OTHERS CALL IT A STORM. WE CALL IT A TAILWIND.

INTEGRATED ANNUAL REPORT 2014

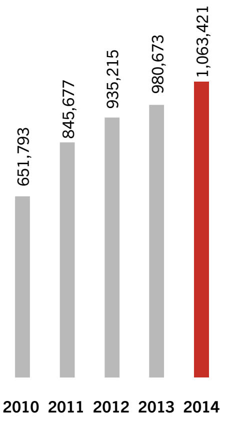
PALFINGER

KEY FIGURES OF THE PALFINGER GROUP

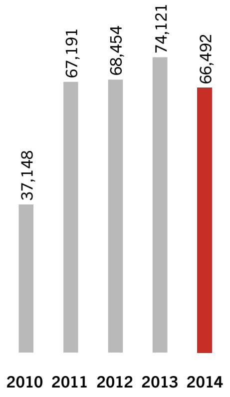
EUR thousand	2014	2013	2012	2011	2010
Income statement					
Revenue	1,063,421	980,673	935,215	845,677	651,793
EBITDA	104,637	105,491	97,950	96,764	59,887
EBITDA margin	9.8%	10.8%	10.5%	11.4%	9.2%
EBIT	66,492	74,121	68,454	67,917	37,148
EBIT margin	6.3%	7.6%	7.3%	8.0%	5.7%
Result before income tax	54,578	61,122	53,725	57,000	29,833
Consolidated net result for the period	38,421	44,038	40,409	41,955	24,225
Balance sheet					
Total assets	1,130,111	849,510	813,565	739,774	677,431
Net working capital (average)	175,702	172,129	151,291	118,774	117,740
Capital employed (average)	710,729	593,852	552,210	500,699	462,257
Equity	461,312	385,914	364,874	352,780	319,891
Equity ratio	40.8%	45.4%	44.8%	47.7%	47.2%
Net debt	356,600	217,925	217,565	166,876	160,932
Gearing	77.3%	56.5%	59.6%	47.3%	50.3%
Cash flows and investments					
Cash flows from operating activities	47,208	62,499	55,394	37,662	49,118
Free cash flows	(162,132)	31,577	(3,103)	11,695	4,166
Net investments	175,855	32,003	40,799	23,673	18,709
Depreciation, amortization and impairment	38,145	31,370	29,496	28,847	22,739
Value creation					
ROCE	7.4%	9.8%	10.2%	11.1%	7.1%
ROE	10.4%	13.0%	12.7%	14.1%	8.9%
EVA	6,628	14,621	18,958	20,475	(3,308)
WACC	6.5%	7.4%	6.7%	7.0%	7.8%
Products and environment					
Percentage of revenue from products for ecological and social purposes	24.9%	23.3%	22.0%	24.5%	n.a.[2]
Index: Energy consumption in relation to revenue	90.8%	96.1%	95.7%	100.0%	n.a.[2]
Index: Greenhouse gas emissions in relation to revenue	88.2%	96.1%	95.8%	100.0%	n.a.[2]
Index: Hazardous waste in relation to revenue	113.8%	94.5%	99.9%	100.0%	n.a.[2]
Suppliers with excellent and good environmental management	64.0%	62.0%	n.a.[3]	32.0%	n.a.[2]
Human resources					
Annual average payroll[1]	8,030	6,573	6,175	5,600	4,671
Staff absence due to industrial accidents (in % of regular working time)	0.11%	0.18%	0.20%	0.22%	0.33%
Training hours per employee	12.0	11.9	8.5	8.6	5.7
Percentage of women in management	16.7%	12.8%	12.5%	11.6%	10.8%
Shares					
Number of shares issued	37,593,258	35,730,000	35,730,000	35,730,000	35,730,000
Market capitalization	789,082	1,030,810	587,401	440,551	1,027,238
Price as at year end (EUR)	20.99	28.85	16.44	12.33	28.75
Earnings per share (EUR)	1.05	1.24	1.14	1.19	0.68
Operating cash flows per share (EUR)	1.26	1.77	1.57	1.06	1.39
Dividend per share (EUR)	0.34[4]	0.41	0.38	0.38	0.22

1) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
2) Figures cannot be presented due to change in reporting systems.
3) No supplier evaluation took place in 2012.
4) Proposal for presentation to the Annual General Meeting.

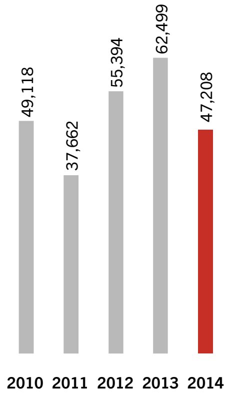
ECONOMY



REVENUE
(EUR thousand)

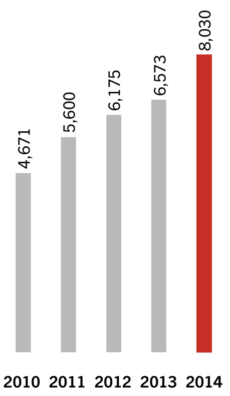


EBIT
(EUR thousand)

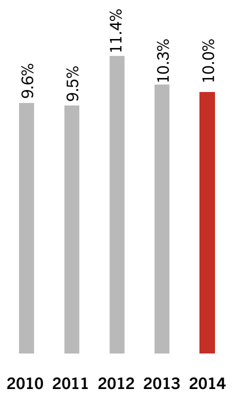


OPERATING CASHFLOW
(EUR thousand)

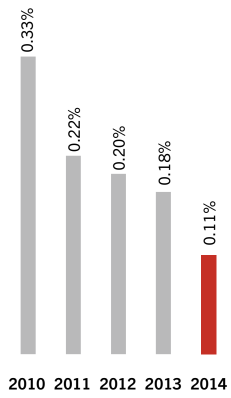
HUMAN RESOURCES



HEADCOUNT

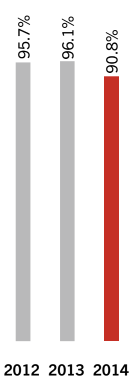


EMPLOYEE TURNOVER
(in per cent)

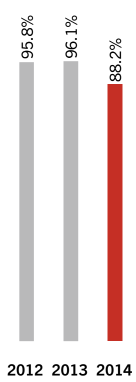


STAFF ABSENCE DUE TO INDUSTRIAL ACCIDENTS
(in per cent)

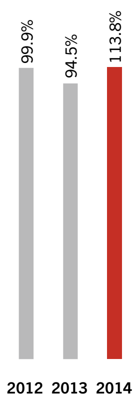
PRODUCTS AND ENVIRONMENT



ENERGY CONSUMPTION IN RELATION TO REVENUE
(indexed 2011)



GREENHOUSE GAS EMISSIONS IN RELATION TO REVENUE
(indexed 2011)



HAZARDOUS WASTE IN RELATION TO REVENUE
(indexed 2011)

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HOW TO USE THIS INTEGRATED ANNUAL REPORT

This Annual Report 2014 is the second integrated annual report published by the PALFINGER Group. It not only presents the economic and legal information relating to the Group but also contains all the information on the sustainable aspects of PALFINGER's strategy and business activities. This information is not bundled in a separate chapter but rather is integrated into the individual chapters concerned.

The principles of fair business are found in the corporate governance report (starting on page 182). The information relating to PALFINGER as a responsible employer is contained in the chapter Human Resources (starting on page 70), eco-efficiency in production is an integral part of PALFINGER's value-creation strategy (from page 66), and sustainable products are a result of research, development and innovation (from page 58).

The Sustainability Annex (starting on page 189) comprises the basic information pertaining to selected sustainability-related aspects of this Report – the materiality analysis, the report profile and boundaries, the GRI Index and the independent assurance statement with regard to sustainability reporting.

Detailed information on sustainability issues that exceeded the scope of this Report is available online or may be downloaded from the Company's website at www.palfinger.ag/en/sustainability. Hence, this Report and the information on the website supplement each other.

To help the reader, both documents contain references:

reference to a passage in the Integrated Annual Report

reference to detailed information disclosed at the website www.palfinger.ag

reference to a GRI indicator

Thus, the Integrated Annual Report 2014 provides an overview of all the topics relevant to PALFINGER and its stakeholders. The Report is in accordance with the International Financial Reporting Standards (IFRS) as well as the international G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

GRI G4-22: Restatements of reported information

PALFINGER's employees all over the world are the basis of the Group's success. They understand the customers, develop and sell the products, expand existing markets and establish new ones, procure raw materials and components, enhance value creation, prepare partnerships and acquisitions, and provide, monitor and improve management control data. It is these employees who make PALFINGER so special and who have facilitated the second integrated annual report of the PALFINGER Group.

MISSION STATEMENT

Worldwide, PALFINGER stands for the most innovative, reliable and cost-effective lifting solutions for use on commercial vehicles and in the maritime field. With our technological expertise and experienced staff, we set quality benchmarks in the industries in which we operate. Sustainability and the responsible use of resources are at the core of all our actions. High flexibility and competence in production and a global sales and services network give us a crucial competitive edge and ensure our customers LIFETIME EXCELLENCE.

Innovation is the result of our passion for the permanent enhancement of our products, processes and organization. Innovations ensure PALFINGER's market leadership and open up new fields of application that broaden the base of the business.

Internationalization ensures that our customers on all continents receive products that conform to market standards and provides our Company with maximum independence from regional economic fluctuations while simultaneously opening up new areas of potential growth.

Flexibility allows us to meet all market developments by quickly adjusting our resources and capacities, thus also safeguarding the success of our business in times of high volatility.

FOREWORD BY THE CEO

REVENUE
EXCEEDED
THE
ONE-BILLION
MARK

STRONG
FOOTHOLD
IN THE
RUSSIAN MARKET

COMPLETION OF THE NEW PLANT IN CHINA

SYSTEMATIC
ENHANCEMENT
OF
FLEXIBILITY
IN ALL SECTORS

INTEGRATION OF
SUSTAINABILITY
OBJECTIVES INTO
ALL PROCESSES

DEAR READERS,

GRI G4-1: Statement from the most senior decision-maker

In 2014, the PALFINGER Group was able to achieve further progress in implementing its strategy and, given the uncertain economic environment, we have good reason to be satisfied with our business performance. At EUR 1,063.4 million, we again posted record revenue and thus exceeded the magic one-billion mark. In the reporting period, we further promoted our Group's internationalization, placing priority on Russia and China. In Russia, which has become one of our major markets, the PALFINGER Group gained a strong foothold also in terms of local value creation and broad market penetration through the acquisition of a majority in PM-Group Lifting Machines, the establishment of the two joint ventures with KAMAZ and the expansion of production at INMAN. In China, we won a significant market share, together with our partner SANY, and upon completion of our crane production facilities in Rudong we laid the foundation for further profitable growth. The cross shareholding with SANY, which was completed upon the entry of the capital increase in the commercial register in May 2014, is a strategic milestone in our expansion in China with the object of making it our second domestic market. In the other market regions, we pursued the gradual expansion of our product range. Only the sudden decline in demand in the European crane market in the autumn prevented us from breaking another record with our EBIT, which was lower than in 2013.

The performance of the marine business, which was characterized in operational terms by growing revenue in 2014, showed even more dynamic development, albeit still on a small scale. In the years to come, we are planning to turn the marine business into a second pillar of our operations, on a par with the current core business.

The uncertain global economy prompted us to address the enhancement of the flexibility of all our processes even more intensively. We defined specific targets, and identified appropriate measures, for each individual site in line with the respective value-creation processes to enable us to measure progress at regular intervals. In our opinion, the flexibility of our Group, especially in the field of administration, bears a promising earnings potential. In the course of our flexibility-enhancement efforts we have also come to better understand the needs and requirements of local customers.

In 2014, we not only improved in economic terms but also attached great importance to strengthening our corporate culture. Thinking and acting sustainably has become an integral part of our approach to doing business, enabling us, to an ever larger extent, to reconcile ecological and social tenets with economic requirements. We have, for instance, set ourselves the goal of reducing energy consumption and hazardous waste, both in relation to revenue, by 1.8 percentage points a year. Moreover, we have become a learning company and, especially in our capacity as a global player, we make a point of treating other cultures and technologies respectfully. In 2014, we initiated a Group-wide diversity project and incorporated the initially defined objectives into corporate planning for 2019. If we want to achieve success in the major global markets, we cannot do it as a company based in Salzburg, Austria, but only as a globally acting group of businesses, the members of which excel in their respective markets.

Today, we are looking into the future with cautious optimism. In the past few years, PALFINGER has achieved strong growth. The Group has changed significantly in the process, and today is much better prepared to face volatile markets than a few years ago. We will continue to pursue our growth strategy and, in the future, enter into partnerships with other companies as well.

Let me take this opportunity, on behalf of the entire Management Board, the Palfinger family and all the shareholders, to thank everyone on the global team of PALFINGER for all the outstanding achievements, big and small, that they have accomplished for the success of our Group.

Herbert Ortner

HIGHLIGHTS OF 2014

FEBRUARY 2014
Publication of PALFINGER's first Integrated Annual Report
PALFINGER was the first industrial enterprise in Austria to publish an integrated annual report in accordance with International Financial Reporting Standards (IFRS) as well as the international Sustainability Reporting Guidelines GRI-G4. This met with a great deal of attention, also internationally. The Integrated Annual Report 2013 received numerous awards, including the Austrian Sustainability Reporting Award for the best report. It gives a detailed description of the business performance, which encompassed record revenue and record earnings, and the progress made in sustainability management.

MARCH 2014
Annual General Meeting
The Annual General Meeting of PALFINGER AG resolved to distribute a dividend of EUR 0.41 per share for the 2013 financial year. The dividend in the total amount of EUR 14.5 million was paid on 18 March 2014. With the election of Jian Qi, a representative of the SANY Group became a member of the Supervisory Board.

MAY 2014
Cross shareholding with SANY
The cross shareholding of PALFINGER and SANY, which had been in preparation for several months, was concluded with the entry of PALFINGER AG's capital increase in the commercial register. SANY acquired approx. 10 per cent of PALFINGER, which made SANY the second largest shareholder of the PALFINGER Group. In return, PALFINGER acquired 10 per cent of the share capital of Sany Automobile Hoisting Machinery Co., Ltd. ("SANY Lifting").

JUNE 2014
Acquisition of interest in Argentinian HIDRO-GRUBERT
PALFINGER signed an agreement on the acquisition of a 30 per cent share in HIDRO-GRUBERT, a producer of access platforms, knuckle-boom cranes and truck bodies. An option to take over the majority in the company was also agreed upon.

JUNE 2014
Award of the "GREEN BRAND" seal
After having completed the three-step screening procedure, PALFINGER became the first industrial enterprise in Austria to be entitled to bear the "GREEN BRAND Austria 2014/2015" seal. This quality seal is awarded to companies that have demonstrated that they practise ecological sustainability, both within the company itself and vis-à-vis the outside world.

AUGUST 2014
Agreement on two joint ventures with KAMAZ

PALFINGER and KAMAZ, Russia's largest truck producer, agreed to establish two joint venture companies: one specializing in the production and sale of truck bodies, and the other one in the production of cylinders. With this transaction, local value creation was substantially expanded in the important Russian market.

OCTOBER 2014
Acquisition of Russian PM-Group closed

As agreed in December 2013, PALFINGER acquired a 60 per cent share in PM-Group Lifting Machines; another 20 per cent was acquired by Steindl Forsttechnik, PALFINGER's partner in the field of EPSILON timber and recycling cranes. With its brands Velmash and Solombalsky, PM-Group is a major supplier of timber and recycling cranes, loader cranes and hooklifts in the Commonwealth of Independent States.

OCTOBER 2014
Significant drop in order intake in Europe

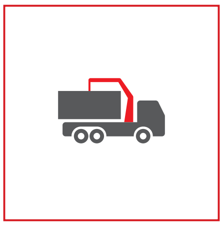
In September, a clear decline in demand in PALFINGER's European markets was revealed, particularly in the crane sector. For this reason, the Management Board felt obliged to announce in October that PALFINGER's 2014 EBIT would probably fall short of the figure achieved in 2013.

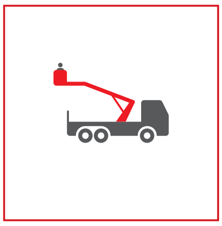
OCTOBER 2014
Successful placement of promissory notes

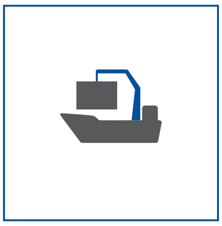
Despite issuing a profit alert, PALFINGER managed to successfully raise a promissory note loan and, in fact, had to significantly bulk up its volume to meet the strong demand of investors.

JANUARY 2015
Takeover of Norwegian Deck Machinery AS

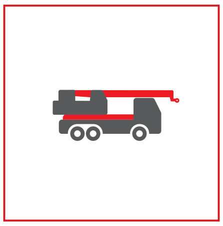
To complete its product portfolio in the marine business, PALFINGER took over NDM, a manufacturer of special winches and handling equipment. This participation gives PALFINGER access to customer groups that have so far not been addressed.

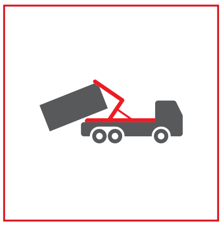

LOADER CRANES

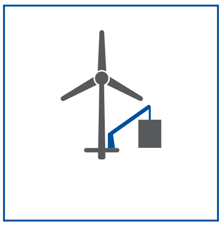

ACCESS PLATFORMS

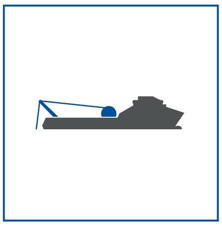

MARINE CRANES

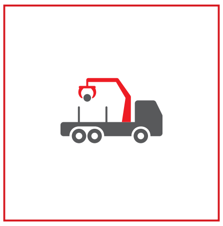

BOATS

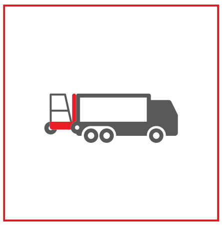

TELESCOPIC CRANES

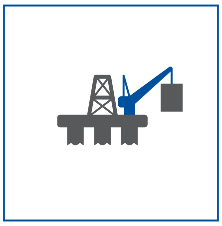

HOOKLIFT


WIND CRANES

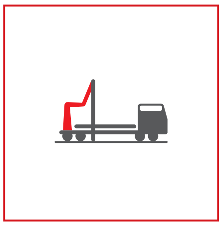

WINCHES

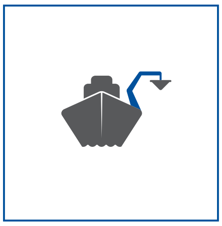

EPSILON TIMBER AND RECYCLING CRANES


TRUCK MOUNTED FORKLIFTS


OFFSHORE CRANES


TRUCK BODIES


RAILWAY SYSTEMS


LAUNCH & RECOVERY SYSTEMS


TAIL LIFTS


MOBILE CRANES


ROPE ACCESS TECHNICIANS

GRI G4-4: Product overview

PALFINGER AT A GLANCE

As at 31 December 2014, the PALFINGER Group, headquartered in Salzburg, Austria, comprised 67 companies in 25 countries and had a total workforce of 8,893. Production takes place in 35 manufacturing and assembly sites in Europe, North and South America, as well as in Asia. Moreover, a global sales and services network with more than 200 independent general importers and approx. 5,000 outlets in more than 130 countries on all continents guarantees perfect proximity to customers in all product groups.

PALFINGER is regarded as the leader in technology and innovation in its sector. PALFINGER is number one worldwide for loader cranes, marine cranes, wind cranes and hooklifts (formerly: container handling systems). Moreover, the Company is a leading specialist in timber and recycling cranes, tail lifts and high-tech railway systems. PALFINGER aspires to be the service champion in the industry.

In 2014, the PALFINGER Group continued its growth strategy. At EUR 1,063.4 million, revenue again reached a record level. This 8.4 per cent increase over the previous year was made possible by the consistent internationalization of the Group. EBIT for 2014 amounted to EUR 66.5 million.

GRI G4-3, G4-4, G4-5, G4-9:
Organizational profile

With an equity ratio of 40.8 per cent and a gearing ratio of 77.3 per cent, PALFINGER has a sound capital structure. Cash flows from operating activities came to EUR 47.2 million in 2014. The return on capital employed (ROCE) for the 2014 financial year was 7.4 per cent.

STRATEGY AND VALUE MANAGEMENT

ONGOING
IMPLEMENTATION
OF CORPORATE STRATEGY

INTERNAL FOCUS
ON INCREASING
FLEXIBILITY
AT ALL SITES

CONTINUATION OF
INTERNATIONALIZATION

SUSTAINABILITY DEFINED AS A CENTRAL
STANDARD FOR THE ATTAINMENT OF
OBJECTIVES

STRATEGY AND VALUE MANAGEMENT

- Ongoing implementation of corporate strategy
- Continuation of internationalization
- Internal focus on increasing flexibility at all sites
- Sustainability defined as a central standard for the attainment of objectives

The PALFINGER Group has been pursuing a long-term growth strategy with the goal of achieving and/or maintaining a dominant position on the global markets by its own efforts. PALFINGER aspires to become one of the top three players in all product and customer segments. Short-to-medium-term goals are defined in accordance with the relevant framework conditions. Each and every decision is knowledge-based and taken in consideration of long-term aspects relating to cost effectiveness as well as social and environmental compatibility.

The business model centres on a long-term, continuous increase in earnings. PALFINGER's accelerated internationalization is reducing its dependence on regional cyclical fluctuations. The objective is to achieve a well-balanced revenue structure in which one-third of the consolidated revenue is generated in each of the three market areas EMEA (Europe, Middle East, Africa and Australia), North and South America, and CIS together with Asia and Pacific (CIS, China, India, Pacific region).

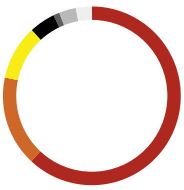
GRI G4-HR 1: Human rights in investment agreements

The development of the Group towards becoming a market player successfully operating in all of the world's relevant market regions is being implemented both through organic growth and through acquisitions, greenfield investments, joint ventures or strategic partnerships. In each expansion step, due diligence processes are used to review and consider not only economic factors such as revenue, profitability, capital retention and market potential, but also environmental compatibility, the observance of fundamental rights, and work practices, before a decision is taken.

A key success factor in the Group's internationalization efforts is its focus on local value creation, which not only provides for a natural hedge but also increases flexibility and ensures the development and manufacture of products aligned with regional customer needs.

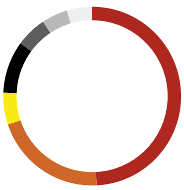
REVENUE 2010 BY REGION
(in per cent)

- 61.9% European Union
- 16.4% North America
- 9.9% Central and South America
- 4.7% Far East
- 1.1% CIS
- 3.1% Rest of Europe
- 2.9% Middle East and Africa



REVENUE 2014 BY REGION
(in per cent)

- 49.1% European Union
- 20.6% North America
- 5.8% Central and South America
- 9.4% Far East
- 5.6% CIS
- 4.7% Rest of Europe
- 4.6% Middle East and Africa



Materiality analysis
Page 191

PALFINGER carries out regular analyses of the central issues that are of strategic significance for the Company, from an internal and external point of view. The last such analysis was made in early 2014.

PALFINGER has defined three strategic pillars: innovation, internationalization and flexibility, the planning and implementation of which are promoted in consideration of sustainable standards.


PRODUCT GROUPS
• LOADER CRANES
• TELESCOPIC CRANES
• EPSILON TIMBER AND RECYCLING CRANES
• TRUCK BODIES
• ROPE ACCESS TECHNICIANS
• ACCESS PLATFORMS
• HOOKLIFTS
• TRUCK MOUNTED FORKLIFTS
• RAILWAY SYSTEMS
• MARINE CRANES
• WIND CRANES
• LAUNCH & RECOVERY SYSTEMS
• OFFSHORE CRANES
• MOBILE CRANES
• TAIL LIFTS
• BOATS
• WINCHES
AREAS
• EUROPEAN UNION
• REST OF EUROPE
• AFRICA AND MIDDLE EAST
• CENTRAL AND SOUTH AMERICA
• NORTH AMERICA
• FAR EAST
• CIS
INDUSTRIES
• CONSTRUCTION
• TRANSPORT AND HAULAGE
• LOCAL AUTHORITIES
• TIMBER INDUSTRY AND AGRICULTURE
• SERVICE
• RAILWAY INFRASTRUCTURE
• RECYCLING
• WIND ENERGY
• MARINE INDUSTRY
• OFFSHORE
• MAINTENANCE
PRODUCTION SITES
• ARGENTINA
• BRAZIL (2)
• BULGARIA (2)
• CHINA (2)
• GERMANY (3)
• FRANCE
• GREAT BRITAIN
• INDIA
• ITALY (2)
• CANADA
• KOREA
• CROATIA
• THE NETHERLANDS (2)
• AUSTRIA (3)
• POLAND
• ROMANIA
• RUSSIA (3)
• SLOVENIA
• USA (5)
• VIETNAM
SUSTAINABLE, PROFITABLE GROWTH
INNOVATION
FLEXIBILITY
INTERNATIONALIZATION
• FAIR BUSINESS
• RESPONSIBLE EMPLOYER
• ECO-EFFICIENCY IN PRODUCTION
• SUSTAINABLE PRODUCTS
LIFETIME EXCELLENCE

INNOVATION, INTERNATIONALIZATION AND FLEXIBILITY IN CONSIDERATION OF SUSTAINABLE ASPECTS

Innovation

Innovations ensure the permanent enhancement of products, services and organizational structures. PALFINGER is determined to be the technology leader and service champion among the suppliers of lifting solutions. In order to live up to this philosophy of quality and service, PALFINGER has also implemented stringent standards to be met by its dealers and service partners.

In 2014, the priority of PALFINGER's innovation efforts was on new technologies and product development. With the support of the Fraunhofer Institute in Stuttgart, the PALFINGER Group expanded and connected its R&D capacities with the objective of achieving better results and synergies for all market regions and product groups. In the period under review, numerous new products with increased efficiency and lower weight were launched. This development is owed to mechatronic systems, a technology that will be of vital importance to PALFINGER in the future. Innovation, however, also means successfully selling PALFINGER products of superior efficiency and quality to local customers in the recently developed market regions, in competition with local suppliers offering best-price deals. With a willingness to learn, European advanced technologies can be combined with regional application know-how, and new price-benefit standards can be defined for the respective markets.

Internationalization

Internationalization is enabling PALFINGER to become the preferred global partner in the lifting industry. The Group aims at further expanding its sales, service and value-creation operations that are organized on an international level, thereby reducing its dependence on regional fluctuations in the economy.

In 2014, PALFINGER recorded revenue in excess of EUR 1 billion for the first time. This milestone in the Company's history was achieved through strong growth in the past few years. 2014 was a year marked by the integration of the acquired units into the PALFINGER Group. At the same time, PALFINGER pursued its growth strategy through ongoing internationalization. The strategic partnership with SANY, for example, was intensified through a cross-shareholding deal. In June, a minority participation in the Argentinian market leader for access platforms, HIDRO-GRUBERT, was agreed to complete the product range in Latin America and utilize synergies with MADAL in Brazil. In August, PALFINGER agreed to establish two joint venture companies with the leading Russian crane manufacturer KAMAZ for the manufacture and sale of truck bodies and the production of cylinders. With this step, PALFINGER's market position in the Commonwealth of Indepen-dent States has been expanded and secured. In October, PALFINGER's acquisition of PM-Group Lifting Machines, a company producing timber and recycling cranes for the Russian market under the brands Velmash and Solombalsky, was concluded. In January 2015, the contracts for the acquisition of Norwegian Deck Machinery AS, a leading manufacturer of special winches and handling equipment for offshore vessels and offshore oil rigs, headquartered in Os near Bergen, were concluded.

Flexibility

Given the volatility of markets, it is indispensable for a company to be flexible if it wants to be profitable. For this reason, PALFINGER has been reviewing all the processes in its entire business model in order to significantly enhance the flexibility of all business units within the Group.

In 2014, a systematic, Group-wide, bottom-up process was initiated to identify and measure flexibility parameters in eight dimensions for each business unit, product type and market region individually. These eight dimensions concern procurement (exclusivity of sources of supply, volumes, supply contracts and purchase obligations), employees (flexible working times of wage earners and salaried employees) and consequently finances (direct and indirect cost, EBIT, capital lockup). For each site, a flexibility chart was drawn, on which the degree of flexibility was measured. Subsequently, the potential for improvement was determined for each site in consideration of the strategic objectives of the Group. Next year, not only will the attainment of the objectives be measured but also the framework conditions and the basic assumptions made will be reviewed. As the individual framework conditions applicable for each site will be taken into consideration, there will not be any benchmark or Group-wide flexibility ratio; each site will be assessed according to the improvements achieved.

The process initiated in 2014 has also made it clear that the administration processes harbour a larger flexibility potential than the production processes, whose ability to create value has been optimized for many years now. The selected flexibility process, with its focus on individual sites and/or business models and evaluation through self-assessment and audits, promotes the decentralized responsibility of local management as well as the diversity of the PALFINGER Group.

