably determined, the consideration is likely to be received, and the performance obligation has been satisfied. The performance obligation is customarily satisfied upon transfer of ownership in accordance with the INCOTERMS.</p> <p>Some contracts have multiple components, meaning that in addition to governing the sale of series products, they also include additional performance obligations such as extended warranties and service type warranties, service and maintenance, or commissioning. In accordance with IFRS 15, the consideration is allocated to the components according to their relative standalone selling prices.</p> <p><i>Contract manufacturing and rendering of services</i></p> <p>In the project business, revenue from customized manufacturing orders was previously recognized according to the percentage-of-completion method. IFRS 15 defines criteria for recognizing revenue over a certain time period. Almost all project business contracts meet the criteria for satisfying a performance obligation over a certain time period, as the assets produced have no alternative use and PALFINGER has a right to payment for the performance completed at any time throughout the duration of the respective contract. PALFINGER's project business comprises projects in the area of Railway Systems in the EMEA region as well as in the areas of Offshore Cranes, Winches, Davits and Boats in the SEA region.</p> <p>In the case of contracts for the provision of long-term services, revenue is recognized over a certain time period, as the customer receives the benefits from the services while they are being performed.</p> <p>Significant financing components with terms longer than twelve months are accounted for separate from revenue. Installment plans are set up for this purpose in most cases.</p> <p>Significant costs incurred during the phase of contract formation are only capitalized for contracts with terms longer than twelve months. At present, no significant costs are incurred during the phase of contract formation. Variable consideration and repurchase commitments only apply in rare cases.</p>	IFRS 15

FAIR VALUE MEASUREMENT

PALFINGER measures financial instruments such as derivatives, contingent purchase price obligations, and liabilities from puttable noncontrolling instruments at fair value on a recurring basis. The fair values of financial instruments accounted for at amortized cost are quoted in the Note entitled "Financial instruments".

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. When measuring fair value, it is assumed that the transaction in the course of which the asset is sold or the liability transferred takes place either on the principal market for the asset or liability or, if there is no principal market, on the most advantageous market. PALFINGER measures fair value by taking into account all assumptions that the market participants would use as a basis for pricing, presuming that the market participants act in their own best economic interest.

The fair value measurement of a nonfinancial asset takes into account the market participant's ability to generate economic benefits through the highest and best use of the asset.

When determining fair value, PALFINGER applies valuation techniques appropriate in the circumstances and for which sufficient data are available to measure the fair value, using observable inputs whenever possible.

The fair values accounted for or stated are categorized on the basis of the lowest level of input applied as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

LIST OF SHAREHOLDINGS

Company, registered office	Parent company ¹⁾	Direct investment ²⁾ (in percent)		Indirect investment ³⁾ (in percent)		FC ⁴⁾
		2018	2019	2018	2019	
Consolidated entities						
PALFINGER AG, Bergheim (AT)						EUR
Andrés N. Bertotto S.A.I.C. (Hidro-Grubert), Río Tercero (AR)	PAM	30.00	70.00	30.00	70.00	ARS
Elesa centro de montaje y servicios S.A, Madrid (ES)	PIB	100.00	100.00	75.00	75.00	EUR
EPSILON Kran GmbH, Salzburg (AT)	EMEA	65.00	65.00	65.00	65.00	EUR
Equipment Technology, LLC, Oklahoma City (US)	PUSH	100.00	100.00	100.00	100.00	USD
FairWind Renewable Energy Services, LLC, Lawton (US)	PUSH	51.00	51.00	51.00	51.00	USD
Guima Palfinger S.A.S., Caussade (FR)	EMEA	65.00	65.00	65.00	65.00	EUR
Harding Safety Spain SL, Cádiz (ES)	PALM AS	100.00	100.00	100.00	100.00	EUR
Heron Davits AS, Seimsfoss (NO)	PALM AS	100.00	100.00	100.00	100.00	EUR
Holding Company Podyomnie Maschiny AO, Archangel (RU)	VMS/PMH	100.00	100.00	75.03	75.03	RUB
INMAN AO, Ishimbay (RU)	PCIS	100.00	100.00	100.00	100.00	RUB
Madal Palfinger S.A., Caxias do Sul (BR)	PAM	99.85	99.85	99.85	99.85	BRL
MBB Interlift N.V., Erembodegem (BE)	PTL DE	100.00	100.00	100.00	100.00	EUR
Mega Repairing Machinery Equipment LLC, Dubai (AE)	PSYSU	100.00	100.00	100.00	100.00	AED
Megarme General Contracting Company LLC, Abu Dhabi (AE)	PSYSU	100.00	100.00	100.00	100.00	AED
Megarme Inspection & Engineering Services LLC, Dubai (AE)	PSYSU	100.00	100.00	100.00	100.00	AED ⁹⁾
Nimet Srl, Lazuri (RO)	PPT	60.00	60.00	60.00	60.00	RON
Noreq BV, Houten (NL)	PALM AS	100.00	100.00	100.00	100.00	EUR
Noreq LLC, Houston (US)	PALM AS	100.00	-	100.00	-	USD
Omaha Standard, LLC, Council Bluffs (US)	PUSH	100.00	100.00	100.00	100.00	USD
Palfinger Americas GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Area Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Asia Pacific Pte. Ltd., Singapore (SG)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Boats Vietnam Co., Ltd., Hung Yen (VN)	PM NL	100.00	-	100.00	-	USD
Palfinger Canarias Maquinaria S.L., Las Palmas de Gran Canaria (ES)	PIB	100.00	100.00	75.00	75.00	EUR
Palfinger CIS GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger comércio e aluguer de máquinas S.A., Samora Correira (PT)	PIB	60.00	60.00	45.00	45.00	EUR
Palfinger Crane Rus OOO, St. Petersburg (RU)	PCIS	100.00	100.00	100.00	100.00	RUB
Palfinger Cranes India Pvt. Ltd., Chennai (IN)	PAUG/PAP	100.00	100.00	100.00	100.00	INR
Palfinger Danmark AS, Middelfart (DK)	EMEA	100.00	100.00	100.00	100.00	DKK
Palfinger EMEA GmbH, Bergheim (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Equipment (Nantong) Co., Ltd., Nantong (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger Europe GmbH, Salzburg (AT)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger GmbH, Ainring (DE) ⁵⁾	PP/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Gru Idrauliche S.r.l, Bolzano (IT)	PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Hayons S.A.S., Silly en Gouffern (FR)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Ibérica Maquinaria S.L., Madrid (ES)	EMEA	75.00	75.00	75.00	75.00	EUR
Palfinger Japan K.K., Yokohama (JP)	PAP	100.00	100.00	100.00	100.00	JPY
Palfinger Kama Cylinders OOO, Neftekamsk (RU)	PCIS	51.00	51.00	51.00	51.00	RUB
Palfinger Korea Co., Ltd., Seongnam-si (KR)	PAP	100.00	100.00	100.00	100.00	KRW
Palfinger Liftgates, LLC, Cerritos (US)	PUSH	100.00	100.00	100.00	100.00	USD
Palfinger Marine Canada Inc., Langley (CA)	PALM AS	100.00	100.00	100.00	100.00	CAD

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

Company, registered office	Parent company ¹⁾	Direct investment ²⁾ (in percent)		Indirect investment ³⁾ (in percent)		FC ⁴⁾
		2018	2019	2018	2019	
Palfinger Marine Czech s.r.o., Slaný (CZ)	PALM EU	100.00	100.00	100.00	100.00	CZK
Palfinger Marine d.o.o., Maribor, Maribor (SI)	PALMA	100.00	100.00	100.00	100.00	EUR
Palfinger Marine DK AS, Munkebo (DK)	PALM AS	100.00	100.00	100.00	100.00	DKK
Palfinger Marine Do Brasil Ltda., Rio de Janeiro (BR)	PALMA	100.00	100.00	100.00	100.00	BRL
Palfinger Marine Doha WLL, Doha (QA)	PSYSU	100.00	100.00	100.00	100.00	QAR
Palfinger Marine Europe B.V., Schiedam (NL)	PALM AS	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Germany GmbH, Dägeling (DE)	PALM AS	100.00	100.00	100.00	100.00	EUR
Palfinger Marine GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Hong Kong Limited, Hong Kong (CN)	PALM AS	100.00	100.00	100.00	100.00	HKD
Palfinger marine Italy Srl, Livorno (IT)	PALM AS	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Korea Ltd., Sacheon-si (KR)	PALMA	100.00	100.00	100.00	100.00	KRW
Palfinger Marine LSE (Qingdao) Co., Ltd., Qingdao (CN)	PALM AS	100.00	100.00	100.00	100.00	CNY
Palfinger Marine Montagens Industriais do Brasil Ltda., Porto Alegre (BR)	PALM BR	99.00	99.00	99.00	99.00	BRL
Palfinger Marine Netherlands B.V., Haderwijk (NL)	PALMA	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Norway AS, Bergen (NO)	PALMA	100.00	100.00	100.00	100.00	NOK
Palfinger Marine Panama Inc., Ciudad de Panama (PA)	PALM US	100.00	100.00	100.00	100.00	PAB
Palfinger Marine Poland sp. z.o.o., Gdynia (PL)	PALMA	100.00	100.00	100.00	100.00	PLN
Palfinger Marine Rus OOO, St. Petersburg (RU)	PALMA	100.00	100.00	100.00	100.00	RUB
Palfinger Marine Safety AS, Seimsfoss (NO)	PALMA	100.00	100.00	100.00	100.00	NOK
Palfinger Marine Shanghai Co., Ltd., Shanghai (CN)	PALM AS	100.00	100.00	100.00	100.00	CNY
Palfinger Marine UK Limited, Gosport Hampshire (UK)	PALM AS	100.00	100.00	100.00	100.00	GBP
Palfinger Marine USA Inc., New Iberia (US)	PALM AS	100.00	100.00	100.00	100.00	USD
Palfinger Marine Vietnam Co., Ltd., Hung Yen (VN)	PM NL	100.00	100.00	100.00	100.00	USD
Palfinger Platforms GmbH, Krefeld (DE) ⁵⁾	PTL DE/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms Italy s.r.l., Bolzano (IT)	PSUG	77.00	100.00	77.00	100.00	EUR
Palfinger PM Holding GmbH, Salzburg (AT)	PCIS	75.03	75.03	75.03	75.03	EUR
Palfinger Poland sp.z.o.o., Solec Kujawski (PL)	EMEA	100.00	100.00	100.00	100.00	PLN
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger proizvodna tehnologija Hrvatska d.o.o., Delnice (HR)	EMEA	100.00	100.00	100.00	100.00	HRK
PALFINGER proizvodnja d.o.o., Maribor (SI)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Projects B.V., Elst (NL)	PAG	100.00	-	100.00	-	EUR
Palfinger S. Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Structural Inspection GmbH, Vienna (AT)	PAG	-	51.00	-	51.00	EUR
Palfinger systems units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Tail Lifts GmbH, Ganderkesee-Hoykenkamp (DE) ⁵⁾	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Tail Lifts Limited, Welwyn Garden City (UK)	EMEA	100.00	100.00	100.00	100.00	GBP
Palfinger Tail Lifts s.r.o., Bratislava (SK)	PTL DE	100.00	100.00	100.00	100.00	EUR
Palfinger Trading (Shanghai) Co., Ltd., Shanghai (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger US Holdings, Inc., Council Bluffs (US)	PAM	100.00	100.00	100.00	100.00	USD
Palfinger, Inc., Niagara Falls (CA)	PAM	100.00	100.00	100.00	100.00	USD
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul (BR)	MP	100.00	100.00	99.85	99.85	BRL
Palfinger USA, LLC, Tiffin (US)	OSP	100.00	100.00	100.00	100.00	USD
Podyomnie Maschini AO, Velikiye Luki (RU)	PMH	100.00	100.00	75.03	75.03	RUB
SMZ OOO, Archangel (RU)	PM/HKPM	100.00	100.00	75.03	75.03	RUB
Velmarsh-S OOO, Velikiye Luki (RU)	PM/HKPM	100.00	100.00	75.03	75.03	RUB

Company, registered office	Parent company ¹⁾	Direct investment ²⁾ (in percent)		Indirect investment ³⁾ (in percent)		FC ⁴⁾
		2018	2019	2018	2019	
Entities accounted for using the equity method						
Associated companies						
Crane Center Kamaz OOO, Nabereschnye Tschelny (RU)	PCIS	49.00	49.00	49.00	49.00	RUB
Dreggen (Hong Kong) Company Limited, Hong Kong (CN)	PM NO	33.00	-	33.00	-	HKD
Palfinger France S.A.S., Étoile sur Rhône (FR)	EMEA	48.94	48.94	48.94	48.94	EUR
SANY Automobile Hoisting Machinery Co., Ltd., Changsha (CN)	PAP	10.00	7.50	10.00	7.50	CNY
STEPA Farmkran Gesellschaft m.b.H., Elsbethen (AT)	EMEA	45.00	45.00	45.00	45.00	EUR
Joint ventures						
Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)	PSUG	50.00	50.00	50.00	50.00	EUR
PALFINGER SANY Cranes OOO, Moscow (RU)	PSV	100.00	100.00	50.00	50.00	RUB
Sany Palfinger SPV Equipment Co., Ltd., Nantong (CN)	PAP	50.00	50.00	50.00	50.00	CNY
Other shareholdings						
Rosendal Hamn Egedom AS, Rosendal (NO)	PALM AS	3.00	3.00	3.00	3.00	NOK
Rosendal Utvikling AS, Rosendal (NO)	PALM AS	8.50	8.50	8.50	8.50	NOK
Sunnhordlandsdiagonalen AS, Valen (NO)	PALM AS	4.54	4.54	4.54	4.54	NOK
Atheno AS, Stord (NO)	PALM AS	6.20	6.20	6.20	6.20	NOK

1) Controlling company:

EMEA = Palfinger EMEA GmbH, Bergheim (AT)

HKPM = Holding Company Podyomnie Maschini AO, Archangel (RU)

MP = Madal Palfinger S.A., Caxias do Sul (BR)

OSP = Omaha Standard, LLC, Council Bluffs (US)

PAG = PALFINGER AG, Bergheim (AT)

PALM AS = Palfinger Marine Safety AS, Seimsfoss (NO)

PALM BR = Palfinger Marine Do Brasil Ltda., Rio de Janeiro (BR)

PALM EU = Palfinger Marine Europe B.V., Schiedam (NL)

PALM US = Palfinger Marine USA Inc., New Iberia (US)

PALMA = Palfinger Marine GmbH, Salzburg (AT)

PAM = Palfinger Americas GmbH, Salzburg (AT)

PAP = Palfinger Asia Pacific Pte. Ltd., Singapore (SG)

PAUG = Palfinger Area Units GmbH, Salzburg (AT)

PCIS = Palfinger CIS GmbH, Salzburg (AT)

PEU = Palfinger Europe GmbH, Salzburg (AT)

PIB = Palfinger Ibérica Maquinaria S.L., Madrid (ES)

PM = Podyomnie Maschini AO, Velikiye Luki (RU)

PM NL = Palfinger Marine Netherlands B.V., Barneveld (NL)

PM NO = Palfinger Marine Norway AS, Bergen (NO)

PMH = Palfinger PM Holding GmbH, Salzburg (AT)

PP = Palfinger Platforms GmbH, Krefeld (DE)

PPT = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)

PSUG = Palfinger S. Units GmbH, Salzburg (AT)

PSV = Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)

PSYSU = Palfinger systems units GmbH, Salzburg (AT)

PTL DE = Palfinger Tail Lifts GmbH, Ganderkesee (DE)

PUSH = Palfinger US Holdings, Inc., Council Bluffs (US)

VMS = Velmesh-S OOO, Velikiye Luki (RU)

2) From the point of view of the controlling company.

3) From the point of view of PALFINGER AG.

4) FC = functional currency.

5) Section 264 (3) HGB and/or Section 264b HGB applied for these entities.

6) Company not consolidated due to immateriality

Bergheim, February 7, 2020

The Executive Board of PALFINGER AG

Andreas Klauer
Chairman
of the Executive Board

Felix Strohbichler
Chief Financial Officer

Martin Zehnder
Chief Operating and
Chief Technology Officer

**Serious
responsibility
calls for
bold action.**

DETAILED GRI AND SUSTAINABILITY DISCLOSURES

SUSTAINABILITY REPORT PROFILE AND BOUNDARIES

Every year since 2013, PALFINGER has published an integrated annual report containing reporting on sustainability aspects. The 2019 Integrated Annual Report presents a comprehensive overview of all aspects of corporate governance: economic aspects as well as social and environmental ones. The topics reported on were selected based on the results of the materiality analysis conducted in 2017 and reflect PALFINGER's four sustainability areas. As the parent company, PALFINGER AG is included in the KPI, though these are not reported separately due to immateriality. The GRI content index provides an overview of the sustainability topics, in accordance with the UN Global Compact, along with references to the relevant pages in the report. To help the reader, those pages contain references to the relevant GRI disclosures as well as references to additional information.

📖 [Management report, Materiality analysis, page 45; GRI content index, page 260](#)

As a matter of principle, all consolidated companies of the PALFINGER Group, as listed in the statement of investments, have been included in the sustainability reporting. Due to a post-merger integration phase, only personnel data with relevance for master data, such as the number of employees, is requested in the first year of consolidation of new investments; no specific employee KPIs such as training hours and staff absences due to industrial accidents are reported. Sites with fewer than 80 staff members can be exempted from the obligation to disclose employee KPIs that have no relation to the development of employment. In such cases they are free to report specific employee KPIs but are not required to do so. Currently, only two sites have made use of the option not to disclose specific employee KPIs: Palfinger Tail Lifts s.r.o. and Palfinger Hayons S.A.S.

📖 [Consolidated financial statements, Statement of investments, page 221](#)

Given the importance of environmental KPIs, reporting on these is mandatory for manufacturing and assembly sites. The sites in Bergheim (AT) and Ainring (DE), being corporate headquarters and a truck body mounting site, respectively, have been included in the reporting due to their size. A complete list of all sites reporting environmental data in 2019 can be found on the following pages in the section entitled "Management systems in use". The sites in Hung Yen (VN) and Welwyn Garden City (UK) have been closed and are therefore no longer included. However, the site in Cerritos (US) has been reincorporated into the Group reporting. Internally, the site in Rudong was also included in the Group reporting in fiscal year 2019 on the basis of the Sany Palfinger joint venture. However, Rudong is not consolidated and is considered only as supplementary information, which is why it is not included in this report.

The presentation of environmental KPIs was standardized and updated in reporting year 2019. Reporting year 2015 was defined as a uniform base year. It serves as the basis of comparison for long-term targets and the annual performance of the index KPIs in relation to revenue.

The conversion of direct and indirect CO₂ equivalents was also updated and implemented retroactively for the years 2015 through 2019. The calculation is largely based on the IEA (2018) database, reference year 2016. Emissions data contains carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) plus the correction value for import and export. As direct combustion does not release the remaining Kyoto gases, the figures can be considered complete.

Data relating to direct emissions (Scope 1) of gasoline, diesel, LPG, and heating oil was provided by Austria's Federal Environmental Agency (Umweltbundesamt). The conversion for the energy source coal was based on the specific carbon content of coal (Scope 1). Scope 3 conversion factors are taken from the ecoinvent 3.5 database. The conversion factors for district heating are country-specific and come directly from the provider.

Companies acquired or sites established during the reporting year are not required to report environmental data until the beginning of the following year.

The large number of sites makes it impossible to present data for each site individually in the 2019 Integrated Annual Report. Data is presented for the geographical regions European Union, Far East, CIS, Central and South America, Middle East and Africa, North America, and Rest of Europe, as well as for the entire PALFINGER Group. Eco-efficiency in production is not reported for the Middle East and Africa region because there are no applicable sites in this region.