G4-EC8: Significant indirect economic impacts, including the extent of impacts

In autumn 2014, the results of a study carried out by the Institute for Industrial Research (IWI, Industriewissenschaftliches Institut) in 2012 on the contribution made by the PALFINGER Group to Austria's economy were updated. The study confirms the significance of the PALFINGER Group as a major flagship company for Austria's economy, not just in terms of sustainability but also as a company generating significant momentum for other Austrian enterprises. As suppliers, local small and medium-sized enterprises stand to profit more from the success of the global PALFINGER Group than from other companies. PALFINGER creates benefits in the vicinity of its sites in the form of local value creation, jobs and common innovation efforts. Despite, or precisely because of (as the authors of the study put it), the stepped-up internationalization efforts, PALFINGER's performance values for Austria's economy have increased since 2011 and the multiplier effects have become clearly visible: A production value of EUR 1 for PALFINGER in Austria generates more than EUR 2 in Austria (2011: EUR 1.87); EUR 1 of value added by PALFINGER in Austria generates EUR 2.48 in Austrian businesses, corresponding to an increase of more than 15 per cent since 2011; and one job at PALFINGER in Austria creates 2.63 jobs in Austria (2011: 2.3 jobs).

GRI G4-19: Material aspects

Materiality analysis
Page 191

In 2013, PALFINGER carried out a comprehensive, multi-level analysis of the material aspects of sustainability that are currently of strategic significance for the Company, from both an internal as well as an external point of view. In early 2014, these issues were supplemented in certain areas. The analysis showed that the most relevant issues for the success of PALFINGER and its stakeholders are the following:

Sustainable products

- Product quality, customer satisfaction
- Product safety
- Efficient and environmentally friendly products, optimum lifecycle costs
- Products for ecological and social purposes
- Research and development

Human resources

- Education and training
- Occupational health and safety
- Diversity and equal opportunity
- Attractive employer
- Fair remuneration
- Communication with employees

Environment
- Demand for raw materials
- Avoiding waste and discharge of hazardous substances
- Energy efficiency

Sustainable and fair business operations
- Viability of the business model
- Corporate ethics, compliance with legislation and competition law, independence of the Supervisory Board, Code of Conduct
- Transparent remuneration of the top management
- Sustainability in the supply chain

STRATEGIC OBJECTIVES FOR THE PERIOD UNTIL 2017

In 2012, the PALFINGER Group defined its strategic objectives for the period until 2017. At that time, based on the full consolidation of all the sites and on the assumption of a foreseeable development of the global economy, the Group defined the goal to double its 2012 revenue to approx. EUR 1.8 billion by 2017. In support of this long-term goal, the Supervisory Board passed a resolution in September 2013 to renew the contracts of all four members of the Management Board until the end of 2018. The Management Board set up a three-year incentive programme for the executive team of the PALFINGER Group. This programme is tied to the Company's revenue and profitability targets.

www.palfinger.ag/en/sustainability/management/programme-2015 @

The PALFINGER Group plans to achieve sustainable, profitable growth and obtain a ranking among the top three market players in all the relevant global markets. Specific measures and fundamental strategies for priority issues were elaborated in 2012, the gradual implementation of which is to ensure the attainment of PALFINGER's goals. In autumn 2014, the objectives and measures for the years to come were defined on the basis of what had been achieved up to then. The following table presents an overview of the most significant progress achieved in 2014 and the goals for 2017.

PRIORITIES

IMPLEMENTATION IN 2014	OBJECTIVES FOR 2017

FURTHER GROWTH WITH FOCUS ON BRIC COUNTRIES

Implementation in 2014	Objectives for 2017
• Acquisition of HIDRO-GRUBERT in Argentina • Acquisition of PM-Group-Lifting Machines in Russia • Consolidation in India and Asia, Megarme, PM	• Further expansion of production in China • Intensification of cooperation with SANY • Completion of product portfolio in the market regions • Continued integration of acquisitions • Integration of social and environmental standards as well as enforcement of Code of Conduct along the entire value-creation chain • Establishment of two joint ventures with KAMAZ in Russia • Strategic objective for 2017: revenue of approx. EUR 1.8 billion, to be generated in equal parts (1/3 each) in EMEA, North and South America as well as Asia and Pacific, and CIS

DEVELOPMENT OF CHINA AS SECOND DOMESTIC MARKET

Implementation in 2014	Objectives for 2017
• Cross shareholding with SANY • Completion of the new production plant in Rudong near Shanghai	• Growth through additional joint ventures with SANY • Development of technologies and products to meet customer demands • Increased revenue, earnings and market shares • Integration of social and environmental standards as well as enforcement of Code of Conduct along the entire value-creation chain

GLOBAL BALANCE AS REGARDS PRODUCTION AND CUSTOMER PROXIMITY

Implementation in 2014	Objectives for 2017
• Setup of local value creation in the market regions • Local R&D activities to meet customer demands	• Further expansion of customer proximity • Uniform high-end standards for products and services • Implementation of the Group-wide brand project

CONSOLIDATION OF LEADING POSITION IN MARINE AND OFFSHORE BUSINESS

Implementation in 2014	Objectives for 2017
• Integration of Megarme and MCT Korea in the marine business of the PALFINGER Group • Establishment of sales and services sites in Brazil, Singapore and the USA • New production sites in Brazil (together with the JV partner Koch) and in Poland	• Global roll-out of product range, primarily in Korea, Brazil, China and Russia • Strengthening of market position through further acquisitions • Market position as an integrated supplier of deck equipment for the marine, offshore and wind industries • Global presence through the establishment of additional sales and services sites

MAINTENANCE OF GLOBAL INNOVATION LEADERSHIP

Implementation in 2014	Objectives for 2017
• Focus on mechatronics • Cooperation with research institutes to develop new manufacturing technologies and materials to further improve product characteristics	• Establishment of centres of excellence for research priorities • Promotion of synergies among business units regarding innovations • Additional investments in new technologies and processes • Further market development for products serving environmental and/or social purposes • Innovations for improved product safety and environmental compatibility

SATISFACTION OF CUSTOMER EXPECTATIONS THROUGH TAILOR-MADE SOLUTIONS

Implementation in 2014	Objectives for 2017
• Adjustment of existing products to better meet market requirements in South America, CIS and China • Availability of more equipment options for products in order to offer customized solutions	• Integration of services into the business model • Attraction of more customers through modular construction of products • Closer ties with end customers to develop innovations in line with their needs

ADJUSTMENT OF PRODUCTION SITES AND PRODUCTION TECHNOLOGIES IN EUROPE

Implementation in 2014	Objectives for 2017
• Adjustment of long-term value-creation strategy • Analysis of the potential of the industry 4.0 and increase in the level of automation	• Further development of the relevant core competences • Shift of low-tech processes to low-wage countries • Knowledge management in consideration of local technologies

PIONEER FOR SUSTAINABLE DEVELOPMENT, ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY

Implementation in 2014	Objectives for 2017
• Launch of Group-wide diversity initiative “PALversity” • Final adaptation of Group-wide environmental protection guideline • Award of the GREEN BRAND seal 2014/2015	• Ensuring further development when it comes to dealing with cultural differences through “PALversity” • Raising of ecological awareness and implementation of continuous improvement processes through introduction of global environmental protection guideline • Observance of the globally valid criteria of the Code of Conduct (human rights, environ-mental standards, business ethics) and introduction of such criteria at new sites • Innovation leadership also in the field of products for ecological and social purposes • Annual improvement of energy efficiency by 1.8 percentage points • Annual reduction of hazardous waste volumes by 1.8 percentage points

@ **www.palfinger.ag/en/sustainability/management/programme-2015**

VALUE MANAGEMENT

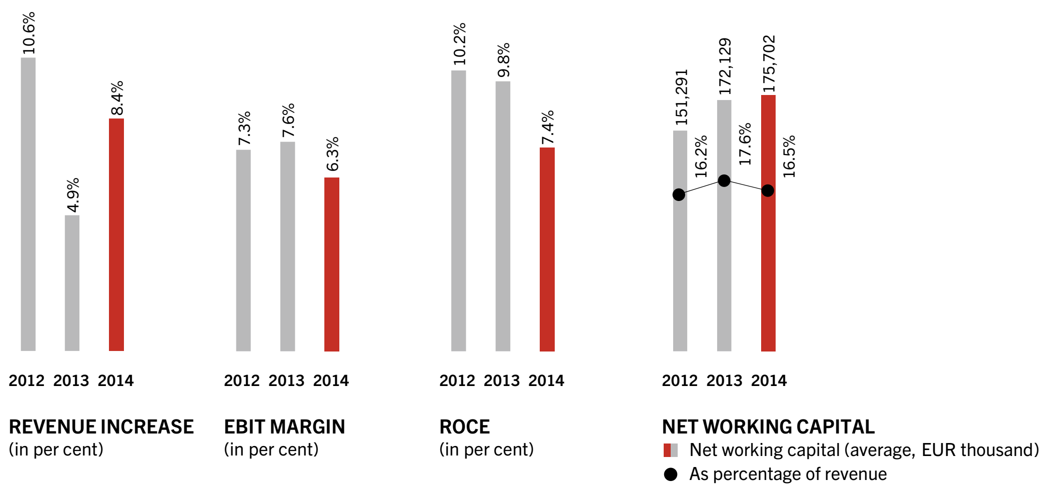
For internal purposes, PALFINGER measures its further development and value enhancement by means of four major indicators:

- Revenue increase
- EBIT margin
- Return on capital employed (ROCE) – ratio of profit to capital employed
- Net working capital – operating liquidity

Particularly relevant for PALFINGER is the long-term development of these ratios, as the Group's focus is not on scoring short-term success but rather on achieving sustainable, profitable growth.

Since the difficult year 2009, the PALFINGER Group has shown an excellent record of all four performance indicators, even though the adverse business environment in Europe, South America and CIS hampered growth in the second half of 2014. Following the high revenue increases of previous years, revenue again rose in 2014, by 8.4 per cent. The EBIT margin was 6.3 per cent, and ROCE came to 7.4 per cent. In connection with the steep increase in revenue recorded in the AREA UNITS and the acquisitions made in 2014, net working capital rose again. However, when expressed as a percentage of revenue, capital lock-up decreased to 16.5 per cent. Despite a market environment that is characterized by increasing challenges particularly in Europe, South America, the Middle East and the Commonwealth of Independent States, PALFINGER is working intensively to further improve these ratios, not least through the implementation of further flexibility-enhancement measures.

VALUE CREATION IN 2014



www.palfinger.ag/en/sustainability/management

Sustainability management, which has been integrated into the operations of the entire PALFINGER Group, makes substantial contributions to value management by reducing costs and risks. This can be highlighted by two examples: the health of PALFINGER's employees and energy efficiency. In 2014, staff absence due to industrial accidents was significantly reduced in comparison with 2012 through the management of occupational safety, thus saving expenses in the amount of EUR 365,000 per year. Also the efficient use of energy was clearly improved when compared to 2012. When assuming unchanged energy costs, the resulting annual savings were EUR 530,000. Moreover, sustainability management helps to achieve cost savings in the context of waste cuttings: Based on the volume of steel used in 2014, savings of approx. EUR 1,140,000 were effected just by reducing waste cuttings.

LIFETIME EXCELLENCE

COST EFFECTIVENESS

RELIABILITY

INNOVATION

STAKEHOLDER AND INVESTOR RELATIONS

ALL
STAKEHOLDER
GROUPS INVOLVED IN CORPORATE
ACTIVITIES

SUSTAINABILITY
RATINGS VERIFY
BEST-IN-CLASS RECORD

INTEGRATED ANNUAL REPORT 2014: A MILESTONE IN COMPREHENSIVE REPORTING

STAKEHOLDER AND INVESTOR RELATIONS

- All stakeholder groups involved in corporate activities
- Sustainability ratings verify best-in-class record
- Integrated Annual Report 2014: a milestone in comprehensive reporting

STAKEHOLDER MANAGEMENT

PALFINGER defines its stakeholders as those legal entities or individuals who are in any way affected by its corporate activities and/or whose decisions have an impact on PALFINGER. In accordance with sustainable development, PALFINGER makes sure that individual interests are addressed in a balanced and proactive manner. The most relevant stakeholders are employees, customers and dealers, suppliers, and owners, as well as regional and local stakeholders such as the residents at the sites, cooperation partners such as educational institutions, interest groups, sponsoring partners or charities. PALFINGER maintains a continuous dialogue with all stakeholder groups, thereby striving to uphold the corporate values of entrepreneurial spirit, respect and learning. In 2014, all sustainability aspects identified by the stakeholders as being of substantial significance were endorsed in special work packages to define quantifiable targets. For further information on the stakeholder dialogue and the resulting materiality analysis, please see PALFINGER's website.

www.palfinger.ag/en/sustainability/management/stakeholder-management

Materiality analysis
Page 191

INVESTOR RELATIONS

Continuous and transparent communications constitute a backbone of PALFINGER's investor relations. In 2014, PALFINGER's Management Board and investor relations team attended numerous road shows and investors' conferences in Austria and abroad, where they were available to communicate personally with the investment community. By participating in shareholders' events and fairs, as well as stock exchange events, PALFINGER has also fostered relations with its retail shareholders. In all of these talks and discussions, attention has always been paid to the greater need for information on the part of sustainability-oriented investors.

REPORTING

In 2014, PALFINGER published its Integrated Annual Report 2013, the first PALFINGER annual report combining reporting on financial and non-financial performance indicators. In the future, priority in reporting will be on quality enhancement, the more precise definition of non-monetary performance indicators and their connection with financial performance. PALFINGER is convinced that the deliberate and honest analysis of the opportunities, risks and effects of its own business operations on the entire value-creation chain, ranging from the origins of the resources up to the end customers, determines the future success of the Company. The objective of reporting is to increase the quality of the Company's and stakeholders' bases of information and decision-making and, in the long term, to create a holistic incentive system within the Company.

AWARDS

www.palfinger.ag/en/about-us/awards @

An overview of the awards received by PALFINGER in 2014 may be found on the Company's website.

THE PALFINGER SHARES

The shares of PALFINGER AG are listed in 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 listed in the ATX Prime Index of the Vienna Stock Exchange and, since 2005, has also been included in the Austrian VÖNIX sustainability index. Since May 2013, PALFINGER shares have also been included in the ATX Global Players index, which since then has been calculated by the Vienna Stock Exchange.

The price of PALFINGER shares reached its peak in January 2014 at EUR 33.90 and then dropped in keeping with the weakening economic perspectives. At year end, the shares closed at EUR 20.99.

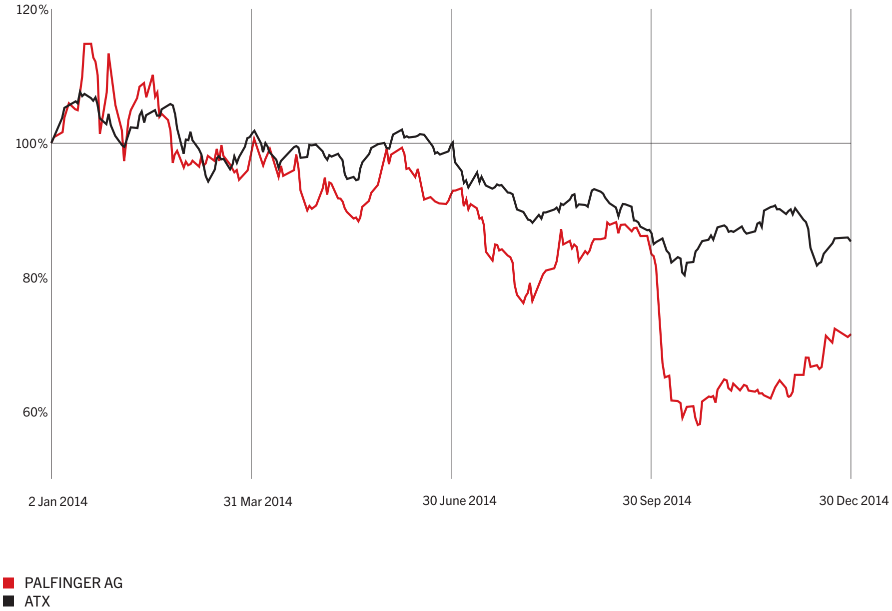
Shareholder information as at 31 December 2014

ISIN	AT0000758305
Number of shares issued	37,593,258
Own shares	291,968
Shares outstanding	37,301,290
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	2014	2013
Low	17.02	17.01
High	33.90	29.11
Average price	25.55	24.18
Price at year end	20.99	28.85
Earnings per share*	1.05	1.24
Operating cash flow per share*	1.26	1.77
Proposed dividend per share	0.34	0.41
Dividend yield in relation to the average share price	1.3%	1.7%
Market capitalization as at year end (EUR million)	789.08	1,030.81

* Calculated using the weighted average number of shares outstanding.

Share Price Development in 2014



Ratings

Investors embracing SRI strategies regard PALFINGER as a best-in-class investment opportunity. The Company managed to consolidate its ratings: The rating for the VÖNIX sustainability index remained stable at a high level, at B+. Due to its principles of social responsibility, PALFINGER received an excellent sustainability rating. In Oekom's corporate rating, PALFINGER was again rated B–, corresponding to prime status. PALFINGER underwent the three-step evaluation process of GREEN BRANDS and became the first Austrian industrial enterprise to be granted the right to bear the GREEN BRAND Austria 2014/2015 seal. PALFINGER is not subject to any ethical exclusion criteria; the Group uses the GRI G4 Sustainability Reporting Guidelines and is committed to the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

www.palfinger.ag/en/sustainability/commitment

Research reports

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

DIVIDENDS

PALFINGER AG pursues a continuous dividend policy, which provides that approximately one third of the annual profit is to be distributed to shareholders. The net profit of PALFINGER AG for 2014 amounted to EUR 146.8 million; the Management Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.34 per share for 2014 (previous year: EUR 0.41 per share).

SIGNIFICANT CHANGES

GRI G4-13: Changes in shareholder structure

The cross-shareholding deal achieved between SANY and PALFINGER was completed upon the entry of the capital increase of PALFINGER AG in the commercial register in May 2014. Specifically, SANY acquired 10 per cent of the share capital of PALFINGER AG. Approximately half of the shares were issued in the course of a capital increase of PALFINGER AG, and the other half were acquired from the Palfinger family. As at 14 May 2014, 1,863,258 new shares were issued at a price of EUR 29. The new shares became eligible for dividends as of 1 January 2014.

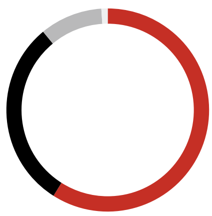
OWNERSHIP STRUCTURE

GRI G4-7: Nature of ownership and legal form

The Palfinger family, which either directly or indirectly owns approx. 59 per cent of the shares in PALFINGER AG, is PALFINGER's stable core shareholder. The cross shareholding between PALFINGER and SANY made the SANY Group the second-largest shareholder, with a participation of approx. 10 per cent. As at 31 December 2014, PALFINGER AG held almost 1 per cent of the shares. Approximately 30 per cent of the 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 is held by institutional investors, primarily from continental Europe.

SHAREHOLDER STRUCTURE

- 59% Palfinger family
- 30% Free float
- 10% SANY Group
- 1% PALFINGER AG



FINANCIAL CALENDAR 2015

6 February 2015	Balance sheet press conference
11 March 2015	Annual General Meeting
13 March 2015	Ex-dividend day
17 March 2015	Dividend payment day
30 April 2015	Publication of results for the first quarter of 2015
30 July 2015	Publication of results for the first half of 2015
30 October 2015	Publication of results for the first three quarters of 2015

Additional dates such as trade fairs or road shows will be announced on the Company's website under Financial Calendar.

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Investors and other interested parties who wish to receive regular news about the PALFINGER Group may register for the info service on the website (www.palfinger.ag).

www.palfinger.ag/en/investor-relations/ir-services

CONSOLIDATED MANAGEMENT REPORT

STRONGLY HETEROGENEOUS DEVELOPMENT ACROSS THE INDIVIDUAL REGIONS

ECONOMY INCREASINGLY INFLUENCED BY EXTERNAL FACTORS

NORTH AMERICA, ASIA AND RUSSIA GAINING IMPORTANCE IN THE RELEVANT INDUSTRIES

24,9 PER CENT OF PALFINGER PRODUCTS USED FOR ECOLOGICAL OR SOCIAL PURPOSES IN 2014

CONSOLIDATED MANAGEMENT REPORT

MARKET REVIEW

- Strongly heterogeneous development across the individual regions
- Economy increasingly influenced by external factors
- North America, Asia and Russia gaining importance in the relevant industries
- 24.9 per cent of PALFINGER products used for ecological or social purposes in 2014

DEVELOPMENT OF CUSTOMER INDUSTRIES

GRI G4-8: Markets

PALFINGER's product range is in demand in various industries and customer segments. Regional structures are in place to supply customers from a variety of industries, including construction, transport and haulage, railway infrastructure, timber and recycling. Business operations in the marine, offshore and offshore wind energy fields, with their specialized areas of application, have been organized globally. So far, no direct correlation between economic development indices or industry indices and PALFINGER's business performance has been identified.

Construction industry

The construction industry showed strongly heterogeneous development across the individual market regions. In North America, growth of 6.0 per cent was recorded, in contrast to growth rates of 3.5 per cent in South America, 6.5 per cent in Africa and 7.0 per cent in Asia. The European construction industry grew by approx.1 per cent.

Great Britain was the European market with the strongest growth rate, followed by Turkey, Ireland, Scandinavia and Germany. In France, Austria and Switzerland, increases of 1.5 per cent were recorded. The performance of the construction industry remained weak in Spain, where its volume has shrunk by 70 per cent since the crisis in 2008, as well as in the other Southern European countries.

The most promising growth markets for the construction industry are to be found in Asia. In the medium term, China, Indonesia, Vietnam and India will be the most dynamic markets. The world's largest construction companies are already based in China.

In North America, the US economy is on the upswing, with positive developments being expected primarily in the field of newly built private houses. Real estate prices have already reached 92 per cent of the pre-crisis level. However, this was not caused by private demand, but rather because institutional investors have been purchasing real estate. In the public sector, only marginal growth is expected. In Canada, the construction industry has stagnated. The Mexican construction industry has recovered from the sharp decline suffered in 2013, and growth rates of more than 3 per cent are forecast for the coming years until 2017.

In South America, the Brazilian market has been suffering from the lack of dynamics. In order to ensure the country's competiveness, investments in infrastructure amounting to USD 1,000 billion would be necessary in the next five years, all of which would have to be raised by the BNDES (Brazilian Development Bank) and the private sector.

In the Middle East, the construction industries in Qatar, the United Arab Emirates and Kuwait showed highly positive performances.

Transport and haulage

One of the most reliable indicators for the European transport industry's performance is the number of new commercial truck registrations as published by the European Automobile Manufacturers' Association (ACEA). The number of new trucks registered in Europe was 9.1 per cent higher than in the previous year. France recorded a slight decline, while Germany saw a rise in registrations of 7.5 per cent as compared to 2013. Truck sales in Great Britain and Italy went up by 12.0 per cent and 15.0 per cent, respectively.

In North America, growth rates for road freight transport came to 3.6 per cent in Canada, 3.8 per cent in the USA and 2.1 per cent in Mexico. In Brazil, truck sales declined by 12 per cent.

Railway infrastructure

The global market for railway infrastructure managed to keep up its continuous growth in the 2014 financial year. Europe, which is by far the most important market for PALFINGER in this industry, was stable at a high level. Investments in the expansion of the railway system are being made primarily in the Scandinavian countries.

Timber industry and agriculture

With market shares of 40 per cent and 30 per cent, respectively, Europe and Russia are the world's most important markets for timber cranes, with Russia being the largest single market by far. A joint market share of 20 per cent is held by North and South America. In Asia and Africa, the timber industry is still at the development stage, with India and China definitely showing the biggest potential for growth.

In 2014, market development showed a mixed picture, with Europe seeing both substantial growth and noticeable declines. In Asia, the Japanese timber industry picked up considerably in connection with the building projects in preparation for the 2020 Olympic Games. In the USA, a 5 per cent increase in timber production was recorded. The market in Brazil was characterized by stable performance. In Russia, investors showed restraint, particularly in the first half of the year.

Recycling

The recycling business is being stimulated through regulation. The Waste Framework Directive issued by the European Commission in 2008 requires a recycling rate of 50 per cent for municipal waste by 2020. In order to be able to meet this target, recycling rates in the European countries will have to rise by 3 to 4 per cent each year. From 2025 onwards, recyclable waste such as metal, plastics, glass or organic waste may no longer be deposited in landfills. The European Commission plans to expand this landfill ban to include all re-useable types of waste starting in 2030.

Offshore wind energy

In Europe, 16 offshore wind parks with a total of 224 offshore wind turbines were built in the first six months of 2014 alone. New projects were launched in the second half of the year, primarily in Germany, Great Britain, France and Scandinavia. The fact that the European Commission has demanded the reduction of operation costs and lifecycle costs in two steps, by 2020 and 2030, is having a favourable impact on investments in efficient lifting solutions.

Marine industry

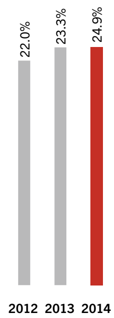
According to the Shipbuilding Outlook 2014, the current worldwide fleets of ships are, on average, quite young, resulting in a stagnation or decline in new orders. China, Korea and Japan continue to be the largest markets with the highest order volumes. While new orders were placed in the fields of oil and gas production, a decline in orders for supply vessels was observed.

PALFINGER products for people and the environment

Sustainability trends are having an impact on various industries, influencing the behaviour, attitude and purchasing patterns of end customers. Climate change is leading to an increase in demand for renewable energies. Renewable raw materials are becoming more attractive; in housing, for instance, a great deal of timber is used, and recycled materials are being employed with increasing frequency. These trends, combined with the development of costs, are favourable for energy-efficient means of transport such as ships and trains. Ecological challenges have been resulting in a shift within the economic system, bringing financial advantages to industries and products with good eco-balances.

PALFINGER sees great market opportunities in lifting solutions that also serve ecological purposes, which can be covered by the existing product portfolio. Railway systems facilitate low-emission rail transport, offshore cranes are installed in wind energy plants, EPSILON cranes are used in forestry, for biomass handling or in the field of recycling, which is also the main area of application for hooklifts (formerly: container handling systems). PALFINGER access systems make life easier for wheelchair-bound passengers in public transport.

The portion of revenue generated by PALFINGER products for people and the environment has increased consistently since 2012. While in 2012 they accounted for only 22.0 per cent of the Group's revenue, in the reporting period it was already 24.9 per cent. And this is without considering all other PALFINGER products, such as loader cranes, that are also sold to biomass producers, fire brigades or recycling businesses.



SHARE OF PALFINGER PRODUCTS USED FOR ECOLOGICAL AND SOCIAL PURPOSES IN GROUP REVENUE
(in per cent)

PALFINGER AND ITS COMPETITORS

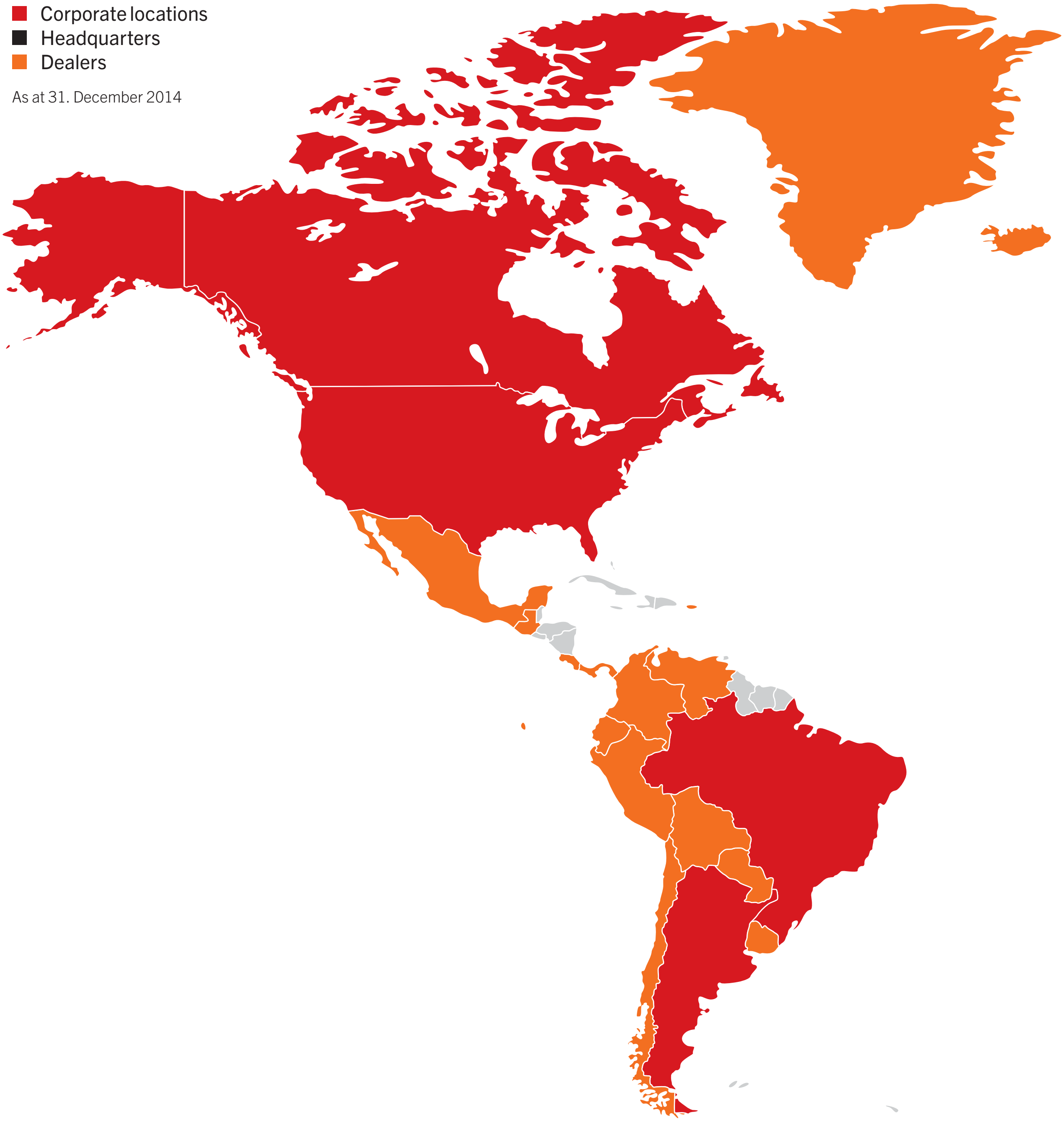
PALFINGER is represented in different product groups and regions whose markets are characterized by diverse competitive environments. In 2014, there were no major changes in these environments with the exception of the market for marine solutions.

PALFINGER's main product is still the truck mounted loader crane. PALFINGER continues to dominate the world market as an innovation leader, holding a share of more than 30 per cent. On a global level, the most important competitors are HIAB, a company of the Finnish Cargotec Group, and Fassi of Italy. PALFINGER succeeded in establishing a strong position in the large Russian market through its acquisitions and partnerships in recent years. In some regions there are also well-established local players. For the last two years, the Group has also been faced with Chinese competitors.

Markets outside Europe and products other than loader cranes are becoming increasingly important for PALFINGER. In cranes for timber and recycling, PALFINGER is a strong player, not only since its takeover of PM-Group Lifting Machines, Russia. The remaining market shares are distributed among numerous local companies. PALFINGER is also a major player in the global market for hooklifts (formerly: container handling systems), with HIAB being one of its major competitors in this field as well.

PALFINGER also holds a leading position in the highly specialized global markets for railway systems and marine solutions. In marine systems, MacGregor – a company of the Finnish Cargotec Group – is one of PALFINGER's most important competitors. Italian suppliers such as Sormec or HS Marine are also appearing on the market. The Norwegian HARDING Group, founded by a private equity fund in the 2013 financial year, is a serious competitor in the market of lifting solutions in the marine field.

In North America, the utilities market harbours great potential for PALFINGER products. This segment, in which access platforms and cranes are used, is currently dominated by Terex and Altec.



CUSTOMERS AND SUPPLIERS

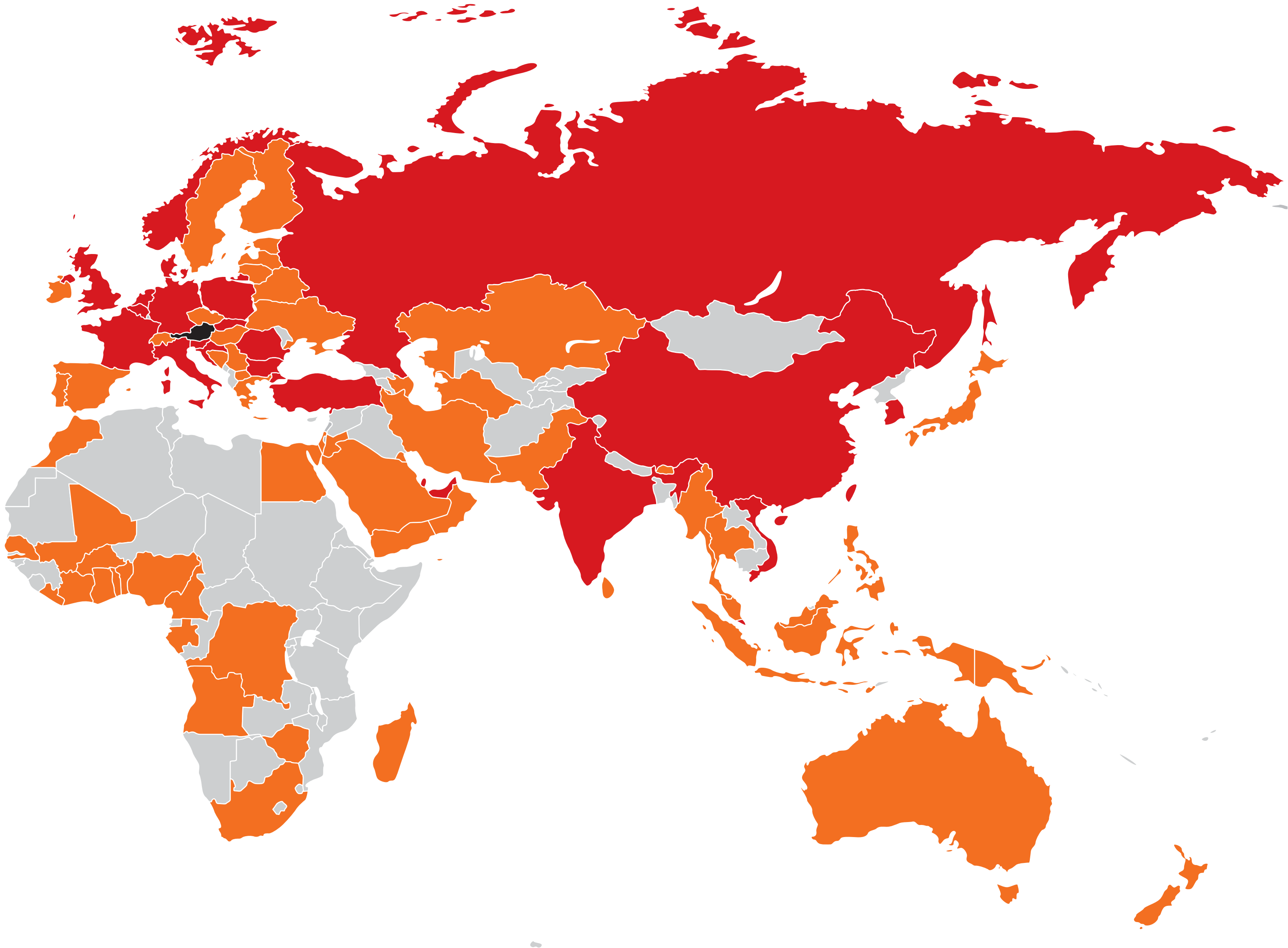
Customer and dealer network

PALFINGER products are distributed in more than 130 countries all over the world, primarily through some 200 general importers and the Group's distributing companies. Together with more than 5,000 services centres, this forms a comprehensive network for the end customers. The dealer and services network, which is a vital link to the Group's end customers, is thus PALFINGER's most important group of customers.

GRI G4-8: Markets

GRI G4-PR5: Survey measuring customer satisfaction

The dealers are also included when it comes to measures for improvement. To this end, PALFINGER carries out comprehensive dealer surveys every two to three years and derives targeted measures from the results of such surveys. In 2014, for the first time, non-customers were surveyed as well. In addition, a survey among end customers and dealers was carried out in South America and an end customer study was made for the Palfinger Sany joint venture in the Commonwealth of Independent States. After the results had been discussed with the executives in charge as well as with the dealers, they were integrated into the measures for improvement.



GRI G4-20: Boundary within the organization for each material aspect

The PALFINGER brand

As a result of PALFINGER's consistent growth, the number of product brands belonging to the Group has already exceeded 25. The uniform brand name PALFINGER is an important factor for successful product marketing. The existing as well as the new product brands have to be gradually integrated into the umbrella brand, thereby increasing the brand value at both the national and the international level.

The measures launched in 2013 to unify the existing brand structure were consistently pursued in 2014. The objective of having a harmonized global brand presence is being achieved through the integration of the various monobrands into the PALFINGER umbrella brand.

Many of the former company names continue to exist as product and model names. In Russia, for instance, the new INMAN model series will be sold under the PALFINGER brand while the various crane models will be designated as IM (INMAN Maniupulator) and IT (INMAN Teleskopik). The brands of the companies taken over in 2014 will be integrated in 2015/2016 following a consolidation phase. These include, for instance, PM-Group Lifting Machines, an important supplier of cranes for timber and recycling in Russia, with its two brands Velmash and Solombalsky.

Through these measures, the combination of strongly rooted local brands and the international appeal of the umbrella brand will result in the creation of strong brand leadership synergies and will further enhance the value of the PALFINGER brand.

SUSTAINABILITY AS AN IMPORTANT BRAND VALUE
In the perception of customers, our brand is associated not only with technological and economic aspects but also with safety, resource management and energy efficiency. PALFINGER regards sustainability as an important aspect of its operations. Efficient management of resources and energy use in production, low-maintenance lifting solutions, user safety of the products, low lifecycle costs and minimized operating supplies during product use are key features of PALFINGER's sustainable operations.

The Group-wide commitment to sustainability is an essential factor not only in strengthening the brand but also in ensuring the Company's viability. This is also shown by the independent, scientifically founded seal of approval, GREEN BRANDS Austria 2014/2015, evidencing ecological sustainability at PALFINGER.

A description of human rights aspects regarding the use of products is available on PALFINGER's website.

www.palfinger.ag/en/sustainability/aspects/employer

Suppliers and purchasing

Supply chain characteristics

Value-creation strategy
Page 61

GRI G4-12: Description of supply chain

GRI G4-13: Significant changes regarding the organization, changes in shareholder structure, changes regarding the supply chain

PALFINGER's success and its flexibility are based on close cooperation with suppliers. Therefore, the Company has defined some 150 main suppliers and has entered into quality assurance agreements with them with respect to cost effectiveness, products, the environment and social matters. The main purchasing flows are in raw materials (steel, aluminium), building parts and components (hydraulics, electronics, plastics), facilities (buildings, machinery), operating supplies, energy and outsourced manufacturing.

Raw material suppliers

GRI G4-21: Boundary outside the organization for each material aspect

The availability and prices of the various steel grades and those of aluminium are vital factors influencing the economic success of PALFINGER, as they account for the lion's share of the raw materials used by the Group. As the market is repeatedly subject to strong fluctuations, it is important to plan ahead. PALFINGER succeeded in lowering average raw material prices for 2014 and, at the same time, also in improving the reliability of supplier delivery. PALFINGER has little influence on whether or not its suppliers comply with sustainability criteria, but the Code of Conduct applies in any case and examinations are carried out in the course of friendly audits. Steel and aluminium are bought primarily in Europe, where the applicable environmental and energy efficiency standards are high.

Suppliers of parts and components
This group comprises the majority of the approx. 150 strategic suppliers and also includes companies to which PALFINGER outsources parts of its manufacturing processes. They can be found in all regions in which PALFINGER operates. It is estimated that the number of employees indirectly working for PALFINGER at these suppliers is as high as the number of actual PALFINGER employees. As high-quality manufacturing and reliable deliveries are central criteria for quality leadership, PALFINGER strives for long-term cooperation with these suppliers. Regular audits, also covering ecological, social and ethical aspects, guarantee continuous improvement. For instance, the use of chrome-VI-free components was agreed upon with a European supplier in 2008 and has been an established practice ever since.

www.palfinger.ag/en/sustainability/aspects/production

In general, this area is becoming increasingly complex because the percentage of electronic components is increasing. In order to be able to manage the strong fluctuations in the market, more and more suppliers are being connected to PALFINGER via an electronic interface. The high standards regarding flexibility apply here as well.

Suppliers of plants and investment goods

www.palfinger.ag/en/sustainability/aspects/employer

Buildings or plants for painting, cutting, lathing, welding, electroplating and other types of work are bought at irregular intervals. When doing so, PALFINGER pays attention not only to minimum standards regarding cost-effectiveness and sustainability but also to lifecycle costs.

Suppliers of operating supplies and energy

Operating supplies, for instance for welding or steel processing, as well as various forms of energy such as natural gas, electricity, LPG or fuels, are important bases for production but have a comparatively low purchase value. Since January 2013, the Austrian sites have been using exclusively electrical energy from hydro power or other sources of renewable primary energy.

www.palfinger.ag/en/sustainability/aspects/value-creation

A detailed description of the ecological and social issues associated with the supply chain is available in the “Value creation strategy” chapter and on PALFINGER’s website.

Value-creation strategy
Page 61

PROCUREMENT FACTORS, MARKETS AND STRATEGIES

The market success of the PALFINGER Group also depends on the use of advanced technologies and innovation, primarily in the fields of hydraulics, electronics and high-tension steel. Procurement focuses primarily on the EU market. The most important Eastern European procurement markets are Slovenia, Bulgaria, Romania and Croatia; due to the current price pressure, they are gaining further importance.

New procurement markets that expand PALFINGER’s supplier portfolio have been developing in Asia, first and foremost in China. Since 2012, PALFINGER has had a special Global Sourcing department, which develops these new procurement markets in order to enable PALFINGER to utilize suitable potential.

One of PALFINGER’s strategic objectives, also in procurement, is to be quick and flexible in responding to volatile market conditions. During the reporting period, the availability and delivery periods of critical parts did not pose any problems and proved to be highly stable.

In order to be able to keep up with the expected future demand, PALFINGER, as a rule, maintains long-term agreements with its strategic main suppliers, which provide for variable annual purchase quantities. By having recourse to additional suppliers and entering into framework agreements with them early, at the end of 2013, PALFINGER succeeded in achieving a slight price reduction for 2014.

PALFINGER maintains long-term relationships with its suppliers in order to continuously enhance quality and thus also competitiveness. This objective is supported by the quality assurance agreements entered into with approx. 150 main suppliers. In addition, strategically important suppliers are regularly subjected to risk analyses – in some cases annually – with the aim of identifying changes in economic stability at an early stage. If necessary, the suppliers are supported in their optimization efforts.

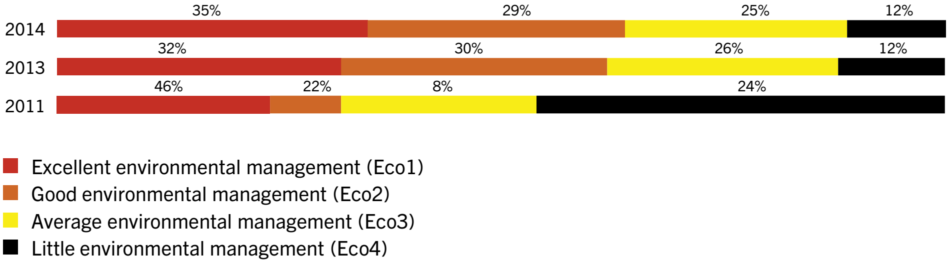
Every two years an international supplier meeting is held to further improve the suppliers' involvement in PALFINGER's activities. On these occasions, the current economic situation is discussed and planned developments of the PALFINGER Group are presented. The next supplier meeting will take place in Austria in 2015.

SUSTAINABILITY AMONG SUPPLIERS

PALFINGER carries out surveys among all strategic partners and other suppliers, such as paint shops, disposal contractors, cleaning and linen rental companies, regarding their environmental management systems and analyses the results using an evaluation scale. Since the third quarter of 2012, the environmental management pursued by the suppliers has also been impacting their ranking in the quarterly supplier assessment, since PALFINGER believes that ecological and social awareness as well as corruption prevention augment the quality of supplier relations. This helps reduce, at an early stage, any image and default risks that might be caused, for instance, by a supplier's failure to comply with environmental requirements. Wherever necessary, PALFINGER suggests targeted measures for improvement.

All in all, the environmental management pursued by the strategic suppliers has improved considerably since 2011 according to their own evaluations. In 2014, 64 per cent of the suppliers already had an excellent or good environmental system in place (Eco1 and Eco2). Another satisfactory fact was that the number of responses – an indicator for rising awareness along the value-creation chain – increased substantially (response rate in 2011: 54 per cent; 2013: 92 per cent; 2014: 92 per cent).

ENVIRONMENTAL MANAGEMENT OF STRATEGIC AND SITE-SPECIFIC SUPPLIERS
(in per cent)



In 2011, PALFINGER also established a Code of Conduct for all strategic suppliers, which provides for a commitment to environmental protection, social responsibility and economic ethics. A passage referring to this Code has been incorporated in all contracts with suppliers; it includes important points such as prohibitions against child labour, non-compliance with human rights and corruption, and compliance with these bans is checked every one to two years during the audits. In 2014, as in 2013, no violations of the Code of Conduct were identified in the course of the audits.

In 2013, more details regarding ecological, social and ethical issues were added to the audit questionnaire. This expanded sustainability checklist supports the auditors in examining the results of the quarterly surveys of suppliers regarding their environmental management systems. No cases of non-compliance were identified in the reporting period. Moreover, compliance with environmental legislation and human rights, the handling of hazardous substances, corruption prevention and the health and safety of employees are scrutinized. The auditors have received training on how to use the expanded checklist and may spend up to one hour of an audit lasting one or two days on sustainability topics. In addition, a stronger focus is to be placed on sustainability in invitations for tenders. Selected long-standing suppliers of PALFINGER are included in the stakeholder surveys.

GRI G4-EN 32, G4-EN 33: Environmental protection in the supply chain

GRI G4-LA 14, G4-LA 15: Occupational health and safety in the supply chain

GRI G4-HR 10, G4-HR 11: Human rights in the supply chain

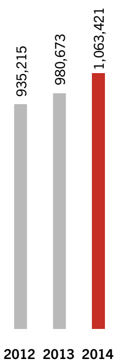
PERFORMANCE OF THE PALFINGER GROUP

- Global positioning enabled further growth in 2014
- New record revenue
- EBIT affected by weak demand in the European crane market
- Expansion of new markets, primarily China and Russia
- Build-up of local value-creation

BUSINESS DEVELOPMENT IN 2014

The 2014 financial year was another year of growth for the PALFINGER Group. Revenue increased by 8.4 per cent from EUR 980.7 million to EUR 1,063.4 million, thus exceeding the EUR 1 billion mark for the first time in the Group's history. Thanks to the consistent implementation of PALFINGER's internationalization strategy over many years, a year-on-year increase was achieved in spite of the difficult economic situation in the USA primarily in the first quarter, the weakening of demand in Europe in the second half of the year, the losses caused by crises in Ukraine and the Middle East, and the decline in Brazil. As in 2013, PALFINGER performed exceedingly well in comparison with other market players and managed to consolidate its market position.

Centres of growth included the AREA UNITS segment, primarily in North America, and the acquired companies in the EUROPEAN UNITS segment.



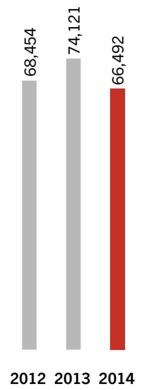
DEVELOPMENT OF REVENUE
(EUR thousand)

PALFINGER's growth potential for the coming years is still seen in North America, the BRIC countries and the marine sector. PALFINGER has established a good position in these markets and will expand its product range in the individual markets in the future.

The two joint ventures with SANY have developed extremely well. Sany Palfinger was successful in producing and selling loader cranes in China. Palfinger Sany, the distribution company for mobile cranes, also saw the first market success in the Commonwealth of Independent States. The partnership was intensified through the cross shareholding of SANY and PALFINGER and will be further expanded.

In both segments, earnings failed to match the development of revenue. At EUR 66.5 million, EBIT was 10.3 per cent lower in the 2014 financial year than in 2013. This was due to the weaker demand for loader cranes in Europe in the second half of the year. In North America, PALFINGER managed to compensate substantially in the second to fourth quarters for the weak performance and the losses incurred by the AREA UNITS in the first quarter, which had been caused by the weather. However, the developments in South America and Russia negatively affected earnings, causing them to drop below the previous year's level. Consistent capital employed management and lean administration management, as well as the continued increase in flexibility along all value-creation stages, proved their worth and made vital contributions.

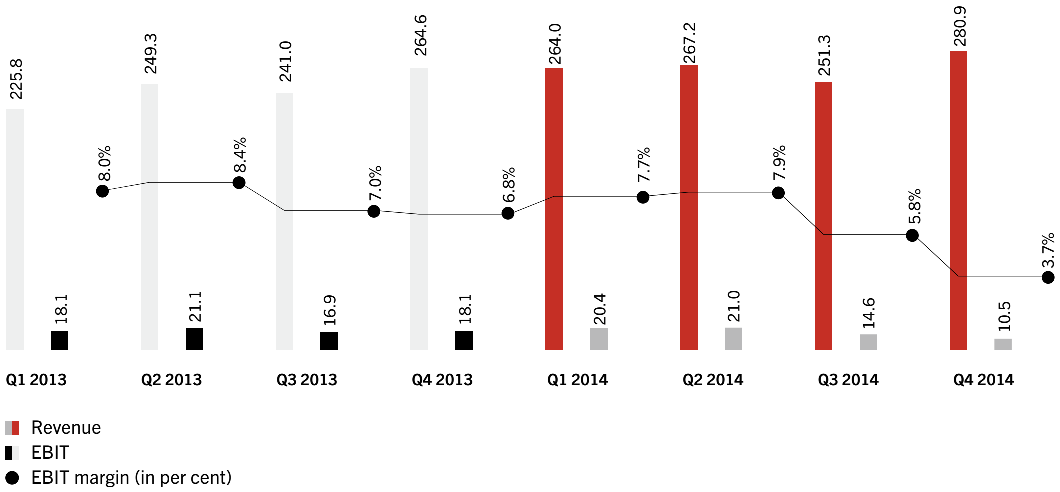
The performance over the individual quarters shows the slowdown in growth starting from the third quarter of 2014. Moreover, the second half of the year was influenced by the fact that there were fewer working days due to the company summer holidays and the Christmas holidays.



DEVELOPMENT OF EBIT
(EUR thousand)

DEVELOPMENT OF REVENUE

DEVELOPMENT OF REVENUE AND EBIT
(EUR million)



All in all, sales figures in the core markets of the EUROPEAN UNITS segment remained stable in comparison to the previous year, with the countries presenting a mixed picture: while generating increases in revenue in Germany, Switzerland, Sweden, Great Britain, Ireland, Belgium and the Netherlands, PALFINGER recorded declines in Denmark, Turkey, Africa and Australia. The global marine business – in particular the most recent acquisitions – contributed to the revenue expansion.

Performance by segment, EUROPEAN UNITS
Page 77

The development of demand in North America, which has been on the increase for several quarters, is still satisfactory. PALFINGER recorded declining revenue in euros in South America and in Russia, not least because of exchange rate fluctuations. In these regions and in the Middle East, the economic and political instability slowed down investments by PALFINGER's customers.

Performance by segment, AREA UNITS
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SIGNIFICANT CHANGES

Strategic partnership with SANY

In May 2014, the cross shareholding of PALFINGER and SANY, which had been in preparation since the end of September 2013, was concluded with the entry of PALFINGER AG's capital increase in the commercial register. Specifically, SANY acquired approx. 10 per cent of the share capital of PALFINGER AG by acquiring shares from the Palfinger family and subscribing to shares issued under PALFINGER's capital increase. In return, PALFINGER AG acquired 10 per cent of the share capital of SANY Automobile Hoisting Machinery Co., Ltd., the unit within the SANY Group that specializes in mobile, tower and crawler cranes and is of a comparable size to PALFINGER. This transaction made SANY the second-largest shareholder of the PALFINGER Group. SANY also delegated a member to PALFINGER's Supervisory Board. This cross shareholding underlines the importance of the strategic partnership for both groups and forms the basis for further intensifying this cooperation.

Construction of the production plant in Rudong, north of Shanghai, is proceeding according to plan. Trial operations started in December 2014; full operations will begin in the first quarter of 2015 once all licenses have been obtained.

Further development of the marine business

In November 2013, the Group expanded its portfolio of products and services for the shipping and offshore industries by taking over majority stakes in Palfinger systems GmbH and the Arab Megarme Group. The closing of both acquisitions took place in January 2014. The takeover of Megarme marked another step in the internationalization of the PALFINGER Group, which until then had had no value-creation structures in the Arab countries. Given the strong presence of the shipping industry in this region, it is a particularly important one for the marine business. Through Megarme, PALFINGER is in a position to contact previously inaccessible customer groups for cross-selling purposes. To this end, in autumn 2014, the Palfinger family founded a company in Singapore which, in a first step, took over the majority in Palfinger systems GmbH in December 2014. Next year, in a second step, investors from the marine industry will have the opportunity to acquire an interest in the newly founded company. For the time being, the PALFINGER Group will continue to hold 26 per cent in Palfinger systems.

Construction of the new production site for PALFINGER Dreggen Poland in Gdynia is well advanced and will be completed shortly after the end of 2014. Gdynia will serve as one of three production and testing sites for offshore cranes.

Fast RSQ, a boat producer acquired in 2010, has operated under the name of Palfinger Boats since May 2014. Due to the uniform market presence, it has now become a one-stop shop offering the complete range of davits and boats. Palfinger Boats employs a staff of approximately 70 at sites in Hanoi, Vietnam and Harderwijk, Netherlands.

In December 2014, PALFINGER agreed to take over 100 per cent of Norwegian Deck Machinery AS, a company with its registered office in Os near Bergen at Norway’s Atlantic coast. Norwegian Deck Machinery has achieved a prominent market position with the development of special winches as well as handling equipment for offshore vessels, offshore service vessels, and oil and gas rigs. One of the distinctive features of the systems developed by Norwegian Deck Machinery is the automatic compensation of wave movements, allowing for a safer and more efficient handling of loads.

Strengthening local value creation in the CIS countries

In December 2013, PALFINGER agreed on the takeover of the majority of shares in PM-Group Lifting Machines, Russia. In October 2014, all official approvals had been obtained and the transaction was closed. PM-Group is the parent company of the two crane manufacturers Velmash and Solombalsky, both of which produce and distribute a broad range of timber and recycling cranes. The group also operates in the market segments of loader cranes, stationary cranes, hooklifts and customized solutions. The Group’s extensive sales network, comprising 86 dealers, service centres and regional offices, is the perfect addition to the market development efforts being pursued by PALFINGER and EPSILON.

In August 2014, the PALFINGER Group and OJSC KAMAZ, Russia’s leading truck producer, agreed on the establishment of two joint ventures. PALFINGER will hold 49 per cent and KAMAZ 51 per cent in the joint venture focussing on mounting, which will specialize in truck bodies. The joint venture company will equip trucks with loading and handling systems. In addition to the existing dealer network of KAMAZ, the establishment of a separate network of dealers and service centres is planned. The closing is expected to take place in early 2015. PALFINGER’s stake in the cylinder production joint venture will be 51 per cent, while KAMAZ will hold 49 per cent. It will thus be fully consolidated. PALFINGER will thus acquire an interest in the existing cylinder production of KAMAZ in Neftekamsk in the Bashkortostan region, and will modernize the production plant and expand capacities considerably.

The expansion and modernization of the INMAN production site in Bashkortostan, including construction work on a new plant, went according to plan in 2014. Production in the new plant will probably be taken up in the first quarter of 2015.

SHAREHOLDING IN SOUTH AMERICA

At the end of June 2014, PALFINGER agreed to acquire an interest of 30 per cent in HIDRO-GRUBERT, an Argentinian family-run company based in Río Tercero, Córdoba. Moreover, PALFINGER was granted the option to take over the majority of the company's shares during the next three to five years. The family members who have owned HIDRO-GRUBERT up to now will remain part of the management team. HIDRO-GRUBERT has been producing access platforms, hydraulic loader cranes and truck bodies for 76 years. It is the market leader in Argentina and has a good reputation throughout Latin America. Through synergies with MADAL in Brazil, revenue and earnings of the PALFINGER Group in South America are to be increased. The transaction was closed on 31 July 2014.

LEGAL CHANGES WITHIN THE PALFINGER GROUP

GRI G4-13: Significant changes regarding the organization

Palfinger Marine Services AS, Rosendal, Norway, was sold with effect as of 14 January 2014.

On 14 January 2014, the transaction through which Palfinger systems units GmbH, Salzburg, acquired 85 per cent in Palfinger systems GmbH, Salzburg, from the former majority owner, the private foundation PALFINGER Privatstiftung, was closed. CAPITAL Investment GmbH, Salzburg, continues to hold 15 per cent in Palfinger systems GmbH.

On the same day, 14 January, the purchase agreement regarding a dominant position in the three companies of the Megarme Group in Dubai, Abu Dhabi and Qatar was closed.