🌐 GRI 102-46, 102-48, 102-50, 102-51, 102-52, 305-1, 305-2, 305-3

MANAGEMENT SYSTEMS IN USE

PALFINGER attaches great importance to continuously improving the management of quality assurance, environmental standards, product safety, and occupational safety at the production plants. External certifications may be obtained by the relevant units or companies on their own authority and in line with local requirements, but they are not mandatory. The local management systems use the same generally applicable process throughout the Group. Quality assurance and central quality management are controlled group-wide from corporate headquarters in Bergheim (AT).

As of December 31, 2019, approximately 86 percent (2018: 84 percent) of all employees were working at sites with an ISO 9001 quality management system in place. The certificate for the site in Ishimbay (RU) expired at the end of 2018 but was renewed in early 2019. PALFINGER's quality standards for welding processes are equally high. Only locations where welding processes actually take place are included in the statistical population. The proportion of employees who, at the reporting date, were working at sites that had obtained country-specific welding certificates was 71 percent (2018: 73 percent). The change is due solely to the number of employees; the number of certified sites remains identical. Moreover, group-wide quality management guidelines specify the procedure for the settlement of guarantee payments, company-wide minimum standards for quality, and definitions of guarantee cases and guarantee costs.

Many quality management aspects are also relevant for environmental protection. The proportion of employees who work at sites certified to ISO 14001 was raised to 49 percent in the reporting year (2018: 35 percent). ISO 14001 certification was implemented at the sites in Cherven Brjag (BG) and Velikiye Luki (RU); implementation is planned for Cadelbosco Sopra (IT) in 2020.

The proportion of employees who work at sites with energy management systems certified to ISO 50001 increased to 50 percent (2018: 43 percent) due to the certification at the Cherven Brjag site. All PALFINGER sites meet the minimum criteria required for an environmental management system as defined in the Group's environmental protection guideline. This guideline provides for the implementation of local improvement measures.

📄 [Management report, Environmental and energy management, page 121](#)

At PALFINGER, one way of managing occupational health and safety aspects is through certification to OHSAS 18001 or its replacement, ISO 45001. In reporting year 2019, this was introduced at the sites in Cadelbosco Sopra (IT) and Velikiye Luki (RU). The proportion of employees who work at sites with certifications was thus increased to 34 percent (2018: 26 percent).

Certifications			Quality	Environment ³⁾	Energy	Safety	Technology
Site or registered office	Company	Headcount	ISO 9001	ISO 14001	ISO 50001	OHSAS 18001/ ISO 45001	Welding certification ¹⁾
Ainring (DE)	Palfinger GmbH	171	X		X		X
Archangelsk (RU)	SMZ OOO	176	X				
Bergheim HQ (AT)	PALFINGER AG	301					¹⁾
Cadelbosco Sopra (RE) (IT)	Palfinger Gru Idrrauliche S.r.l.	105	X	Plan 2020		X	¹⁾
Caussade (FR)	Guima Palfinger S.A.S.	223	X	X		X	X
Caxias do Sul - Madal (BR)	Madal	290	X				
Cerritos (US)	Palfinger Liftgates, LLC	104					
Cherven Brjag (BG)	PPT-Bulgarien Cherven Briag	648	X	X	X		X
Chennai (IN)	Palfinger Cranes India Pvt. Ltd.	60	X				
Council Bluffs (US)	Omaha Standard, LLC	187					
Delnice (HR)	Palfinger proizvodna tehnologija Hrvatska d.o.o.	111	X				X
Elsbethen (AT)	EPSILON Kran GmbH	192	X	X			¹⁾
Ganderkesee (DE)	Palfinger Tail Lifts GmbH	247	X		X		X
Gdynia (PL)	Palfinger Marine Poland sp.z.o.o.	32	X				¹⁾
Hanoi (VN)	Palfinger Marine Vietnam Co., Ltd.	104					
Harderwijk - Boats (NL)	Palfinger Marine Netherlands B.V.	45					¹⁾
Ishimbay (RU)	INMAN AO	463	X				X
Köstendorf (AT)	Palfinger Europe GmbH	568	X	X	X	X	¹⁾
Krefeld (DE)	Palfinger Platforms GmbH	121	X		X		¹⁾
Lazuri (RO)	Nimet Srl	647	X	X		X	¹⁾
Lengau (AT)	Palfinger Europe GmbH	1,111	X	X	X	X	X
Löbau (DE)	Palfinger Platforms GmbH	278	X		X		¹⁾
Maribor - Palfinger Marine (SI)	Palfinger Marine d.o.o., Maribor	119	X		X		¹⁾
Maribor (SI)	Palfinger proizvodnja d.o.o.	777	X		X		X
Modena (IT)	Palfinger Platforms Italy s.r.l.	44	X				¹⁾
Neftekamsk (RU)	Palfinger Kama Cylinders OOO	219	X				
Niagara Falls (CA)	Palfinger, Inc.	103					
Oklahoma (US)	Equipment Technology, LLC	382					
Olve (NO)	Palfinger Marine Safety AS	77	X				
Qingdao (CN)	Palfinger Marine LSE (Qingdao) Co., Ltd.	47	X				
Seifhennersdorf (DE)	Palfinger Platforms GmbH	66	X		X		X
Solec Kujawski (PL)	Palfinger Poland sp.zo.o.	47	X				
Tenevo (BG)	PPT-Bulgarien Tenevo	718	X	X	X		X
Rio Tercero (AR)	Andrés N. Bertotto S.A.I.C (Hidro Grubert).	207	X				
Trenton / New Jersey (US)	Omaha Standard, LLC	88					
Velikiye Luki (RU)	Velmarsh-S OOO	600	X	X		X	X
Total headcount²⁾		9,678	8,364	4,707	4,824	3,254	5,135
Percentage of headcount using certificate			86%	49%	50%	34%	71%

1) This includes ISO 3834, DNV/GL, BV Marine, ISO 15085 and GOST, but excludes certificates issued to individuals; sites without welding processes have been excluded from the statistical population used to calculate the KPI.
2) Number of employees pursuant to EEM reporting boundaries.

REPORTING STANDARDS

GRI STANDARDS

The allocation of PALFINGER's sustainability topics to the respective GRI disclosures is marked by references. Moreover, the impacts of a topic, in particular PALFINGER's contribution, are shown by means of the value chain and the four sustainability areas. The impact table below illustrates the direct and indirect impacts. Their measurements and any improvement measures instituted are described in the relevant sections of this report.

SUSTAINABILITY AND DIVERSITY IMPROVEMENT ACT (NADIVEG)

The impact table shows which of PALFINGER's sustainability topics are associated with which provisions of the Austrian Sustainability and Diversity Improvement Act, which became effective in 2018. This illustrates PALFINGER's implementation of the requirements under this Act in connection with the value chain and other guidelines such as GRI, UNGC, and the SDGs.

SUSTAINABLE DEVELOPMENT GOALS (SDG)

In 2017, PALFINGER deepened its analysis of the Sustainable Development Goals (SDGs) and specified the direct or indirect impact of its own actions on individual SDGs. The impact table presents in detail the direct impact of individual sustainability topics on a Sustainable Development Goal.

The top 13 sustainability topics at PALFINGER directly impact nine SDGs. The main impacts are shown to be exerted on the five following goals in descending order. These five, which often interact and support each other, have been included in the reporting. The impact table shows the specific subordinate goals of these five SDGs that are influenced.

SDG 12: Responsible consumption and production

PALFINGER assumes responsibility by using raw materials efficiently. The reduction of energy consumption as well as of hazardous waste is promoted along the entire value chain. With its safe, efficient, low-noise products that have a low consumption of operating materials, PALFINGER provides lifting solutions that represent the state of the art in research and meet market demand. Product lifecycle approaches take account of application and production patterns from the supplier to the end customer.

SDG 13: Climate action

PALFINGER is committed to climate protection and strives to continuously optimize energy consumption and intra-company transport attributable to production operations and product use, thereby lowering costs and emissions. Examples are hybrid or electric solutions, the switch to renewable energy sources in procurement, and photovoltaic solutions for production floors. Specific objectives and measures regarding energy consumption and CO₂ emissions have been defined to contribute to this goal. In addition, PALFINGER strives to achieve the greatest possible efficiency in buildings as well as in production processes to the extent regional conditions permit.

SDG 8: Decent work and economic growth

The viability of the business model is of great importance to PALFINGER and contributes to economic growth. Relevant trends, such as digitalization, are actively monitored. It is equally important to guarantee attractive employment on the basis of an internalized corporate culture and internalized corporate values. This includes legal and ethical standards as well as diversity aspects, training opportunities, and voluntary social benefits for PALFINGER employees. Moreover, control by means of management systems such as OHSAS 18001/ISO 45001 promotes safe working conditions and is taken into consideration in the selection and regular assessment of suppliers.

SDG 9: Industry, innovation and infrastructure

PALFINGER is committed to keeping its business model up to date with current trends at all times, which is why it invests in research and development to maintain the company's viable position in the future. With the help of innovations, PALFINGER enhances its production processes as well as the safety of its products, for example by means of virtual reality applications. Another focus is on efficient use of raw materials such as steel and aluminum.

SDG 10: Reduced inequalities

Over-achieving regional standards makes PALFINGER an attractive employer. PALFINGER acts in an ethical manner: Laws are obeyed, taxes are transparent and are paid properly, and corruption is counteracted. Relevant topics here are the promotion of diversity and equal opportunity, for example in connection with talent management, as well as fair working conditions, modern workplaces, and fair remuneration.

UN GLOBAL COMPACT (UNGC)

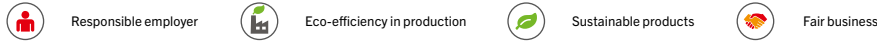
Since 2013, PALFINGER has been committed to compliance with the ten principles of the UN Global Compact. Instead of disclosing a Communication on Progress report, PALFINGER once again combined the sustainability topics with the UN Principles in 2019; this is presented in the impact table below.

IMPACTS OF THE SUSTAINABILITY TOPICS THROUGHOUT THE VALUE CHAIN

The impact table shows which sustainability topics are deemed material for PALFINGER, at which stage of the value chain their impacts occur, and to which areas the impacts are allocated. The ranking of the material topics corresponds to their long-term impacts and at the same time the overall relevance identified by internal and external stakeholders in 2017. All 38 topics that were assessed in the materiality analysis have been included. Any changes compared with previous reports are indicated in the key and/or in the section entitled "Materiality analysis". References to compliance with guidelines, reporting standards, and KPIs are indicated as well. In addition, the measures conducive to the development of a sustainability topic were reported for the first time in 2018.























 [Management report, Materiality analysis, page 45](#)


















IMPACT TABLE























Ranking	Material topics	Impact on value chain			References to guidelines GRI disclosures, NaDiVeG, SDG, UNGC	Intensity of reporting	Measures
		Supply chain	Within the company	Product use			
1	Product safety PALFINGER's products shall be distinguished by utmost safety. The prevention of accidents during their use shall go beyond statutory requirements.				<ul style="list-style-type: none"> • GRI: 416-1, 416-2 	Quantitative presentation of any accidents involving products and description of safety innovations for products	<ul style="list-style-type: none"> • Product data tracking for safety
2	Product research and development PALFINGER aims to invest more heavily in product research and development and offer the latest technologies.				<ul style="list-style-type: none"> • No GRI disclosures available • NaDiVeG • SDG: 9.1, 9.5, 12.2, 12.5, 13.3 	Quantitative presentation of investment in research and development	<ul style="list-style-type: none"> • Product development R&D process • Training of R&D employees
3	Innovation in production PALFINGER aims to promote sustainable innovations and technologies in the production process in order to increase efficiency ("more output with less input").				<ul style="list-style-type: none"> • No GRI disclosures available • NaDiVeG • SDG: 9.1, 9.4, 9.5, 13.2, 13.3 	Quantitative presentation of investment in research and development	<ul style="list-style-type: none"> • Production R&D process
4	Viability of the business model PALFINGER must make sure that its business model remains viable in the long term and actively pursue trends (e.g. urbanization, rental instead of purchase, circular economy, etc.). PALFINGER aims to make a contribution to society.				<ul style="list-style-type: none"> • GRI: 201-1, 201-2 • SDG: 8.2, 8.3, 9.3, 9.4 	Quantitative presentation of monetary flows to stakeholders, management systems as well as presentation in the context of the management report, risk management, economic performance, organizational profile	<ul style="list-style-type: none"> • GLOBAL PALFINGER ORGANIZATION • Business model innovation (TCO)
5	Health and safety PALFINGER shall protect its employees against accidents and proactively promote occupational health and safety as well as preventive health care and social security provision. A good work-life balance shall contribute to the employees' well-being.				<ul style="list-style-type: none"> • GRI: 403-2 • NaDiVeG • SDG: 3.8 	Quantitative presentation of accidents, fatalities, staff absences in the company's own production operations, absentee rate, and management systems, as well as description of initiatives	<ul style="list-style-type: none"> • Uniform global definition of accidents and uniform reporting • Expansion of PALfit • Global health initiative • Restructuring occupational health and safety and PALfit concept • Concept for health, safety, environment, and quality
6	Product lifecycle PALFINGER products shall be characterized by their reduced weight and their lower need for energy and operating materials over the entire product lifecycle. The products must be high quality, reliable, durable, and low in maintenance.				<ul style="list-style-type: none"> • GRI: 301-1, 302-1, 302-3, 305-1, 305-2, 305-3 • NaDiVeG • SDG: 12.5, 12.8 • UNGC: 7-9 	Quantitative description of warranty costs and waste cuttings rate and qualitative description of product innovations for quality enhancement as well as of safe and efficient products	<ul style="list-style-type: none"> • Best Invest • Business model innovation (TCO)
7	Employee development PALFINGER shall promote the training and further education of its employees and prepare them in advance for changes in their working environment (e.g. Industry 4.0, expert development).				<ul style="list-style-type: none"> • GRI: 404-1 • NaDiVeG • SDG: 4.3, 4.4, 4.5, 8.6 	Quantitative presentation of hours spent on training and further education, appraisal interviews as well as qualitative description of development programs	<ul style="list-style-type: none"> • Expansion of employee development • Learning strategy/talent management • Global leadership framework and program • PALFINGER Campus

Ranking	Material topics	Impact on value chain			References to guidelines GRI disclosures, NaDiVeG, SDG, UNGC	Intensity of reporting	Measures
		Supply chain	Within the company	Product use			
8	Energy efficiency and climate protection PALFINGER must strive to continuously optimize energy consumption and intra-company transport (e.g. on-demand logistics, e-drive induction loops) and to reduce costs and emissions, thus making an active contribution to climate protection. PALFINGER must aim for the highest building efficiency possible under regional conditions.				<ul style="list-style-type: none"> • GRI: 302-1, 302-3, 305-1, 305-2, 305-3 • NaDiVeG • SDG: 13.2, 13.3 • UNGC: 7-9 	Quantitative indicators and management systems as well as qualitative description of energy efficiency and climate protection	<ul style="list-style-type: none"> • Energy efficiency in Russia • Exchange of information on environmental topics • Photovoltaic systems • Climate strategy • Renewable energy • Renewable energy at the sites in Lazuri (RO) and Maribor (SI) • Merchandise fan shop • Sustainable mobility
9	Raw material requirements and efficiency In production, PALFINGER aims to use raw materials such as steel, aluminum, and glass fiber efficiently.	 	 		<ul style="list-style-type: none"> • GRI: 301-1 • NaDiVeG • SDG: 12.5, 12.6 • UNGC: 7-9 	Quantitative presentation of raw material requirements, waste cuttings rate and hazardous waste as well as qualitative description of raw material requirements and efficiency	<ul style="list-style-type: none"> • Steel supplier assessment • Waste cuttings rate
10	Attractive employment PALFINGER aims to be highly reputed as an attractive employer, maintain a high employee retention rate, and create opportunities for development (horizontally and vertically) within the company.				<ul style="list-style-type: none"> • GRI: 102-8, 401-1 • NaDiVeG • SDG: 4.3, 4.4, 5.1, 8.3, 8.5 • UNGC: 3-6 	Quantitative presentation of employee development, employee turnover, and diversity; qualitative description of PALFINGER's attractiveness as an employer	<ul style="list-style-type: none"> • Establish an employer branding strategy • Recruitment • Onboarding process • HR strategy • HR system • Job architecture • Global pay raise process • Talent and performance management • New works agreement in Austria
11	Corporate culture and values PALFINGER employees, especially executives, shall set an example when it comes to embracing PALFINGER's corporate culture and acting on the basis of its values of entrepreneurship, respect, and learning. This is intended, among other things, to lead to intercultural understanding, a higher level of recognition, appreciation, and an active exchange of knowledge.				<ul style="list-style-type: none"> • GRI: 102-16, 102-17 • NaDiVeG • SDG: 8.3 • UNGC: 10 	Quantitative presentation of employee survey as well as qualitative description of corporate culture and values	<ul style="list-style-type: none"> • Organizational structure • Leadership Principles • Cultural analysis
12	Compliance with legal and ethical standards PALFINGER shall act in an ethically correct manner: Laws are obeyed, taxes are paid properly, and corruption is counteracted.	 	 		<ul style="list-style-type: none"> • GRI: 102-16, 102-17, 205-1, 205-3, 206-1, 307-1, 417-2, 417-3, 419-1 • NaDiVeG • SDG: 5.1, 8.7, 8.8, 10.2, 10.3, 16.2, 16.3, 16.5 • UNGC: 10 	Presentation of violations, if any, and description of initiatives regarding corporate ethics and prevention of corruption	<ul style="list-style-type: none"> • Compliance training • Compliance risk analysis • Human rights assessment • Group policy system • Code of Conduct update • Data protection
13	Industry 4.0 and digitalization PALFINGER must focus increasingly on the digitalization and connectivity of machinery; this also extends to its suppliers (open sourcing). Responsible handling of data, in particular utmost data protection, must be guaranteed.	 	 		<ul style="list-style-type: none"> • No GRI disclosures available • NaDiVeG • SDG: 9.4 	Qualitative description of digitalization and Industry 4.0	<ul style="list-style-type: none"> • PALFINGER 21st • Data protection

Ranking	Further topics	Impact on value chain			References to guidelines GRI disclosures, NaDiVeG, SDG, UNGC	Intensity of reporting	Measures
		Supply chain	Within the company	Product use			
14	Alternative drive systems PALFINGER aims to offer alternative drive systems (e.g. electric, hybrid).				<ul style="list-style-type: none"> No GRI disclosures available SDG: 13.2 	Qualitative description of product innovations	
15	Effluents and wastes At PALFINGER sites, waste and potentially hazardous substances must be avoided, safely stored, and disposed of in an environmentally friendly manner or, if possible, reused.		 		<ul style="list-style-type: none"> No GRI disclosures reported SDG: 12.4, 12.5 	Presentation of waste cuttings rate and development of hazardous waste, description of the state of the art of electroplating and paint shops, description of product innovations	<ul style="list-style-type: none"> Reduction of hazardous waste
16	Working conditions PALFINGER shall establish uniform minimum standards in order to guarantee globally applicable working conditions for its employees. This is designed to create safe and healthy jobs.		 		<ul style="list-style-type: none"> GRI: 403-2, 412-1 NaDiVeG SDG: 3.8, 8.5, 10.2, 10.3, 10.4 UNGC: 1-6 	Quantitative presentation of health and safety, human rights issues as well as qualitative description of working conditions	<ul style="list-style-type: none"> Uniform global definition of accidents and uniform reporting
17	Environmentally friendly products PALFINGER products shall avoid noise and emissions during operation, be free of problematic substances (e.g. chromium (VI)), offer product variants with biodegradable hydraulic oil, and thus prevent potential risks to people and the environment.		 	 	<ul style="list-style-type: none"> GRI: 305-1, 305-2, 305-3 NaDiVeG SDG: 12.2, 12.4, 12.5, 13.2, 13.3 UNGC: 7-9 	Quantitative indicators and qualitative description of emissions, product innovations for quality enhancement, the state of the art of electroplating and paint shops as well as presentation of waste cuttings rate and development of hazardous waste	<ul style="list-style-type: none"> Low impact product definition CO₂ emissions in product use PALFINGER Lubricants
18	Overall performance PALFINGER aims to increasingly become a full-service provider for one-stop solutions.				<ul style="list-style-type: none"> No GRI disclosures available 	Qualitative description of PALFINGER's overall performance	<ul style="list-style-type: none"> PALdrive platform
19	Fair remuneration PALFINGER must offer fair remuneration regardless of age, gender, origin, and other diversity factors and must ensure local minimum wages.		 		<ul style="list-style-type: none"> No GRI disclosures reported NaDiVeG SDG: 5.1, 10.4 	Qualitative description of wage level	<ul style="list-style-type: none"> Global salary increase process
20	Employee motivation PALFINGER aims to provide an environment that raises the motivational level of its employees. Innovative incentive systems, especially for agile teams, shall support this.				<ul style="list-style-type: none"> No GRI disclosures available 	Qualitative description of employee motivation	
21	Regional responsibility PALFINGER sites shall become actively involved at a regional level and must invest in public welfare (e.g. donations, sponsoring, development programs). Good relations must be maintained with local residents.		 		<ul style="list-style-type: none"> GRI: 203-2 NaDiVeG 	Qualitative description of regional responsibility	
22	Diversity and equal opportunity PALFINGER shall promote diversity and offer all employees the same opportunities – irrespective of age, gender, personal background and other diversity factors. Discrimination must be actively prevented.		 		<ul style="list-style-type: none"> GRI: 405-1, 406-1 NaDiVeG SDG: 5.1, 5.5, 10.2, 10.3 UNGC: 3-6 	Quantitative presentation of the proportion of women, generations, and incidents of discrimination, as well as qualitative description of diversity strategy, employees with disabilities, and initiatives	<ul style="list-style-type: none"> Diversity plan Objectivity in the recruitment phase Diversity in talent and performance management

Ranking	Further topics	Impact on value chain			References to guidelines GRI disclosures, NaDiVeG, SDG, UNGC	Intensity of reporting	Measures
		Supply chain	Within the company	Product use			
23	Correct corporate governance Management shall act in a correct manner and guarantee the independence of the Supervisory Board, the involvement of shareholders, and the transparent remuneration of top management. The importance of acting in accordance with defined corporate values must be emphasized.				<ul style="list-style-type: none"> • GRI: 102-18, 102-19, 102-20, 102-21, 102-22, 102-24, 102-32, 415-1 • NaDiVeG • SDG: 10.3 • UNGC: 10 	Presentation of compliance management and any violations	
24	Sustainability in the supply chain: Suppliers PALFINGER shall take an interest in whether suppliers pay attention to environmental protection and to their social responsibility. Suppliers that show commitment in these areas must receive advantages from PALFINGER.	 			<ul style="list-style-type: none"> • GRI: 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2 • NaDiVeG • SDG: 8.3, 8.7, 8.8, 12.6, 13.2, 13.3 • UNGC: 1-10 	Number of supplier audits and results	<ul style="list-style-type: none"> • Steel supplier assessment
25	Product recyclability Starting in the development phase, PALFINGER products shall be designed so that they can be easily decommissioned and recycled at the end of their lifecycle.		 		<ul style="list-style-type: none"> • No GRI disclosures available • SDG: 12.5 	Presentation of waste cuttings rate and development of hazardous waste, description of the state of the art of electroplating and paint shops, description of product innovations	
26	Communication with employees All employees shall be informed about major corporate developments in a timely manner. Communication with and among employees shall take place at an elevated international level and be characterized by the common corporate values.				<ul style="list-style-type: none"> • GRI: 402-1 • SDG: 10.2, 10.3 	Qualitative description of employee communication	<ul style="list-style-type: none"> • Group policy system • Updating of intranet site • Communication strategy and concept • Concept for internal communication
27	Modern workplaces PALFINGER aims to create structures, processes, and environments that ensure flexible, agile, and mobile workplaces. These should take into account the interests of present and future employees (working time models, remote working arrangements, parental leave, expatriation rules, etc.).				<ul style="list-style-type: none"> • No GRI disclosures available • SDG: 5.1, 5.4, 5.5, 8.3, 10.4 	Qualitative description of modern workplaces	<ul style="list-style-type: none"> • New works agreement in Austria
28	Sustainability in the supply chain: Dealers PALFINGER shall take an interest in whether dealers pay attention to environmental protection and to their social responsibility. Dealers that show commitment in these areas must receive advantages from PALFINGER.			 	<ul style="list-style-type: none"> • GRI: 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2 • NaDiVeG • UNGC: 1-10 	Qualitative presentation of dealer relations	
29	Environmentally friendly transport Transport of raw materials, components, and PALFINGER products shall be kept short and be environmentally friendly.				<ul style="list-style-type: none"> • GRI: 305-1, 305-2, 305-3 • NaDiVeG • UNGC: 7-9 	Qualitative description of transport	<ul style="list-style-type: none"> • CO₂ emissions arising from transport
30	Solutions for developing and emerging countries PALFINGER aims to adjust its products to the needs in less developed countries to make them affordable and to make physical labor easier.				<ul style="list-style-type: none"> • No GRI disclosures available • SDG: 1.4, 8.2 	Qualitative description of lifting solutions for developing and emerging countries	

Ranking	Further topics	Impact on value chain			References to guidelines GRI disclosures, NaDiVeG, SDG, UNGC	Intensity of reporting	Measures
		Supply chain	Within the company	Product use			
31	Efficiency of water consumption Water consumption in PALFINGER's production activities shall be continuously reduced.				<ul style="list-style-type: none"> No GRI disclosures reported NaDiVeG SDG: 6.3 	Qualitative description of efficient use of water	
32	Product information and fair marketing Users shall be provided with product information and training in order to ensure safety and environmental protection when using PALFINGER products. Promotion of the products must be honest and transparent.		 		<ul style="list-style-type: none"> GRI: 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-9, 102-10, 102-11, 102-12, 102-13, 417-2, 417-3 NaDiVeG UNGC: 3-9 	Qualitative description of product information and marketing	<ul style="list-style-type: none"> End customers in the system
33	Products for ecological/social use PALFINGER shall increasingly strive for product innovations for use in environmental and social fields. This has already been achieved in the case of cranes for wind energy plants, access systems for people with disabilities, and davit systems (rescue boats).		 		<ul style="list-style-type: none"> No GRI disclosures available 	Qualitative description of product innovations	
34	Regional procurement and production PALFINGER aims to source regionally and produce in the region where the products are placed on the market.	 	 		<ul style="list-style-type: none"> No GRI disclosures reported 	Qualitative description of regional procurement and production	
35	Freedom of association PALFINGER shall uphold freedom of association and guarantee freedom of expression.		 		<ul style="list-style-type: none"> GRI: 102-41, 407-1 NaDiVeG UNGC: 1-6 	Qualitative description of freedom of association	
36	Stakeholder involvement PALFINGER shall openly inform customers, suppliers, employees, and all other cooperation partners, and engage them in the development of the company.		 		<ul style="list-style-type: none"> GRI: 102-40, 102-41, 102-42, 102-43, 102-44 NaDiVeG UNGC: 3-6 	Presentation within the framework of stakeholder management	<ul style="list-style-type: none"> Targeted stakeholder communication
37	Biodiversity PALFINGER shall practice nature conservation and, in particular, preserve biodiversity at its sites.				<ul style="list-style-type: none"> No GRI disclosures reported NaDiVeG SDG: 14.1, 15.5 	Qualitative presentation of protection of biodiversity	
38	Second-hand market In the future, PALFINGER shall collaborate with its dealers to promote the second-hand market, thus promoting the control and a possible upgrade of used products.		 		<ul style="list-style-type: none"> No GRI disclosures available 	Qualitative presentation of PALFINGER's second-hand market	







 GRI 102-47, 103-1





 Management report, Materiality analysis, page 45; Management report, Impact table, page 51





SUSTAINABILITY PROGRAM







The following table describes the individual measures that make up PALFINGER's sustainability program, broken down by the four sustainability areas, and lists these with the current status of implementation as well as the time horizon for these measures. The purpose of the measures specified is to contribute to achieving the qualitative and quantitative goals set by PALFINGER and to support the five most relevant SDGs.








○ New ● In preparation ● Completed ◌ Deferred ⊗ Cancelled

RESPONSIBLE EMPLOYER		Status	Goal
Health and safety 			
PALFINGER has set itself the goal of reducing staff absences due to industrial accidents to below 0.11 percent starting in 2016.			
Uniform global definition of accidents and uniform reporting	A new measure was launched in 2018 to develop a global concept for health, safety, environment, and quality (HSEQ). Included in this concept is the uniform global definition and reporting of accidents and absence periods in accordance with GRI 403, which will apply from 2020. This will allow all PALFINGER sites to be assessed in the future based on uniform criteria and specific priority programs to be put in place for accident prevention.	●	2019
Expansion of PALfit	The occupational health management program PALfit was expanded into several countries such as Croatia and China. In Germany, the project has been delayed for the time being due to restructuring measures. In the future, PALfit will be established at additional sites.	◌	2019
Global health initiative	An assessment of existing health initiatives at all PALFINGER locations was conducted. The data is being analyzed and will now be incorporated into minimum standards for global health initiatives. This will be part of the concept for health, safety, environment, and quality (HSEQ).	●	2020
Restructuring of health protection and PALfit concept	Statutory health protection will be assigned to the new HSEQ structure. PALfit is being turned into an end-to-end process within the Global HR function, focused on the topic of workability and on benefits beyond the Health Act. Other PALfit measures are currently being developed.	○	2020
Employee development  			
Expansion of employee development	The concept of the PALFINGER College is being integrated into the new HR system and therefore constitutes a global learning platform. The transition began in 2019.	●	2020
Learning strategy/ talent management	PALFINGER has started developing a new Learning Strategy 2022. The basis of this strategy is the definition of job competencies with respect to the job architecture project. A global English learning solution was selected in 2019 as the first building block of this learning strategy. It is expected to be rolled out globally in 2020.	●	2022
Global leadership framework and program	PALFINGER has set up a global leadership program, as well as a regional leadership program. The basis of these programs is the definition of a framework for global leadership initiatives. The regional leadership program has been kicked off in the EMEA region.	●	2020
PALFINGER Campus	A decision was made in 2019 to build a PALFINGER Campus at the Lengau site. This will further professionalize and expand apprentice training and facilitate additional adult education initiatives. Construction is due to start in summer 2020.	○	2021
Attractive employment   			
PALFINGER has had the goal of reducing employee turnover to below 10 percent starting in 2016.			
Establishment of an employer branding strategy	Once the brand project launched in 2019 has been completed, PALFINGER is planning a follow-up project for 2020 to define a group-wide employer branding strategy. One of the objectives of this strategy is to enhance PALFINGER's attractiveness as an employer at all corporate locations worldwide. Individual initiatives aimed at enhancing employer identity have been implemented for the last few years.	●	2020
Recruiting	State-of-the-art tools and processes are an important flagship for an organization. A group-wide recruitment platform was configured and progressively rolled out in 2019; the recruitment module went live in Austria, Germany, and Slovenia.	●	2019
Onboarding process	In the future, additional initiatives will be carried out to enhance the integration of new staff members. The onboarding process will be covered by the group-wide Human Resources Information System (HRIS).	○	2020

RESPONSIBLE EMPLOYER		Status	Goal
HR strategy	In 2017, PALFINGER defined a new HR Strategy 2020 and HR goals. One strategic objective is the definition and implementation of uniform HR processes worldwide. This measure will now be pursued as a continuous process.	●	2020
HR system	PALFINGER kicked off a project to roll out HRIS in 2018. The first two modules, Employee Central and Recruiting, were implemented in 2019. Additional modules will be rolled out by the end of 2021.	◐	2021
Job architecture	As part of its HR strategy, PALFINGER started a project to implement a global job architecture. This project was delayed by the introduction of the new GLOBAL PALFINGER ORGANIZATION (GPO). A uniform architecture for all global management positions is expected to be defined in 2020. Expert functions will then follow in a subsequent step.	◐	2021
Global process of increasing salary	In 2019, a uniform salary increase process was introduced for all indirect positions. In the course of implementing the Compensation & Benefits module of Success Factors, this standard process will be enhanced further and partly automated by 2021. This measure supports the global concept of the GPO.	○	2021
Talent and performance management	The definition of a global talent and performance management strategy was begun in 2019. A uniform global template for appraisal interviews will be rolled out for this in 2020 in an initial step. In addition, the new appraisal interview process will be configured in Success Factors and rolled out in early 2021. A comprehensive talent management system is expected to be rolled out by 2022. This measure also reflects the global concept of the GPO.	○	2022
New works agreement in Austria	In 2019, a new works agreement on flextime was introduced for all employees in Austria aimed at increasing working time flexibility for PALFINGER and its employees. New standard employment contracts were also rolled out as part of this project.	●	2019
Corporate culture and values			
Organizational structure	In 2018, PALFINGER adapted its organizational structure in order to better serve the new vision. Since going live on January 1, 2019, the new GLOBAL PALFINGER ORGANIZATION has been gradually brought to life and the organizational transformation process has been selectively controlled.	●	2019
Leadership principles	The PALFINGER Leadership Principles were revised in 2019 in connection with the GPO. Rollout began in 2019. The new Leadership Principles will be intensively communicated throughout the Group in 2020 and integrated into all key HR processes.	●	2019
Cultural analysis	Data on the current culture was collected as part of the GPO implementation and a target culture was defined.	○	2020
Diversity and equal opportunity	 		
	Two quantitative goals to be achieved by 2022 were defined under the diversity plan: to increase the proportion of non-Austrians working at headquarters to 20 percent and to align the proportion of women in top management with the general proportion of women in the PALFINGER Group.		
PALiversity "Working Conditions" project	The creation of an HSEQ concept provides for uniform standards in terms of the health and safety of workers. The "Working Conditions" project will be discontinued.	⊗	2019
Diversity plan	In consideration of the new Austrian legislation on non-financial reporting, PALFINGER is establishing a diversity plan. An awareness campaign was conducted in 2019 that also made a contribution to the initiative "DIVERSITY 2019 – Austria Diversity Days".	◐	2022
Objectivity in the recruitment process	Potential for creating objectivity in the recruitment process for the top management level was assessed. In other levels of the company, the potential analyses were initially conducted for PALFINGER AG. Further EMEA sites were also certified in 2019.	○	2021
Diversity in talent and performance management	Diversity is considered an essential factor in nomination processes. This has already been implemented in nominations for executive programs in 2019. A corresponding design for the nomination process for talent pools will follow in 2020.	○	2020
Communication with employees			
New intranet	The requirements for a new, global intranet system designed to replace the current SharePoint solution were evaluated. Due to the scale of resources required, the project was not implemented in 2019 and is now planned for 2021.	∅	2021
Communication strategy and concept	Together with the Process Excellence (PEX) executive project, a communication strategy was developed with a visual concept based on the new creative policy on internal communication. This is intended to support the implementation of the new ERP system SAP S/4 HANA.	●	2019

RESPONSIBLE EMPLOYER		Status	Goal
Concept for internal communication	Internal communication was completely repositioned, both in terms of staffing and conceptually. A new creative vision was created and signed off on by the Executive Board and has already been implemented for the most part. Since November 2019, a global e-newsletter is sent out in eight languages every two months. This is also made available as a PDF file for hanging on the bulletin board. The existing PALFINGER Internal Newsletter (PIN), which is published quarterly, is being turned into an (online) staff magazine. The first issue of the new magazine was published in January 2020.	●	2020
ECO-EFFICIENCY IN PRODUCTION		Status	Goal
Innovation in production	 		
R&D process (Production)	The definition and description of the uniform PALFINGER product development process will be completed by early 2020 (MVP – minimal viable product with key deliverables) and then rolled out across all product lines. The effects on the production process will also be evaluated in accordance with the list of requirements in this product development process (see “Sustainable products”).	●	2020
Energy efficiency and climate protection			
PALFINGER has defined three long-term goals in this area. A 30 percent efficiency increase in the energy index by 2030. A 25 percent reduction of CO ₂ emissions in absolute terms by 2030 (base year 2015 in each case). In addition, by 2022 PALFINGER intends to procure 75 percent of its electricity from renewable sources of energy.			
Energy efficiency in Russia	Key steps toward optimization of the Russian plants in regard to energy efficiency were implemented. Between 2017 and 2019, heating systems were replaced or upgraded, old buildings torn down, new gates to production floors installed, and heating degree days introduced in the reporting. Additional measures are now being addressed at the operational level in the regular energy efficiency process.	●	2019
Dialogue on environmental topics	PALFINGER organizes exchange meetings with local environmental officers. An HSEQ structure was resolved in 2019 that will kick off in 2020. This will serve as an important first step toward professional processes, meeting and communication structures, and other methods of exchanging information. In the course of merging Marketing, Communications, and Sustainability, climate change and environmental issues were also focused on at an internal global summit event.	●	2020
Photovoltaic systems	Installation of PV systems in the EMEA region continued. Systems were implemented in Köstendorf (AT) in 2019. Further sites are being evaluated and implementation in Tenevo (BG) is planned for 2020.	●	2020
Climate strategy	Development of a PALFINGER climate strategy by identifying the greatest potential for reducing CO ₂ emissions, considering direct and indirect emissions throughout the entire value chain (including Scope 3). The CO ₂ reduction target will support the global goal to stop global warming and will be based on the Science Based Targets initiative. Owing to organizational changes (GPO) in 2019, this measure is still in progress. A best practice project aimed at limiting warming to < 1.5 degrees will be kicked off in 2020.	●	2020
Renewable energy	The group-wide goal of raising the share of renewable energy to 75 percent by 2022 was defined in 2018. In 2017, renewable electricity accounted for 29 percent of the Group’s total electricity consumption. This share rose to as much as 68 percent in 2019 due to Lazuri and Maribor.	●	2022
Renewable energy at the sites in Lazuri (RO) and Maribor (SI)	Due to its large electroplating plant, the site in Lazuri is by far the largest consumer of electricity. Maribor also uses a lot of electricity. As a result of the systematic review described above, the two sites changed over to purchasing electricity from renewable sources in 2019, which will significantly reduce the Group’s total CO ₂ emissions.	●	2019
Raw material demand and efficiency			
Evaluation of steel suppliers	PALFINGER is conducting an assessment of the major steel suppliers regarding their CO ₂ footprint and targets with a view to stepping up collaboration and obtaining more accurate Scope 3 emissions data. This also underpins the new climate strategy and is an integral measure in the new climate strategy.	●	2020
Waste cuttings rate	The KPI for the metal waste cuttings rate was re-designed in 2019 to facilitate easier differentiation of the different processes such as cutting and turning, as well as consolidation at Group and regional level. The new KPI will be reported starting in 2020.	●	2019