On 14 May 2014, the cross shareholding of PALFINGER AG and the SANY Group was concluded with the entry of PALFINGER AG's capital increase in the commercial register. Specifically, the SANY Group acquired approx. 10 per cent of the share capital of PALFINGER AG – partly by acquiring shares issued under PALFINGER's capital increase and partly directly from the Palfinger family. In return, PALFINGER AG acquired 10 per cent of the share capital of SANY Automobile Hoisting Machinery Co., Ltd., Changsha, China, through its wholly-owned subsidiary Palfinger SLS Holding Pte. Ltd., Singapore.

At the end of May 2014, Dreggen BG LLC in Russia was liquidated.

On 10 April 2014, Palfinger Dreggen Poland sp.z.o.o. was founded. The company's sole shareholder is Palfinger Marine- und Beteiligungs-GmbH.

As of 1 July 2014, the name of Fast RSQ., Barneveld, Netherlands, was changed to Palfinger Boats B.V. and the company's registered office was moved to Harderwijk, Netherlands. In addition, Fast R.S.Q Vietnam was renamed Palfinger Boats Vietnam Co. Ltd.

On 31 July 2014, PALFINGER acquired an interest of 30 per cent in Andrés N. Bertotto S.A.I.C., a producer of loader cranes and access platforms in Río Tercero, Córdoba, Argentina. The five previous shareholders, all members of the Bertotto family, remained shareholders of the company, which operates under the brand of HIDRO-GRUBERT.

On 1 September 2014, the remaining 20 per cent in Palfinger Russland GmbH were acquired from the former co-shareholder Kraftinvest Beteiligung GmbH, turning Palfinger Russland GmbH into a wholly-owned subsidiary of Palfinger CIS GmbH.

On 1 October 2014, 60 per cent in Palfinger PM Holding GmbH were acquired, a company holding all shares in the companies of the Russian PM-Group in Velikiye Luki and Archangelsk. Further shareholders include the Austrian company Steindl Forsttechnik GmbH and the previous sole shareholder, P.M.H.G. Holding Global Limited, Cyprus.

On 14 August 2014, PALFINGER and the KAMAZ Group, the leading Russian truck manufacturer, agreed on the establishment of two joint ventures. One joint venture (PALFINGER: 51 per cent, KAMAZ: 49 per cent) will focus on cylinder production, while the other one (KAMAZ: 51 per cent, PALFINGER 49 per cent) will specialize in the manufacturing, assembly and sale of truck bodies. The closing is expected to take place in the first quarter of 2015.

Since 2012, PALFINGER has been adjusting its organization under company law to its management structure. In the 2014 financial year, on 25 September, Palfinger EMEA GmbH, Salzburg, was entered into the commercial register under the demerger and takeover agreement of 2 June 2014 to become a wholly-owned subsidiary of PALFINGER AG by way of a demerger. In the course of this transaction, the shares in Palfinger Europe GmbH, Palfinger Proizvodnja d.o.o., Palfinger Produktionstechnik Bulgaria EOOD, Palfinger Proizvodnja Tehnologija Hrvatska d.o.o. and Guima Palfinger S.A.S. were demerged from Palfinger Marine- und Beteiligungs GmbH and transferred to Palfinger EMEA GmbH. In addition, the shares in EPSILON Kran GmbH, MBB Palfinger GmbH, STEPA Farmkran Gesellschaft m.b.H. and Palfinger France S.A.S. were demerged from Palfinger Europe GmbH and transferred to Palfinger EMEA GmbH.

In mid-November 2014, Palfinger European Units GmbH was renamed Palfinger S. Units GmbH.

In December 2014, Palfinger Marine- und Beteiligungs-GmbH assigned Ratcliff Palfinger Ltd to Palfinger EMEA GmbH.

On 18 December 2014, the contract on the acquisition of 100 per cent in Norwegian Deck Machinery AS, Os, Norway, by Palfinger Marine- und Beteiligungs-GmbH from the former sole shareholder VNS Holding AS, Stavanger, Norway, was signed. The transaction was closed on 14 January 2015.

In December 2014, the PALFINGER Group transferred a share of 59 per cent in Palfinger systems GmbH to a Singapore-based company affiliated with the Palfinger family. As a consequence, the share held by the PALFINGER Group was lowered to 26 per cent. In 2015 the company in Singapore, which currently is the majority shareholder of Palfinger systems GmbH, is to be opened up to investors from the shipbuilding industry, as the revolutionary technologies of Palfinger systems require time and investments before they are ready for the market.

INFORMATION ACCORDING TO SEC. 243A OF THE BUSINESS CODE

As at 31 December 2014, the issued share capital of PALFINGER AG was EUR 37,593,258, divided into 37,593,258 no-par-value bearer shares. Each PALFINGER share entitles its holder to one vote.

As at 31 December 2014, PALFINGER AG held 291,968 own shares.

PALFINGER AG is not aware of any restrictions regarding the voting rights of the PALFINGER shares and their transferability, including restrictions agreed upon between shareholders.

As at 31 December 2014, the Palfinger family directly or indirectly held approx. 59 per cent of the shares in PALFINGER AG. Around 10 per cent of the shares (3,726,516) were held by the Chinese SANY Group via the German company SANY Germany GmbH. Around 30 per cent of the PALFINGER shares were in free float.

There are no PALFINGER shares with special rights of control.

Within the PALFINGER Group there is no employee stock option programme under which the employees do not directly exercise their voting rights for their shares in PALFINGER AG.

The Articles of Association do not contain any provisions on the appointment of the members of the Management Board and the Supervisory Board or on amendments to the Articles of Association that exceed the scope of the respective statutory provisions.

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

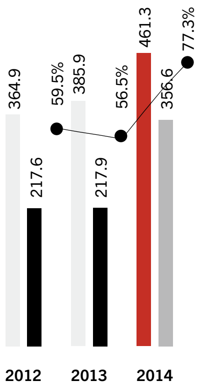
No agreement on compensation in the event of a public takeover bid has been entered into between PALFINGER AG and the members of the Management Board and the Supervisory Board.

FINANCIAL POSITION, CASH FLOWS AND RESULT OF OPERATIONS

- Total assets increased
- Equity rose by 19.5 per cent
- Gross profit margin at 23.2 per cent

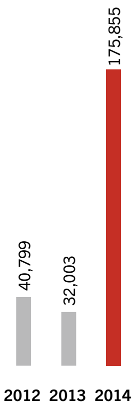
Financial position

Total assets increased by 33.0 per cent as compared to the previous year and amounted to EUR 1,130.1 million (previous year: EUR 849.5 million) as at 31 December 2014. This was due primarily to the expansion of business volume, the acquisitions made and the cross shareholding with SANY.



EQUITY AND NET DEBT
(EUR million)

- Equity
- Net debt
- Gearing (in per cent)



NET INVESTMENT
(EUR thousand)

Effects from acquisitions resulted in an increase of EUR 247.1 million, or 57.6 per cent, in **non-current assets** to EUR 676.4 million (previous year: EUR 429.2 million). The satisfactory expansion of business volume was also reflected in the EUR 33.5 million rise in **current assets** (8.0 per cent) from EUR 420.3 million to EUR 453.8 million.

Average **net working capital** relative to revenue decreased due to targeted measures to improve the key ratio of current capital, paying special attention to inventories, accounts receivable and accounts payable. In 2014, the level, at 16.5 per cent, was higher than in 2013, when it came to 17.6 per cent.

The 19.5 per cent increase in **equity** from EUR 385.9 million to EUR 461.3 million was primarily due to the positive consolidated result after income tax, which amounted to EUR 44.1 million, and to the capital increase. Factors lowering equity were the payment of a dividend and exchange rate effects. The equity ratio came to 40.8 per cent (previous year: 45.4 per cent).

In the 2014 financial year, long-term funding agreements were entered into by issuing a promissory note loan. As a consequence, **non-current liabilities** increased from EUR 252.9 million to EUR 409.8 million. **Current liabilities** increased from EUR 210.7 million to EUR 259.0 million. 96.4 per cent of PALFINGER's total capital employed has been secured on a long-term basis.

Net debt was raised substantially due to the transaction with SANY and the payment of the purchase prices for the Megarme Group and PM-Group Lifting Machines, Russia. As a consequence, the **gearing ratio** deteriorated from 56.5 per cent on the 2013 reporting date to 77.3 per cent as at 31 December 2014.

Abbreviated Consolidated Balance Sheet

EUR million	31 Dec 2012	31 Dec 2013	31 Dec 2014
Non-current assets	422.0	429.2	676.4
Current assets	391.6	420.3	453.8
Total assets	**813.6**	**849.5**	**1,130.1**
Equity	364.9	385.9	461.3
Non-current liabilities	268.8	252.9	409.8
Current liabilities	179.9	210.7	259.0
Total equity and liabilities	**813.6**	**849.5**	**1,130.1**

Cash flows

The funds reported in the statement of cash flows correspond to the balance sheet item cash and cash equivalents.

In the 2014 financial year, **cash flows from operating activities** amounted to EUR 47.2 million, compared to EUR 62.5 million in the previous year. This change was caused primarily by the reduction of earnings.

In 2014, **cash outflows from investing activities** increased considerably to EUR 220.0 million as compared to EUR 39.7 million in 2013. The main reasons for this reduction were the cross shareholding with SANY and the acquisitions made.

The described effects arising from the cash flows from operating activities and investing activities resulted in **free cash flows** of –EUR 162.1 million in the 2014 financial year after EUR 31.6 million in 2013.

Cash flows from financing activities were positive, amounting to EUR 178.4 million. The main drivers for this development were the issue of the promissory note loan with a volume of EUR 105.0 million and the capital increase in the amount of EUR 54.0 million.

EUR million	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2014
Cash flows from operating activities	55.4	62.5	47.2
Cash flows from investing activities	(70.6)	(39.7)	(220.0)
	(15.2)	**22.8**	**(172.8)**
Adjusted interest on borrowings after tax	12.1	8.8	10.7
Free cash flows	**(3.1)**	**31.6**	**(162.1)**

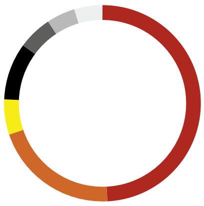
Result of operations

Consolidated financial statements, Notes to the consolidated income statement Page 125

In the 2014 financial year, **revenue** increased by 8.4 per cent to EUR 1,063.4 million (previous year: EUR 980.7 million). With a share of 67.7 per cent (previous year: 66.4 per cent), the EUROPEAN UNITS segment was the main contributor to revenue. The European Union remained the Group's most important sales market, accounting for 49.1 per cent of revenue (previous year: 50.8 per cent). North America's share in revenue stabilized at 20.6 per cent (previous year: 20.2 per cent). As a consequence of the acquisition of PM-Group Lifting Machines, the CIS region accounted for a share of 5.6 per cent. The revenue shares of Central and South America declined in 2014.

REVENUE 2014 BY REGION
(in per cent)

- 49.1% European Union
- 20.6% North America
- 5.8% Central and South America
- 9.4% Far East
- 5.6% CIS
- 4.7% Rest of Europe
- 4.6% Middle East and Africa



As business operations were stepped up, the **cost of sales** rose from EUR 744.7 million to EUR 817 million. PALFINGER's **gross profit margin** decreased from 24.1 per cent to 23.2 per cent.

Structural costs, engendered by the areas research and development, sales and administration, rose from EUR 174.7 million to EUR 191.8 million. This increase was brought about primarily by the acquisitions made in previous years.

EBIT amounted to EUR 66.5 million in the 2014 financial year (previous year: EUR 74.1 million). This was mainly due to the weaker second half in the EUROPEAN UNITS segment. The reduction of earnings in the AREA UNITS segment was caused by the tense economic situation in Russia and South America and by the weak performance in North America in the first quarter due to the exceptionally harsh winter. In addition, the acquisition of a higher interest in Nimet in 2013 had a positive one-off effect. The EBIT margin was reduced from 7.6 per cent in 2013 to 6.3 per cent.

Income tax expenses, at 19.2 per cent, remained at a low level (previous year: 20.3 per cent). The tax burden was a result of the option of using loss carry forwards by forming tax groups in Germany and the USA.

In line with PALFINGER's dividend policy and on the basis of the current earnings situation, the Management Board is going to propose to the Annual General Meeting that a **dividend** of one third of the net result for the period, hence EUR 0.34 per share, be distributed this year (previous year: EUR 0.41 per share).

Abbreviated Consolidated Income Statement

EUR million	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2014
Revenue	935.2	980.7	1,063.4
EBITDA	98.0	105.5	104.6
EBITDA margin	10.5%	10.8%	9.8%
EBIT	68.5	74.1	66.5
EBIT margin	7.3%	7.6%	6.3%
Consolidated net result for the period	40.4	44.0	38.4
Earnings per share (EUR)	1.14	1.24	1.05
Dividend per share (EUR)*	0.38	0.41	0.34

* Proposal of the Management Board to the Supervisory Board for presentation to the Annual General Meeting for resolution.

The **return on capital employed (ROCE)** decreased from 9.8 per cent in the previous year to 7.4 per cent.

EUR million	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2014
EBIT	68.5	74.1	66.5
Adjusted income tax expense	(12.1)	(15.6)	(13.8)
NOPLAT	**56.3**	**58.5**	**52.7**
Non-current assets	406.9	425.4	552.6
Non-current financial assets	(6.0)	(3.7)	(17.5)
Non-current operating assets*	**400.9**	**421.7**	**535.0**
Inventories	200.5	209.0	227.3
Current receivables and other current assets	147.6	173.5	187.3
Tax receivables	1.8	3.2	3.1
Non-current and current provisions	(53.7)	(49.3)	(56.6)
Deferred tax liabilities	(7.3)	(7.5)	(7.1)
Tax liabilities	(3.3)	(4.4)	(5.0)
Other non-current and current liabilities	(134.3)	(152.4)	(173.3)
Net working capital*	**151.3**	**172.1**	**175.7**
Capital employed*	**552.2**	**593.9**	**710.7**
ROCE	**10.2%**	**9.8%**	**7.4%**

*Annual average.

TREASURY

The Treasury department is in charge of Group-wide liquidity management and the monitoring of financial risks. PALFINGER's paramount financing principle is to ensure sufficient liquidity at all times in order to meet payment obligations and ensure the Company's continued growth.

Cash inflows from operating activities form the most important source of funding for PALFINGER. Within the Group, the principle of internal funding applies. Excess liquid funds of Group companies are used to reduce the need for external financing and thus also the net interest expense. Under PALFINGER's in-house banking scheme the financing needs of subsidiaries are – to the extent possible – covered by internal loans. By balancing Group-internal transactions via clearing accounts, external bank transactions and banking charges are reduced. The central control of Group financing is a cost-efficient way of guaranteeing liquidity and strengthens PALFINGER's negotiating position vis-à-vis financing partners.

Other significant responsibilities of the Corporate Treasury department include the effective management of foreign exchange and interest rate risks, and central control of global insurance solutions, for instance property insurance, third-party liability insurance, transport insurance, etc..

The Group's global financial management is based on uniform Group principles and guidelines. On the level of the subsidiaries, the heads of finance are responsible for compliance with the treasury guidelines.

Cash and liquidity management

In day-to-day liquidity management, excess liquid funds of individual Group companies are used to cover the funding needs of others by means of efficient cash management systems (cash pooling).

Due to the expansion of the business volume and in order to ensure the continuous solvency of the PALFINGER Group to an even higher extent, additional liquidity reserves were created. New, approved credit lines were agreed upon and expiring financing lines were extended. Acquisitions were refinanced either through long-term financing agreements or through investment funding under the Export Financing Scheme of Oesterreichische Kontrollbank AG.

In October 2014, PALFINGER ensured that it had sufficient liquidity supply for 2015 and the following years by prolonging the 2012 issue of promissory notes ahead of time and increasing its amount. The long-term structure of the promissory notes tranches also resulted in an extension of the average capital commitment on the financing side.

On 19 December 2014, PALFINGER AG, or rather a number of selected Austrian and German subsidiaries of the PALFINGER Group, entered into a factoring agreement with an Austrian service provider. Under this factoring agreement, trade receivables are sold on a revolving basis up to a maximum volume of EUR 60,000 thousand every two weeks. The receivables sold in connection with the existing factoring agreement amounted to EUR 14,843 thousand (previous year: EUR 0 thousand) as at the balance-sheet date (31 December 2014) and were fully derecognized in accordance with the rules of IAS 39 due to the transfer of control. PALFINGER plans to raise the total volume gradually in 2015.

RISK REPORT

PALFINGER is aware of the fact that a functioning system of opportunities and risk management plays an important role in enhancing competitiveness. The aim is to use a systematic approach to identify opportunities and risks at an early stage so as to be able to respond swiftly to changing framework conditions.

The basic components of the risk management system set up by the PALFINGER Group are standardized Group-wide planning and controlling processes and inter-company guidelines and reporting systems. The risk management process is described and set forth in a Group guideline. The viability and effectiveness of the process are checked and scrutinized at regular intervals.

The direct responsibility for risk management lies with the head of each operating unit. This is the level at which any issues pertaining to risks are regularly noted and evaluated. Corporate risk management reports directly to the Management Board, which bears overall responsibility.

Risk management system

The management of the individual corporate areas and business units periodically identifies and evaluates the most important opportunities and risks along the value-creation chain, also taking external factors into consideration. The evaluation of these opportunities and risks is carried out with a view to their possible impacts on the results and the probability of their occurrence, and uses a clearly structured, Group-wide, uniform method. On the basis of this analysis, existing measures are documented and further measures for active risk control are developed and implemented.

The internal auditing department monitors adherence to the relevant statutory parameters and the Group's internal guidelines. It also examines the general functionality of the risk management system with respect to the early identification of risks that might jeopardize the continued existence of the Company. Short-term risk issues are covered by the monthly reporting in controlling and by periodic meetings of the steering committees of the business divisions.

Risk issues

The current risk exposure of the PALFINGER Group is strongly influenced by developments in the market. In Europe, economic uncertainty continues to have a detrimental impact on the order books. Measures to promote the further internationalization of the Group present PALFINGER with the challenge of meeting various legal and cultural requirements in the respective countries. The establishment and expansion of new business units, the acquisition of entire companies or of participations, and the establishment of joint ventures and partnerships harbour the risk of increasing complexity costs. A key success factor for PALFINGER is the ability to make quick adjustments and decisions on the basis of solid data. In the reporting period, the integration of sustainability issues became a priority in risk analysis for the first time. Avoiding ecological, social and ethic risks bolsters PALFINGER's social licence to operate and long-term success.

GRI G4-2: Key sustainability-related impacts, risks and opportunities
GRI-G4 EC 2: Financial implications and other opportunities and risks for the organization due to climate change
GRI-G4 EC 8: Significant indirect economic impacts, including the extent of impacts

Under the Group-wide risk management system of PALFINGER AG, the risk areas are divided into four main categories:

- External risks
- Strategic risks
- Internal risks relating to value creation
- Internal risks relating to supporting processes

EXTERNAL RISKS

Economic trends

Even though in mid-2014 Europe's economy was forecast to recover, there were growing indications during the second half of 2014 that economic growth was markedly cooling down. The economic data relating to the European Union and major trading partners had to be revised. The situation and mood worsened due to the political sanctions that were imposed against Russia as a consequence of tensions in Ukraine. The intensification of the conflict in the Middle East harbours the risk of additional negative implications for the business climate.

Since the second quarter of 2014, the economy in the USA has shown highly positive development. In contrast, performance in Brazil, the largest South American market, has been weak. Despite the slowdown and weak performance recorded in Brazil and Russia, the growth potential afforded by the BRIC markets presents a major opportunity for PALFINGER to continue to expand its market position. The intensified partnership with SANY has the purpose of fostering success in the Chinese market and advantages vis-à-vis Chinese competitors.

The perspectives for economic development in the individual market regions where PALFINGER operates cannot be predicted with certainty, a circumstance which PALFINGER has addressed with increased flexibility. On the one hand, all value-creation processes are examined with a view to their elasticity in responding to fluctuations in demand and/or utilization, flexibility parameters and objectives are defined in accordance with the respective situation of each site, and the successful outcome of the measures taken is verified. On the other hand, the product portfolios of the individual market regions are being expanded by selective acquisitions and growth initiatives in order to enhance the regional balance of the business model. PALFINGER's controlling department uses short and medium term instruments of control so as to be able to continuously monitor the implementation of its strategic goals. On the basis of a monthly rolling forecast, capacity planning may be adjusted on short notice. Major suppliers are included so that they are in a position to respond in a flexible manner as well.

Even though PALFINGER is extremely well-positioned, if the market environment deteriorates again there is an economic risk and the balance-sheet risk that individual intangible assets will have to be further adjusted to the changed valuations (impairment) or that investments may not amortize as planned. This would also affect the 10 per cent interest held in SANY Automobile Hoisting Ltd.

Risks due to energy supply and climate change

Energy costs make up only a small percentage of PALFINGER's total costs. A combination of increasing energy prices and severe weather could, however, increase energy costs disproportionately. In the medium term, a more intensive climate policy could also increase the costs of fossil energy and electricity. In order to minimize this risk and the impact on the environment, measures aimed at enhancing energy efficiency have been implemented in recent years.

Sites with a higher probability of unstable energy supply are covered by insurance policies against the financial consequences of a disruption of supply and of business operations.

GRI G4-EC 2: Financial implications and other opportunities and risks for the organization due to climate change

Climate policies foster industries such as alternative energy production or recycling. For these sectors, PALFINGER offers products like wind cranes, recycling cranes and hooklifts. Any change in financial support and subsidies may lead to losses in revenue suffered by PALFINGER.

GRI-G4 EC 8: Significant indirect economic impacts, including the extent of impacts

Regional acceptance

PALFINGER has positioned itself, not just in Austria but at all of its sites, as a company which recognizes its responsibility for sustainable economic success, for social issues along the value-creation chain and for the ecological effects of its business operations. This is specifically reflected in the implementation of the Code of Conduct, in particular fair taxation of profits, regular dialogue with employees' representatives, the fight against and prevention of corruption, adequate pay and social commitment in the regions. PALFINGER's social licence to operate is thus upheld and risks of recruiting and acceptance are minimized.

STRATEGIC RISKS

Strategy

The strategic guidelines of innovation, internationalization and flexibility were further developed in the period under review. PALFINGER continues to exploit market opportunities in order to take over appealing acquisition targets after carrying out an in-depth review. The developments throughout previous financial years confirm the significance of this strategic approach aimed at reducing dependence on individual regions and industries. However, it does harbour the risk of increasing complexity in administrative processes.

The integration of the acquisitions made over the past few years has not been fully concluded, which means that additional costs may become necessary for integration and market development. Entering and penetrating the market in new areas not only requires one-time investments but also brings the challenge of having to meet different legal requirements and overcome entry barriers.

PALFINGER's internationalization strategy is being implemented increasingly through the establishment of joint ventures. A major factor in the success of such business arrangements is the active inclusion of the respective partner. The resulting interrelations have to be actively shaped and, in particular, there must be no dependency on specific individuals, in order to ensure the long-term viability of such a partnership.

Product portfolio

The integration of acquired businesses is of crucial importance for the successful development of the Group. Potential synergies are regularly assessed and utilized. With the expansion of its marine business, PALFINGER has firmly established itself in a new customer segment demanding the execution of projects which contain services components. This may increase the risks from project business.

Organization and corporate culture

The continuous expansion of the PALFINGER Group, particularly in countries like Brazil, Russia, India and China, presents cultural challenges to the organization. The degree to which such challenges are mastered will determine the long-term success of the Group. In this connection, open-mindedness and the willingness to recognize, understand and accept other work approaches are indispensable prerequisites at all levels.

INTERNAL RISKS RELATING TO VALUE CREATION

Development

PALFINGER is faced with the challenge of regularly proving its technology leadership within its industry and of adjusting products to the needs of the different markets. Customized solutions offered by PALFINGER's competitors may generate a market advantage for them, while resulting in a loss of market shares for PALFINGER.

Close cooperation between the development and distribution departments and a strong regional approach of the development projects are in place to ensure that PALFINGER maintains and/or further expands its status as innovation leader, especially in the disciplines of mechatronics and software development, which are becoming increasingly important.

Development work has fundamental consequences for the cost structure of future serial manufacturing. Highly complex products also mean a high level of complexity in value creation and consequently also high costs. At PALFINGER, process optimization starts at the development stage, thanks to successful cooperation with the subsequent value-creation levels procurement and production and PALFINGER's consistent focus on complexity management.

Patents protect important innovations. In addition, all confidential information within the Company is protected against unauthorized access in the best possible manner.

Procurement

As regards risk minimization, the focus in procurement has shifted from liquidity issues towards exclusivity. PALFINGER continues to pay attention to creating at least one additional procurement option, particularly in the case of strategically significant materials and parts.

As in the previous year, quality and price remained of major importance in the field of procurement in 2014. Suppliers were actively supported to help them perform even better in the future and to counter the risk of supply shortages. PALFINGER implemented special supplier selection procedures as well as risk management and supplier management systems to monitor its suppliers' performances.

Potential delivery risks arising through a prohibition of hazardous substances are addressed in good time by observing ecological and social aspects in procurement. For example, PALFINGER almost exclusively buys chrome-VI-free components and regularly verifies whether its suppliers are adhering to the Code of Conduct.

Production

For PALFINGER, major value-creation phases are the manufacture and assembly of its products. The risk of an interruption of operations and the related direct impact on the Company's results was identified in a risk analysis. This risk has been constantly minimized by this analysis and the resulting measures taken, such as the renewal of machinery, the introduction of Total Productive Maintenance (TPM) processes and the optimization of the PALFINGER Production system.

PALFINGER promotes its position as market leader by upholding the top-notch quality of products and services. PALFINGER has implemented an ISO 9001 certified quality management system. Notwithstanding this systematic approach within PALFINGER, it is not possible to fully exclude the risk of product liability. Defects in quality, if any, are remedied in a customer-friendly manner. The Company has insurance cover for any losses arising; however, any detriment to PALFINGER's image would represent a considerable risk for the Company.

There are risks relating to breakdowns such as interruptions of energy supply, technical failure, fire, explosions and other possible disruptions. The Company has taken out adequate insurance cover for losses caused by such interruptions of operations.

In order to prevent the risk of serious incidents and interruptions, PALFINGER's emergency preparedness and response were reinforced and laid down in the environmental protection guideline. All sites are called upon to evaluate incidents and their potential effects on society and the environment, and to develop prevention and containment policies. In addition, PALFINGER has regularly implemented Group-wide measures to promote the health and safety of its employees. Staff absences due to illness and accidents have declined over the years to a low level.

Contaminated sites have a highly negative impact on both the environment and the earnings generated by PALFINGER, as they call for costly rehabilitation measures. In corporate acquisitions, potential problems are reviewed within the scope of due diligence audits. The risk of contamination is caused primarily by electroplating, painting, hydraulic oil and lubricants, and is mitigated by observing state-of-the-art standards in procurement.

GRI G4-EC 8: Significant indirect economic impacts, including the extent of impacts

Sales and services

In the development of markets, PALFINGER relies on a sales and services network that is predominantly made up of external dealers. Due to their implied dependence, these dealers are classified as strategic partners and also supported in the event of financial difficulties. In order to constantly improve market development efforts, common standards have been defined, the observance of which is guaranteed through annual dealer audits.

Due to Europe's economic performance, the risk of bad-debt losses will have to be reckoned with. The task of the existing accounts receivable management is to reduce credit risks in advance. Terms of payment are agreed upon on the basis of financial information about the buyers. The risk of losses on doubtful receivables is further limited by means of bad-debt insurance cover.

INTERNAL RISKS RELATING TO SUPPORTING PROCESSES

Finance and accounting

Due to the repercussions of the financial crisis in Europe and the USA, it is still essential for PALFINGER to have a flexible capital structure. A downturn of the financial markets could make access to equity or debt capital more difficult or even impossible. The ability to finance growth projects from the Company's own resources and by its own efforts could prove to be a competitive advantage.

As a consequence of PALFINGER's international business operations, there are complex liquidity risks, interest rate risks and foreign currency risks. These are managed by the treasury department, where all relevant information from the entire Group converges.

Liquidity risk

Group-wide, system-supported cash reporting guarantees the transparency required to be able to control funds in an efficient manner. Thanks to medium-to-long-term planning, potential finance requirements can be coordinated with the partners at an early stage. A Group-wide project was launched in the 2009 financial year to continuously reduce capital employed. Specific measures have been continued and have made a substantial contribution to optimizing financing.

Working capital financing is the responsibility of the treasury department. The intra-Group financial transfer is made through cash pooling and central clearing. Liquid funds and approved long-term credit lines make up PALFINGER's liquidity reserve.

Long-term financing is facilitated through bilateral bank loans taken out with a number of international as well as local core banks, and through issuing promissory note loans. The determination of credit limits and the amount of refinancing costs depend on the banks' assessment of PALFINGER's future perspective. Therefore, PALFINGER maintains close contacts with its banking partners in order to be able to give them a comprehensive picture of the current situation at all times.

Foreign currency risk

Through local value creation at PALFINGER's sites, the Group only has a limited number of foreign exchange positions. The Group makes use of natural hedges, which means that a company offsets its expenses with the sales generated by its operations in the same currency.