ECO-EFFICIENCY IN PRODUCTION		Status	Goal
Effluents and wastes			
PALFINGER has set itself the long-term goal of reducing the intensity of hazardous waste produced in relation to the index by 30 percent by 2030 (base year: 2015).			
Reduction of hazardous waste	PALFINGER identified Lazuri as the facility that generates the largest quantities of hazardous waste and therefore made two investments in 2019 to reduce the volume of waste. Changes in the KPIs will become visible in 2020, and additional measures are being evaluated.	●	2019
Environmentally friendly transport			
CO ₂ emissions arising from transport	Transport within and outside the company is analyzed in order to identify leverage in terms of possibilities for reducing energy consumption and CO ₂ emissions. This measure is also an integral part of the new climate strategy.	○	2020
SUSTAINABLE PRODUCTS		Status	Goal
Product safety			
Product data tracking for safety	A digital control system is used to operate, control, and monitor all critical and complex PALFINGER products. Sensor data and operating commands are processed in a software-based microprocessor control system and translated into control commands to the system actuators. The monitoring routines required for this purpose not only serve to protect the machine, the operator, and the environment, but also enable detection of uses at the limits. Alongside actual faults on the machine, such limit states are also recorded in the fault memory. These logs are regularly called up during maintenance or repairs and made available to Product Development for analysis and continuous improvement of product functions. If the PALFINGER product is equipped with a telematics unit, this automatically forward the logs at regular intervals.	◐	2020
Product research and development	 		
R&D process (product development)	The definition and description of the uniform PALFINGER product development process will be completed by early 2020 (MVP – minimal viable product with key deliverables) and subsequently rolled out across all product lines. The requirements management process is a critical sub-process: All customer, market, business, and regulatory requirements for the product are documented, broken down into sub-requirements for sub-systems, components, and parts, and their fulfillment demonstrated. PALFINGER's sustainability criteria, which are defined and demonstrated in the product development process, constitute an important element of the internal business requirements.	◐	2020
Training of R&D employees	Part of PALFINGER's product development process is the PDP role catalog, in which all process roles are comprehensively described. This includes (1) a description of the roles, (2) tasks and responsibilities of the roles, (3) definition of the deliverables the role is required to generate, check, and/or approve, and (4) training for the role and substantiation of this. Each R&D employee participating in the product development process is assigned one or more roles, and a training plan is developed based on the skills required for the role in question.	◐	2020
Product lifecycle			
			
Best Invest (lifecycle app)	In 2019, an app was developed based on the lifecycle approach for loader cranes and tested internally in the market with specific salespeople. The app is designed to present the benefits of a product to end customers but also to show the environmental impact and the costs arising from product use. Test feedback is currently being consolidated and integrated into the app, which will be launched in the EMEA region in 2020.	◐	2020
Business model innovation (TCO)	The definition and description of the uniform PALFINGER product development process will be completed by early 2020 (MVP – minimal viable product with key deliverables) and then rolled out across all product lines. One critical sub-process is the reliability, availability, maintainability, and safety sub-process. The objective of this process is to ensure that the product and all integrated components and parts meet the requirements relating to reliability, maintenance, safety, and operating cost. The maintenance and reliability values are summarized in a lifecycle calculation for preventive and corrective maintenance and combined with an operating cost/energy balance calculation to form an operating cost analysis (total cost of ownership, TCO).	◐	2020
Environmentally friendly products	 		
Definition of ecologically friendly products	Requirements for energy consumption, CO ₂ emissions, product safety, lifecycle, and recyclability are defined according to the defined market, customer, and business requirements and broken down, integrated, and demonstrated in the requirements process of the product development process.	◐	2020

SUSTAINABLE PRODUCTS		Status	Goal
CO ₂ emissions through the use of products	Reduction of energy consumption is a critical requirement for all PALFINGER products. To achieve this goal, through the introduction of PALFINGER's uniform product development process, the energy consumption of all functional systems is being optimized using calculation and simulation models in the development phase and the target requirements are verified on prototype systems in the verification phase. After completion of development, field tests are carried out in which the energy consumption of series systems is tested and demonstrated under real conditions of use.	●	2020
PALFINGER Lubricants	PALFINGER offers branded lubricants including hydraulic oil to its customers. This includes an oil monitoring program that contains frequent measurement of oil quality, so that an annual oil change is not necessarily required. This approach is both financially interesting for the customer and, above all, environmentally friendly. In 2019, the supply for five product lines was secured, over half of the PALFINGER sites in the EMEA region switched over to internal use of the lubricants, and a web shop was set up. The rollout throughout the EMEA region will continue in 2020. On the customer side, this product and/or service will be offered in Germany from 2020 and rolled out to the entire EMEA region.	●	2020
Product information and fair marketing			
End customers in the system	PALFINGER has started to enter end customers into the corporate system to ensure better business partner management. This also includes the possibility for the customer to register as a user of the system, which in turn enhances the business relationship with the end customer in the long term. Technical implementation has been completed; end customers are already being registered in core markets, with more to follow.	●	2020
FAIR BUSINESS		Status	Goal
Viability of the business model	 		
GLOBAL PALFINGER ORGANIZATION	The new GLOBAL PALFINGER ORGANIZATION (GPO) aims to facilitate and accelerate efficiency gains. The GPO builds on flexible and global team structures and intensified cooperation across business units as well as product lines and regions. The GPO will thus play an important part in achieving the PALFINGER objectives by 2022. The GPO went live in January 2019 and will run until December 2019 as the GPO Implementation executive project.	●	2022
Compliance with legal and ethical standards	   		
Compliance training	PALFINGER has developed an online training concept for compliance training and testing. The plan is to implement on-site training measures as well as e-learning with a wide range of topics on a regular schedule. In addition to the courses on cyber risk, data protection, and corruption given in 2018 and 2019, the training courses scheduled for 2020 will focus on the new PALFINGER Group policy system and the Code of Conduct.	●	2020
Compliance risk analysis	PALFINGER's Corporate GRC & Internal Audit department regularly conducts compliance risk analyses covering sustainability topics. The analyses were initially conducted in Austria and expanded to the APAC region in the reporting year.	●	2020
Group Policy System	PALFINGER developed a new Group Policy System in 2019. It provides a central, SharePoint-based platform that contains all applicable Group policies in English, German, and Russian and can be accessed by clicking a link on the intranet. This measure also takes into account the global concept of the GPO.	●	2019
Human rights assessment	PALFINGER is starting a human rights (risk) assessment of its sites in order to rule out any potential risks. Further measures based on the initial analysis are still being drafted.	●	2020
Updating the Code of Conduct	In 2019, PALFINGER brought its Code of Conduct into line with current international business standards. An operating manual is being prepared that will be rolled out together with the new Code of Conduct 2020.	●	2020
Data protection	PALFINGER takes the matter of data protection very seriously and has implemented a Group policy and organized mandatory training for PALFINGER employees on this matter. A Group data protection officer is implementing further processes, e.g. face-to-face training, so as to ensure compliance with data protection regulations.	●	2019
Industry 4.0 and digitalization			
PALFINGER 21st	In 2017, PALFINGER created a new vision with the fourth strategic pillar called PALFINGER 21st. Discussions and projects were initiated in 2018 in order to increasingly consider sustainability topics in this area in the future. An innovation field entitled E3 (emission-free, efficiency, electrification) was defined in 2019. Responsibility is now in the Product Line Management and R&D areas. Here, the topic of E3 will be addressed at operational level in cooperation with PALFINGER 21st.	●	2019

FAIR BUSINESS		Status	Goal
Overall performance			
PALdrive platform	PALdrive is an online platform that offers a variety of new vehicles, second-hand equipment, and demo and training trucks of different models and performance categories. Since 2018, the platform has been available in a responsive web design. Following its rollout in the EMEA and NAM regions, the platform was also expanded to the CIS region in 2019, with others to follow.	●	2020

SUSTAINABILITY MANAGEMENT		Status	Goal
Targeted stakeholder communication	A joint communication strategy is being developed in connection with the merger of the Communications, Marketing, and Sustainability departments to form Marketing, Communications & Sustainability (MCS). Sustainability was positioned in the marketing structures at an MSC summit. A further stakeholder survey and a materiality analysis are planned for 2020. In addition, external communication is being pushed as part of the respAct state coordination for Salzburg. There are also plans to integrate sustainability into the newsletter for dealers.	●	2020
Sustainability vision	The sustainability team has defined "We drive positive impact" as PALFINGER's sustainability vision.	●	2019
Concept for health, safety, environment, and quality	After development of a concept for health, safety, environment, and quality (HSEQ) began, the corporate function Safety & Quality was expanded into the corporate function HSEQ as part of the new GLOBAL PALFINGER ORGANIZATION. This corporate function will be implemented starting January 1, 2020.	●	2020
Merchandising fan shop	The PALFINGER fan shop was analyzed to determine whether its products can be procured from sustainable sources. As a key component, the collection was expanded in 2019 to include products from the Erdbär sustainable fashion brand. Plastic bags were replaced by paper bags and reusable fabric bags.	●	2020
Sustainable mobility	In May 2019, the PALFINGER carpooling program was initiated at several sites in Austria. These and other measures such as job tickets and the attractiveness of bicycles were communicated in a focus week. Further campaigns and focus topics are planned.	○	2020

🌐 GRI 103-2

DETAILED SUSTAINABILITY DISCLOSURES

RESPONSIBLE EMPLOYER

Development of employment

The number of employees in the PALFINGER Group rose compared with reporting period 2018. At the end of 2019, PALFINGER employed a total of 11,697 people. Of that amount, 11,126 company employees comprise a permanent workforce of 10,938 and 188 apprentices, and 571 are contract workers. No major corporate acquisitions or sales took place in the reporting year just ended.

The PALFINGER workforce in the European Union grew primarily on the back of the strong order situation, in particular regarding PALFINGER's core products. As a consequence, more than 250 employees were added to the headcount. In North America, 130 more people and, in Central and South America, 61 more people were employed at the end of 2019 than in fiscal year 2018; a contributing factor here was the well-filled order books. In the Rest of Europe and the Far East, the headcount increased slightly. There was a slight decline in the number of employees in the CIS region in 2019.

Contract workers are employed primarily in the European Union; their number decreased to 571 in the reporting year (2018: 617 contract workers).

Number and percent	2017	2018	2019	%
Gender				
Female	1,311	1,365	1,459	13.3% ¹⁾
Male	8,662	9,232	9,479	86.7%
Generations				
0–29	1,888	1,968	2,133	19.5%
30–50	5,894	6,303	6,457	59.0%
50+	2,191	2,326	2,348	21.5%
Regions				
European Union	5,866	6,322	6,579	60.1%
Far East	374	365	384	3.5%
CIS	1,565	1,658	1,569	14.3%
Central and South America	373	468	529	4.8%
Middle East and Africa	521	472	480	4.4%
North America	956	1,036	1,166	10.7%
Rest of Europe	318	276	231	2.1%
Core workforce	9,973	10,597	10,938	100.0%
of which staff at new entities	148	2	0	
Apprentices and interns	239	183	188	
Contract workers	674	617	571	
PALFINGER Group	10,886	11,397	11,697	

1) The share of women including apprentices and interns was 13.6%

TYPES OF EMPLOYMENT CONTRACTS

Most of the PALFINGER Group's employees work on a full-time basis. In fiscal year 2019, only around 3.4 percent of all employees had part-time contracts. While the majority of part-time employees work in the European regions, the number of part-time employees in the North America and CIS regions increased slightly. These trends are in line with regionally different business development and are part of the company's strategic alignment.

Number	2017	2018	2019	%
Full-time employment				
Gender				
Female	1,137	1,207	1,268	11.6%
Male	8,339	9,110	9,301	85.0%
Regions				
European Union	5,404	6,070	6,278	57.4%
Far East	374	365	384	3.5%
CIS	1,554	1,651	1,549	14.2%
Central and South America	373	466	529	4.8%
Middle East and Africa	521	472	480	4.4%
North America	949	1,033	1,124	10.3%
Rest of Europe	301	260	225	2.1%
	9,476	10,317	10,569	96.6%
Part-time employment				
Gender				
Female	167	160	191	1.7%
Male	330	120	178	1.6%
Regions				
European Union	462	252	301	2.8%
Far East	0	0	0	0.0%
CIS	11	7	20	0.2%
Central and South America	0	2	0	0.0%
Middle East and Africa	0	0	0	0.0%
North America	7	3	42	0.4%
Rest of Europe	17	16	6	0.1%
	497	280	369	3.4%
Core workforce	9,973	10,597	10,938	100.0%
Apprentices and interns	239	183	188	
Contract workers	674	617	571	
PALFINGER Group	10,886	11,397	11,697	

There is generally no disguised employment and no seasonal employee turnover at PALFINGER. As a general rule, PALFINGER employees have permanent employment contracts. Fixed-term employment contracts beyond the probationary period are not common practice. The only exceptions are certain projects, internships, and interim management contracts. The vast majority of PALFINGER employees (around 98.1 percent) had permanent employment contracts in fiscal year 2019.

Number	2017	2018	2019	%
Permanent employment contract				
Gender				
Female	1,271	1,334	1,446	13.2%
Male	8,261	8,817	9,279	84.8%
Regions				
European Union	5,636	5,986	6,395	58.5%
Far East	320	306	383	3.5%
CIS	1,548	1,646	1,546	14.1%
Central and South America	373	430	529	4.8%
Middle East and Africa	387	472	478	4.4%
North America	955	1,035	1,165	10.7%
Rest of Europe	313	276	229	2.1%
	9,532	10,151	10,725	98.1%
Temporary employment contract				
Gender				
Female	33	33	13	0.1%
Male	408	413	200	1.8%
Regions				
European Union	230	336	184	1.7%
Far East	54	59	1	0.0%
CIS	17	12	23	0.2%
Central and South America	0	38	0	0.0%
Middle East and Africa	134	0	2	0.0%
North America	1	1	1	0.0%
Rest of Europe	5	0	2	0.0%
	441	446	213	1.9%
Core workforce	9,973	10,597	10,938	100.0%
Apprentices and interns	239	183	188	
Contract workers	674	617	571	
PALFINGER Group	10,886	11,397	11,697	

🌐 GRI 102-8

EMPLOYEE TURNOVER

In fiscal year 2019, employee turnover decreased from 18.7 percent to 16.8 percent. In some regions the turnover rate was higher, which was due to site-specific developments, primarily restructuring in parts of the European Union, CIS, and North America.

Number and percent	2017	2018	2019	% ¹⁾
Gender				
Female	236	201	206	15.1%
Male	1,632	1,665	1,573	17.0%
Generations				
0–29	594	604	527	26.8%
30–50	938	962	936	14.9%
50+	336	300	316	13.6%
Regions				
European Union	832	1,015	1,003	15.9%
Far East	94	88	48	13.2%
CIS	372	185	262	15.8%
Central and South America	122	115	95	20.3%
Middle East and Africa	142	221	135	28.6%
North America	287	186	171	16.5%
Rest of Europe	19	56	65	23.6%
Employee turnover	1,868	1,866	1,779	16.8%

1) This indicator refers to the number of employees per category.

🌐 GRI 401-1

NEW EMPLOYEE HIRES

In fiscal year 2019, the number of new employee hires increased compared with previous years, particularly in Central and South America, the Middle East, and North America.

Number and percent	2017	2018	2019	% ¹⁾
Gender				
Female	231	245	279	19.1%
Male	1,651	2,059	2,067	21.8%
Generations				
0–29	798	852	907	42.5%
30–50	918	1,265	1,216	18.8%
50+	166	187	223	9.5%
Regions				
European Union	1,185	1,368	1,251	19.0%
Far East	66	84	89	23.2%
CIS	203	276	191	12.2%
Central and South America	103	131	148	28.0%
Middle East and Africa	65	169	219	45.6%
North America	243	261	424	36.4%
Rest of Europe	17	15	24	10.4%
Employee entries	1,882	2,304	2,346	21.4%

1) This indicator refers to the number of employees per category.

🌐 GRI 401-1

Diversity

GENDER

In fiscal year 2019, the proportion of women remained more or less stable at 13.6 percent (2018: 13.0 percent); the low percentage is typical for the industry. The share of the total workforce holding management positions at PALFINGER in 2019 was 10.1 percent. At 14.4 percent in fiscal year 2019, the proportion of women in management positions was higher than the proportion of women in the PALFINGER Group but lower than the previous year's figure of 16.8 percent. The main regions and countries with a higher percentage of women in management positions were CIS, Central and South America, Norway, and countries in South East Asia. In Austria, 54 employees were on parental leave in 2019; 28 of them were men on paternal leave or claiming the family time bonus. A total of 35 employees returned to their jobs after having taken parental leave.

GENERATIONS

19.5 percent of employees belong to the youngest age category of 29 or under. 59.0 percent are between 30 and 50 years of age, and 21.5 percent are over the age of 50. In the over-50 category, substantial regional differences were recorded. In Asia, for example, the team is relatively young, which is due to demographic reasons. In North America and CIS, employees tend to retire later and the industry has held little attraction for young people so far. As a result, a higher percentage of the workforce is over the age of 50. In the CIS region in particular, PALFINGER used employer branding measures as a means of recruiting young talent in fiscal year 2019. In general, the age structure at all PALFINGER sites was influenced by external factors, such as demographic development and the catchment areas of the respective sites.

in percent	2017	2018	2019
Gender			
Female	17.7%	16.8%	14.4%
Male	82.3%	83.2%	85.6%
Generations			
0–29	4.5%	5.8%	4.3%
30–50	70.3%	70.3%	70.3%
50+	25.3%	23.8%	25.4%
Management positions	100.0%	100.0%	100.0%

in percent	2017	2018	2019
COGS¹⁾ direct			
Gender			
Female	1.5%	1.7%	1.9%
Male	50.9%	51.9%	50.7%
Generations			
0–29	11.3%	11.0%	11.3%
30–50	30.1%	31.3%	30.2%
50+	11.0%	11.3%	11.1%
	52.5%	53.6%	52.6%
Structural cost - Production			
Gender			
Female	4.3%	4.3%	4.4%
Male	18.0%	18.1%	19.2%
Generations			
0–29	3.0%	3.2%	3.8%
30–50	13.6%	13.7%	14.2%
50+	5.7%	5.5%	5.5%
	22.3%	22.4%	23.5%
R&D			
Gender			
Female	0.4%	0.3%	0.3%
Male	5.3%	5.1%	5.0%
Generations			
0–29	1.6%	1.5%	1.5%
30–50	3.1%	3.0%	3.0%
50+	0.9%	0.9%	0.8%
	5.7%	5.4%	5.3%
Sales, services & marketing			
Gender			
Female	2.0%	1.9%	2.2%
Male	8.0%	7.9%	7.9%
Generations			
0–29	1.7%	1.5%	1.5%
30–50	6.2%	6.1%	6.3%
50+	2.1%	2.2%	2.2%
	10.0%	9.8%	10.0%
Administration			
Gender			
Female	5.0%	4.7%	4.7%
Male	4.6%	4.1%	3.9%
Generations			
0–29	1.3%	1.3%	1.4%
30–50	6.0%	5.4%	5.3%
50+	2.3%	2.0%	1.9%
	9.6%	8.8%	8.6%
Core workforce	100.0%	100.0%	100%
Apprentices and interns	239	183	188
Contract workers	674	617	571
PALFINGER Group	10,886	11,397	11,697

1) COGS = cost of goods sold. These are employees assigned to specific orders.

EMPLOYEES WITH DISABILITIES

PALFINGER wants to offer its employees with special needs a meaningful occupation and integration into the company's teams. In Austria, PALFINGER falls short of the stipulated employment quota of 4 percent and therefore pays penalties. PALFINGER has implemented all statutory provisions regarding the accessibility of buildings to facilitate the employment of persons with disabilities.

🌐 GRI 102-8, 405-1

Learning organization

In reporting period 2019, training programs were enhanced at many PALFINGER sites. Cross-region executive and management training courses were attended by 26 participants from 10 nations, including 5 women. At the Austrian sites, the PALFINGER College has become a well-established institution over the years. This training and further education program is essentially based on the transfer of knowledge by internal experts, supplemented by courses and seminars given by external experts. The focus is on establishing technical and methodological competencies, but languages and intercultural training are becoming higher priorities in meeting organizational requirements (Process Excellence, GPO, etc.).