The supply of finished products and components from Europe to North America, South America, Asia and Russia creates risk positions primarily in US dollars, Brazilian reals and Russian rubels that are not covered by natural hedges. On the basis of the ongoing analyses of these positions, hedging strategies have been established, which are evaluated at regular meetings.

Project-related currency risks, especially in the marine and offshore areas, are hedged against on the basis of a project-based hedging strategy, provided that invoicing in euros is not an option.

PALFINGER bases all of its hedging transactions on the underlying operating item, which ensures that financial operations are carried out to reduce rather than augment the Group's exposure. Only derivative financial instruments that may be measured and reported by PALFINGER itself are used. The primary hedging instruments used are forward foreign exchange contracts.

Interest rate risk

The Group treasury department controls the interest rate risk for the entire PALFINGER Group. The need for more financing has increased the impact that changes in interest rates have on the net financial result of the PALFINGER Group, which is why hedging against interest rate risks has become increasingly important. In the case of floating rates, the risk is managed through swaps converting the floating rate into a fixed rate.

Risks relating to balance sheet preparation

The necessary use of estimates and judgements 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 have a direct impact on the presentation of the Group's assets and earnings. The steadily increasing requirements imposed by regulators have increased the complexity of financial reporting.

Assessment risks may be created due to the inclusion of acquisitions in the balance sheet and the related evaluations of facts necessary for this purpose. The combination of various booking procedures entails a certain reporting risk.

A uniform corporate manual defining the fundamental principles of accounting and valuation used by PALFINGER ensures a standardized process and thus minimizes the risk of using different processes within the Group.

An internal control system adapted to the Company has been integrated into the accounting process. The basic cornerstones of this system, such as the segregation of duties and the four-eyes principle, have already been introduced. Audits carried out by the internal auditing department and the auditor ensure that processes are continuously improved.

Still, there is a risk of errors and malversation in reporting. The risk of fraud may be higher in the case of acquisitions as long as the integration process is still ongoing.

Human resources
PALFINGER regards its employees as the major factor in successfully achieving its objectives. Special planning as well as frequent staff reviews and training programmes ensure that there will be well-trained staff to fill future open positions. In connection with the persisting volatility of the markets, the development of flexible working time models remains an important issue. A clear priority in the further flexibility-enhancing measures will be the retention of top-quality staff. Local and demographic conditions may limit the availability of skilled labour for the value-creation sites. PALFINGER tries to train sufficient skilled labour by carrying out apprenticeship training programmes. PALFINGER's growth projects in Asia require that well-qualified staff from the core plants be mobile. In order to accomplish this successfully, appropriate secondment programmes, also offering post-return orientation, are in place.

Information technology
Most of the processes within the Company rely on IT. In particular, operational and strategic management decisions depend on information generated by these systems. A failure of these systems and processes poses a risk for PALFINGER. Intensive training programmes may cause higher expenses in the short term. Internal and external experts maintain and further optimize the IT infrastructure across the entire Group. PALFINGER's growing international operations have increased the relevance of IT security. The Company has implemented a range of technical measures for security and protection to minimize the risks of data misuse and data loss.

SUMMARY
In summary, the risks to which the PALFINGER Group is exposed are manageable and can be controlled by adequate measures. Therefore, from today's point of view, the continued existence of the Group is definitely ensured.

Important features of the internal control and risk management systems with a view to accounting

The internal control system constitutes an integral part of PALFINGER's Group-wide risk management process. It contains all organizational principles, measures and controls in place at the Company in order to ensure the observance of guidelines and the prevention of errors and losses that may be caused by PALFINGER's own employees or by third parties.

CONTROL ENVIRONMENT

PALFINGER's internal control system is based on guidelines valid for the entire Group. These guidelines contain uniform standards for the relevant corporate processes and have to be implemented and observed by all units in the Group. Each guideline is allocated to one process manager. The Management Board, local management, the process managers and the internal auditing department have collective responsibility for ensuring that each relevant unit verifies the observance of the Group guidelines at periodic intervals.

RISK EVALUATION

Risk report
Page 50

The risk report contains the identification of risks, including the definitions of the individual risks and their evaluations.

CONTROLS

The Group guidelines define not only the substance of general parameters but also the internal controls that, from a Group perspective, need to be implemented in local processes. The local management teams are in charge of laying down additional controls should the need arise. Thus it is ensured that, in addition to standardized processes, short-term risks are also taken into account.

INFORMATION AND COMMUNICATION

With regard to the accounting process, the major accounting and valuation methods are laid down in a corporate manual, which is regularly updated, and these methods have to be mandatorily implemented by the local units. A Group-wide standardized monthly reporting system with an automatic SAP interface guarantees that the management team has an overview of the Group's performance. Twice a year, a report on the control system is presented to the Audit Committee of the Supervisory Board.

AUDITS AND CONTROLS

Close cooperation with the auditor of the consolidated financial statements, whose international network guarantees uniform auditing standards, ensures a comprehensive and efficient external audit of the financial statements. Thanks to the close interplay of controlling and accounting, estimates are regularly compared with results, creating a system of mutual control and coordination. The information used for internal and external accounting is based on the same stock of data and is reconciled for reporting purposes on a monthly basis.

The adequacy of the internal control system of PALFINGER AG has been agreed with the Audit Committee of the Supervisory Board. However, continuous efforts are being made to enhance the effectiveness, efficiency and precision of the entire system. Internal control is monitored through regular reports presented to the Audit Committee and through checks made by the internal auditing department, which closely cooperates with the responsible Management Board members and managing directors. Even though the Audit Committee has found the design of the internal control system to be adequate, it has ordered that certain priority measures for the purpose of further optimization be implemented by 2015.

RESEARCH, DEVELOPMENT AND INNOVATION

- Numerous new product models in 2014; 65 active patents
- Significant innovations to improve user friendliness, safety and efficiency
- Global R&D structures facilitate specific development using synergies
- Cooperation projects with institutions and partners to promote further product enhancements and organizational development

The PALFINGER brand stands for innovative, reliable and cost-effective lifting solutions with benefits beyond their lifecycles. This is expressed by the claim of the PALFINGER Group – LIFETIME EXCELLENCE. In order to maintain and expand its leadership in the fields of technology and service, PALFINGER is boosting targeted, sustainable research and development as well as innovations in products, systems and processes.

PALFINGER's Group-wide research and development centre, which houses several R&D departments and centres of excellence, is located at the Austrian business location in Köstendorf. This facilitates a better use of synergies. Additional R&D departments have been established at various international sites. The centres of excellence, a global product management structure and the use of uniform manufacturing and production standards enable PALFINGER to optimally cater to individual customer requirements even in the case of development projects across several business units or market regions.

In 2014, in cooperation with the Fraunhofer Institute of the University of Stuttgart, the innovation strategy and R&D structure of the PALFINGER Group were reviewed and first steps towards further optimization were initiated. Future trends were anticipated by asking the question "How are we going to make our customers more successful in five years?"

For several years now, PALFINGER's strategic innovation focus has been placed on further development in the field of mechatronics and on the challenge of successfully positioning products that meet PALFINGER's quality standards alongside those of local players in markets strongly driven by price.

Mechatronics

In this field, the focus in 2014 was once again on holistic mechatronical thinking. On the basis of an evaluation of the Group's "fitness" in terms of mechatronics on all levels of value creation, including strategic suppliers, PALFINGER continued to take targeted measures during the reporting period in order to further develop the organization and processes.

Patents

The PALFINGER Group currently holds 65 active patents, utility models and special registered designs for the protection of functional design elements.

In 2014, PALFINGER invested EUR 33.6 million in research and development, which corresponds to 3.2 per cent of the Company's total revenue.

GRI G4-EN 27: Mitigation of environmental impacts of products

Safe and efficient products

Research, development and innovation also increase sustainability in the context of the ecological and social aspects of PALFINGER's business model.

Value-creation strategy, Eco-efficiency in production
Page 66

Above all, the use of PALFINGER products is intended to bring measurable added value to the Company's customers – an objective that can only be met through top-quality, reliable solutions that also guarantee a high level of safety for the users. Sustainable customer satisfaction is a basic prerequisite for PALFINGER's success.

Innovation is encouraged primarily in the areas of energy efficiency during product use, alternative motors and reduction of operating supplies. Continuously lowering service costs while at the same time extending the longevity of its products is a matter of course for PALFINGER.

In September 2014, PALFINGER received the Award of the Province of Upper Austria for the Environment and Sustainability for its hybrid aggregates, which enable the electro-hydraulic and hence nearly noiseless and emission-free operation of cranes.

www.palfinger.ag/en/sustainability/aspects/products

Information on efficiency and cost savings when using PALFINGER products can be found on PALFINGER's website.

PRODUCT SAFETY AND ACCIDENT PREVENTION

Numerous innovations focus on user safety in order to prevent accidents, including those that might be caused by improper use of the products. PALFINGER has been working on special solutions for dangerous fields of application where higher safety criteria have to be met.

www.palfinger.ag/en/sustainability/aspects/products

An overview of the safety standards applied and new safety features available can be found on PALFINGER's website.

GRI G4-PR2: Incidents of non-compliance with safety provisions

The number of accidents while using PALFINGER products that resulted in injuries of varying severity was slightly lower in the reporting period but unfortunately two fatal accidents occurred.

Accidents with PALFINGER products	2014	2013	2012
Reported fatal accidents[1)]	2	2	0
Reported accidents causing injuries of varying severity[1)]	3	5	5
Penalties imposed by court on grounds of accidents	0	0	0
Pending complaints (being tried) on grounds of accidents with products (as at 31 Dec)	4	5	6
Convictions	0	0	0

* Irrespective of fault.

MAJOR DEVELOPMENTS IN 2014

The beginning of the reporting period saw the market launch of the PALcom P7 radio remote control for loader cranes. It was fully developed in-house and sets new standards in terms of functionality, design, ergonomics and increased length of service. Due to the fact that it was developed internally, PALFINGER will be able to adjust the remote control to rising demands for many years to come. At the end of September, the novel P-Fold assistance system, which, thanks to high mechatronic competence, makes the safe folding and unfolding of cranes easier, was presented at the IAA International Motor Show in Hannover. In addition, a long-boom crane series specifically developed for the German market was presented. New crane series were developed for both North and South America and adjusted to the specific respective requirements of those markets. Developments in North America also include a new generation of truck bodies whose weight has been reduced by more than 10 per cent and which can be combined with other products such as cranes, requiring considerably less time for mounting. The Sany Palfinger joint venture developed a total of eight new crane models and variants specifically for the Chinese market, and the portfolio of commercial vehicles offered to the customer as turnkey packages including platform and crane has been clearly expanded.

In the field of access platforms, innovations were developed in cooperation with customers. The results were products characterized by higher performance, greater efficiency and clearly improved user friendliness as well as active and passive safety systems. New product generations were presented in all size categories, with the presentation of the new large platforms at the IAA in Frankfurt being a clear highlight in the premium class. In the smart class, which has been produced since 2013, two newly developed products were introduced.

EPSILON presented the M series in 2014, a crane series with a completely new concept for performance even under the most difficult conditions, which sets new standards in the industry and thereby creates USPs for EPSILON. Efficiency and maintenance friendliness were clearly stepped up, as were operating comfort and safety. The acquisition of PM-Group Lifting Machines, with the two brands Velmash and Solombalsky, has added products tailor-made for the Russian market to the portfolio. The development and innovation centre of EPSILON in Salzburg-Elsbethen, Austria, will contribute to further improving the cranes produced in Russia.

In the field of hooklifts (formerly: container handling systems), the focus was on increasing safety and efficiency through the development of a novel single-hand radio remote control and through the automation of motion sequences. As with the other product groups, new product lines and new generations were put on the market in this field as well.

The development efforts regarding tail lifts focused on products for cost-sensitive markets on the one hand and on the further development of vertical lifts and access systems for people with reduced mobility, for instance for regional trains or low-floor buses, on the other hand. The integration of cameras into the control and operation of tail lifts was an innovation with relevance for safety.

The fast handling of maintenance work without interrupting railway operations was at the core of R&D activities regarding railway systems. A key project was the development of a crane system that performs outstandingly in narrow railway tunnels.

In the marine sector, development priorities included the enhancement of system safety, reliability, occupational safety and maintenance friendliness, and the extension of service life. In addition, a focus was placed on lowering lifecycle costs of the products and on product applications under extreme climatic conditions. Many product lines were revised. The modularity of components was increased in order to be able to promptly respond to special customer wishes.

Special attention was paid to developing a wire rope hoist able to move loads across differences in levels of up to 80 metres, which was designed for launch & recovery systems. Intensive efforts went into the design process of lifeboats in order to meet customer requirements. Moreover, in contrast to those of the competitors, PALFINGER boats are made completely from aluminium to prevent them from melting in the case of offshore accidents involving burning oil.

In the service area, the most important innovation steps included the introduction of a global document management system for all products and market regions of the Group and the roll-out of the PALFINGER University, which was founded in Germany in 2013, to all European markets. This makes it possible to recommend and monitor training measures tailor-made to individual employees. When it comes to repair instructions, PALFINGER is using the options offered by social media.

Cooperation projects

PALFINGER carries out cooperation projects with universities, universities of applied sciences and technical colleges to promote the exchange of knowledge, the transfer of know-how, research and the development of human resources. In addition, the Group cooperates with non-university centres of excellence in the field of mechatronics, mechanical engineering, material technology and materials science. Development processes are optimized through close cooperation with customers, suppliers and other industrial companies. Moreover, PALFINGER employees represent the Company in standardization bodies and interest groups, and also act as lecturers at educational facilities in the spirit of “stakeholder engagement”.

GRI G4-12: Description of supply chain

VALUE-CREATION STRATEGY

- Optimization of material flows in the individual regions
- Accelerated build-up of local value creation
- Construction of new manufacturing plants in China and Russia
- Sustainability as a criterion along the entire value-creation chain

PALFINGER VALUE-CREATION CHAIN

RAW MATERIALS

METAL RECYCLING | **MINING OF ORES**

RAW MATERIAL PRODUCTION, PRIMARILY STEEL AND ALUMINIUM
- CO_2 intensity in production
- Light-weight materials (high-tension steel grades, share of aluminium, etc.)
- Recycling share
- R&D for alternative materials (e.g. carbon)

PURCHASED PARTS

HYDRAULIC OILS AND LUBRICANTS
- Biodegradability

HYDRAULIC COMPONENTS, DIN AND STANDARD PARTS, ELECTRONICS AND CABLES
- No hazardous substances (chrome VI, PVC, …)

MECHANICAL COMPONENTS (ROPE WINCHES, GEARBOXES, …)
- Coating with water-soluble paints

ENGINES AND PUMPS
- Engine efficiency, rotational speed control

EMPLOYEES OF SUPPLIERS
- Respect of human rights
- Increasing safety of end products
- Lower weight of purchased parts

ENERGY PROCUREMENT

ELECTRICITY, NATURAL GAS, FUEL, ETC., ENERGY SOURCES
- Share of renewable energy sources
- Security of supply
- Exclusion of nuclear power

TRANSPORT TO PALFINGER'S PLANTS

- Fuel consumption and regional approach (local sourcing)
- Transport mix (truck, ship, air, rail)

PLANTS

FOR PRODUCTION AND ASSEMBLY
- Energy efficiency
- Substitution of hazardous substances as operating supplies
- Efficient use of raw materials, operating supplies, water, reduction of effluents
- Avoidance of air and noise emissions for employees and local residents
- User safety

OPERATING SUPPLIES

PAINTS
- Water solubility
- No heavy metals and chromate

OTHER OPERATING SUPPLIES
Cooling agents, lubricants, welding gases and wires, chemicals for electroplating

PALFINGER AG

SUPPORTING ACTIVITIES

EMPLOYEES
- Occupational health and safety
- Respect of human rights
- Training and education
- Diversity "PALversity"
- Occupational health management "PALFfit"
- Involvement of employees
- Living wages and support in hardship cases

BUILDINGS (WORKSHOPS, WAREHOUSES, OFFICES, …)
- Energy efficiency of compressed air, ventilation, heating, cooling, lighting

MANUFACTURING PLANTS

CUTTING (LASER, PLASMA)

BENDING

CHIPPING (LATHING, MILLING, DRILLING)

WELDING

ELECTROPLATING

- Safety: accident prevention
- Health: eye protection, protection from air emissions and noise
- No chrome VI in electroplating
- Reduction of hazardous waste
- Reduction of waste cuttings and reject rates

REGION

- Regional development and employment
- Reduction of troublesome effects on local residents
- Fair taxation
- Donations and sponsoring

FLEET, BUSINESS TRIPS, INTERNAL PLANT LOGISTICS
- Mobility mix, alternative engines and fuel savings
- Safety: accident prevention

RESEARCH AND DEVELOPMENT
- Safety innovations
- Ecodesign

GOVERNANCE
- Business ethics and prevention of corruption

TRANSPORT BETWEEN PLANTS
- Fuel consumption and regional approach
- Transport mix (truck, rail, ship, air)

ASSEMBLY PLANTS

PAINTING

MOUNTING, FILLING, TESTING, WASHING

- Energy efficiency of plants, machines
- Efficiency of operating supplies and water
- Safe storage of hazardous waste and avoidance of emissions to water and soil

WASTE, MATERIAL OUTPUT
- Safe storage at PALFINGER
- Separate collection

WASTE MANAGEMENT COMPANIES
- Ecologically optimized disposal

RECYCLING OF WASTE MATERIALS

LANDFILL

TRANSPORT OF PRODUCTS AND SPARE PARTS
- Fuel consumption
- Transport mix

DEALERS

MANUFACTURE OF TRUCK BODIES
- Reduction of truck bodies' weight

INFORMATION AND COMMUNICATION
- Training courses on safety and environmental protection for users

SECOND-HAND MARKET

END CUSTOMERS

END CUSTOMERS IN INDUSTRIES: TRANSPORT AND HAULAGE, LOCAL AUTHORITIES, SERVICE, ETC.

END CUSTOMERS FOR SPECIAL ECOLOGICAL AND SOCIAL PURPOSES: OFFSHORE WIND ENERGY, MARINE RESCUE CRANES, RECYCLING, FORESTRY, RAILWAY, ACCESS SYSTEMS FOR PEOPLE WITH DISABILITIES, ETC.

- Safety of use
- Energy-efficiency during use and alternative engines (e.g. electricity, hybrid)
- Fuel savings in transport due to lower product weight
- Reduction of noise and emissions
- Avoidance of discharge of hydraulic oils
- Reduction of use of operating supplies (e.g. lubricants)
- Low maintenance and long service lives

END CUSTOMERS IN CIVIL DEFENCE AND MILITARY APPLICATIONS
- Respect of human rights

END OF LIFE
- Separability
- Recyclability

Environmental Social Economic

PALFINGER pays a great deal of attention to increasing the application of sustainable criteria along the entire value-creation chain. To this end, PALFINGER analyses its opportunities and risks under a holistic approach, also taking into consideration the upstream and downstream stages of value creation – from raw material procurement to the use of the products by the end customers.

The main focus in 2014 was on implementing the optimization projects defined in 2013 in the fields of material flows in the business areas EMEA, Marine, North America, Asia and CIS. One of the principles on which the Group's value-creation strategy is based is the build-up of local value creation in the individual market regions. This serves as a protection against political restrictions, mitigates the impact of exchange rate fluctuations, facilitates natural hedges and allows for the development of country-specific models. Many customers and public authorities attach considerable importance to a high percentage of local value creation, some even making it a condition for placing orders.

@ **www.palfinger.ag/en/sustainability/aspects/value-creation**

The most important project in 2014 was the construction of a new production plant in Rudong, 170 kilometres north of Shanghai. Starting in December 2014, all stages of the value-creation chain for truck mounted loader cranes – from steel sheets to mounted cranes – will be represented.

In Russia, the INMAN production plant was modernized. In addition, investments were made in the construction of a new plant, which will take up operations in the spring of 2015, expanding the site's capacity by around 80 per cent. Due to the special customer requirements and the volatile framework conditions for exports to Russia, local production is particularly important in order to achieve long-term business success. Local value creation in CIS was profoundly intensified through the establishment of two joint venture companies with Russia's leading truck manufacturer KAMAZ. The joint venture focussing on mounting will specialize in truck bodies and establish a network of dealers and service centres in the Commonwealth of Independent States. The second joint venture, focussing on cylinder production, will produce efficient, high-quality cylinders for the PALFINGER production sites in CIS, for use at KAMAZ and for sale to third parties. The majority interest in PM-Group Lifting Machines, a company that produces primarily cranes for timber and recycling as well as hooklifts in Velikiye Luki and Archangelsk and distributes them under the brand names of Velmash and Solombalsky, has brought a considerable boost to the share of local value creation. The criteria applied by the PALFINGER Group when it comes to efficiency, flexibility, environmental friendliness and resource management will also be observed and measured at those production sites.

The structure of the centres of excellence in Europe also contributes strongly to increasing the productivity and delivery dependability of the Eastern European production sites. A large part of product and process innovations are developed in Austria and implemented jointly on site in Slovenia, Bulgaria and Romania. Networking between the development departments, including manufacturing and purchasing, has been intensified in order to be able to take the needs and available means of all internal and external stakeholders into account at an early stage in the development process. This has resulted, for the most part, in higher quality at reduced costs.

Another principle of PALFINGER's value creation strategy is an emphasis on contract manufacturing, which helps reduce throughput times, lower inventory levels and eliminate the risk of obsoleteness. The success of these efforts is reflected in PALFINGER's workshop inventory levels, which have been continuously going down.

Quality management

The dynamic implementation of PALFINGER's internationalization strategy through numerous acquisitions, shareholdings and the establishment of joint venture companies posed several special challenges to quality management. It was necessary to establish a new, common understanding of quality together with the new members of the PALFINGER Group, in particular with a view to the value-creation process, the sustainable approach of entrepreneurial operations, the fulfilment of customer expectations, compliance with local statutory provisions, and certifications. On this basis, audits were carried out and their results were presented in the Group-wide Quality Report.

The objective of quality management is to consolidate and/or expand PALFINGER's leading market position. The challenge to be met by quality management is to maintain PALFINGER's competitive edge over its competitors in terms of quality and to continuously enhance processes, even in times of heavy market fluctuations, lean management and a growing degree of product individualization.

In 2014, PALFINGER Europe GmbH introduced an integrated quality management system composed of the standards ISO 9001, ISO 14001, ISO 50001 and OHSAS 18001 at the sites in Lengau and Köstendorf. At the Tenevo site in Bulgaria, the standards ISO 14001 and ISO 50001 were successfully introduced in addition to the existing ISO 9001 certification. With project business on the rise, primarily in the field of railway systems, it had become necessary to put a project-related quality management system in place. At the joint venture company Sany Palfinger, production was certified under the China Compulsory Certificate (CCC) and certifications under ISO 9001, ISO 14001 and OHSAS 18001 were also successfully concluded, which required the prior implementation of a quality management system. At the new plant in Rudong, it is planned to apply for additional certification under ISO 9001:2008 and/or ISO 9001:2015 once production has started.

The success of a quality management system is measured by the development of guarantee and warranty expenses. Since 2010, these costs have been lowered by approx. 30 per cent, and a further reduction is expected for 2015. Quality costs have been reduced by approx. 50 per cent since 2010.

For a complete overview of existing and planned certifications as well as environmental management systems, please see PALFINGER's website.

www.palfinger.ag/en/sustainability/management/management-systems @

Manufacturing for third parties

Since 2009, PALFINGER has pursued the strategy of providing a fixed share of its production capacities and production know-how to external customers. PALFINGER's strength lies in manufacturing complex components with high quality standards, thereby making use of production sites in low-wage countries. In addition, painted modules may be offered as well. The combination of reliability in delivery, quality and pricing is a huge benefit to customers.

For PALFINGER, this strategy generates additional revenue and higher utilization on the one hand, while, on the other hand, the competitive pressure exerted on the free market contributes to the internal enhancement of processes.

In 2014, new customers were gained. In the case of two major customers, the prototypes were approved and serial production started.

Eco-efficiency in production

EFFICIENT USE OF RAW MATERIALS

GRI G4-EN 1: Materials used by weight

At PALFINGER, raw materials account for approx. 12 per cent of total costs, which is why their optimum use is essential for economic success. In terms of weight, the most important raw materials used in manufacturing PALFINGER products are steel (79,505 tonnes in 2014) and aluminium (1,645 tonnes in 2014). The lion's share of PALFINGER's product groups are made of steel; aluminium is used primarily for tail lifts.

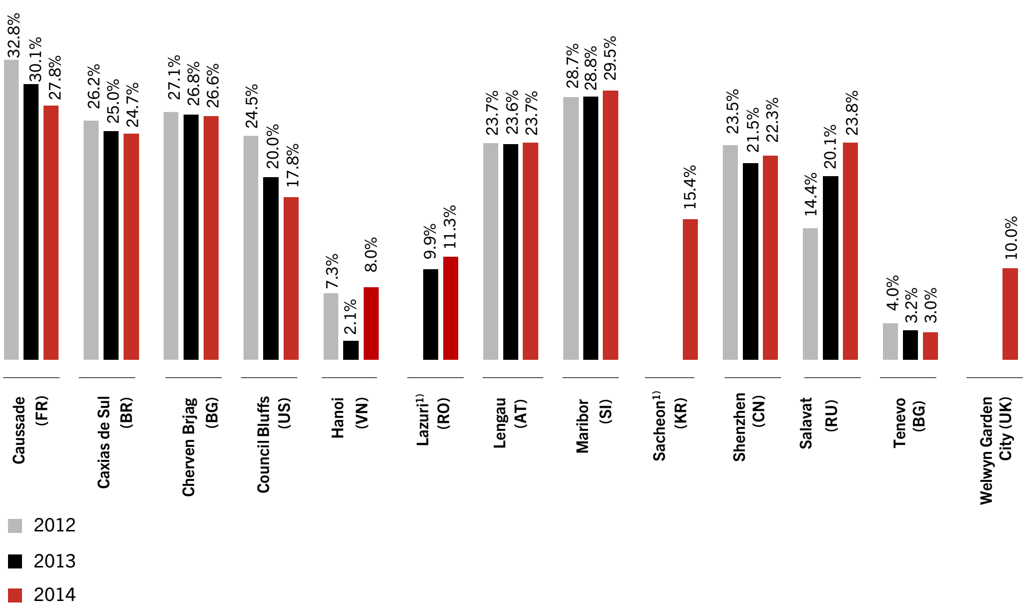
GRI G4-EN 4: Energy consumption outside the organization

One of the reasons why raw materials account for such a high percentage of total costs is that their production sometimes requires a great deal of energy and causes a high degree of greenhouse gas emissions, provided that it takes place in countries participating in the emissions trading scheme. This makes the efficient use of raw materials an essential factor, also from an ecological point of view. The energy consumed for producing steel and the emissions generated during the process exceed those caused directly at PALFINGER by far.

PALFINGER makes every effort to continuously optimize its waste cuttings and rejections to reduce the amount of steel scrap. Waste cuttings are produced exclusively at production plants and the scope remaining for further improvement is very small. The focus is on maintaining the good standards already achieved. The deterioration of the figures reported at some sites turned out to have been caused by a change in the product mix. A benchmark comparison of production sites is not feasible, as the products manufactured and the working steps vary extremely from site to site.

GRI G4-EN 23: Waste

WASTE CUTTINGS, BROKEN DOWN BY PRODUCTION SITE
(in per cent)



1) These sites were integrated into the PALFINGER Group at a later date.

* Diese Standorte wurden erst später in die PALFINGER Gruppe aufgenommen.

For details on the developments at the individual sites and on the financial consequences of the measures taken, please see PALFINGER's website.

www.palfinger.ag/en/sustainability/aspects/production

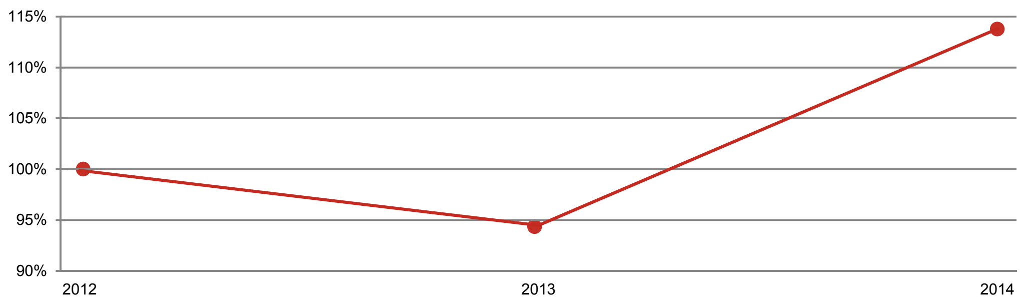
GRI G4-EN 23: Waste

HAZARDOUS WASTE

At PALFINGER manufacturing plants, primarily the following hazardous waste is produced: waste from paint jobs, electroplating sludge, hydraulic oil, as well as lubricants and coolants. After the volume of hazardous waste had dropped from 2011 to 2012, figures rose again in 2013 and 2014. However, many of the long-established plants have reduced their waste generation considerably since 2011. In 2014, 2,460 tonnes of hazardous waste were produced, as compared to 2,400 tonnes in 2013, 2,283 tonnes in 2012 and 2,297 tonnes in 2011. However, the specific generation of hazardous waste in proportion to revenue was reduced to a considerable extent from 2011 to 2013. In 2014 it rose again, resulting in a figure higher than that achieved in 2011.