In the European Union and in North America, more attention is being paid to education and training as a result of the higher headcount. The introduction of an e-learning platform in the United States is one such measure. In the Far East region, PALFINGER cooperates with colleges and universities in an effort to offer training programs similar to internships as well as other training and further education programs for employees.

In CIS, an online training system was implemented in reporting period 2019 with the objectives of improving soft skills, particularly the English language, and offering onboarding programs. Partnerships have also been entered into with universities in Ufa and St. Petersburg with a view to actively approaching students. In an internal competition with over 150 participants, prizes were awarded for the best welder and best CNC operator in the country.

At PALFINGER's headquarters in Bergheim (AT), focus in the last two years was on onboarding, cultural aspects, and learning in connection with the increase in headcount as a consequence of the new GPO and additional group-wide projects.

in hours	2017	2018	2019
Gender			
Female	21.0	21.8	15.5
Male	19.6	16.4	19.1
Regions			
European Union	11.7	11.2	19.2
Far East	15.8	10.1	11.5
CIS	49.1	45.1	26.0
Central and South America	16.7	20.7	34.7
Middle East and Africa	23.8	27.5	16.6
North America	4.8	5.2	4.5
Rest of Europe	36.2	9.3	3.0
Categories			
COGS ¹⁾ direct	21.3	16.7	20.9
Structural cost - Production	14.6	19.5	14.3
R&D	21.9	15.5	14.5
Sales, services & marketing	17.5	15.4	18.2
Administration	23.5	15.9	19.3
Training	19.7	17.1	18.6

1) COGS = cost of goods sold. These are employees assigned to specific orders.

🌐 GRI 404-1

Health and safety

Employee safety is a priority at PALFINGER. The total number of accidents in fiscal year 2019 was 392 (2018: 563). One employee died of a fatal illness in 2019. The number of industrial accidents reported is considerably lower in the European Union, North America, South America, and CIS than in the previous fiscal years. This is due to the fact that measures have been instituted to create a greater awareness of health and safety-related processes.

In North America, targeted initiatives by the sites in the region reduced the number of accidents and enhanced safety. Programs, manuals, regular meetings, and training were introduced and safety managers hired. In addition, preparations for a new corporate function Health, Safety, Environment, & Quality in fiscal year 2019 have given the topic greater priority. Implementation was on January 1, 2020, and the first global measures will become apparent in fiscal year 2020 following successful strategic integration into the company.

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Number and per cent	2017	2018	2019	% ¹⁾
Employees				
Gender				
Female	11	16	17	0,000%
Male	421	492	473	0,002%
Regions				
European Union	357	318	225	0,002%
Far East	2	10	1	0,000%
CIS	-	56	37	0,001%
Central and South America	12	64	38	0,007%
Middle East and Africa	1	-	1	0,000%
North America	56	58	37	0,002%
Rest of Europe	4	2	1	0,001%
	432	508	353	0,002%
Contract workers				
Gender				
Female	2	1	2	0,000%
Male	45	54	37	0,000%
Regions				
European Union	45	51	38	0,000%
Far East	-	-	-	0,000%
CIS	-	-	-	0,000%
Central and South America	-	-	-	0,000%
Middle East and Africa	-	-	-	0,000%
North America	2	4	1	0,000%
Rest of Europe	-	-	-	0,000%
	47	55	39	0,000%
Injuries and fatalities	479	563	393²⁾	0,003%

1) This shows the KPI in relation to the total number of employees per category.

2) One death occurred in the European Union in fiscal year 2019.

Staff absences due to industrial accidents at work have consistently remained at a low level in recent years, with a decrease to 0.14 percent of regular working time in fiscal year 2019 (2018: 0.17 percent). These satisfactory figures document the effect of the measures taken in recent years at all sites. Work in reporting year 2019 continued to focus on safety measures and safety monitoring, and hence on data quality.

At PALFINGER, absentee rates are measured in three categories: due to sick leave, due to work-related illnesses, and due to other causes. Beginning from 3.92 percent in 2018, the absentee rate in these categories increased slightly to 4.02 percent in 2019. Absences due to sick leave and other causes increased slightly in the reporting period. Absences due to sick leave and industrial accidents decreased. The absentee rate due to other causes, however, increased slightly so that the total for 2019 rose to 4.16 percent (2018: 4.09 percent).

This is mainly attributable to the influenza pandemic in the European Union in 2018, and in the opposite direction, to the selective use of PALfit measures and the related reduction in staff absences in China. It is also attributable in part to regional differences in values and trends.

in percent	2017	2018	2019
Gender			
Female	0.02%	0.06%	0.03%
Male	0.16%	0.18%	0.16%
Regions			
European Union	0.19%	0.19%	0.17%
Far East	0.14%	0.16%	0.24%
CIS	0.00%	0.01%	0.00%
Central and South America	0.10%	0.56%	0.38%
Middle East and Africa	0.00%	0.00%	0.00%
North America	0.51%	0.27%	0.09%
Rest of Europe	0.02%	0.07%	0.28%
Staff absences due to industrial accidents	0.16%	0.17%	0.14%

in percent	2017 ¹⁾	2018	2019
Gender			
Female	5.17%	4.17%	3.85%
Male	3.44%	3.89%	4.04%
Regions			
European Union	4.07%	4.34%	4.51%
Far East	2.66%	2.40%	1.69%
CIS	4.36%	3.66%	5.65%
Central and South America	1.77%	2.25%	3.60%
Middle East and Africa	0.30%	1.79%	0.17%
North America	2.11%	2.73%	1.06%
Rest of Europe	6.17%	16.15%	6.22%
Absentee rates due to sick leaves, occupational diseases and other causes	3.67%	3.92%	4.02%

¹⁾ A clarification of reporting boundaries has resulted in changes with retrospective effect.

Studies show that psychological strain is one of the most frequent causes of employee absences in Europe. Around 60 percent of the reasons for sick leave can be found in employees' private sphere. At the production plants, PALFINGER attaches particular importance to preventing physical strain and improving workplace ergonomics. In principle, health management for production employees (i.e. around 75 percent of the total headcount of the Group) strives to avoid risks arising, in particular, from the following sources: noise, emissions, and radiation during welding and coating processes, chemicals used in coating processes, handling of heavy loads, and strenuous work postures. PALFINGER makes an effort to preserve and promote the health and working capacity of its employees through preventive measures.

In Austria, psychological strain in the workplace has been increasingly analyzed and evaluated. This is an ongoing process, which is repeated either every two to three years or when an employee changes jobs. There are four important dimensions: 1. Task requirements and activities, 2. Organizational climate, 3. Work environment, and 4. Workflows and work organization. This evaluation process also produces valuable insights for workplace design, which are implemented on a regular basis. Processes are discussed with the team and the responsible executive and then improved. Through listening to employees' needs and recognizing them, many sources of stress can be eliminated.

🌐 GRI 403-2

ECO-EFFICIENCY IN PRODUCTION

Efficient use of raw materials

Waste cuttings – i.e. steel and aluminum scrap – are produced exclusively at PALFINGER's manufacturing and assembly sites, and in most cases there is only minimal room for further improvement. Due to the different processes and levels of value added, the waste cuttings rates vary considerably from site to site. The highest waste cuttings rates of up to 46 percent are incurred for the production of turned parts, while the waste cuttings rate of optimized plate-cutting processes is 6 percent. The separate calculation of the waste cuttings rates into two categories (cutting and machining) was implemented at the end of 2019 and will be reflected in the relevant indicators from 2020.

At most sites, there have been few changes in the figures in recent years. Slightly bigger fluctuations have only been recorded in the CIS region. At the site in Ischimbai, the acquisition of new production equipment in 2019 led to non-recurring effects resulting from the disposal of old equipment. At the site in Neftekamsk, the improvement in the waste cuttings rate was primarily due to components that are easier to manufacture. Implementing the new waste cuttings rate allows these non-recurring effects and process assessments to be taken into account more effectively.

in percent	2017	2018	2019
Archangelsk (ARC)	19.2%	16.7%	16.8%
Caussade (CAU)	32.4%	31.5%	31.3%
Caxias do Sul - Madal (CAX)	22.4%	23.5%	20.7%
Cherven Brjag (CHE)	25.7%	25.2%	24.9%
Council Bluffs (COB)	15.0%	15.0%	13.8%
Hanoi (HAN)	17.5%	19.8%	21.3%
Ischimbai (ISC)	25.7%	23.6%	27.7%
Lazuri (LAZ)	13.1%	11.7%	14.9%
Lengau (LEN)	23.9%	24.2%	24.2%
Maribor (MAR)	28.7%	28.0%	29.0%
Neftekamsk (NEF)	30.9%	28.0%	27.0%
Oklahoma (OKL)	10.3%	10.3%	10.3%
Tenevo (TEN)	5.6%	5.2%	5.8%
Rio Tercero (TER)	-	35.6%	45.5%
Velikiye Luki (VEL)	37.3%	31.3%	30.8%

Besides steel and aluminum, PALFINGER also uses hydraulic oils and fiber-reinforced plastics as raw materials. There are hardly any waste cuttings when producing lifeboats, as the fiber glass reinforced plastic can be shaped to fit precisely. PALFINGER does not process hydraulic oils during production but rather integrates the untreated oils into the finished products. The amounts of hydraulic oil used are not insignificant, however, which is why the PALFINGER Lubricants project was initiated and rolled out at European sites in 2019. Starting in 2020, this service will be offered to German service partners for the first time. The aim is to significantly reduce the required quantities of hydraulic oil throughout the product lifecycle by using high-quality oil and timed measurement and maintenance cycles. This will increase the wear protection of the components and also the service life of the products.

🌐 GRI 301-1

Hazardous waste

ABSOLUTE WASTE QUANTITIES

In fiscal year 2019, total hazardous waste recorded by PALFINGER remained almost unchanged at 5,293 metric tons (2018: 5,286 metric tons).

The largest quantities of hazardous waste are produced at the sites in the European Union. In reporting period 2019, they rose to 4,785 metric tons (2018: 4,391 metric tons). Lazuri (RO) caused the biggest increases. The site, which has formed part of the PALFINGER Group since 2013, is the biggest consumer of electricity in the Group by a large margin and generates the largest quantities of hazardous waste. In Lazuri, parts are coated as a service provided to external customers, and the site has been continuously expanded in recent years. In 2018, a new production floor was installed and commissioned. With a total production area of 32,000 square meters, the Lazuri site now accommodates three lines using chrome plating vats, ten continuous chrome plating lines, and one nickel plating line. In addition, PALFINGER invested in increasing the degree of value added (different peeling and grinding machines for upstream and downstream processing) in order to optimize transport costs and machining processes, which have grown rapidly in recent years.

CIS is the region with the second-largest volume of hazardous waste in the PALFINGER Group. Volumes in the fiscal year just ended were reduced substantially compared with 2018. The volume of hazardous waste in CIS came to 374 metric tons (2018: 669 metric tons). In Velikiye Luki, which is the main producer of hazardous waste, a local action program has been implemented to reduce the volume of waste by 30 percent. The biggest savings are achieved by using higher-quality coolants. Non-recurring effects had also been recorded in 2018 from the demolition of some old buildings. In Velikiye Luki, there are plans to expand a production floor and acquire a new paint shop; the latter will go into test operation in 2021 at the earliest and influence the waste indicator.

In North America, the absolute quantities of hazardous waste in fiscal year 2019 were substantially reduced to 17 metric tons (2018: 31 metric tons) due to the modernization of the paint shop in Council Bluffs (US) and the completion of the paint shop filter at the site in Trenton (US). In Central and South America, the volume of hazardous waste, at 105 metric tons (2018: 168 metric tons), was also significantly reduced in the fiscal year just ended. This was due to non-recurring effects caused by the cleaning of the paint shop in 2018 as well as the filtering of hydraulic oil and treatment of waste from the sandblasting plant. The total volume produced in the Far East dropped to 11 metric tons (2018: 26 metric tons). Olve (NO) is the only site located in the Rest of Europe region; it does not produce a significant volume of hazardous waste.

in metric tons	2017	2018	2019
European Union	4,127	4,391	4,785
Far East	52	26	11
CIS	928	669	374
Central and South America	104	168	105
North America	34	31	17
Rest of Europe	2	1	0
Hazardous waste	5,248	5,286	5,293

PAINT SHOPS

In the PALFINGER Group, every paint shop is designed individually, but the process is governed by group-wide principles:

- Commitment to achieving energy efficiency through insulation, heat recovery, energy-efficient engines, and burners
- Protection of the environment through the use of environmentally friendly materials and technologies, solvent-free paints and the like, as well as drying processes at low temperatures
- Conservation of resources through the use of state-of-the-art technologies (e.g. air recirculation, avoidance of wastewater, ergonomics, etc.)

SPECIFIC WASTE VOLUMES

Using an index makes it possible to present the figures adjusted for revenue developments. The target defined in 2018 of reducing waste intensity by 30 percentage points by 2030 (compared with the base year 2015) was achieved in fiscal year 2019. This is evident in that, at 75.9 percent (2018: 82.7 percent), PALFINGER was already well below the interim target of 92 percent in the fiscal year just ended.

The site in Lazuri (RO) has the biggest impact on the results recorded by the European Union region and in the Group. Due to the retroactive adjustment of the 2015 and 2016 reporting, the long-term development of waste in relation to the development of revenue can now be seen. The 78.1 percent on the index (2018: 78.1 percent) shows that the European Union region is on the right course. The Maribor and Lengau sites improved, but the Lazuri site fell due to the quality enhancements mentioned in the section on absolute waste quantities. In addition, price levels at this site declined, which meant that revenue remained constant despite increased production output. This also led to a deterioration on the index.

In almost all other regions, there was a significant improvement in waste intensity in fiscal year 2019. In CIS and Central and South America, the reduction in absolute terms also had a positive effect on waste intensity. In the regions North America, Far East, and Rest of Europe, all of the quantities involved are small and volatile and therefore show greater variability. Quantities at the Olve (NO) site in the Other Europe region were so low in 2019 that the collection of hazardous waste will not take place until 2020.

in percent ¹⁾	2017	2018	2019
European Union	92.3%	78.1%	78.1%
Far East	97.0%	37.4%	38.1%
CIS	148.6%	102.0%	54.5%
Central and South America	254.2%	132.0%	58.0%
North America	131.2%	99.2%	55.8%
Rest of Europe	100.0%	54.2%	0.0%
Index: Hazardous waste in relation to revenue	105.7%	82.7%	75.9%

1) 2015 volume=100%; change in prior-year figures due to new base year 2015.

USE OF PROBLEMATIC SUBSTANCES

Not only production processes are analyzed as to their hazardous substances. Product innovations use new environmentally friendly technologies that reduce the consumption of resources and energy during use as well as potentially problematic substances. PALFINGER products are designed to minimize noise and emissions during operation, be free of problematic substances, and allow for variants with biodegradable hydraulic oil. This enables risks to people and the environment to be reduced. When it comes to loader cranes, access platforms, and other products, customers can choose to operate the systems with biodegradable hydraulic oil. The PALFINGER Lubricants project lengthens oil change intervals through enhanced measuring methods, which substantially reduces the quantity of oil used throughout the product lifecycle. The use of a new guide block technology in loader cranes reduces the maintenance requirements of cranes and increases environmental compatibility, as the extension boom systems only have to be greased once at the beginning of product use and the substance used is fully biodegradable. PALFINGER uses chromium (VI)-free products for hydraulic screw connections and standard mounting parts. Solvent-based and solvent-free paints are also among the problematic substances; their use is addressed in the section of the management report entitled Eco-efficiency in production.

Energy efficiency

ENERGY CONSUMPTION BROKEN DOWN BY ENERGY SOURCE

In the reporting year, total energy consumption remained close to constant at 213 million kWh (2018: 212 million kWh). Despite strong business growth, the increase in reporting year 2019 was just 1 percent.

At PALFINGER, the most widely used energy source in 2019 was electricity, accounting for 54 percent (2018: 53 percent) of total energy consumption. For production-related reasons, electricity consumption climbed to 116 million kWh (2018: 113 million kWh), an increase of 3 percent. The biggest consumer of electricity in the PALFINGER Group in 2019 was the site in Lazuri (RO), due to the new, bigger electroplating plant, followed by the large production plants with electricity-intensive processes in Lengau (AT), Tenevo (BG), and Maribor (SI). These four sites taken together account for 57 percent of the PALFINGER Group's total electricity consumption.

Demand for heat and process energy decreased in the fiscal year just ended to 81 million kWh (2018: 83 million kWh). It is always strongly influenced by weather conditions and the length of the winter in the region in question. Natural gas consumption remained stable at 67 million kWh (2018: 68 million kWh) and accounted for 32 percent of total energy consumption (2018: 32 percent). The main natural gas consumers were the sites in Lengau (AT), Council Bluffs (US), Velikiye Luki (RU), and Maribor (SI), because the CDP paint shops require substantial heat. All other energy sources in this category are only of minor importance in total energy consumption. Fuel consumption remained virtually unchanged in 2019, amounting to 16 million kWh (2018: 16 million kWh). At 7 percent (2018: 7 percent), diesel accounted for the largest fuel portion of overall energy consumption. The fact that more and more pool vehicles running on natural gas or electricity are being used will have a positive impact on the fuel footprint in the future.

in MWh	2017	2018	2019
Electricity			
Electricity	103,394	112,951	115,848
	103,394	112,951	115,848
Heat			
Natural gas	59,847	68,402	67,380
Propane	3,934	3,564	3,372
Butane	1,216	997	873
LPG	3,777	4,423	3,765
Heating oil	234	96	468
District heating	7,777	5,822	5,328
Coal	11,318	0	0
	88,104	83,305	81,186
Fuels			
Diesel	13,563	13,861	14,639
Petrol	2,020	1,891	1,723
Kerosene	911	0	0
	16,494	15,753	16,362
Energy consumption broken down by energy source	207,992	212,008	213,397

ENERGY CONSUMPTION BROKEN DOWN BY REGION

Accounting for 67 percent of total consumption, the European Union is the main energy consumer. The percentage of total energy consumed by EU sites remained more or less stable in 2019 (2018: 66 percent). Energy consumption in the CIS region also remained steady. The CIS region had the second-largest energy consumption within the PALFINGER Group in 2019, accounting for 17 percent (2018: 18 percent). The percentage of total energy consumption attributed to North America remained stable at 12 percent (2018: 12 percent). The remaining regions each consumed only a minor percentage, and their percentages of total energy consumption in fiscal year 2019 remained virtually unchanged.

in MWh	2017	2018	2019
Electricity			
European Union	74,373	81,319	85,207
Far East	663	745	799
CIS	14,282	16,262	15,627
Central and South America	2,042	3,126	3,402
North America	9,448	8,916	8,886
Rest of Europe	2,586	2,583	1,927
	103,394	112,951	115,848
Heat (incl. process heat)			
European Union	47,684	47,531	46,593
Far East	268	134	520
CIS	25,636	18,986	17,987
Central and South America	504	1,105	1,046
North America	14,012	15,549	15,041
Rest of Europe	0	0	0
	88,104	83,305	81,186
Fuels			
European Union	11,459	10,669	11,024
Far East	181	202	221
CIS	4,173	3,592	3,062
Central and South America	213	114	82
North America	331	1,126	1,770
Rest of Europe	137	49	204
	16,494	15,753	16,362
Energy consumption broken down by category	207,992	212,008	213,397

SPECIFIC ENERGY CONSUMPTION

The positive development of energy efficiency within the PALFINGER Group in previous years took an additional step forward in 2019. The energy consumption index in relation to revenue was 2 percentage points lower than in fiscal year 2018. Consequently, an important milestone on the path to the long-term goal of increasing energy efficiency by 30 percent was reached. In the European Union, the index remained level at 86.9 percent (2018: 86.7 percent). In the Far East region, it rose to 108.3 percent (2018: 87.5 percent); however, it must be noted that the absolute energy consumption in the Far East was extremely low at approximately 2 million kWh. The CIS region had a slight positive impact on the Group's results in 2019 with an index value of 84 percent (2018: 85 percent), facilitated by strong growth and targeted measures. In the North America region and in the Central and South America region, the index improved by 15 percentage points and 31 percentage points, respectively, due to improved revenue.

in percent ¹⁾	2017	2018	2019
European Union	96.6%	86.7%	86.9%
Far East	116.6%	87.5%	108.3%
CIS	99.7%	84.8%	83.8%
Central and South America	134.0%	112.1%	81.5%
North America	115.5%	102.3%	87.1%
Rest of Europe	100.0%	89.0%	97.9%
Index: Energy consumption in relation to revenue	100.1%	88.8%	86.5%

1) 2015 volume=100%, change in prior-year figures due to new base year 2015.

🌐 GRI 302-1, 302-3

Climate protection

PRODUCTION-RELATED CO₂ EMISSIONS BY REGION

Direct and indirect emissions from production were cut substantially in fiscal year 2019 to 36,588 metric tons of CO₂ equivalents (2018: 55,039 metric tons; base year 2015: 53,696 metric tons). The European Union region in particular, as the largest energy consumer, has the greatest potential for reducing emissions. Due to an ever-increasing number of green energy, also in Eastern Europe, two large sites in Romania and Slovenia were converted to electricity from renewable energy sources in the reporting period, reducing indirect emissions to 16,421 metric tons of CO₂ equivalents (2018: 34,671 metric tons). Renewable electricity therefore accounted for 94 percent of the Group's total electricity consumption in the European Union region. In all other regions there is a lack of attractive offerings. Direct emissions remained at a constant level in 2019. Nevertheless, PALFINGER's stated goal is to continue to reduce emissions even as it continues to grow. It is therefore necessary to take further steps to reduce direct emissions. In the second and third largest regions, CIS and North America, emissions remained more or less stable. In order to meet the group target of a reduction in absolute terms, PALFINGER is working on a group-wide climate protection strategy that also takes direct emissions into account to a greater extent. By comparison, the other regions have a fairly low share of emissions.

in metric tons of CO ₂ equivalents ¹⁾	2017	2018	2019
Direct emissions from fuels (Scope 1)			
European Union	13,014	12,802	12,655
Far East	116	86	192
CIS	5,983	3,703	3,464
Central and South America	170	285	262
North America	2,967	3,481	3,544
Rest of Europe	34	12	51
	22,284	20,368	20,168
Indirect emissions from electricity and purchased energy (Scope 2)			
European Union	19,773	21,863	4,210
Far East	342	400	418
CIS	6,659	7,007	6,676
Central and South America	246	598	613
North America	3,896	3,663	3,653
Rest of Europe	1,142	1,141	851
	32,057	34,671	16,421
CO₂ emissions from production (Scope 1 and 2)	54,341	55,039	36,588

1) Change in the figures due to changes in conversion factors (see the section on reporting boundaries) and new form of presentation by scope.

EXTERNAL CO₂ EMISSIONS GENERATED IN THE UPSTREAM AND DOWNSTREAM VALUE CHAIN

Going forward, considerable focus will also be placed on external emissions generated in the upstream and downstream value chain. The figures for Scope 3 emissions demonstrate that these are many times higher than the internal production-related emissions. In terms of materiality, three important categories were presented; further categories are being analyzed and will also be addressed where relevant. This evaluation is part of the climate protection strategy.

in metric tons of CO ₂ equivalents	2017	2018	2019
Product use ¹⁾	7,222,978	7,932,733	8,611,399
Purchased goods and services (e.g. Steel) ²⁾	521,724	593,338	601,836
Fuel- and energy related activities ³⁾	12,625	13,425	13,673
External emissions from up- and downstream the value chain (Scope 3)⁴⁾	7,757,327	8,539,497	9,226,907

1) The calculation of emissions generated from product use is based on the fuel consumption of a medium-sized crane over a service life of ten years, extrapolated to the whole company.

2) The most important raw materials, steel and aluminum, are included in the purchased materials. The ecoinvent 3.5 database is used for the conversion.

3) Fuel and energy-related activities include the emissions emitted by the energy supplier through the activity of supplying. For more information on the calculation see the section on reporting boundaries.

4) Base year 2015 CO₂ emissions (Scope 3) are assumed to amount to 6,590,346 metric tons of CO₂ equivalents

🌐 GRI 305-1, 305-2, 305-3

SUSTAINABLE PRODUCTS

PALFINGER products combine ease of use with utmost safety. They are sold on the international market in accordance with the relevant standards applicable in each country. Some of the standards of relevance in Europe are the Machinery Directive 2005/42/EC, safety standards such as EN ISO 13849 (functional safety), and the related product standards such as EN 12999 for loader cranes or EN 50128 (safety-related software in the railway industry). For marine applications, PALFINGER certifies its products in accordance with the MED standards (Maritime Equipment Directive).

What counts, however, is that PALFINGER complies with these safety standards in a user-friendly manner, in such a way that the corresponding functions remain active. All PALFINGER products are assessed as to their health and safety impacts, and any potential for improvement is continuously being realized.

The new format for the instruction manual and product labeling that has been introduced in the TMF product line helps to promote safe use of PALFINGER products. The completely new design uses the graphical symbols in accordance with ISO 3864-2: 2016 – Safety colors and safety signs, ANSI Z535.6: 2011 – Product safety information in product manuals, and EN IEC 82079-1: 2012 – Preparations of instructions for use.

PALFINGER products for the maritime industry meet the most stringent safety requirements. The products are type-approved by classification authorities operating worldwide to ensure that the latest safety requirements for the product itself and its operators are met. The products for the maritime industry include lifeboats designed for immediate use. The products are stored under harsh conditions and are easy to handle and operate.

With its ultra-modern products for the shipping industry, PALFINGER fulfills all the required safety standards as documented by the maritime classification authorities and flag state surveyors.

Product innovation for user safety

In 2019, PALFINGER developed numerous innovations to improve occupational safety.

CRANES

The new Smart Boom Control function for intuitive handling of the crane was presented at BAUMA 2019. This increases safety and efficiency and reduces operator fatigue and stress.

The telematics operator monitor shows the user all the functions available on the crane, also using explanatory videos. This increases operating knowledge and safety.

TIMBER & RECYCLING

In 2019, PALFINGER developed numerous innovations to improve occupational safety. The folding mechanism of the high seats has been enhanced by means of a hydraulic locking system.

As an advanced design study, the virtual reality (VR) control system developed by PALFINGER gives an early insight into the control technology of tomorrow. A perfectly designed virtual operating system not only provides greater comfort and safety, but also offers a number of additional benefits such as a better overview of the situation, additional load-bearing capacity, and lower fuel consumption.

TRUCK MOUNTED FORKLIFTS (TMF)

TMF has integrated a series of new safety features into the new GLS series of forklift trucks. One of these is PALFINGER floor control, thanks to which the driver no longer has to climb onto the forklift truck while it is mounted on the rear of a truck or trailer. The innovative swivel seat also makes it easier for the driver to enter and exit the cabin. The system also protects the user from a side impact and reduces neck strain when reversing.

HOOKLIFT

The introduction of the new PAD touch cabin controller in 2019 with optimized ergonomic handling and a rear view camera considerably improves safety because the driver has a better view of the field.

OFFSHORE, LIFTING & HANDLING SOLUTIONS (OLHS)

In 2019, the OLHS product line developed a twin safety solution for its offshore crane deliveries to Valhall. This solution increases operational safety by using a twin winch/twin wire system for the luffing movement on the wire luffing crane and a twin load-holding system on the blowout preventer (BOP) cranes.

RAILWAY

In fiscal year 2019, special railing structures for work cages were developed, for example with contact wire opening or position monitoring. The PALCOM P7 remote control was introduced for railway systems. Furthermore, system solutions for safe rail vehicles were launched to help Austrian Federal Railways (ÖBB) and German Federal Railways (DB) ensure trouble-free operation (particularly as regards operator safety, equipment safety, and vehicle safety).

🌐 GRI 416-1

Eco-efficient product innovation

CRANES

The TEC series with the P profile delivers maximum performance with minimum deadweight, resulting in a higher payload and lower fuel consumption during transport. Alongside the largest crane models that had already been unveiled, PALFINGER started to bring out the production models of the TEC series in fiscal year 2019.

PALFINGER offers highly engineered subframes with the best power-to-weight ratio. These reduce the deadweight of the crane loader as well as fuel consumption and safeguard the crane's maximum lifting capacity.

The telematics fleet monitor gives PALFINGER customers a complete picture of their fleet. Optimized planning and efficient fleet management reduce unnecessary trips and deployments, thereby saving time and fuel.

TIMBER & RECYCLING

Reducing the use of resources and increasing product efficiency with each new version is a priority for PALFINGER particularly in relation to in-house developments. The principle of "lighter, longer, stronger!" is applied to all refinements of PALFINGER products. Efficient use of material leads to a higher payload for the truck and lower fuel consumption on empty runs.

All product developments fulfill PALFINGER's strict internal standards to increase eco-efficiency. Through optimizations, PALFINGER helps to reduce the use of materials, energy consumption and noise emissions and to increase the general recyclability of products.

With its NEXT EPSOLUTION series, PALFINGER is heralding a new era in the timber, construction, and recycling sectors. A product that noticeably simplifies daily work, significantly reduces maintenance costs, and can be used to conserve resources and protect the environment.

HOOKLIFT

Newly developed hooklifts include fewer hydraulic connection points, which reduces the risk of hydraulic leaks and environmental damage by 40 percent.

The soft sliding option mode installed in the new hooklift reduces noise emissions and the amount of energy consumed. The hooklift options "automatic cycle" and "fast tipping down" reduce cycle time, which translates into lower energy consumption. The "front wall + front vertical valve" hooklift steering valve position supports installation on electrically powered or hybrid truck chassis and prepares the PALFINGER product for installation on an eco-efficient truck chassis.

TAILLIFTS

New taillift developments focused on modularity and weight ranging from lightweight construction to the heavy duty area were rolled out in 2019. The first of this next generation of taillifts to be brought out is the four-cylinder MBWT PTC 750 S, a product whose weight has been successfully reduced by 13 percent, thus lowering the vehicle's fuel consumption.

PLATFORMS

With the latest product update, all platforms manufactured in Europe have been available in a Euro 6d version since 2019. This is currently the lowest emission level available for a truck.

BOATS

PALFINGER boats are mostly made of fiber-reinforced plastic (FRP) or aluminum. These materials fulfill exacting requirements in terms of stability and weight. The goal is to conserve resources and create stability from the design itself. Intelligent engineering results in less waste and optimum use of materials and delivers products designed for specific purposes. The CTL38, a lifeboat combined with a tender boat, is an innovative product that reduces overall material consumption.

OFFSHORE, LIFTING & HANDLING SOLUTIONS (OLHS)

In 2019, PALFINGER refined its electrically powered product range – cranes, winches, and a wide range of access products with electric drives – in the OLHS product line to meet the market's growing focus on eco-efficient products. Most of PALFINGER's hydraulically operated products were re-engineered in 2019 to use biodegradable oil.

RAILWAY

The crawler crane can be used in elevator construction in place of helicopters to reduce CO₂ emissions. A collaboration with vehicle manufacturers (such as HTW Plasser & Theurer and the electrification workshop SBB) on the implementation of hybrid solutions was launched in 2019.

PALFINGER products for people and the environment

PALFINGER's product portfolio includes lifting solutions that also serve ecological and social purposes. For example, loader cranes and access platforms are used for low-emission rail transport for the installation, repair, and maintenance of railway infrastructure.

Through the combined use of drones and bridge inspection units, it is possible to inspect structures in greater detail in less time than before using the digital 3D twin of the bridge in question. Time- and cost-intensive closures for inspection are no longer necessary, and maintenance activities can be carried out more efficiently.

Special cranes are installed on wind turbines and used in forestry, for biomass or in the field of recycling. Hooklifts and skip-loaders are principally used in the field of recycling. PALFINGER access systems make it easier for wheelchair users to access public transportation such as buses or trains.

BOATS

PALFINGER products for the marine sector are tailored to these special and rough requirements. The products comply with rules and regulations for ship safety as well as the environmental requirements based on MARPOL (International Convention for the Prevention of Pollution from Ships from 1973) and IMO (International Maritime Organization) regulations. The products are also designed for people with disabilities, i.e. PALFINGER lifeboats are also accessible for disabled passengers or passengers in wheelchairs. Providing passengers in evacuation situations with the best possible support and giving them a sense of safety is one of PALFINGER's main objectives when developing its products.

OFFSHORE, LIFTING & HANDLING SOLUTIONS (OLHS)

PALFINGER entered the market for access equipment for cruise ships in 2019 with its OLHS product line. The wide range of access equipment offered by the OLHS product line provides smart, environmentally friendly solutions for safe, user-friendly access to passengers boarding ships.

FAIR BUSINESS

Taxes by country

Since 2017, PALFINGER also breaks down payments to public authorities by country and by region. They comprise taxes other than those on income, for example property tax, and income-based taxes such as corporation tax, net of investment or research and development grants.

EUR	2016	2017	2018	2019
European Union				
Belgium	0	0	0	0
Bulgaria	(173,297)	129,821	221,433	183,837
Denmark	0	20,682	198,050	2,122
Germany	2,075,736	3,074,560	5,473,365	7,750,605
France	1,101,223	1,579,657	3,156,380	4,302,988
Italy	175,877	361,222	628,239	465,658
Netherlands	(361,476)	114,764	(63,160)	104,581
Austria	12,488,827	13,861,824	11,640,242	10,792,314
Poland	74,693	155,857	102,302	129,928
Portugal	48,419	142,916	256,550	337,847
Romania	1,077,897	1,869,994	3,045,637	2,465,936
Slovakia	11,483	5,213	1,431	152
Slovenia	1,032,793	1,353,667	2,101,857	938,037
Spain	484,508	1,082,816	1,145,365	1,571,697
Czech Republic	1,443	6,208	10,883	15,231
Hungary	130,502	76,812	112,951	15,619
United Kingdom	123,652	6,600	162,999	98,056
	18,292,280	23,842,614	28,194,524	29,174,607
Far East				
China	67,483	110,964	94,318	79,551
India	14,586	15,857	9,722	78,980
Japan	2,601	37,019	102,099	255,019
Korea	25,508	20,134	88,364	1,216
Singapore	84,728	46,807	65,402	459,375
Vietnam	21,044	33,298	23,901	124,253
	215,950	264,080	383,806	998,394
CIS				
Russia	1,812,433	2,376,233	2,419,251	3,083,632
	1,812,433	2,376,233	2,419,251	3,083,632
Central and South America				
Argentina	0	1,175,876	728,685	602,364
Brazil	492,439	524,770	2,105,405	(830,278)
	492,439	1,700,646	2,834,090	(227,914)
Middle East and Africa				
Qatar	290,048	179,022	101,892	278,879
United Arab Emirates	26,764	67,734	101,501	73,356
	316,812	246,756	203,392	352,235
North America				
Canada	2,558,389	3,630,446	4,330,370	5,861,810
United States	2,024,789	1,638,996	1,291,729	1,681,056
	4,583,178	5,269,443	5,622,099	7,542,866
Rest of Europe				
Norway	(84,114)	92,113	405,766	193,827
	(84,114)	92,113	405,766	193,827
Public authorities - taxes net of subsidies	25,628,978	33,791,883	40,062,928	41,117,647

🌐 GRI 201-1

GRI CONTENT INDEX

Since fiscal year 2017, PALFINGER has prepared its reports in accordance with the GRI Standards. In accordance with the requirements of the Global Reporting Initiative (Core option), this report contains general disclosures and a description, on the basis of GRI disclosures, of the economic, environmental, and social aspects of the topics that the materiality analysis has shown to be relevant. The following GRI content index contains the relevant references, indicating the sections and page numbers. In the Integrated Annual Report, the references are marked with the relevant icon. Since 2013, PALFINGER has also been committed to compliance with the ten principles of the UN Global Compact and illustrates the progress made in the impact table, which also includes references to GRI Standards.

🌐 **GRI 102-55**

📄 **Impact Table, page 230**

🔗 www.palfinger.ag/en/news/publications/sustainability-publications

GRI Standard	GRI disclosures UN Global Compact NaDiVeG	Page numbers	Omissions
FOUNDATION			
GRI 101: Foundation 2016			
GENERAL DISCLOSURES			
Organizational profile			
GRI 102: General Disclosures 2016	102-1: Name of the organization NaDiVeG	Strategy and value management p. 32	
	102-2: Activities, brands, products, and services NaDiVeG	Strategy and value management p. 32; Customers and dealer network p. 67; Performance by segment p. 122	
	102-3: Location of headquarters NaDiVeG	Strategic pillars and sustainability aspects p. 34	
	102-4: Location of operations NaDiVeG	World map p. 40	
	102-5: Ownership and legal form NaDiVeG	Ownership structure p. 30; Disclosures pursuant to Sec. 243a of the Austrian Commercial Code p. 78	
	102-6: Markets served NaDiVeG	Regions and industries p. 64; Customers and dealer network p. 67; Performance by segment p. 122; Segment Sales & Service Land p. 122; Segment SEA p. 124	
	102-7: Scale of the organization NaDiVeG	Customers and dealer network p. 67; Business performance in 2019 p. 72; Responsible employer p. 90	
	102-8: Information on employees and other workers UNGC 3-6; NaDiVeG	Development of employment p. 100; Development of employment (Sustainability Annex) p. 241; Diversity (Sustainability Annex) p. 245	
	102-9: Supply chain NaDiVeG	Value creation p. 58; Suppliers p. 68; Sustainability at PALFINGER suppliers p. 69	
	102-10: Significant changes to the organization and its supply chain NaDiVeG	Value creation p. 58; Suppliers p. 68; Sustainability at PALFINGER suppliers p. 69; Further changes in the PALFINGER Group under company law p. 77	
	102-11: Precautionary principle or approach UNGC 7-9; NaDiVeG	Risk exposure p. 82	
	102-12: External initiatives NaDiVeG	About this report p. 25; Ratings p. 29; Commitment p. 54	
	102-13: Membership of associations NaDiVeG	Commitment p. 54	