PALFINGER has set itself the goal of reducing hazardous waste by 1.8 percentage points every year starting in 2015. In addition, as a long-term objective, PALFINGER intends to have the attainment of sustainability benchmarks agreed upon as a criterion for variable salary components within the entire Group.

INDEX: HAZARDOUS WASTE IN RELATION TO REVENUE FROM 2012 TO 2014 [1)]
(in per cent)



1) Volumes 2011=100%

As an alternative to solvent-based paints, water-soluble paints may now be used for nearly all product applications; however, they usually generate extra costs. The PALFINGER sites in Europe with large paint shops use only solvent-free paints. In Caxias do Sul, Brazil, economic reasons make it impossible for the time being to buy such paints locally, as the market would not absorb the extra costs. As soon as a change in the situation occurs, a changeover will be considered. In the marine sector, only solvent-based paints are used due to the area of application of these products. The Chinese plant Shenzhen and the US plants use solvent-based paints as well.

In 2014, PALFINGER defined environmental criteria to be required in calls for tender relating to painting and electroplating plants that set ecological minimum standards. In the future, the volume of hazardous waste will be gradually reduced when renewing a plant.

www.palfinger.ag/en/sustainability/aspects/production

Further details, also regarding the individual regions, may be found on PALFINGER’s website.

ENERGY EFFICIENCY

PALFINGER is not an energy-intensive enterprise; its energy costs make up less than 3 cent of total costs. By continuously optimizing energy efficiency, PALFINGER aims to reduce this percentage even further. The largest energy consumers are paint shops, electroplating, heating of plant floors and offices, cutting machines (laser and plasma cutting machines), compressed air, lighting, welding and filling, as well as crane testing and various metal-working processes.

All in all, energy efficiency has continuously improved from year to year in all parts of the Group. The only exceptions in 2014 were the North American sites, which were affected by the extremely harsh weather conditions in winter. The total energy consumption of the PALFINGER Group came to 152 million kWh in 2014, after 130 million kWh in 2012 and 145 million kWh in 2013. This 23 per cent increase is comparable to the increase in energy efficiency, as measured by the Group's revenue, in the amount of around 4.9 per cent.

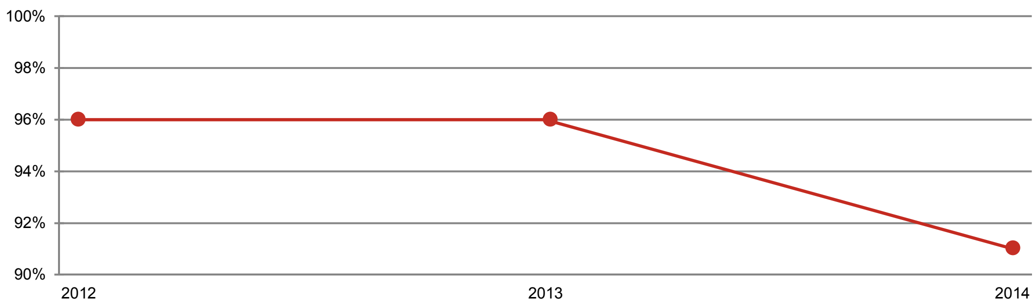
In 2014, energy audits were carried out at the Bulgarian and North American sites. A PALFINGER manual on energy saving was provided to all those in charge of energy within the Group. The Green Initiative launched in 2013 was continued in 2014.

PALFINGER has set itself the goal of improving energy efficiency by 1.8 percentage points every year starting in 2015. In addition, as a long-term objective, PALFINGER intends to have the attainment of sustainability benchmarks agreed upon as a criterion for variable salary components within the entire Group.

GRI G4-EN 6: Reduction of energy consumption

GRI G4-EN 5: Energy intensity

INDEX: ENERGY CONSUMPTION IN RELATION TO REVENUE FROM 2012 TO 2014 [1)]
(in per cent)



1) Volumes 2011 = 100 %

Additional information on energy efficiency and greenhouse gas emissions may be found on PALFINGER's website.

www.palfinger.ag/en/sustainability/aspects/production

ENVIRONMENTAL MANAGEMENT

Environmental management takes different forms at individual sites. Some sites, such as Lengau and Köstendorf in Austria as well as Caussade in France, already have certified ISO 14001 environmental management systems in place. Moreover, the Lengau and Köstendorf plants are also certified according to the ISO 50001 energy management system. In late 2014, the Tenevo site in Bulgaria received its first ISO 14001 and ISO 50001 certifications. At the end of 2014, a total of 34 per cent of PALFINGER's employees were working at sites with certified environmental management systems in place and 24 per cent at sites with certified energy management systems.

In the future, all PALFINGER sites will operate at least in accordance with the minimum standards of an environmental management system. This will be ensured by PALFINGER's environmental protection guideline rolled out in 2015 and regular checks of compliance with its provisions. The guideline stipulates that every site must have an environmental team, uniform reporting of key figures, and a continuous improvement process, including targets and a programme of measures. The environmental protection guideline comprises the issues of energy efficiency, resource efficiency, waste, water, environmental law and emergency preparedness and response. The review of local environmental management teams within the scope of internal audits is also governed in this guideline.

In the course of strategic corporate planning, key figures were defined for the environmental issues of energy consumption, hazardous waste and waste cuttings. Some of them are reported to the Group on a monthly basis, others on a quarterly basis, and they are all part of internal reporting.

In the course of calls for tenders in 2014, PALFINGER defined binding, environmentally relevant minimum standards in connection with the acquisition of new plants. This concerned, in particular, paint shops, equipment for electroplating and welding, engines, compressed air systems, offices and production floors, as well as ventilation systems.

www.palfinger.ag/en/sustainability/management/management-systems @

For further information on environmental management, please see PALFINGER's website.

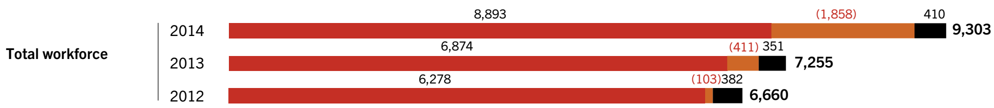
HUMAN RESOURCES

- Number of employees continued to rise due to acquisitions
- PALversity as a central programme for the consolidation of corporate culture
- Strong commitment to employee training
- Increased safety: Staff absences due to accidents more than halved

GRI G4-10:
Employment trend; GRI G4-LA1: Total number of employees and employee turnover

In the 2014 financial year, the number of persons employed by the PALFINGER Group once again rose as a result of PALFINGER's acquisitions. As at 31 December 2014, the PALFINGER Group employed a total of 8,893 staff members in its fully consolidated Group companies. This means that 2,019 additional jobs were created, which corresponds to an increase of approx. 29 per cent compared to 2013.

EMPLOYMENT TREND
(PALFINGER total)



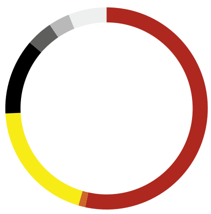
- Core workforce[1)]
- (of which staff at new sites[2)])
- Temporary workers[3)]
- **PALFINGER total**

1) Headcounts as at 31 Dec. The number of employees rose in almost all regions.
2) Number of employees, who joined through new entities in the respective year.
3) Temporary workers expressed as FTEs, not as headcounts. (One FTE counts as one employee.)
They are presented irrespective of the date on which the site hiring them was founded.

On an annual average, 8,030 staff members were employed by PALFINGER. In addition, 410 temporary workers (on average) were employed to cover capacity bottlenecks. The Group employed 917 administrative staff members.

EMPLOYEES BY REGION[1)]

- 53.4% European Union
- 1.1% Rest of Europe
- 19.7% CIS
- 12.1% North America
- 4.2% Central and South America
- 3.4% Far East
- 6.1% Middle East and Africa



1) Headcounts as at 31 Dec

*) expressed as headcounts since 2014, before that expressed as FTEs

EMPLOYEE TURNOVER AND RECRUITING

Employee turnover in the Group was 10 per cent in the 2014 reporting period, corresponding to a decline as compared to the previous year's figure of 0.2 percentage points. This figure includes all staff leaving including staff retiring as compared to the total staff employed, temporary workers excluded. At 11.8 per cent, the turnover rate among women was higher than the overall rate. For information on the trends observed in the individual regions, please see PALFINGER's website.

www.palfinger.ag/en/sustainability/aspects/employer

Employee turnover[1)]	**2014**	**2013**	**2012**
Total number of staff leaving PALFINGER during the year	886	671	691
of which women	131	77	n.a.[2)]
Number of staff leaving in % of total workforce	10.0%	9.8%	11.0%

1) According to the headcount as at 31 Dec, incl. retirements, excluding temporary workers.
2) This figure cannot be provided due to the change in reporting systems.

PALFINGER VALUES

PALFINGER's employees are the Company's most important resource. Their motivation, development and satisfaction are therefore of essential importance. PALFINGER tries to strike a good balance between promoting and challenging its staff. The employees strongly identify with the Company and are part of the "PALFINGER family". They genuinely implement the PALFINGER values of entrepreneurial spirit, respect and learning.

Attractive jobs for employees with individual responsibility

PALFINGER endeavours to offer attractive jobs to its workforce. The corporate culture of the Group promotes a high degree of individual responsibility and gives employees numerous opportunities to contribute their own ideas to the continuous process of improvement. At nearly all manufacturing and assembly plants, workflows follow the principles of lean management.

On the occasion of a Group-wide human resources meeting, core issues of personnel policy were coordinated with the long-term corporate strategy. The implementation of these findings is to make a substantial contribution to retaining good staff within the Company, offering them staff development opportunities, and attracting new generations to PALFINGER.

WORKING HOURS AND REMUNERATION

The high level of entrepreneurial flexibility is also reflected in the working time schemes in place. Flexitime and bandwidths provide for high productivity despite fluctuations in demanded quantities. PALFINGER is thus in a position to offer its employees a high degree of job security as compared to other companies in the sector, even when demand is low.

In 2014, the number of overtime hours worked increased to an annual average of 83 hours per employee. Overtime was more frequent in highly project-related areas, such as the marine business, and in Asian countries. The average residual leave increased compared to 2013, from 44 to 76 hours per staff member as at 31 December 2014. This overall increase was caused by the integration of PM.

Another factor making jobs at PALFINGER attractive is the Group's remuneration policy. The remuneration system contains variable remuneration components, determined by organizational performance as well as the fulfilment of an employee's individual performance targets, thus creating an attractive incentive for employees to earn more than the base salary.

APPRAISAL INTERVIEWS

In 2012, appraisal interviews took place with 28.2 per cent of the staff of the non-productive sector of production, in R&D departments and in product management, as well as in the specialized areas of sales, service and marketing and in general administration. So far, employees in the directly productive sector of PALFINGER have not yet been included in the survey for this key indicator. In 2013, 47.5 per cent of PALFINGER's employees had an appraisal review and in 2014, 51.6 per cent were invited at least once to such an interview with their superiors.

GRI G4-LA 11: Employees receiving regular reviews
www.palfinger.ag/en/sustainability/aspects/employer

In 2014, a Group-wide staff survey was carried out, with a record response rate of 74.7 per cent. The findings are being implemented as part of the site-specific measures for improvement.

In line with its corporate values, PALFINGER also pays attention to its employees' needs outside their place of work. Regional measures have been taken in order to support employees regarding their pensions or health insurance as well as in cases of special hardship. Communal activities were promoted as well. For a more detailed description, please see PALFINGER's website.

GRI G4-LA 9: Training hours per employee

Skilled labour

With respect to further training, levels differ in the individual countries in which PALINGER operates. In all cases, PALFINGER meets at least the respective national standards and in some cases takes measures that exceed such standards by far. The objective is to enhance the qualifications of staff in all countries; to this end, the (further) training measures at the individual sites were expanded in 2014 as compared to the previous year, using a targeted approach. Details are available on PALFINGER's website.

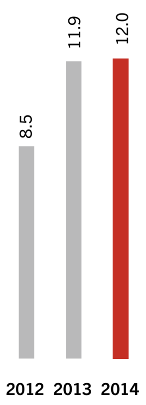
APPRENTICES

In the 2014 financial year, 63 apprentices were trained in Austria, primarily mechanical, production, mechatronic and construction engineers, welders and industrial business management assistants, out of which 53 graduated with distinction from the part-time vocational school for apprentices; several top rankings were achieved in the “Lehrlingsaward Oberösterreich” (Apprentice Award of Upper Austria). The “Lehre mit Matura” (apprenticeship and upper secondary school leaving certificate) scheme, with currently 25 participants, has also proven highly successful.

GRI G4-LA 10: Programmes for skills management

At the international locations, PALFINGER also imparts its own know-how to train skilled labour. In Bulgaria, Slovenia and Brazil, for example, government-certified training programmes are carried out in cooperation with local technical colleges where, as in the successful Austrian system of apprentice training, theoretical know-how is taught at school while, at the same time, practical training lasting several months is provided at a PALFINGER plant. In Germany, the technical training of apprentices was expanded as well, so that now skilled workers are being trained at almost all sites. In 2014, 178 employees worldwide participated in PALFINGER apprenticeships or similar programmes.

EXECUTIVE TRAINING



TRAINING HOURS PER EMPLOYEE[1)]

1) FTEs; figures adjusted To exclude sites with Insufficient data material.

The PALFINGER Global Leadership Programme, an internal staff development programme, ensures that employees with potential management skills receive the best possible preparation for their future top management positions. The current programme, which runs until 2015, is being attended by 13 participants from eight different nations, including one woman.

Another important pillar of executive training is the Company Leadership Programme, which in its second phase will run until 2015. Priority topics include leadership (self-leadership and leadership of employees and teams) and communication as an executive. 23 per cent of the attendees of this course are women.

The Business Excellence management course, comprising business administration topics, was also held for a second time in 2014. A team-leading programme, tailored to local needs, was offered in some countries in order to allow for an early identification and development of potential junior managers. This programme focuses on topics such as leadership in combination with personality, communication, conflict management and organization.

As a response to the strong growth recorded in the marine sector and in the Asian markets, a separate Marine Leadership Programme and a course for Asia were developed in 2014. Both programmes will start in 2015.

All executive training courses and seminars also communicate PALFINGER's values in dealing with colleagues and employees, which are based on respect and appreciation.

Lifelong learning also plays a vital role for PALFINGER's top management. Numerous high-ranking executives at PALFINGER participated in 360-degree feedback interviews to critically analyse their skills and competencies. The results of this analysis were used as the basis for determining individual development measures.

In 2014, 34 expatriates and six fly-ins facilitated a comprehensive transfer of know-how between headquarters and local companies as well as among local companies.

GRI G4-LA 10: Programmes for skills management

Health and safety

OCCUPTIONAL SAFETY AND ACCIDENT PREVENTION

PALFINGER's accident prevention efforts have proven effective. Staff absence due to industrial accidents has decreased notably in recent years. Whereas this form of absence amounted to 0.20 per cent of regular working time in 2012, it decreased to 0.18 per cent and 0.11 per cent in the 2013 and 2014 financial years, respectively. A positive trend can be observed in nearly all regions. Between 2006 and 2014 no PALFINGER employee suffered a fatal accident on the job.

GRI G4-LA 6: Industrial accidents, occupational diseases and lost days

Staff absence due to industrial accidents in % of regular working time[1)]	**2014**	**2013**	**2012**
European Union	0.21%	0.36%	0.36%
Rest of Europe	0.00%	0.00%	0.00%
CIS	0.00%	0.00%	0.00%
North America	0.07%	0.03%	0.19%
Central and South America	0.19%	0.34%	0.24%
Far East	0.00%	0.05%	0.25%
Middle East and Africa	0.10%	-	-
Group	**0.11%**	**0.18%**	**0.20%**

* Staff absence is reported in accordance with country-specific regulations. Figures adjusted to exclude sites with insufficient data material.
This concerns 5.3 per cent of FTEs in 2011.

A description of the developments in the individual regions is available on PALFINGER's website.

www.palfinger.ag/en/sustainability/aspects/employer

G4-LA 5: Occupational health and safety programmes

UNIFORM GLOBAL SAFETY BENCHMARKS

PALFINGER's various sites all over the world do their reporting on accidents in accordance with a variety of definitions as stipulated in the respective countries. This means that benchmarks cannot necessarily be compared; some plants, for instance, factor in commuting accidents. PALFINGER is striving to harmonize accident indicators in all countries and to categorize them according to the severity of the consequences. Experience at PALFINGER's exemplary sites has shown that consistent reporting further increases awareness concerning accident prevention.

HEALTH AND GENERAL STAFF ABSENCE

General staff absence at PALFINGER was around 4 per cent during the past three reporting periods, consistently showing a positive trend: While in 2012 Group-wide staff absence was 3.89 per cent, the figure dropped to 3.62 per cent in 2013. The 2014 staff absence rate was 4.19 per cent. Percentages and trends vary from region to region. As a general rule, staff absence of between 3 and 4 per cent is not uncommon in the field of manufacturing and represents a comparatively good figure.

GRI G4-LA 6: Industrial accidents, occupational diseases and lost days

PALFINGER considers the consistently low staff absence a result of its commitment to health and the design of the working environment. Well-balanced employees are important to the Palfinger family and to the PALFINGER management team.

Occupational health management has been in place for a number of years at PALFINGER in Austria in the form of the PALfit health initiative. It focuses on HR initiatives, voluntary social benefits and priority topics from the fields of work technology, and occupational medicine and safety. Initiatives from the PALFINGER College, occupational health promotion, PALfit/PALplus, the health circle and work place design are combined with each other. Topics include a healthy diet, sports and fitness and various health-promoting measures, as well as the prevention of illness and risks.

Since the beginning of 2012, PALfit support has been available to every Austrian site, assisting them in the implementation of health management and targeted measures. Numerous initiatives such as the SIPCAN health check, MediMouse, physiotherapy or sports campaigns were organized in 2014 at the Austrian sites in Kasern, Lengau, Elsbethen and Köstendorf, in Ainring and Lobau in Germany and in Maribor, Slovenia.

www.palfinger.ag/en/sustainability/aspects/employer

For more details, please see PALFINGER's website.

Diversity

G4-LA 12: Diversity and equal opportunity

PALFINGER is a longstanding family business with global operations. Today, 8,893 staff members of various origins work at PALFINGER every day. Maintaining operations on five continents and seven seas not only harbours great potential but also entails huge challenges.

In order to guarantee future viability, the PALFINGER Group, under the auspices of its CEO Herbert Ortner, launched PALversity in 2014. The challenging objective of this Group-wide initiative is to actively use the Company's international development of corporate culture when it comes to dealing with diversity and difference in order to guarantee the efficiency of the corporate strategy. In the course of the strategic corporate planning for the period until 2019, PALversity was defined as a Group-wide project of high relevance with the objective of fully integrating the topic of diversity into PALFINGER's corporate culture.

www.palfinger.ag/en/sustainability/aspects/employer

Information on how employees with disabilities are integrated into the PALFINGER Group and how PALFINGER intends to take the human right to inclusion into account in the future is available on PALFINGER's website.

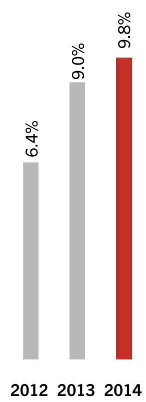
GENERATIONS

In recent years, the average age structure within the PALFINGER Group has changed, primarily in connection with the new sites. The number of employees aged 56 and older increased by 0.3 percentage points compared to the previous year.

Details on regional developments and information on the PALplus project at the Lengau site in Austria are available on PALFINGER's website.

PALFINGER has a Group-wide generation management system in place in order to take into account upcoming retirements and be able to retain valuable know-how within the Company. The regular Human Resource Review analyses which positions will have to be filled in the near future and how to ensure that the transitions are as smooth as possible. Since 2009, all positions have been included in a monitor.

www.palfinger.ag/en/sustainability/aspects/employer



SHARE OF EMPLOYEES OVER 56
(in per cent)

GENDER

As is typical for the industry, the percentage of women within the PALFINGER Group is low. Overall, the number of women employed has grown slightly in recent years. Depending on the site, however, it varies greatly: At manufacturing sites, the majority of employees, primarily in production-related jobs, are men. This explains the notable drop in the percentage of women in North America and Asia in recent years. At administration and distribution sites, on the other hand, the contingent of women is above average, 13.7 per cent of the total staff.

The percentage of women in management positions rose considerably from 2013 to 2014 and is now 16.7 per cent. However, in 2014 there was still not a single woman among the members of the Management Board and the Supervisory Board. In recent years, most of the training programmes for management included women; in 2014, 31 of the 178 participants in the global programmes for apprentices and trainees were women. A total of 82 participants attended executive training courses, 11 of whom were women. PALFINGER intends to increase the number of female executives taking part in these PALFINGER training programmes in the future.

GRI G4-10: Employment profile

G4-LA 12: Diversity and equal opportunity

Percentage of women	**2014**	**2013**	**2012**
Total	12.5%	10.0%	7.8%
In management[1]	16.7%	12.8%	12.5%

Employees in management positions include all members of the Management Board, the heads of business areas, business units and corporate functions as well as all employees in disciplinary management positions.

Since 2012, PALFINGER has been under a statutory obligation to present an income report for its Austrian companies. On the basis of these reports, the classifications were checked and the remuneration of women and men analysed; no significant differences appeared in the past two years. When recruiting new employees, no difference is made between men and women with regard to their classification under the terms of the collective bargaining agreement.

PERFORMANCE BY SEGMENT

GRI G4-8: Markets

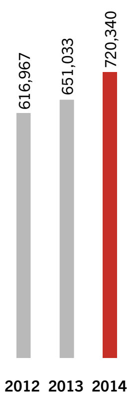
Since 2010, PALFINGER has taken a regional approach in its organizational structure. The segment performance figures are broken down accordingly into the segments EUROPEAN UNITS and AREA UNITS and the VENTURES unit. The individual units within the two segments have been given a large degree of independence in order to enable them to meet the requirements of the individual markets. Not only does this support the internationalization of the Group and the deeper penetration of the respective market regions; it also makes it possible to focus more strongly on customer requirements and on increasing the flexibility of all processes along the value-creation chain, in line with local conditions.

Segments 2014	**Revenue** (EUR million)	**Revenue** in %	**EBIT** (EUR million)	**EBIT** in %
EUROPEAN UNITS	720.3	67.7%	75.0	112.7%
AREA UNITS	343.1	32.3%	10.4	15.7%
VENTURES			(19.0)	(28.6)%
Consolidation			0.1	0.1%
PALFINGER Group	**1,063.4**	**100.0%**	**66.5**	**100.0%**

EUROPEAN UNITS

- Weakening of European crane market affects earnings
- Growth of the marine business
- Focus on innovations and increasing flexibility of production and administration

The business units of the EUROPEAN UNITS segment operate on the markets in Europe, the Middle East, Africa and Australia. The segment's main focus is on the development, production, distribution and maintenance of loader cranes, EPSILON timber and recycling cranes, tail lifts, access platforms, hooklifts (formerly: container handling systems), truck mounted forklifts and railway systems, primarily for the afore-mentioned markets. The global marine business also forms part of this segment and so do the production companies in Europe, the distribution company in Germany and the associated subsidiaries.



DEVELOPMENT OF SEGMENT REVENUE
(EUR thousand)

Business development in 2014

In the 2014 financial year, the EUROPEAN UNITS segment reported revenue of EUR 720.3 million, accounting for 67.7 per cent of the Group's total revenue. This increase of EUR 72.8 million as compared to the previous year was due, on the one hand, to a substantial recovery of demand in Europe during the first half of the year and, on the other hand, to the organic and inorganic growth of the marine business. Market dynamics slowed down in Europe in the second half of the year, and incoming orders, primarily for cranes, went down considerably as well. The main positive effects on the marine business were the acquisition of the Megarme Group, as this company enabled PALFINGER to access new customer groups. The complete takeover of the Romanian production company Nimet Srl in mid-2013 also contributed to the growth achieved in 2014.

At EUR 75.0 million, the segment's EBIT was 10.2 per cent lower than in 2013, when it amounted to EUR 83.5 million. This reduction was primarily caused by the weaker demand for truck mounted loader cranes in Europe and by the fact that the one-time effect of the majority takeover of Nimet in the 2013 financial year no longer applied. At 10.4 per cent, the segment's EBIT margin is still at a satisfactory level.

Significant changes
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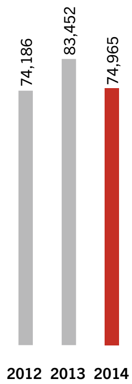
The crane-related business units proved that, thanks to high levels of productivity and flexibility, their profitability is sustainable – especially in a difficult year like 2014. Smaller or new business units did not yet have enough flexibility in responding to declines in capacity utilization to be able to maintain their positive contributions to earnings.

EUR thousand	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Segment revenue	153,111	167,793	158,256	171,873	191,877	185,705	169,234	173,524
Segment EBIT	20,708	23,944	17,605	21,195	26,007	20,797	15,347	12,814



DEVELOPMENT OF SEGMENT EBIT
(EUR thousand)

OPERATIONAL HIGHLIGHTS

In 2014, Loader Cranes saw a modest increase in sales as compared to previous years. Market success, in some cases considerable, was recorded in Germany, Switzerland, Sweden, Great Britain, Ireland, Belgium and the Netherlands. Once again in 2014, numerous innovations were developed and successfully put on the market; these included the first radio remote control fully developed in-house by PALFINGER.

In EPSILON Timber and Recycling Cranes, sales surged by more than 25 per cent in 2014 compared to the previous year. A new assembly site was established in Elsbethen near Salzburg, making further growth at a high level of profitability possible. In the 2014 financial year, the fully revised M series was launched on the market, setting standards for competitors in terms of technology, user friendliness and low maintenance. More than 10,000 trade visitors came to witness the world premiere of the EPSILON M12Z model at the IAA in Hannover.

In Tail Lifts, following the advance purchases in 2013, the changeover from the EURO 5 emissions standard to EURO 6 caused a corresponding decline in sales in 2014. In Access Platforms, sales remained at the previous year's level. The joint venture in Italy, focussing on compact platforms for small trucks, was extremely successful, already breaking even in the first year after its foundation. Both in Access Platforms and Hooklifts (formerly: Container Handling Systems), investments were made primarily in the development of new products to be sold from 2015 onwards.

Railway Systems sales figures increased by around 50 per cent in 2014. Business with these complex systems for building and maintaining railway infrastructure is trendsetting for PALFINGER in terms of permanent innovation and targeted technological development. PALFINGER sees significant growth potential all over the world for this product group.

Strategy
Page 15

The capacity utilization of the production units depends primarily on the success of the customer-oriented units. In 2014, the main priority was flexibility and how to enhance it. To this end, parameters subdivided into eight dimensions each were defined individually for each site in order to be able to define objectives and measure year-on-year progress. Even though 2014 was a volatile year, in which fluctuations in capacity utilization of up to 30 per cent had to be coped with, further increases in productivity were achieved. Manufacturing for companies outside the Group has become an interesting factor of growing relevance for PALFINGER's business, not least because it requires and encourages innovation, flexibility and the ability to learn on the part of all parties involved.

PALFINGER's global marine business grew by around 30 per cent in volume in the 2014 financial year, with primarily the newly acquired company Megarme and the market success of Marine Cranes, Launch & Recovery Systems and the new Boats business unit contributing to this increase. Offshore business showed a stable performance in 2014 and promises substantial increases in 2015. Project business with cranes for wind energy plants was negatively affected by delays in investment decisions in 2014.

Segment share in Group result	in % of Group	**2014**	**2013**
External revenue EUR thousand	67.7%	720,340	651,033
EBITDA EUR thousand	100.3%	104,971	108,017
Depreciation, amortization and impairment EUR thousand	78.7%	30,006	24,565
EBIT EUR thousand	112.7%	74,965	83,452
Segment assets EUR thousand	63.3%	714,980	622,947
Segment liabilities EUR thousand	26.0%	174,158	157,410
Investments in intangible assets and property, plant and equipment EUR thousand	67.4%	41,035	27,754
EBIT margin		10.4%	12.8%

Average payroll during the reporting period	5,445	4,341
Employee turnover	6.9%	6.3%

Index: Energy consumption in relation to revenue	86.6%	96.9%
Index: Greenhouse gas emissions in relation to revenue	85.0%	97.0%
Index: Hazardous waste in relation to revenue	117.6%	95.3%

AREA UNITS

- 32.3 per cent share in revenue and positive development of earnings
- Acquisitions and joint ventures in CIS consolidate market position, increase in local value creation
- Successful crane production in China, cooperation with SANY intensified

The AREA UNITS segment operates in the market regions North America, South America, Asia and Pacific, India and CIS together with their respective regional business units.

PALFINGER has been promoting the continuous further development of the non-European market regions through its own initiatives, partnerships and acquisitions. The objective for the years to come is to complete, to the extent possible, the product portfolios in the individual market regions and to achieve a relevant market share for PALFINGER.