GRI Standard	GRI disclosures UN Global Compact NaDiVeG	Page numbers	Omissions
Strategy			
GRI 102: General Disclosures 2016	102-14: Statement from senior decision-maker NaDiVeG	Letter from the Executive Board p. 24	
	102-15: Key impacts, risks, and opportunities NaDiVeG	Risk exposure p. 82	
Ethics and integrity			
GRI 102: General Disclosures 2016	102-16: Values, principles, standards, and norms of behavior UNGC 10	Strategy and value management p. 32; Corporate culture p. 91; Code of Conduct and Group policies p. 136	
	102-17: Mechanisms for advice and concerns about ethics UNGC 10	Code of Conduct and Group policies p. 136; Governance, risk management and compliance as well as internal audits p. 137	
Governance			
GRI 102: General Disclosures 2016	102-18: Governance structure	Sustainability management p. 45; Governing bodies of the company and functioning of the Executive Board and the Supervisory Board pursuant to Sections 243c (2) and 267b of the Austrian Commercial Code p. 128; Executive Board p. 129; Supervisory Board committees p. 131	
	102-19: Delegating authority	Sustainability management p. 45; Governing bodies of the company and functioning of the Executive Board and the Supervisory Board pursuant to Sections 243c (2) and 267b of the Austrian Commercial Code p. 128	
	102-20: Executive-level responsibility for economic, environmental, and social topics	Sustainability management p. 45; Executive Board p. 129	
	102-21: Consulting stakeholders on economic, environmental, and social topics NaDiVeG	Stakeholders p. 42	
	102-22: Composition of the highest governance body and its committees NaDiVeG	Governing bodies of the company and functioning of the Executive Board and the Supervisory Board pursuant to Sections 243c (2) and 267b of the Austrian Commercial Code p. 128; Executive Board p. 129; Supervisory Board p. 130; Corporate Governance Code p. 139	
	102-24: Nominating and selecting the highest governance body NaDiVeG	Governing bodies of the company and functioning of the Executive Board and the Supervisory Board pursuant to Sections 243c (2) and 267b of the Austrian Commercial Code p. 128; Supervisory Board p. 130; Supervisory Board committees p. 131	
	102-32: Highest governance body's role in sustainability reporting	Sustainability management p. 45; Executive Board p. 129	
Stakeholder engagement			
GRI 102: General Disclosures 2016	102-40: List of stakeholder groups	Stakeholders p. 42	
	102-41: Collective bargaining agreements UNGC 3-6	Attractive employer p. 94	
	102-42: Identifying and selecting stakeholders	Stakeholders p. 42	
	102-43: Approach to stakeholder engagement NaDiVeG	Stakeholders p. 42; Sustainability management p. 45; Corporate culture p. 91	
	102-44: Key topics and concerns raised	Stakeholders p. 42; Sustainability management p. 45	
Reporting practice			
GRI 102: General Disclosures 2016	102-45: Entities included in the consolidated financial statements	Companies of the PALFINGER Group back cover	
	102-46: Defining report content and topic boundaries	Sustainability management p. 45; Sustainability report profile and boundaries (Sustainability Annex) p. 225	

GRI Standard	GRI disclosures UN Global Compact NaDiVeG	Page numbers	Omissions
	102-47: List of material topics	Strategic sustainability aspects p. 35; Sustainability management p. 45; Impact table p. 51; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	102-48: Restatements of information	Sustainability report profile and boundaries (Sustainability Annex) p. 225	
	102-49: Changes in reporting	Sustainability management p. 45	
	102-50: Reporting period	Sustainability report profile and boundaries (Sustainability Annex) p. 225	
	102-51: Date of most recent report	Sustainability report profile and boundaries (Sustainability Annex) p. 225	
	102-52: Reporting cycle	Sustainability report profile and boundaries (Sustainability Annex) p. 225	
	102-53: Contact point for questions regarding the report	General information back cover	
	102-54: Claims of reporting in accordance with the GRI Standards	About this report p. 25	
	102-55: GRI content index	GRI content index (Sustainability Annex) p. 260	
	102-56: External assurance NaDiVeG	External auditors p. 132; Report about the independent assurance of the non-financial reporting p. 277	

MATERIAL TOPICS & ADDITIONAL TOPICS**GRI 200: Economic topics**Material topic: **Product research and development**

GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Impact table p. 51; Research and development p. 104; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229
	103-2: The management approach and its components NaDiVeG	Research and development p. 104; Sustainability program (Sustainability Annex) p. 235; Sustainable products (Sustainability Annex) p. 256
	103-3: Evaluation of the management approach NaDiVeG	Research and development p. 104; Sustainable products (Sustainability Annex) p. 256
	PALFINGER KPI: Research and development costs	Research and development p. 104

Material topic: **Innovation in production**

GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Research and development p. 104; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229
	103-2: The management approach and its components NaDiVeG	Research and development p. 104; Sustainability program (Sustainability Annex) p. 235
	103-3: Evaluation of the management approach NaDiVeG	Research and development p. 104
	PALFINGER KPI: Research and development costs	Research and development p. 104

GRI Standard	GRI disclosures UN Global Compact NaDiVeG	Page numbers	Omissions
Material topic: Viability of the business model			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Strategic pillars and sustainability aspects p. 34; Sustainability management p. 45; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Strategic pillars and sustainability aspects p. 34; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Strategic pillars and sustainability aspects p. 34; Monetary flows to stakeholders p. 43	
GRI 201: Economic Performance 2016	201-1: Direct economic value generated and distributed	Stakeholders p. 42; Commitment p. 54; Taxes by country (Sustainability Annex) p. 259	
	201-2: Financial implications and other risks and opportunities due to climate change NaDiVeG	Risk management system p. 81; Risk exposure p. 82	
	PALFINGER KPI: Management systems	Quality management p. 112; Management systems in use (Sustainability Annex) p. 226	
Material topic: Compliance with legal and ethical standards			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Risk report p. 81; Fair business p. 136; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Risk report p. 81; Fair business p. 136; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Fair business p. 136	
GRI 205: Anti-corruption 2016	205-1: Operations assessed for risks related to corruption UNGC 10 NaDiVeG	Governance, risk management and compliance as well as internal audits p. 137	
	205-3: Confirmed incidents of corruption and actions taken UNGC 10 NaDiVeG	Governance, risk management and compliance as well as internal audits p. 137	
GRI 206: Anti-competitive Behavior 2016	206-1: Legal actions for anticompetitive behavior, anti-trust, and monopoly practices	Governance, risk management and compliance as well as internal audits p. 137	
GRI 207: Tax 2019	207-1: Approach to tax	Stakeholders, p. 42	Breakdown by country done
	207-2: Tax governance, control and risk management	Risk exposure, p. 82	Breakdown by country done
GRI 307: Environmental Compliance 2016	307-1: Non-compliance with environmental laws and regulations UNGC 7-9 NaDiVeG	Governance, risk management and compliance as well as internal audits p. 137	
GRI 417: Marketing and Labeling 2016	417-2: Incidents of non-compliance concerning product and service information and labeling	Governance, risk management and compliance as well as internal audits p. 137	
	417-3: Incidents of non-compliance concerning marketing communications	Governance, risk management and compliance as well as internal audits p. 137	
GRI 419: Socioeconomic Compliance 2016	419-1: Non-compliance with laws and regulations in the social and economic area	Governance, risk management and compliance as well as internal audits p. 137	

GRI Standard	GRI disclosures UN Global Compact NaDiVeG	Page numbers	Omissions
Material topic: Industry 4.0 and digitalization			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Strategic pillars and sustainability aspects p. 34; Sustainability management p. 45; Value creation p. 58; Significant changes within the PALFINGER Group p. 76; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Strategic pillars and sustainability aspects p. 34; Research and development p. 104; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Strategic pillars and sustainability aspects p. 34; Research and development p. 105	
Indirect economic impacts			
GRI 203: Indirect Economic Impacts 2016	203-2: Significant indirect economic impacts	Risk exposure p. 82	
GRI 300: Environmental topics			
Material topic: Product lifecycle			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Research and development p. 104; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Research and development p. 104	
	103-3: Evaluation of the management approach NaDiVeG	Research and development p. 104	
	PALFINGER KPI: Waste cuttings	Efficient use of raw materials (Sustainability Annex) p. 250	
	PALFINGER KPI: Warranty costs	Quality management p. 112	
Material topic: Energy efficiency and climate protection			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Energy efficiency p. 119; Climate protection p. 119; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Energy efficiency p. 117; Climate protection p. 119; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Energy efficiency p. 117; Climate protection p. 119; Energy efficiency (Sustainability Annex) p. 253; Climate protection (Sustainability Annex) p. 255	
GRI 302: Energy 2016	302-1: Energy consumption within the organization UNGC 7-9 NaDiVeG	Energy efficiency p. 117; Energy efficiency (Sustainability Annex) p. 253	Not applicable: PALFINGER does not consume cooling energy or steam and does not sell any energy.
	302-3: Energy intensity UNGC 7-9 NaDiVeG	Energy efficiency p. 117; Definition of performance indicators p. 140, Energy efficiency (Sustainability Annex) p. 253	
GRI 305: Emissions 2016	305-1: Direct (Scope 1) GHG emissions UNGC 7-9 NaDiVeG	Efficient use of raw materials p. 115; Climate protection p. 119; Sustainability report profile and boundaries (Sustainability Annex) p. 225, Climate protection (Sustainability Annex) p. 255	Not applicable: PALFINGER does not generate any biogenic CO ₂ emissions.
	305-2: Energy indirect (Scope 2) GHG emissions UNGC 7-9 NaDiVeG	Climate protection p. 119; Sustainability report profile and boundaries (Sustainability Annex) p. 225, Climate protection (Sustainability Annex) p. 255	No information available: for PALFINGER the practical application of the market-based approach makes more sense.
	305-3: Other indirect (Scope 3) GHG emissions UNGC 7-9 NaDiVeG	Climate protection p. 119; Sustainability report profile and boundaries (Sustainability Annex) p. 225; Climate protection (Sustainability Annex) p. 255	Not applicable: PALFINGER does not generate any biogenic CO ₂ emissions.
	PALFINGER KPI: Management systems	Environmental and energy management p. 121; Management systems in use (Sustainability Annex) p. 226	

GRI Standard	GRI disclosures UN Global Compact NaDiVeG	Page numbers	Omissions
Material topic: Raw material requirements and efficiency			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Efficient use of raw materials p. 115; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Efficient use of raw materials p. 115; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Efficient use of raw materials p. 115; Efficient use of raw materials (Sustainability Annex) p. 250	
GRI 301: Materials 2016	301-1: Materials used by weight or volume UNGC 7-9 NaDiVeG	Efficient use of raw materials p. 115; Efficient use of raw materials (Sustainability Annex) p. 250	No information available: PALFINGER does not use any renewable materials, therefore not material.
	PALFINGER KPI: Waste cuttings	Efficient use of raw materials (Sustainability Annex) p. 250	
	PALFINGER KPI: Hazardous waste	Hazardous waste p. 116; Hazardous waste (Sustainability Annex) p. 251	
Supplier environmental assessment			
GRI 308: Supplier Environmental Assessment 2016	308-1: New suppliers that were screened using environmental criteria UNGC 7-9 NaDiVeG	Sustainability at PALFINGER suppliers p. 69	
	308-2: Negative environmental impacts in the supply chain and actions taken UNGC 7-9 NaDiVeG	Sustainability at PALFINGER suppliers p. 69	
GRI 400: Social topics			
Material topic: Product safety			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Safe and efficient products p. 107; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Safe and efficient products p. 107; Governance, risk management and compliance as well as internal audits p. 137 Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Safe and efficient products p. 107; Governance, risk management and compliance as well as internal audits p. 137; Sustainable products (Sustainability Annex) p. 256	
GRI 416: Customer Health and Safety 2016	416-1: Assessment of the health and safety impacts of product and service categories	Safe and efficient products p. 107; Product innovations for operator safety (Sustainability Annex) p. 257	
	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	Safe and efficient products p. 107; Governance, risk management and compliance as well as internal audits p. 137	Not applicable: Regardless of fault, every incident is documented and investigated. Due to PALFINGER's business model, service incidents are not reported separately.
Material topic: Health and safety			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Health and safety p. 98; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Health and safety p. 98; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Health and safety p. 98; Health and safety (Sustainability Annex) p. 248	

DETAILED GRI AND SUSTAINABILITY DISCLOSURES

GRI Standard	GRI disclosures UN Global Compact NaDiVeG	Page numbers	Omissions
GRI 403: Occupational Health and Safety 2016	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities NaDiVeG	Health and safety p. 98; Definition of performance indicators p. 140; Health and safety (Sustainability Annex) p. 248	
	PALFINGER KPI: Management systems	Health and safety p. 98; Management systems in use (Sustainability Annex) p. 226	
Material topic: Employee development			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; Attractive employer p. 94; Learning organization p. 96; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Attractive employer p. 94; Learning organization p. 96; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Attractive employer p. 94; Learning organization p. 96; Learning organization (Sustainability Annex) p. 247	
GRI 404: Training and Education 2016	404-1: Average hours of training per year per employee NaDiVeG	Learning organization p. 96; Learning organization (Sustainability Annex) p. 247	
	PALFINGER KPI: Appraisal interviews	Attractive employer p. 94	
Material topic: Attractive employment			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 45; HR Strategy 2020 p. 90; Corporate culture p. 91; Attractive employer p. 94; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	HR Strategy 2020 p. 90; Corporate culture p. 91; Attractive employer p. 94; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Corporate culture p. 91; Attractive employer p. 94; Development of employment p. 100; Development of employment (Sustainability Annex) p. 241	
GRI 401: Employment 2016	401-1: New employee hires and employee turnover UNGC 3-6 NaDiVeG	Development of employment p. 100; Development of employment (Sustainability Annex) p. 241; Diversity (Sustainability Annex) p. 245	
GRI 405: Diversity and Equal Opportunity 2016	405-1: Diversity of governance bodies and employees UNGC 3-6 NaDiVeG	Development of employment p. 100; Executive Board p. 129; Supervisory Board p. 130; Diversity plan p. 133; Development of employment (Sustainability Annex) p. 241	
Material topic: Corporate culture and values			
GRI 103: Management Approach 2016	103-1: Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 42; Corporate culture p. 91; Impacts of the sustainability topics throughout the value chain (Sustainability Annex) p. 229	
	103-2: The management approach and its components NaDiVeG	Corporate culture p. 91; Sustainability program (Sustainability Annex) p. 235	
	103-3: Evaluation of the management approach NaDiVeG	Corporate culture p. 91	

GRI Standard	GRI disclosures UN Global Compact NaDiVeG	Page numbers	Omissions
Labor/Management relations			
GRI 402: Labor/Management Relations 2016	402-1: Minimum notice periods regarding operational changes NaDiVeG	Corporate culture p. 91	
Non-discrimination			
GRI 406: Non-discrimination 2016	406-1: Incidents of discrimination and corrective actions taken NaDiVeG	Corporate culture p. 91	
Freedom of association and collective bargaining			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk UNGC 1-6 NaDiVeG	Sustainability at PALFINGER suppliers p. 69; Corporate culture p. 91; Code of Conduct and Group Policies p. 136	
Child labor			
GRI 408: Child Labor 2016	408-1: Operations and suppliers at significant risk for incidents of child labor UNGC 1-6 NaDiVeG	Sustainability at PALFINGER suppliers p. 69; Corporate culture p. 91; Code of Conduct and Group policies p. 136	
Forced or compulsory labor			
GRI 409: Forced or Compulsory Labor 2016	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor UNGC 1-6 NaDiVeG	Sustainability at PALFINGER suppliers p. 69; Corporate culture p. 91; Code of Conduct and Group policies p. 136	
Human rights assessment			
GRI 412: Human Rights Assessment 2016	412-1: Operations that have been subject to human rights reviews or impact assessments UNGC 1-6 NaDiVeG	Governance, risk management and compliance as well as internal audits p. 137	
Supplier social assessment			
GRI 414: Supplier Social Assessment 2016	414-1: New suppliers that were screened using social criteria UNGC 1-6 NaDiVeG	Sustainability at PALFINGER suppliers p. 69	
	414-2: Negative social impacts in the supply chain and actions taken UNGC 1-6	Suppliers p. 68; Sustainability at PALFINGER suppliers p. 69	
Public policy			
GRI 415: Public Policy 2016	415-1: Political contributions UNGC 10 NaDiVeG	Commitment p. 54	

**True
greatness**
requires
more than
just large
numbers.

STATEMENT OF ALL MANAGEMENT

We confirm to the best of our knowledge that the consolidated financial statements for the year ended December 31, 2019, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). We also confirm, to the best of our knowledge, that the Group management report, including the non-financial statement, for the year ended December 31, 2019, gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

In addition, we confirm to the best of our knowledge that the separate financial statements for the year ended December 31, 2019, give a true and fair view of the assets, liabilities, financial position, and profit or loss of PALFINGER AG as required by the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) and that the management report for the year ended December 31, 2019, gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Bergheim, February 7, 2020

The Executive Board of PALFINGER AG



Andreas Klauser
Chief Executive Officer



Felix Strohbichler
Chief Financial Officer



Martin Zehnder
Chief Operating and Chief Technology Officer

AUDITOR'S REPORTS

(Translation)¹⁾

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the consolidated financial statements of

PALFINGER AG, Bergheim near Salzburg,

and of its subsidiaries (the Group), comprising the consolidated balance sheet as of December 31, 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2019, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements under section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB).

BASIS FOR OPINION

We conducted our audit in accordance with Regulation (EU) No 537/2014 (hereinafter "EU Regulation") and in accordance with Austrian generally accepted standards for the audit of financial statements. Those standards require that we comply with the International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in compliance with Austrian commercial law and professional standards and we have fulfilled our other professional obligations in compliance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following, we present the key audit matters from our point of view:

Title	<p>Reallocation of goodwill and intangible assets with indefinite useful life due to changes in segment reporting in the Segment LAND by the new Global Palfinger Organization - GPO for short</p>
Risk	<p>As part of the revised corporate management through the new organizational structure at PALFINGER (Global Palfinger Organisation – GPO for short), both the internal reporting structure and segment reporting were changed in the fiscal year 2019. The former Segment LAND is now divided into the two new segments: Sales & Service LAND and Operations LAND.</p> <p>The Segment SEA will remain as an independent segment in 2019 and will be integrated into the new Sales & Service and operations management in 2020.</p> <p>In 2019, this change in the segment breakdown will also mean a reallocation of goodwill and IFRS 3 Trademarks with an indefinite useful life that were allocated to the former Segment LAND. This reallocation was made in proportion to its value-in-use determined in the 2019 impairment test in accordance with IAS 36.87. As a result, the existing goodwill of approximately 72.6 million to 75 percent will be reallocated to the new Segment Sales & Service LAND and approximately 25 percent will be reallocated to the Segment Operations LAND and will be subject to the impairment test in 2019 in accordance with IAS 36.</p> <p>As a result, the goodwill from the reallocation is subject to the same risks that generally arise from the impairment test for estimating value-in-use as part of the discounted cash flow method. Derived from this, the regular and appropriate reallocation of goodwill in 2019 also has an impact on the future structure of impairment tests in accordance with IAS 36 in subsequent years and, in particular, on the planned reallocation of goodwill that will be recorded in the Segment SEA in 2019.</p> <p>Detailed information on the explanations of goodwill and brand values and the changed allocations to the new segments and valuations are included in the consolidated financial statements note 28.</p>
Addressing this risk in the audit	<p>In order to address this risk, we critically questioned management's assumptions and estimates as well as the reallocation of goodwill and intangible assets to the new segments and performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • Verification of the implementation of the changed organizational structure at the Executive Board and management levels of PALFINGER by the newly introduced corporate management (GPO) including review of the new reporting structure in the Group • Verification of the new segment structure in connection with the future monitoring and management of goodwill in the Segment Sales & Service and Operations • Examination of the methodology used, the computational accuracy of the submitted documents and calculations for the reallocation of goodwill to the two new Segments Sales & Service LAND and Operations LAND

Title	<p>Measurement of goodwill – Impairment test in accordance with IAS 36 for goodwill, allocated in particular to the Segment SEA (CGU Marine Business)</p>
Risk	<p>PALFINGER reports goodwill from business combinations totaling EUR 147.5 million (previous year: EUR 145.0 million) in the 2019 consolidated financial statements. Goodwill of EUR 74.9 million (previous year: EUR 74.4 million) is allocated to the Segment SEA. The impairment of goodwill is carried out at the level of the Cash Generating Units (CGUs SEA – previous year CGU Marine Business), unchanged from the previous year.</p> <p>The basis of the impairment test in accordance with IAS 36 for 2019 was based on current strategic business planning for the years 2020 to 2024 (SEP 2024). These plans take into account the current economic framework, the economic environment, and the most current assessments of future market developments.</p> <p>The resulting impairment test to estimate value-in-use is developed using a discounted cash flow method, whereby the recoverable amount largely depends on the discount rate (WACC) used, as well as on the expected and planned cash inflows in the medium-term planning (detailed planning period), and in the perpetual annuity.</p> <p>The main risk lies in the current estimates of these future cash inflows (cash flow forecasts) in particular for the Segment SEA, as the restructuring in this business unit was largely completed in the fiscal year 2019 and the future market expectations and the planned positive earnings contributions are a significant factor in the planning.</p> <p>Detailed information on the explanations of goodwill and brand values and the changed allocations to the new segments and valuations are included in the consolidated financial statements note 28.</p>
Addressing this risk in the audit	<p>In order to address this risk, we critically questioned management's assumptions and estimates and performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> • Review of the documents relating to strategic corporate planning – SEP 2024 for the entire Group and in particular for the new segments, Segment Sales & Service LAND, Operations LAND and SEA; we conducted a plausibility check and analysis of the main value drivers (revenue, expenses, investments, changes in working capital) to verify the appropriateness of these plans. • Reconciliation of the approved plans for the detailed planning period 2020 to 2024 as well as the perpetual annuity to the cash flow plans considered in the impairment test in accordance with IAS 36. • Verification of the cash flow assumptions in these newly adopted short and long-term business plans, in particular for the segment SEA, differ materially from the previous planning assumptions of the previous year. • Verification of whether the current order intake in the Segment Marine as well as the underlying current market model for the PALFINGER Marine products are taken into account in cash flow planning. • Verification whether other significant cost-saving potentials have not been included in the cash flow forecasts in addition to restructuring measures already implemented in the Segment SEA. • Performed a risk analysis by simulating the effects of technical valuation parameters using DCF calculations and downside valuation scenarios resulting from the 2019 Impairment test in accordance with IAS 36 for CGU SEA at Group level. • Examination of the methodology used, the computational accuracy of the submitted documents and calculations as well as plausibility checks of the discount rates as well as planning approaches with the assistance of our valuation specialists as well as benchmarking of the planning assumptions regarding sales growth and EBIT margin based on analyst assessments and peer group data ("outside-in" analysis). • Review of the mandatory disclosures on the impairment test pursuant to IAS 36 in the notes to the 2019 consolidated financial statements 2019.