Business development in 2014

Revenue generated by the AREA UNITS segment increased by 4.1 per cent, from EUR 329.6 million in 2013 to EUR 343.1 million in the reporting period. Consequently, areas outside Europe now account for 32.3 per cent of consolidated revenue. Growth was boosted primarily by the regions North America, and CIS, through the acquisition of PM, with nearly all of their product groups.

Sharp weather-related declines in business operations in North America in the first quarter, bottlenecks in funding administered by Brazil's Special Agency for Industrial Financing (FINAME) and the consequences of the fact that exports to Russia were virtually stopped due to the weak Russian currency had a substantial impact on the segment's business performance. Even though business clearly experienced an upswing in North America from the second quarter onwards and sales development in Asia and the Pacific region was positive, at EUR 10.4 million the segment's EBIT was still 9.5 per cent lower than in 2013. Investments in the further development of the market regions stayed at a high level, coming to EUR 19.8 million (after EUR 11.0 million in 2013).

DEVELOPMENT OF SEGMENT REVENUE
(EUR thousand)

EUR thousand	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Segment revenue	72,660	81,539	82,709	92,732	72,104	81,484	82,072	107,421
Segment EBIT	1,906	1,941	3,427	4,158	(914)	4,124	3,628	3,603

DEVELOPMENT OF SEGMENT EBIT
(EUR thousand)

OPERATIONAL HIGHLIGHTS

In North America, the sharp decline in the first quarter, caused by the harsh winter, was partly compensated for in the following quarters. Further increases are expected in 2015, primarily on the basis of orders from the oil and gas industries. In South America, PALFINGER faced setbacks in business performance as economic development slowed down. Therefore, the organization was adjusted and, in response to the exchange rate fluctuations, local value creation was stepped up considerably. Brazil, the largest market in Latin America, recorded massive declines in sales and revenue due to the electoral campaign, the FIFA championship and funding restrictions. All in all, market volume in South America shrank by around 20 per cent in 2014, but PALFINGER nevertheless succeeded in expanding its market shares. PALFINGER's shareholding in the South American market leader in access platforms, the Argentina-based HIDRO-GRUBERT Group, marked a significant step in expanding PALFINGER's market position.

In Asia and the Pacific region, PALFINGER recorded major increases in sales and revenue, resulting primarily from the successful joint venture with SANY. In the fourth quarter, the new production site in Rudong, 170 kilometres north of Shanghai, took up operations. With an area of around 24 hectares, the plant boasts an annual manufacturing capacity of 5,000 cranes in phase 1 and will be able to produce up to 10,000 cranes per year in phase 2. The administration of the market region India was closely linked with the Group's other operations in Asia so as to utilize available synergies. This made it possible to raise the margin in India despite declining revenue. The main PALFINGER products sold in Asia are loader cranes, hooklifts, and cranes for timber and recycling.

In the Russian market region (CIS) – a business environment characterized by sanctions, global political tensions and a weak currency – great progress was achieved in developing the market and building up local value creation. At INMAN, the expansion of production capacities by 80 per cent was continued; the new plant is scheduled to start operations in the first quarter of 2015. In early October 2014, the majority takeover of PM-Group, which holds a large share in the market for timber and recycling cranes with its two brands Velmash and Solombalsky, was concluded. Another important step towards market penetration was the agreement on the establishment of a joint venture with the leading truck producer KAMAZ, which will focus on manufacturing truck bodies and mounting lifting equipment such as cranes, hooklifts and the like on commercial vehicles. A second joint venture with KAMAZ will focus on the production of cylinders, which will not only be used by the two partners but also sold to third parties. The official signing of these agreements is expected to take place in the first quarter of 2015. The need for local value creation was highlighted primarily by the sanctions, which rendered exports to Russia impossible and brought about profound changes in exchange rates. Moreover, local value creation will make it easier to cater to customer wishes and to meet the strategic objective of increased flexibility. The market for truck mounted cranes lost 20 per cent in volume in 2014, which affected imports of knuckle boom cranes. At INMAN, the output rate was increased and the newly developed telescopic cranes proved highly successful as well.

Segment share in Group result	in % of Group	**2014**	**2013**
External revenue EUR thousand	32.3%	343,081	329,640
EBITDA EUR thousand	17.8%	18,580	18,237
Depreciation, amortization and impairment EUR thousand	21.3%	8,139	6,805
EBIT EUR thousand	15.7%	10,441	11,432
Segment assets EUR thousand	39.5%	445,952	244,960
Segment liabilities EUR thousand	26.8%	179,077	117,427
Investments in intangible assets and property, plant and equipment EUR thousand	32.6%	19,828	10,954
EBIT margin		3.0%	3.5%

Average payroll during the reporting period	2,073	2,230
Employee turnover	22.5%	19.2%

Index: Energy consumption in relation to revenue	101.2%	93.7%
Index: Greenhouse gas emissions in relation to revenue	96.0%	93.8%
Index: Hazardous waste in relation to revenue	87.7%	89.6%

VENTURES

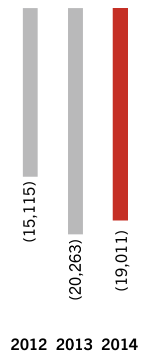
- Expansion of strategic partnership and cross shareholding with SANY
- Acquisitions and market development in CIS promoted

The VENTURES unit processes the strategic projects for the future pursued by the PALFINGER Group up to their operational maturity. As the projects included in this unit do not generate revenue, only the costs of such projects are reported.

Business development in 2014

This unit's priorities included the cross shareholding of PALFINGER and SANY, the development of the two joint venture companies with KAMAZ, the closing of the majority takeover of PM-Group and the acquisition of an interest in HIDRO-GRUBERT in Argentina as well as the acquisition of Norwegian Deck Machineries. Substantial costs were also incurred for the reorganization of the marine business, which had become necessary following the numerous acquisitions made in recent years.

In 2014, the unit generated EBIT of –EUR 19.0 million, after –EUR 20.3 million in 2013. This development reflects the continued investments in growth markets and underlines PALFINGER's strategic alignment towards internationalization, innovation and flexibility.



DEVELOPMENT OF SEGMENT EBIT
(EUR thousand)

Significant changes
Page 40

EUR thousand	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Unit EBIT	(4,204)	(4,549)	(4,479)	(7,031)	(4,743)	(3,690)	(3,952)	(6,626)

Share in consolidated net result for the period	in % of Group	2014	2013
EBITDA EUR thousand	(18.2)	(19,011)	(20,263)
EBIT EUR thousand	(28.6)	(19,011)	(20,263)

Average payroll during the reporting period	512	2
Employee turnover	5.6%	0.0%

KEY EVENTS AFTER THE BALANCE SHEET DATE

On 18 December 2014, the contract on the acquisition of 100 per cent in Norwegian Deck Machinery AS, Os, Norway, was signed. The transaction was closed on 14 January 2015. Details on this acquisition are disclosed in the notes under "Acquisitions in 2015".

Beyond that, after the end of the 2014 financial year, there have been no material post-reporting events that would have led to a different presentation of the Group's financial position, cash flows or result of operations.

OUTLOOK

- Weak economy in Europe proves worth of internationalization strategy
- Flexibility as an important factor for the future growth of the Group
- Intensification of value creation and expansion of product range in the individual market regions
- Positive development expected in Asia, North America and the marine business in 2015

The consistent implementation of PALFINGER's long-term Group strategy, which is based on the three pillars of internationalization, innovation and flexibility, has resulted in the sustainable, profitable growth of revenue and earnings in recent years. Particularly in times of economic and political tensions and uncertainty, this strategy has proven its worth and balanced out various volatile developments. PALFINGER will therefore continue to pursue this strategy of maintaining and expanding a leading position in the global market through its own efforts. In doing so, the focus will be on profitable growth, on the one hand, and the flexibility of processes, on the other hand.

The Group's flexibility will be continuously developed in all fields. Order-based procurement, manufacturing and assembly have enabled PALFINGER to respond to order fluctuations quickly without running the risk of locking up excessive capital by increasing inventories. PALFINGER will continue to pursue its expansion course consistently, above all in the acquired companies. The diversity of PALFINGER's products and the Group's expansion through acquisitions – increasingly also through the formation of joint ventures – make complexity management an essential focus for the Group. Therefore, PALFINGER continues to pursue its Group-wide value-creation project launched in 2012, with the objective of enhancing the Group's competitive advantage – its global organization – for the future.

Sustainable growth requires leadership, respect for different cultures and a willingness to learn. Therefore, numerous initiatives to promote junior executives and to deliberately increase diversity are being continued. Another factor facilitating the Group's economic success is PALFINGER's consistent focus on efficient and ecological production. At PALFINGER, sustainability as an integral part of its approach to doing business is regarded a key to success.

In mid-2014, PALFINGER recorded a temporary decline in incoming orders in the European core markets, but recovery was already observed in the fourth quarter and is expected to continue in the coming year. No upswing is expected to take place in South America and Russia. Growth potential is seen in the North American market, Asia – first and foremost China – and the global marine business. These developments give reason to expect further increases in Group revenue in the 2015 financial year.

In 2012, the management of PALFINGER defined the objective of increasing the Group's revenue to approx. EUR 1.8 billion by 2017. This target was agreed upon in the light of the framework conditions at that time and their probable development. At the end of 2014, even though it became apparent in the course of the financial year that individual markets were increasingly developing in heterogeneous ways and that growth forecasts had to be corrected, PALFINGER still continued to pursue this strategic target. The Group's long-term growth has been planned on the basis of the gradual completion of the product range in all market regions and the translation of the potentials harboured by the marine business into measurable market success. PALFINGER plans to reach this long-term revenue target through organic as well as inorganic growth.

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GRI G4-EC 1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

GRI G4-EC 4: FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	Jan–Dec 2014	Jan–Dec 2013
Revenue	28	1,063,421	980,673
Cost of sales	30, 36, 37, 38	(816,974)	(744,689)
Gross profit		**246,447**	**235,984**
Other operating income	29	23,511	12,262
Research and development cost	31, 37, 38	(25,250)	(22,153)
Distribution costs	32, 37, 38	(75,874)	(73,827)
Administrative costs	33, 37, 38	(90,634)	(78,723)
Other operating expenses	34	(15,848)	(9,459)
Income from companies reported at equity	35	4,140	10,037
Earnings before interest and taxes – EBIT		**66,492**	**74,121**
Interest income	39	763	769
Interest expenses for financial liabilities	39	(12,467)	(10,187)
Other interest expenses	39	(2,089)	(2,177)
Exchange rate differences	39	577	(1,436)
Other financial result	39	1,302	32
Net financial result		**(11,914)**	**(12,999)**
Result before income tax		**54,578**	**61,122**
Income tax expense	10, 40	(10,481)	(12,388)
Result after income tax		**44,097**	**48,734**
attributable to			
shareholders of PALFINGER AG (consolidated net result for the period)		**38,421**	**44,038**
non-controlling interests		**5,676**	**4,696**

EUR			
Earnings per share (undiluted and diluted)	57	1.05	1.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan–Dec 2014	Jan–Dec 2013
Result after income tax		**44,097**	**48,734**
Amounts that will not be reclassified to the income statement in future periods			
Remeasurements acc. to IAS 19	63	(5,577)	(1,332)
Deferred taxes thereon		1,446	265
Amounts that may be reclassified to the income statement in future periods			
Unrealized profits (+)/losses (–) from foreign currency translation of foreign subsidiaries		(9,798)	(12,391)
Unrealized profits (+)/losses (–) from foreign currency translation of companies reported at equity	44	15,998	27
Unrealized profits (+)/losses (–) from foreign currency translation of net investment in foreign subsidiaries		2,736	(3,839)
Deferred taxes thereon		(1,504)	416
Effective taxes thereon		911	403
Unrealized profits (+)/losses (–) from cash flow hedge	59		
Changes in unrealized profits (+)/losses (–)		(19,468)	1,504
Deferred taxes thereon		3,112	(64)
Effective taxes thereon		1,972	(303)
Realized profits (–)/losses (+)		2,706	368
Deferred taxes thereon		14	217
Effective taxes thereon		(696)	(308)
Other comprehensive income after income tax		**(8,148)**	**(15,037)**
Total comprehensive income		**35,949**	**33,697**
attributable to			
shareholders of PALFINGER AG		**30,531**	**29,449**
non-controlling interests		**5,418**	**4,248**

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31 Dec 2014	31 Dec 2013
Non-current assets			
Intangible assets	1, 15, 16, 17, 41	209,070	173,707
Property, plant and equipment	2, 16, 42	251,009	218,371
Investment property	3, 43	351	369
Investments in companies reported at equity	14, 35, 44	160,514	12,955
Other non-current assets	47	3,129	1,746
Deferred tax assets	10, 21, 45	18,627	20,206
Non-current financial assets	7, 26, 46	33,656	1,871
		676,356	**429,225**
Current assets			
Inventories	4, 20, 48	239,180	215,445
Trade receivables	5, 7, 18, 49	163,274	163,792
Other current receivables and assets	51	26,007	21,557
Tax receivables	10	3,131	3,093
Current financial assets	7, 26, 50	1,406	433
Cash and cash equivalents	7, 52	20,757	15,965
		453,755	**420,285**
Total assets		**1,130,111**	**849,510**
Equity			
Share capital	53	37,593	35,730
Additional paid-in capital	11, 54	82,056	30,727
Treasury stock	55	(1,593)	(1,790)
Retained earnings	57, 58, 59	338,966	331,013
Foreign currency translation reserve	56	(12,519)	(20,929)
Total equity of the shareholders of PALFINGER AG		**444,503**	**374,751**
Non-controlling interests	60	16,809	11,163
Total equity		**461,312**	**385,914**
Non-current liabilities			
Liabilities from puttable non-controlling interests	6, 7, 24, 58, 61	23,372	17,370
Non-current financial liabilities	7, 62	327,291	184,681
Non-current provisions	7, 8, 9, 22, 25, 63	49,386	38,592
Deferred tax liabilities	10, 45	6,639	7,652
Other non-current liabilities	64	3,062	4,561
		409,750	**252,856**
Current liabilities			
Current financial liabilities	7	85,130	51,219
Non-current provisions	9, 23, 65	12,813	12,351
Tax liabilities	10	4,902	5,172
Trade payables and other current liabilities	7, 66	156,204	141,998
		259,049	**210,740**
Total equity and liabilities		**1,130,111**	**849,510**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to the shareholders of PALFINGER AG	
EUR thousand	Note	Share capital	Additional paid-in capital
As at 1 Jan 2013		**35,730**	**30,616**
Total comprehensive income			
Result after income tax		0	0
Other comprehensive income after income tax			
Unrealized profits (+)/losses (–) from foreign currency translation	65	0	0
Remeasurements acc. to IAS 19	63	0	0
Unrealized profits (+)/losses (–) from cash flow hedge	59	0	0
		0	**0**
		0	**0**
Transactions with shareholders			
Dividends		0	0
Reclassification non-controlling interests	6, 58, 61	0	0
Addition non-controlling interests		0	0
Acquisition of non-controlling interests		0	0
Other changes	7, 55	0	111
		0	**111**
As at 31 Dec 2013		**35,730**	**30,727**
As at 1 Jan 2014		**35,730**	**30,727**
Total comprehensive income			
Result after income tax		0	0
Other comprehensive income after income tax			
Unrealized profits (+)/losses (–) from foreign currency translation	65	0	0
Remeasurements acc. to IAS 19	63	0	0
Unrealized profits (+)/losses (–) from cash flow hedge	59	0	0
		0	**0**
		0	**0**
Transactions with shareholders			
Capital increase	53	1,863	51,192
Dividends	58	0	0
Reclassification non-controlling interests	6, 58, 61	0	0
Addition non-controlling interests		0	0
Disposal non-controlling interests		0	0
Other changes	7, 55	0	137
		1,863	**51,329**
As at 31 Dec 2014		**37,593**	**82,056**

Equity attributable to the shareholders of PALFINGER AG							
	Retained earnings						
Treasury stock	Other retained earnings	Remeasurements acc. to IAS 19	Valuation reserves acc. to IAS 39	Foreign currency translation reserve	Total	Non-controlling interests	Equity
(1,858)	**305,879**	**(3,093)**	**(2,891)**	**(5,983)**	**358,400**	**6,474**	**364,874**
0	44,038	0	0	0	44,038	4,696	48,734
0	0	0	0	(14,970)	(14,970)	(414)	(15,384)
0	0	(1,033)	0	0	(1,033)	(34)	(1,067)
0	0	0	1,414	0	1,414	0	1,414
0	**0**	**(1,033)**	**1,414**	**(14,970)**	**(14,589)**	**(448)**	**(15,037)**
0	**44,038**	**(1,033)**	**1,414**	**(14,970)**	**29,449**	**4,248**	**33,697**
0	(13,448)	0	0	0	(13,448)	(3,500)	(16,948)
0	1,035	0	0	0	1,035	(342)	693
0	0	0	0	0	0	4,701	4,701
0	(870)	0	0	24	(846)	(384)	(1,230)
68	(18)	0	0	0	161	(34)	127
68	**(13,301)**	**0**	**0**	**24**	**(13,098)**	**441**	**(12,657)**
(1,790)	**336,616**	**(4,126)**	**(1,477)**	**(20,929)**	**374,751**	**11,163**	**385,914**
(1,790)	**336,616**	**(4,126)**	**(1,477)**	**(20,929)**	**374,751**	**11,163**	**385,914**
0	38,421	0	0	0	38,421	5,676	44,097
0	0	0	0	8,410	8,410	(67)	8,343
0	0	(3,940)	0	0	(3,940)	(191)	(4,131)
0	0	0	(12,360)	0	(12,360)	0	(12,360)
0	**0**	**(3,940)**	**(12,360)**	**8,410**	**(7,890)**	**(258)**	**(8,148)**
0	**38,421**	**(3,940)**	**(12,360)**	**8,410**	**30,531**	**5,418**	**35,949**
0	0	0	0	0	53,055	0	53,055
0	(14,515)	0	0	0	(14,515)	(4,912)	(19,427)
0	1,397	0	0	0	1,397	(2,820)	(1,423)
0	(971)	0	0	0	(971)	6,757	5,786
0	0	0	0	0	0	1,211	1,211
197	(79)	0	0	0	255	(8)	247
197	**(14,168)**	**0**	**0**	**0**	**39,221**	**228**	**39,449**
(1,593)	**360,869**	**(8,066)**	**(13,837)**	**(12,519)**	**444,503**	**16,809**	**461,312**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan–Dec 2014	Jan–Dec 2013
Result before income tax		**54,578**	**61,122**
Write-downs (+)/write-ups (–) of non-current assets		37,841	31,380
Gains (–)/losses (+) on the disposal of non-current assets	29, 34	(600)	(114)
Interest income (–)/interest expenses (+)	39	13,793	11,499
Income from companies reported at equity	44	(4,140)	(10,037)
Expenses for stock option programme	11	11	21
Changes in Liability from puttable non-controlling interests	61	(1,230)	96
Other non-cash income (–)/expenses (+)		(9,896)	(158)
Increase (–)/decrease (+) of assets		(34,715)	(44,736)
Increase (+)/decrease (–) of provisions		(7,118)	2,100
Increase (+)/decrease (–) of liabilities		14,623	23,439
Cash flows generated from operations		**63,147**	**74,612**
Interest received		763	769
Interest paid		(13,226)	(11,026)
Dividends received from reported at equity companies	44	3,032	3,934
Income tax paid		(6,508)	(5,790)
Cash flows from operating activities	**13**	**47,208**	**62,499**
Cash receipts from the sale of intangible assets and property, plant and equipment		2,222	6,748
Cash payments for the acquisition of intangible assets and property, plant and equipment		(60,843)	(38,450)
Cash payments for the acquisition of subsidiaries net of cash acquired*		(35,179)	(7,081)
Cash payments for the acquisition of subsidiaries in previous years	63	0	(1,194)
Cash payments for investments in companies reported at equity*	44	(122,742)	0
Cash receipts from the disposal of subsidiaries net of cash acquired		(2,655)	0
Cash receipts from the sale of securities		41	42
Cash payments for/cash receipts from other assets		(878)	222
Cash flows from investing activities		**(220,034)**	**(39,713)**
Capital increase minus issuing costs	53	52,729	0
Dividends to shareholders of PALFINGER AG	58	(14,515)	(13,447)
Dividends to non-controlling shareholders	60	(4,856)	(3,500)
Advance payments for the sale of non-controlling interests		0	1,700
Cash payments for the acquisition of non-controlling interests	61	(2,635)	(2,580)
Cash receipts from non-controlling shareholders		202	0
Cash receipts from the exercise of options under the stock option programme	11	366	200
Loans for the aquisition of interests		45,250	0
Repayment of loans for acquisitions		(5,389)	(19,549)
Long-term refinancing of redemptions and maturing short-term loans		80,000	0
Issue of promissory note loans	62	105,000	0
Repayment of maturing/terminated promissory note loans		(72,500)	0
Cash payments for/cash receipts from other financial liabilities	62	(5,269)	6,826
Cash flows from financing activities		**178,383**	**(30,350)**
Total cash flows		**5,557**	**(7,564)**

* See scope of consolidation.

EUR thousand		2014	2013
Funds as at 1 Jan	**52, 13**	**15,965**	**24,476**
Effects of foreign exchange differences		(765)	(947)
Total cash flows		5,557	(7,564)
Funds as at 31 Dec	**52, 13**	**20,757**	**15,965**

OPERATING SEGMENTS

The Management Board of PALFINGER AG manages the Group by dividing it into the regional operating segments EUROPEAN UNITS and AREA UNITS as well as the VENTURES unit. The structure of the operating segments follows the strategy of the Management Board and combines cash-generating units that are comparable on the basis of their economic features such as anticipated long-term margins, competitive position, products, etc.

EUROPEAN UNITS

The EUROPEAN UNITS segment comprises the following cash-generating units:

- Business area EMEA
- Business area Marine

The EUROPEAN UNITS segment comprises the business area EMEA (Europe, Middle East, Africa and Australia), under which the business units Loader Cranes, Timber and Recycling Cranes, Tail Lifts, Access Platforms, Hooklifts, Truck Mounted Fork-lifts, Railway Systems, Production and the distribution company in Germany are subsumed. This area includes the markets and business units already established.

In addition, this segment comprises the transregional Marine business area, composed of the six business units Marine Cranes, Wind Cranes, Offshore Cranes, Launch & Recovery Systems, Boats and Rope Access.

The EUROPEAN UNITS segment is managed from Europe and primarily includes developed markets. The lion's share of value creation takes place in Europe with a focus on developing the most modern and efficient products. As a consequence, continued product enhancements and a cost-efficient and elastic value-creation chain are the main priorities. The Group's strategic pillars of innovation and flexibility are united above all in this segment.

AREA UNITS

The AREA UNITS segment comprises the following cash-generating units:

- Business area North America (excl. ETI)
- ETI*
- Business area South America
- Business area Asia and Pacific
- Business area CIS

* ETI = Equipment Technology, LLC, Oklahoma City (US)

The AREA UNITS segment centres around the strategic pillar of internationalization. Given that the markets outside Europe are for the most part still being developed, growth is to be accelerated by the Group's own initiatives, partnerships and acquisitions. From a strategic point of view, this segment focuses on introducing customers to the PALFINGER products, i.e. establishing the PALFINGER technology in these markets and building up a distribution structure.

VENTURES

In the VENTURES unit, PALFINGER bundles all future strategic projects at their development stage. The aim of separating this unit from the operating business is to guarantee a targeted focus on building up new fields of business and continuing market development. No revenue is reported in the VENTURES unit.

Amounts stated

The amounts stated for the purposes of segment reporting are in line with the accounting and valuation methods applied to the IFRS consolidated financial statements.

Current capital is composed of inventories and trade receivables on the assets side and trade payables and advances received on the liabilities side.

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.

Transfer pricing for deliveries between subsidiaries is carried out at production cost based on standard capacity utilization plus a mark-up derived from a standardized functional and risk analysis.

Services are divided into different groups and then either charged on a cost basis (final account, cost contribution arrangement, lump sum payment) or using the mark-up method. Whether a profit mark-up may be charged depends on the allocation and on whether the service 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) and income taxes are controlled uniformly for the entire Group rather than being allocated to the individual operating segments.

EUR thousand	EUROPEAN UNITS Jan–Dec 2014	AREA UNITS Jan–Dec 2014	VENTURES Jan–Dec 2014	Consolidation Jan–Dec 2014	Unallocated amounts Jan–Dec 2014	Total Jan–Dec 2014
External revenue	720,340	343,081	0	0	0	1,063,421
Intra-Group revenue	87,737	34	0	(87,771)	0	0
Total revenue	**808,077**	**343,115**	**0**	**(87,771)**	**0**	**1,063,421**
Depreciation, amortization and impairment	(30,006)	(8,139)	0	0	0	(38,145)
thereof						
Impairment	(2,124)	(385)	0	0	0	(2,509)
Income from companies reported at equity	2,913	1,227	0	0	0	4,140
EBIT	74,965	10,441	(19,011)	97	0	66,492
Segment assets	714,980	445,952	0	(108,398)	77,578	1,130,112
thereof						
investments in companies reported at equity	12,312	148,202	0	0	0	160,514
current capital assets	245,778	165,725	0	0	(9,050)	402,453
Segment liabilities	174,158	179,077	0	(108,398)	423,962	668,799
thereof						
current capital liabilities	73,887	24,644	0	0	4,178	102,709
Investments in intangible assets and property, plant and equipment	41,035	19,828	0	0	0	60,863

EUR thousand	EUROPEAN UNITS Jan–Dec 2013	AREA UNITS Jan–Dec 2013	VENTURES Jan–Dec 2013	Consolidation Jan–Dec 2013	Unallocated amounts Jan–Dec 2013	Total Jan–Dec 2013
External revenue	651,033	329,640	0	0	0	980,673
Intra-Group revenue	84,266	31	0	(84,297)	0	0
Total revenue	**735,299**	**329,671**	**0**	**(84,297)**	**0**	**980,673**
Depreciation, amortization and impairment	(24,565)	(6,805)	0	0	0	(31,370)
thereof						
Impairment	(400)	0	0	0	0	(400)
Income from companies reported at equity	10,037	0	0	0	0	10,037
EBIT	83,452	11,432	(20,263)	(500)	0	74,121
Segment assets	622,947	244,960	0	(59,965)	41,568	849,510
thereof						
Investments in companies reported at equity	12,955	0	0	0	0	12,955
Current capital assets	238,945	143,800	0	0	(3,509)	379,236
Segment liabilities	157,410	117,427	0	(59,965)	248,724	463,596
thereof						
Current capital liabilities	74,768	19,205	0	0	6,876	100,849
Investments in intangible assets and property, plant and equipment	27,754	10,954	0	0	0	38,708

The following table shows revenue broken down by product segment:

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Cranes	652,727	623,651
Hydraulic systems	410,694	357,022
Total	**1,063,421**	**980,673**

The product segment loader cranes is primarily composed of the products loader cranes, timber and recycling cranes, marine cranes and the related service business. The hydraulic systems product group comprises, among other things, the products tail lifts, access platforms, hooklifts, truck mounted forklifts and railway systems.

No single external customer contributes more than 10 per cent to external revenue.

INFORMATION ON GEOGRAPHICAL AREAS

Non-current assets can be broken down as follows:

EUR thousand	31 Dec 2014	31 Dec 2013
Intangible assets		
Austria	48,401	44,528
Germany	36,565	36,384
Russia	23,632	16,541
United Arab Emirates	22,986	0
North America	22,879	20,580
France	16,968	16,710
Romania	12,050	12,211
Norway	10,235	11,143
Netherlands	5,275	5,972
Other foreign countries	10,079	9,638
	209,070	**173,707**
Property, plant and equipment		
Austria	66,439	68,421
North America	39,202	32,051
Bulgaria	27,918	26,838
Slovenia	21,914	22,939
Germany	20,456	18,558
Russia	16,093	4,649
Romania	12,566	9,305
Brazil	11,696	6,445
Korea	6,516	5,724
Canada	5,573	4,962
France	4,480	4,659
Other foreign countries	18,156	13,820
	251,009	**218,371**
Investment property		
Germany	351	369
	351	**369**
Deferred tax assets		
Austria	3,581	5,998
Foreign countries	15,046	14,208
	18,627	**20,206**
Other non-current assets		
Austria	1,188	803
France	824	73
Brazil	493	354
Russia	179	203
India	110	126
Germany	67	73
Other foreign countries	268	114
	3,129	**1,746**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL REMARKS

PALFINGER AG is a publicly listed company headquartered in 5020 Salzburg, Austria, Franz-Wolfram-Scherer-Strasse 24. 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 31 December 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). As these consolidated financial statements meet the criteria laid down in sec. 245a of the (Austrian) Business Code (UGB), the Company is not obliged to prepare financial statements in accordance with the provisions of the Code. All additional requirements according to sec. 245a para. 1 of the Business Code were complied with.