RESPONSIBILITIES OF THE MANAGEMENT AND OF THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under section 245a UGB for them to present a true and fair view of the assets, the financial position, and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and in accordance with Austrian generally accepted standards for the audit of financial statements, which require the application of ISA, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU Regulation and in accordance with Austrian generally accepted standards for the audit of financial statements, which require the application of ISA, we exercise professional judgment and maintain professional skepticism throughout the audit.

Furthermore:

- We identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- We conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COMMENTS ON THE GROUP MANAGEMENT REPORT

Pursuant to Austrian commercial law, the group management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the group management report was prepared in accordance with the applicable legal regulations.

Regarding the consolidated non-financial statement contained in the group management report, our responsibility is to audit as to whether it was prepared in accordance with the applicable legal regulations, to read the non-financial statement and, in doing so, to consider on the basis of the knowledge obtained in the audit whether it is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

The management is responsible for the preparation of the group management report in accordance with Austrian commercial law.

We conducted our audit in accordance with the professional standards for the audit of the group management report.

OPINION

In our opinion, the group management report was prepared in accordance with the valid legal requirements, comprising the details in accordance with section 243a UGB, and is consistent with the consolidated financial statements.

STATEMENT

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances, no material misstatements in the management report for the Group came to our attention.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the group management report, and the auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 OF THE EU REGULATION

We were elected as auditor by the annual general meeting on March 20, 2019. We were appointed by the supervisory board on October 15, 2019. We have been auditors without cease since 2008.

We confirm that the audit opinion in the section entitled "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5(1) of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner is Mr. Diether Dämon, Certified Public Accountant.

Salzburg, February 7, 2020

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Gerhard Schwartz m.p.

Certified Public Accountant

Diether Dämon m.p.

Certified Public Accountant

1) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the group management report. Section 261(2) UGB applies to alternate versions.

REPORT ABOUT THE INDEPENDENT ASSURANCE OF THE NON-FINANCIAL REPORTING 2019

Attention: *This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.*

We have performed a limited assurance engagement regarding the non-financial reporting 2019 (hereafter "Reporting") in accordance with the requirements of the section 267a UGB Nachhaltigkeits- und Diversitätsverbesserungsgesetz (NaDiVeG) and the GRI Standards CORE Option of PALFINGER AG (hereafter "PALFINGER"), Bergheim bei Salzburg.

The assurance engagement covers the Reporting 2019 as follows:

"Integrated Annual and Sustainability Report 2019" concerning information in and references linked from the GRI Content Index to sustainability disclosures and data for the reporting period 2019.

We base the scope of our assurance on the fact that no information relevant for the assurance is outsourced to the homepage.

RESPONSIBILITIES OF THE LEGAL REPRESENTATIVES

PALFINGER's legal representatives are responsible for the proper compilation of the Reporting 2019 in accordance with section 267a UGB (NaDiVeG) as well as with the GRI-Standards.

The legal representative signed a Letter of Representation, which we have added to our files

RESPONSIBILITIES OF THE ASSURANCE PROVIDERS

Based on our assurance procedures deemed necessary, it is our responsibility to assess whether we have noted issues which cause us to believe, that in all material matters the Sustainability Reporting 2019 is not in accordance with section 267a UGB (NaDiVeG) as well as with the GRI-Standards.

Our assurance engagement has been conducted in accordance with the "International Federation of Accountants' ISAE 3000 (Revised)" Standards.

Our professional duties include requirements in relation to our independence as well as planning our assurance engagement based on the materiality considerations in order to allow us to obtain a limited level of assurance.

According to the "General Conditions of Contract for the Public Accounting Professions" our liability is limited. An accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence, the maximum liability towards the client and any third party together is EUR 726,730 in the aggregate.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Our main procedures were:

- Obtain an overview over the industry as well as the operational and organizational structure of the organization;
- Interview a selection of senior managers and executives to understand systems, processes and internal control procedures related to the content of the Sustainability Reporting assured, which support the data collection;
- Review relevant group level, board and executive documents to assess awareness and priority of issues in non-financial reporting and to understand how progress is tracked and internal controls are implemented;
- Examine risk management and governance processes related to sustainability and critical evaluation of the disclosure in the non-financial Reporting;
- Perform analytical procedures at group level;
- Perform site visits in Bergheim bei Salzburg to obtain evidence on performance indicators. In addition, we reviewed data samples of the selected disclosures in the Sustainability Reporting at site level for completeness, reliability, accuracy and timeliness;
- Review data and processes on a sample basis to assess whether they have been collected, consolidated and reported appropriately at group level. This included obtaining an opinion whether the data had been reported in an accurate, reliable and complete manner;
- Review the coverage of material issues which have been raised in stakeholder dialogues, in media reports and environmental and social reports of peers;
- Evaluate the company's materiality assessment, including sector specific megatrends and aspects of GRI;
- Assessment whether the Requirements according to section 267a UGB (NaDiVeG) have been adequately addressed;
- Assess completeness of UNGC reporting against the links with the „10 principles“ of the UNGC as outlined in the GRI guidelines;
- Challenge a sample of statements and claims in the Sustainability Reporting against our work steps and the GRI Standards principles and
- Review whether the GRI Standards were consistently applied for the CORE Option.

The objective of our engagement was neither a financial audit nor a financial audit review of past-oriented financial information. We did not perform any further assurance procedures on data, which were subject of the annual financial audit, the corporate governance report and the risk reporting. We merely checked this data was presented in accordance with the GRI Guidelines. Neither the detection and investigation of criminal offenses, such as embezzlement or other fraudulent actions, nor the assessment of effectiveness and efficiency of management were subject to our engagement. We did not test data derived from external surveys or prospective information. Our assurance engagement solely covers references directly specified in the GRI Content Index. It does not cover any further web references.

We submit this report based on our assurance engagement for which, also regarding third parties, the “General Conditions of Contract for the Public Accounting Professions” , are binding.

CONCLUSION

Based on our assurance procedures we have not noted any issues that cause us to believe that in all material matters the Sustainability Reporting 2019 is not in accordance with section 267a UGB (NaDiVeG) as well as with the GRI-Standards.

Vienna, February 7, 2020

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Stefan Uher

ppa. Dr. Christine Jasch

 GRI 102-56

1) <https://www.ris.bka.gv.at/Dokumente/Bundesnormen/NOR40189009/NOR40189009.pdf>
2) www.globalreporting.org/standards/
3) www.globalreporting.org/resource/library/UNGC-G4-linkage-publication.pdf

REPORT OF THE SUPERVISORY BOARD

In fiscal year 2019, the Supervisory Board performed all duties assigned to it by law and by the company's Articles of Association. Four Supervisory Board meetings were held, on February 18, June 3, September 30, and December 16, 2019, and attended by the Executive Board. The Executive Board informed the Supervisory Board regularly, both in writing and verbally, about the course of business and the position of the company and of the Group companies. The Chairman of the Supervisory Board communicated regularly with the Executive Board, also outside the scope of the Supervisory Board meetings, in order to confer with the Executive Board concerning the company's strategy, business development, and risk situation.

In addition to current developments and planning, the Supervisory Board dealt with the following key issues in the 2019 fiscal year: the strategy in the individual segments, product lines and regions, the wide-ranging organizational changes in the course of the GPO, restructuring in the Segment SEA, major investment decisions, developments in Group-wide risk management, as well as concomitant prevailing economic, ecological, and social risks. Furthermore, three Audit Committee meetings were held in 2019, focusing on the 2018 annual financial statements, the internal control system, risk management, IFRS and accounting issues, internal auditing and cooperation with the external auditors. The Nominating Committee met regularly in 2019 and discussed the following topics in particular: the collaboration and functioning of the Executive Board, the preparation of proposals for the new appointment of a Supervisory Board member, and the filling of a vacant position in the course of the 2020 Annual General Meeting. At its regular meetings held in 2019, the Remuneration Committee dealt with the remuneration of Executive Board members and conducted feedback interviews with the individual members of the Executive Board. Also in 2019, the Remuneration Committee worked on the preparation of a proposed resolution on the remuneration policy for the Executive Board and Supervisory Board for the 2020 Annual General Meeting.

PALFINGER AG's financial statements for the year ended December 31, 2019, and the 2019 management report including the company's accounting records and the non-financial explanations according to section 267a UGB were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg. The audit revealed that the accounting records, the financial statements, and the management report of PALFINGER AG comply with the applicable legal regulations and the provisions of the Articles of Association. The final findings of the audit did not give rise to any objections, thus allowing an unqualified auditor's opinion to be issued for 2019. The same applies to the 2019 consolidated financial statements. The consolidated financial statements prepared in accordance with IFRS (as adopted by the European Union) were supplemented by the Group management report and additional information in accordance with section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB).

The Supervisory Board has approved the financial statements for the year ended December 31, 2019, and the management report for fiscal year 2019, thereby adopting the 2019 financial statements of PALFINGER AG in accordance with section 96(4) of the Austrian Stock Corporation Act (Aktengesetz, AktG). The Supervisory Board has approved the consolidated financial statements and the Group management report for 2019 prepared in accordance with section 244 et seq. UGB. The Supervisory Board has evaluated and approved the proposal of the Executive Board with respect to the distribution of profits for fiscal year 2019.

The Supervisory Board would like to express its thanks and recognition to the members of the Executive Board and all employees of PALFINGER for their outstanding commitment and excellent achievements in fiscal year 2019.

Bergheim, February 18, 2020

Hubert Palfinger

Chairman of the Supervisory Board

LEGAL NOTICE

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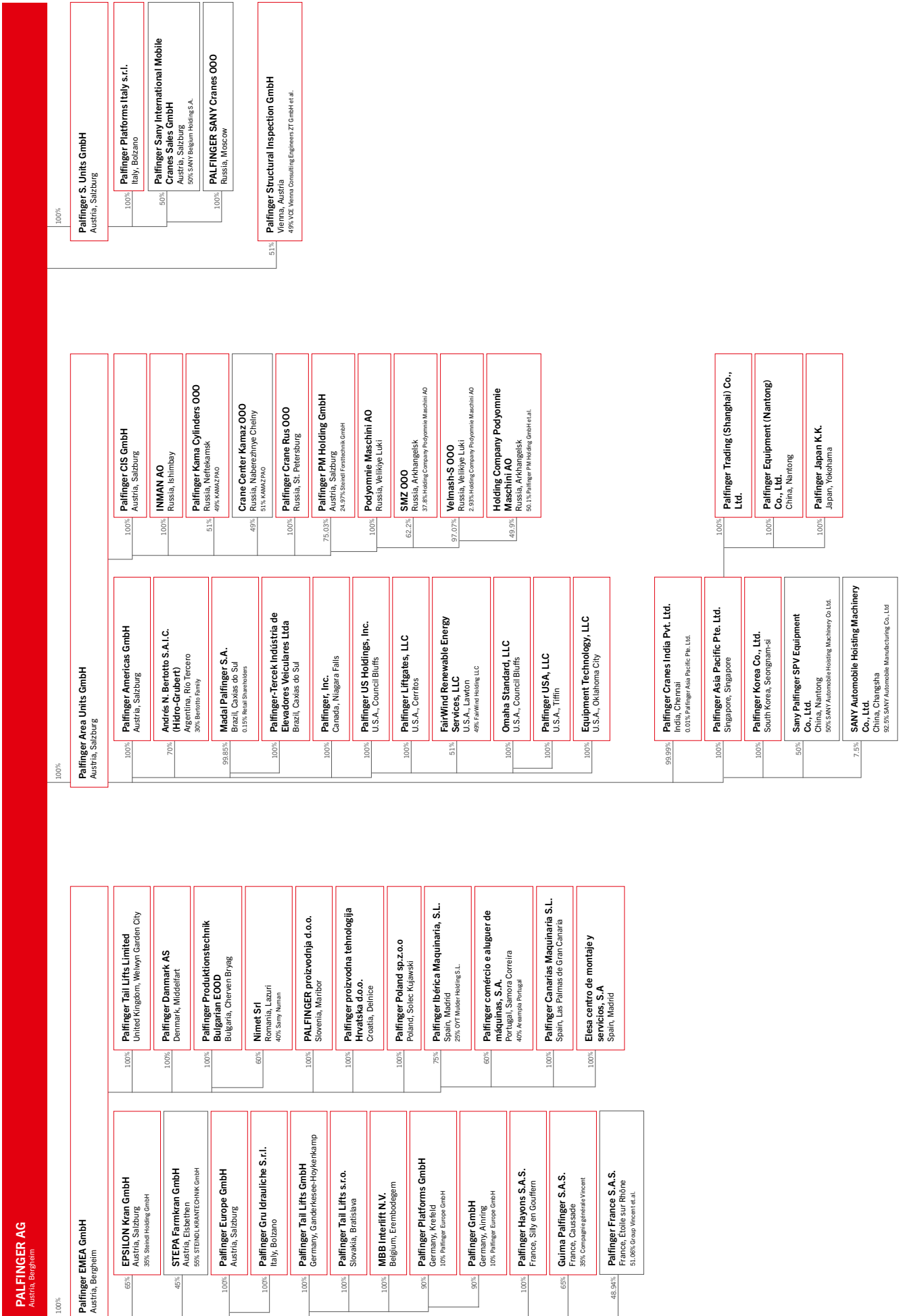
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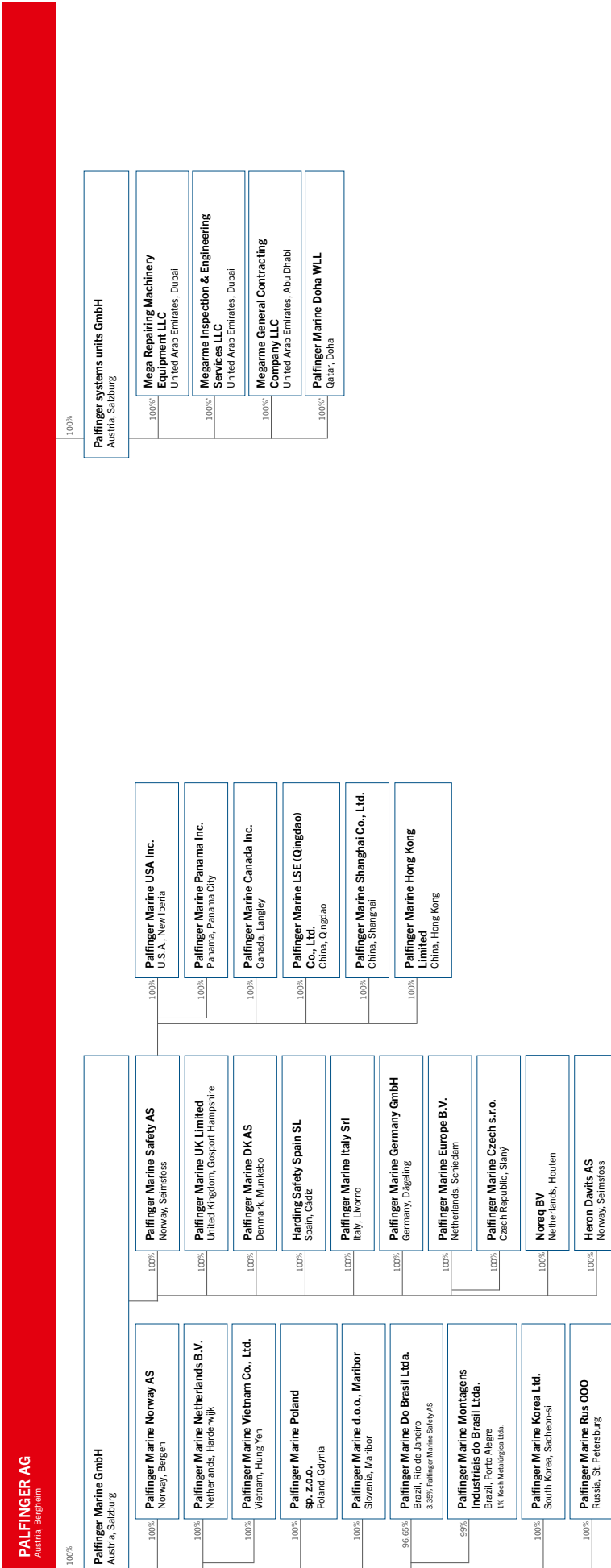
The English translation of the PALFINGER Report is for convenience. Only the German text is binding.
The rounding of individual items and percentages in this report can lead to minor differences in calculated amounts.

This Integrated Annual Report contains forward-looking statements made on the basis of all information available at the date of its preparation. Forward-looking statements are usually identified by the use of terminology such as "expect", "plan", "estimate", "believe", etc. Actual outcomes and results may be different from those predicted. Moreover, in individual cases, changes in non-financial performance indicators of previous years may result from the application of stricter internal control loops for the purpose of improving data quality.

Published on February 18, 2020
No liability is assumed for any typographical or printing errors.



Consolidated
 Entities measured using equity method accounting and other equity interests



FINANCIAL CALENDAR 2020

February 19, 2020	Balance sheet presentation	March 23, 2020	Dividend record date
March 8, 2020	Annual General Meeting record date	March 24, 2020	Dividend payment date
March 13, 2020	Deadline for deposit confirmation	April 30, 2020	Publication of results Q1/2020
March 18, 2020	Annual General Meeting	July 30, 2020	Publication of results HY/2020
March 20, 2020	Ex-dividend date	October 30, 2020	Publication of results Q1–3/2020

Additional dates such as trade fairs will be announced on the website.



Investors and other interested parties who wish to receive regular news about the PALFINGER Group may register for the info service on the PALFINGER website. The PALFINGER Investor Relations app is also available for download on the Company's website as well as in leading app stores.

www.palfinger.ag/en/investors; www.palfinger.ag/en/investors/ir-service

The digital version of the Integrated Annual Report as well as the download link can be found at i-report.palinger.ag

i-report.palfinger.ag

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