These consolidated financial statements were prepared as at the reporting date of the parent company PALFINGER AG. The financial 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 at the reporting date of the consolidated financial statements. The only exception was the associated company SANY Automobile Hoisting Machinery Co., Ltd. Given that the relevant information regarding this company will always become available only after PALFINGER has published the respective financial statements, it was decided that the results of the respective previous quarter would always be used when preparing the consolidated financial statements. Any key events that might place between the date of the quarterly financial information included in these consolidated financial statements and the reporting date would adequately taken into account.

Uniform accounting and valuation criteria were applied within the Group. The consolidated financial statements were prepared on the assumption that the Company would continue as a going concern. For the sake of a clearer presentation, items were aggregated for the purposes of 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. The same items were then listed and explained separately in the notes, following the principle of materiality.

The consolidated balance sheet was structured in accordance with IAS 1, separating current from non-current assets and liabilities. Assets and liabilities were classified as current if they were likely to be realized or balanced within twelve months of the balance sheet date. The consolidated income statement was prepared according to the cost of sales method.

For the sake of clarity and comparability, all figures in the consolidated financial statements are, in principle, expressed in thousands of euros. Minimal arithmetic differences may arise from the application of commercial rounding to individual items and percentages.

The consolidated financial statements and the separate financial statements of the companies included were published in accordance with statutory requirements. The consolidated financial statements of PALFINGER AG for the year ended 31 December 2014 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, Austria. The consolidated financial statements for the year ended 31 December 2014 were released for submission to the Supervisory Board on 28 January 2015 by the Management 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 31 December 2014.

CONSOLIDATION PRINCIPLES

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 companies controlled by PALFINGER AG as at 31 December of each year. A company controls another company when it has the power to decide on relevant activities, has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Associated companies and joint ventures are included according to the equity method. An associated company is a company on which PALFINGER AG may exercise significant influence by participating in its financial and operating policy decisions but over which it has no control or joint control. There is a rebuttable presumption that the investor holds 20 to 50 per cent of the voting power. 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 company hold rights to the net assets of such company.

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

	Controlling company[1]	Direct investment[2] in per cent		Indirect investment[3] in per cent		Curr.[4]
Company, registered office		**2014**	**2013**	**2014**	**2013**	
Fully consolidated companies						
PALFINGER AG, Salzburg, (AT)						EUR
Composite Works, LLC, Oklahoma City (US)	ETI	63.48	63.48	50.78	50.78	USD
Dreggen BG LLC, Kaliningrad (RU)	DREG		100.00		100.00	RUB
EPSILON Kran GmbH., Salzburg (AT)	PEMEA	65.00	65.00	65.00	65.00	EUR
Equipment Technology, LLC, Oklahoma City (US)	PUSA	80.00	80.00	80.00	80.00	USD
Guima Palfinger S.A.S., Caussade (FR)	PEMEA	65.00	80.00	65.00	80.00	EUR
Holding Company Podyomnie Maschini ZAO, Arkhangelsk (RU) (initial consolidation: 1 October 2014)	VMS/PMH	100.00	-	60.00	-	RUB
INMAN ZAO, Ishimbay (RU)	PCIS	100.00	100.00	100.00	100.00	RUB
Konvek OOO, Velikiye Luki (RU) (initial consolidation: 1 October 2014)	VMS/PM	100.00	-	60.00	-	RUB
Madal Palfinger S.A., Caxias do Sul (BR)	PSAG	99.64	99.64	99.64	99.64	BRL
Mega Repairing Machinery Equipment LLC, Dubai (AE) (initial consolidation: 14 January 2014)	PSYSU	70.00	-	70.00	-	AED
Megarme General Contracting Company LLC, Abu Dhabi (AE) (initial consolidation: 14 January 2014)	PSYSU	70.00	-	70.00	-	AED
Megarme Qatar WLL, Katar (QA) (initial consolidation: 14 January 2014)	PSYSU	70.00	-	70.00	-	QAR
MBB Palfinger s.r.o., Bratislava (SK)	MBB	100.00	100.00	100.00	100.00	EUR
MBB Inter S.A.S., Silly en Gouffern (FR)	MBB	100.00	100.00	100.00	100.00	EUR
MBB Interlift N.V., Erembodegem (BE)	MBB	100.00	100.00	100.00	100.00	EUR
MBB Palfinger GmbH, Ganderkesee (DE)	PEMEA	100.00	100.00	100.00	100.00	EUR
Nimet Srl, Lazuri (RO)	PPT	60.00	60.00	60.00	60.00	RON
Omaha Standard, LLC, Council Bluffs (US)	PUSA	100.00	100.00	100.00	100.00	USD
PalAir GmbH, Salzburg, (AT)	PAG	100.00	100.00	100.00	100.00	USD
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

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2014	Direct investment[2] in per cent 2013	Indirect investment[3] in per cent 2014	Indirect investment[3] in per cent 2013	Curr.[4]
Palfinger Boats B.V., Harderwijk (NL) (formerly Fast RSQ B.V)	PND	80.00	80.00	80.00	80.00	EUR
Palfinger Boats Vietnam Co., Ltd., Hung Yen (VN) (formerly Fast RSQ Vietnam Co., Ltd.)	BOATS	100.00	100.00	80.00	80.00	USD
Palfinger CIS GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Crane Rus LLC, St. Petersburg (RU)	PARUS	100.00	100.00	100.00	80.00	RUB
Palfinger Cranes India Pvt. Ltd., Chennai (IN)	PAUG/PAP	100.00	100.00	100.00	100.00	INR
Palfinger Dreggen AS, Bergen (NO)	PMB	100.00	100.00	100.00	100.00	NOK
Palfinger Dreggen Do Brasil Ltda, Rio de Janeiro (BR)	DREG	100.00	100.00	100.00	100.00	BRL
Palfinger Dreggen Korea, Limited, Sacheon (KR)	PMB	100.00	100.00	100.00	100.00	KRW
Palfinger Dreggen Poland sp. z.o.o., Gdynia (PL) (initial consolidation: 10 April 2014)	PMB	100.00		100.00		PLN
Palfinger Dreggen Pte. Ltd., Singapore (SG)	DREG	100.00	100.00	100.00	100.00	SGD
Palfinger EMEA GmbH, Salzburg (AT)	PAG	100.00	-	100.00	-	EUR
Palfinger Europe GmbH, Salzburg (AT)	PEMEA	100.00	100.00	100.00	100.00	EUR
Palfinger GmbH, Ainring (DE)	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, Inc., Niagara Falls (CA)	PNAG	100.00	100.00	100.00	100.00	USD
Palfinger Koch Metalúrgica Ltda., Cachoeirinha (BR)	PDB	60.00	60.00	60.00	60.00	BRL
Palfinger Liftgates, LLC, Cerritos (US)	PUSA	100.00	100.00	100.00	100.00	USD
Palfinger Marine- und Beteiligungs-GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Marine d.o.o., Maribor, Maribor (SI)	PMB	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Pte.Ltd., Singapore (SG)	PMB	100.00	100.00	100.00	100.00	SGD
Palfinger Marine Services AS, Rosendal (NO)	PMB		100.00		100.00	NOK
Palfinger Marine Services B.V., Elst (NL)	PMB	100.00	100.00	100.00	100.00	EUR
Palfinger PM Holding GmbH, Salzburg (AT) (initial consolidation: 1 October 2014)	PCIS	60.00		60.00		EUR
Palfinger Ned-Deck B.V., Barneveld (NL) (formerly Ned-Deck Marine B.V.)	PMB	100.00	100.00	100.00	100.00	EUR
Palfinger Ned-Deck Vietnam Co. Ltd., Hanoi (VN) (formerly Ned-Deck Marine Vietnam Co. Ltd.)	PND	100.00	100.00	100.00	100.00	USD
Palfinger North America GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms GmbH, Krefeld (DE)	MBB/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	PEMEA	100.00	100.00	100.00	100.00	EUR
Paflinger Platforms Italy S.r.l., Bolzano (IT)	PSUG	80.00	80.00	80.00	80.00	EUR
Palfinger Proizvodnja d.o.o., Maribor (SI)	PEMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Proizvodna Tehnologija Hrvatska d.o.o., Delnice (HR)	PEMEA	100.00	100.00	100.00	100.00	HRK
Palfinger Russland GmbH, Salzburg (AT)	PCIS	100.00	80.00	100.00	80.00	EUR
Palfinger (Shenzhen) Ltd., Shenzhen (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger South America GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger SLS Holding Pte. Ltd., Singapore (SG)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger S. Units GmbH, Salzburg (AT) (formerly Palfinger European Units GmbH)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger systems units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul (BR)	MP	100.00	100.00	99.64	99.64	BRL
Palfinger USA, Inc., Tiffin (US)	PNAG	100.00	100.00	100.00	100.00	USD
PalFleet Truck Equipment Company, LLC, Birmingham (US)	OSI	100.00	100.00	100.00	100.00	USD
PM Engineering OOO, Velikiye Luki (RU) (initial consolidation: 1 October 2014)	SMZ OOO	100.00		60.00		RUB

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2014	Direct investment[2] in per cent 2013	Indirect investment[3] in per cent 2014	Indirect investment[3] in per cent 2013	Curr.[4]
Podyomnie Maschini ZAO, Velikiye Luki (RU) (initial consolidation: 1 October 2014)	PMH	100.00		60.00		RUB
Ratcliff Palfinger Ltd., Welwyn Garden City (UK)	PEMEA	100.00	100.00	100.00	100.00	GBP
SMZ OAO, Arkhangelsk (RU) (initial consolidation: 1 October 2014)	PM/HKPM	100.00		60.00		RUB
SMZ OOO, Arkhangelsk (RU) (initial consolidation: 1 October 2014)	VMS/HKPM	100.00		60.00		RUB
Velmash-S OOO, Velikiye Luki (RU) (initial consolidation: 1 October 2014)	PM/HKPM	100.00		60.00		RUB
Velmash ZAO, Velikiye Luki (RU) (initial consolidation: 1 October 2014)	SMZ OAO/HKPM	100.00		60.00		RUB
Companies reported at equity						
Associated companies						
Andrés N. Bertotto S.A.I.C., Río Tercero (AR) (initial consolidation: 31 July 2014)	PSAG	30.00		30.00		ARS
Dreggen (Hong Kong) Company Limited, Hong Kong	DREG	33.00	33.00	33.00	33.00	HKD
Palfinger Argentina S.A., Buenos Aires (AR)	MP	100.00	100.00	99.64	99.64	ARS[5]
Palfinger France S.A., Étoile sur Rhône (FR)	PEMEA	49.00	49.00	49.00	49.00	EUR
STEPA Farmkran Gesellschaft m.b.H., Elsbethen (AT)	PEMEA	45.00	45.00	45.00	45.00	EUR
SANY Automobile Hoisting Machinery Co.,Ltd., Changsha City (CN) (initial consolidation: 14 May 2014)	PSLS	10.00		10.00		CNY
Joint ventures						
Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)	PSUG	50.00	50.00	50.00	50.00	EUR[6]
PALFINGER SANY Cranes ooo, Moscow (RU)	PSV	100.00	100.00	50.00	50.00	RUB[6]
Sany Palfinger SPV Equipment Co., Ltd., Changsha (CN)	PAP	50.00	50.00	50.00	50.00	CNY[6]
Other shareholdings						
Palfinger systems GmbH, Salzburg (AT)	PSYSU	26.00		26.00		EUR
Palfinger Entraco systems Solution BV, Spijkenisse (NL)	PSYS	50.00		13.00		EUR

1) Controlling company:
DREG = Palfinger Dreggen AS, Bergen (NO)
ETI = Equipment Technology, LLC, Oklahoma City (US)
BOATS = Palfinger Boats B.V., Barneveld (NL)
HKPM = Holding Company Podyomnie Maschini ZAO
MBB = MBB Palfinger GmbH, Ganderkesee (DE)
MP = Madal Palfinger S.A., Caxias do Sul (BR)
PND = Palfinger Ned-Deck B.V., Barneveld (NL)
OSI = Omaha Standard, LLC, Council Bluffs (US)
PAG = PALFINGER AG, Salzburg (AT)
PAP = Palfinger Asia Pacific Pte. Ltd., Singapur (SG)
PARUS = Palfinger Russland GmbH, Salzburg (AT)
PAUG = Palfinger Area Units GmbH, Salzburg (AT)
PCIS = Palfinger CIS GmbH, Salzburg (AT)
PDB = Palfinger Dreggen Do Brasil Ltda, Rio de Janeiro (BR)
PEMEA = Palfinger EMEA GmbH, Salzburg (AT)
PEU = Palfinger Europe GmbH, Salzburg (AT)
PSUG = Palfinger S. Units GmbH, Salzburg (AT)
PM = Podyomnie Maschini ZAO, Velikiye Luki (RU)
PMB = Palfinger Marine- und Beteiligungs-GmbH, Salzburg (AT)
PMH = Palfinger PM Holding GmbH, Salzburg (AT)
PNAG = Palfinger North America GmbH, Salzburg (AT)
PP = Palfinger Platforms GmbH, Krefeld (DE)
PPT = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)
PSAG = Palfinger South America GmbH, Salzburg (AT)
PSV = Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)
PUSA = Palfinger USA, Inc., Tiffin (US)
PSLS = Palfinger SLS Holding Pte. Ltd., Singapore (SG)
PSYS = Palfinger systems GmbH (AT)
PSYSU = Palfinger systems units GmbH (AT)
VMS = Velmash-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) Curr. = functional currency
5) Company not fully consolidated due to negligible importance.
6) Consolidated on a proportionate basis in 2013

NEWLY FOUNDED COMPANIES

On 10 April 2014, Palfinger Dreggen Poland sp. z.o.o., Gdynia, Poland, was founded. Palfinger Marine- und Beteiligungs-GmbH holds 100 per cent in this company.

On 14 August 2014, PALFINGER and KAMAZ, the largest Russian truck manufacturer, agreed on the establishment of two joint ventures. The PALFINGER Group will hold 49 per cent and the KAMAZ Group 51 per cent in the joint venture focussing on mounting, which will specialize in truck bodies. PALFINGER's stake in the cylinder production joint venture will be 51 per cent. PALFINGER will acquire this interest in the existing cylinder production of KAMAZ in Neftekamsk in the Bashkortostan region and will invest in the modernization of the plants. Subject to the necessary approvals, the closing of both transactions and hence the foundation of the new joint venture companies is planned to take place at the beginning of 2015.

REORGANIZATIONS

These reorganizations did not have any impact on the scope of consolidation:

In the course of optimizing the Group's structure, a process which was begun in 2012, Palfinger EMEA GmbH, Salzburg, was entered into the commercial register on 25 September 2014 under the demerger and takeover agreement of 2 June 2014 to become a wholly-owned subsidiary of PALFINGER AG by way of a demerger. This company bundles all the participations held by the area EMEA.

As at 18 December 2014, Palfinger Marine- und Beteiligungs-GmbH sold Ratcliff Palfinger Ltd., Welwyn Garden City, Great Britain, to Palfinger EMEA GmbH.

ACQUISITIONS IN 2014

Palfinger systems

On 14 November 2013, the contracts for the acquisition of 85 per cent of the shares in Palfinger systems GmbH, Salzburg, and its investment companies were signed. This transaction was closed on 14 January 2014.

Palfinger systems GmbH, which is headquartered in Salzburg and operates a manufacturing and assembly plant in Weng im Gesäuse (Austrian province of Styria), has so far been owned by Palfinger Privatstiftung. The company develops and produces innovative technologies in engineering and processing as well as tailor-made customer and project solutions. The advantage of these solutions is that they make work processes faster, more efficient, safer and more environmentally friendly than conventional methods.

Originally, the strategic objective was to get these trend-setting technologies ready for series production in order to optimally use the synergies with the PALFINGER Group. However, in the course of the takeover of Palfinger systems GmbH it turned out that additional investments and development steps would be necessary in order to realize the full potential harboured by these technologies. As the necessary developments can best be achieved through a new ownership structure, the Management Board decided to withdraw from this commitment. Consequently, under a contract dated 18 December 2014, the PALFINGER Group gave up control over the company as of 31 December 2014 by selling 59 per cent of the shares to a company owned by Hubert Palfinger sen. for a purchase price of EUR 1. For the time being, the PALFINGER Group thus remains a non-controlling shareholder with an interest of 26 per cent. Given the regulations regarding mezzanine capital, no dividends are expected to come from this shareholding in the foreseeable future. There is no obligation to make additional contributions in the case of losses or to make equity contributions.

PALFINGER AG holds accounts receivable from Palfinger systems GmbH in the amount of approx. EUR 29 million. The companies have agreed on an instalment plan for repayment over the next 10 years. Observance of this instalment plan has been secured by various forms of collateral provided by related parties (guarantees, pledging of lease proceeds) outside Palfinger systems GmbH so that no impairment loss for the overall accounts receivable of EUR 29 million has to be recorded. Interest payable on the receivables will be in observance of the arm's length principle.

Thus, the 26 per cent non-controlling interest is being held in order to provide security for the interests of PALFINGER AG as a creditor. Given the overall picture of the contractual agreements and the reduced minority rights, no significant influence is being exercised, despite the 26 per cent interest. The shareholding was included at an amortized cost of EUR 1.

The final allocation of the purchase price on the basis of the fair values and the effects of deconsolidation were as follows:

EUR thousand	**Acquisition**	**Deconsolidation**
Purchase price paid / received in cash	0	0
Carrying amount of non-controlling interests		(1,211)
Subtotal	**0**	**(1,211)**
Net assets	0	8,936
Goodwill / income from disposal	**0**	**7,725**

In the course of this acquisition, potential non-controlling interests from mezzanine capital and a disproportional dividend were agreed upon. Following deconsolidation, these agreements no longer have any impact on the consolidated financial statements of PALFINGER AG. As their fair values were insignificant, they were not included in the purchase price allocation.

The positive effect on earnings resulting from the deconsolidation was recognized under miscellaneous other operating income.

At the time of acquisition in January and the sale in December, the net assets acquired and sold, respectively, could be broken down as follows:

EUR thousand	**Fair value - initial consolidation**	**Carrying amounts - deconsolidation**
Non-current assets		
Intangible assets	28	13
Property, plant and equipment	8,452	4,195
Investments in associated companies	436	436
Deferred tax assets	34	0
Other non-current assets	1	2
	8,951	**4,646**
Current assets		
Inventories	12,185	17,090
Trade receivables	1,777	8,968
Other current receivables and assets	1,150	1,904
Cash and cash equivalents	4	26
	15,116	**27,988**
Non-current liabilities		
Non-current financial liabilities	4,488	605
Non-current provisions	98	119
	4,586	**724**
Current liabilities		
Current financial liabilities	7,314	33,445
Current provisions	74	93
Tax liabilities	207	0
Trade payables and other current liabilities	11,886	7,308
	19,481	**40,846**
Net assets	**0**	**(8,936)**

Net cash flows from the acquisitions and the sale were as follows:

EUR thousand	**Acquisition**	**Deconsolidation**
Cash flows from operating activities		
Transaction costs	(6)	0
Cash flows from investing activities		
Purchase price paid / received in cash	0	0
Cash and cash equivalents	4	(26)
Net cash flows from the acquisitions	**(2)**	**(26)**

From the time of their initial consolidation until their deconsolidation, the acquired Palfinger systems contributed EUR 7,069 thousand to the consolidated revenue of PALFINGER AG. The temporary control held by PALFINGER AG over Palfinger systems GmbH did not have any effect on the 2014 consolidated net result for the period because the company's negative results were compensated by the proceeds from the disposal.

Megarme

The takeover of 70 per cent of the shares in the Megarme Group was closed on 14 January 2014. The minority shareholders hold a put option regarding the remaining 30 per cent, entitling them to sell the remaining shares to PALFINGER. This obligation is reported under liabilities from puttable non-controlling interests.

The Megarme Group specializes in the service business and is composed of three companies in the Arab region: in Dubai, Abu Dhabi and Qatar. It provides rope access technologies applied by rope access technicians.

With the takeover of Megarme, PALFINGER has acquired its first locations in the Arab region, which is an important market for these industries. The takeover of Megarme also marks another step in the internationalization of the PALFINGER Group. Megarme is adding value-creation structures in the Arab region as well as many years of experience with the market.

At the time of acquisition, the final purchase price allocation for the acquisition on the basis of the fair values was as follows:

EUR thousand	2014
Purchase price paid in cash	17,963
Liabilities from puttable non-controlling interests	8,209
Subtotal	**26,172**
Net assets	(14,420)
Goodwill	**11,752**

The goodwill associated with the acquisition primarily reflects the benefits expected from synergies and the potential arising from market expansion in the shipping and offshore industries, and from staff know-how.

The goodwill generated cannot be used for tax purposes.

At the time of acquisition, the net assets acquired, on the basis of the fair values, were broken down as follows:

EUR thousand	Fair value
Non-current assets	
Intangible assets	9,901
Property, plant and equipment	2,209
Non-current financial assets	573
Other non-current assets	87
	12,770
Current assets	
Trade receivables	5,017
Other current receivables and assets	209
Cash and cash equivalents	235
	5,461
Non-current liabilities	
Non-current financial liabilities	272
Non-current provisions	1,145
Deferred tax liabilities	66
	1,483
Current liabilities	
Current financial liabilities	69
Tax liabilities	66
Trade payables and other current liabilities	2,193
	2,328
Net assets	**14,420**

The trade receivables taken over have a gross value of EUR 5,634 thousand. The impairment loss for probable bad debt is EUR 617 thousand.

Net cash flows from the acquisitions were as follows:

EUR thousand	2013/2014
Cash flows from operating activities	
Transaction costs	(126)
Cash flows from investing activities	
Purchase price paid in cash	(17,963)
Cash and cash equivalents	235
Net cash flows from the acquisitions	**(17,854)**

Since the time of its initial consolidation the acquisition of Megarme has contributed EUR 18,792 thousand to the consolidated revenue of PALFINGER AG and EUR 1,063 thousand to the consolidated net result for the period.

PM-Group Lifting Machines

On 18 December 2013, PALFINGER signed the contract regulating the takeover of the majority of shares in PM-Group Lifting Machines, Russia. On 1 October 2014, the PALFINGER Group finalized the acquisition of a 60 per cent interest in PM-Group Lifting Machines, Russia, via an Austrian interim holding. An additional 20 per cent was acquired by Steindl Forsttechnik GmbH. Regarding the remaining 20 per cent, the non-controlling shareholder holds a put option to sell the remaining shares to PALFINGER, and PALFINGER holds a call option. Both options may be exercised in 2019. Until the point in time when the call/put options are exercised, the seller is entitled to a disproportional dividend, entitling it to a disproportionally high share in the future profit. These obligations have been reported as accelerated purchase price under non-current provisions.

PM-Group Lifting Machines is an important producer of cranes for timber and recycling in Russia and comprises the two Russian crane manufacturers Velmash and Solombalsky. They produce and distribute a broad range of timber and recycling cranes. In addition, the group also offers hooklifts and customized solutions. With its extensive sales network, comprising 86 dealers, service centres and regional offices, PM-Group Lifting Machines is the perfect addition to the market development efforts being pursued by PALFINGER/EPSILON.

For PALFINGER, this takeover constitutes an important step in the expansion of its business activities in Russia, turning Russia into one of PALFINGER's three most important markets. This enables the Company to offer an extended product range and enhanced service to its customers. Moreover, PALFINGER sees sales opportunities for PM products in India and China.

Given the high complexity of the transaction and the size of the acquisition, the purchase price allocation was based on preliminary values. The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for determining the fair values, in particular relating to the customer base, the brand, incoming orders, inventories, property, plant and equipment, and provisions as well as deferred taxes have been analysed in detail.

At the time of acquisition, the purchase price allocation on the basis of the preliminarily estimated fair values was as follows:

EUR thousand	**2014**
Purchase price paid in cash	18,000
Purchase price not yet due	9,592
Pro-rata net assets of non-controlling interests (Steindl Forsttechnik GmbH)	4,096
Subtotal	**31,688**
Net assets	(20,480)
Goodwill	**11,208**

The goodwill associated with the acquisition primarily reflects the benefits expected from synergies, from the potential arising from market expansion in Russia, primarily in the field of timber and recycling cranes, and from staff know-how.

The goodwill generated cannot be used for tax purposes. EUR 9,857 thousand of the goodwill generated will be allocated to the cash-generating unit business area CIS and EUR 1,351 thousand will be allocated to the cash-generating unit business area EMEA.

At the time of acquisition, the net assets acquired, on the basis of the estimated fair values, were broken down as follows:

EUR thousand	Fair value
Non-current assets	
Intangible assets	8,384
Property, plant and equipment	10,689
Deferred tax assets	317
Non-current financial assets	42
Other non-current assets	43
	19,475
Current assets	
Inventories	11,105
Trade receivables	2,357
Other current receivables and assets	864
Tax receivables	19
Cash and cash equivalents	545
	14,889
Non-current liabilities	
Non-current financial liabilities	2,248
Non-current provisions	472
Deferred tax liabilities	2,129
	4,849
Current liabilities	
Current financial liabilities	1,907
Current provisions	751
Tax liabilities	40
Trade payables and other current liabilities	6,336
	9,035
Net assets	**20,480**

The trade receivables taken over have a gross value of EUR 2,487 thousand. The impairment loss for probable bad debt is EUR 130 thousand.

Net cash flows from the acquisition were as follows:

EUR thousand	2014
Cash flows from operating activities	
Transaction costs	(181)
Cash flows from investing activities	
Purchase price paid in cash	(18,000)
Cash and cash equivalents	545
Net cash flows from the acquisition	**(17,636)**

Since the time of its initial consolidation the acquisition of PM-Group Lifting Machines has contributed EUR 13,186 thousand to the consolidated revenue of PALFINGER AG and EUR 863 thousand to the consolidated net result for the period.

Pro forma disclosures

If the acquisition of PM-Group Liftung Machines had been made with effect from 1 January 2014, the consolidated net result for the period of PALFINGER AG would have been as follows:

EUR thousand	**Jan–Dec 2014 stated**	**Jan–Dec 2014 pro forma**
Revenue	1,063,421	1,092,512
Result after income tax	44,097	44,315
Earnings per share in EUR	1.05	1.05

SANY-Lifting-Business

PALFINGER and SANY agreed to expand their partnership by way of acquiring a 10 per cent economic interest in each other's companies. On 10 December 2013, the agreements for the acquisition of 10 per cent in SANY-Lifting-Business were signed. SANY Lifting is the unit within the SANY Group that specializes in mobile, tower and crawler cranes. The 10 per cent participation was carried out through the issue of new shares, by SANY Automobile Hoisting Machinery Co., Ltd., Changsha City, in the course of a capital increase against cash contributions. The purchase price was approx. EUR 110 million.

In return, SANY Heavy Industries acquired an interest of 10 per cent in PALFINGER AG. Half of the stake in PALFINGER AG acquired by SANY Heavy Industries (1,863,258 shares) took the form of new shares issued to SANY from the authorized capital of PALFINGER AG; the other half of the stake was effected through the acquisition of existing shares from the Palfinger family. The price payable by SANY was EUR 29 per share. For further details on the capital increase, please see Note (53) Share capital.

The transaction was closed on 14 May 2014 once the official and formal approvals had been obtained. However, only information as at the end of the first quarter was available to PALFINGER. Therefore, the purchase price allocation was carried out using the figures as at 31 March 2014. PALFINGER estimates that the changes as at 14 May 2014 have been marginal.

Net cash flows from the cross shareholding were as follows:

EUR thousand	**2013/2014**
Cash flows from operating activities	
Transaction costs	(1,135)
Cash flows from investing activities	
Purchase price paid in cash	(109,978)
Cash flows from financing activities	
Capital increase of PALFINGER AG excl. issuing costs, which was subscribed by Sany	52,729
Net cash flows from the acquisition	**(58,384)**

The 10 per cent interest in SANY Automobile Hoisting Machinery Co., Ltd. is included in the consolidated financial statements at equity as an associated company. The significant influence results from rights granted to PALFINGER by way of contract such as, for instance, 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 know-how, and representation in the supervisory body.

At the time of acquisition, the purchase price for the interest in SANY Automobile Hoisting Machinery Co., Ltd., was allocated on the basis of the preliminarily estimated fair values as follows:

EUR thousand	2014
Purchase price paid in cash	109,978
Subtotal	**109,978**
Pro-rata net assets	(18,797)
Pro-rata capital increase at SANY Lifting Business	(11,053)
Goodwill	**80,128**

Net assets include non-current assets in the amount of EUR 315,635 thousand and net working capital in the amount of – EUR 132,567 thousand.

The goodwill associated with the acquisition reflects the benefits expected from the potential arising from market expansion in China on the one hand and from the high degree of internationalization of this sector on the other hand. As the strategy pursued by SANY Lifting depends on China's efforts to internationalize its economy, there are good sales opportunities in South and North America, the Middle East and Africa as well as in the Commonwealth of Independent States. Another component of the goodwill generated is the extensive staff know-how in this area.

Whether an impairment loss will have to be recorded depends on the development of the Chinese economy and on the success of the internationalization strategy. The development of the goodwill will be influenced primarily by the performance of the construction industry in China. The progressing urbanization of the Chinese population and the infrastructure projects resulting therefrom play a vital role in this connection. In the international markets, there are various political and macroeconomic risks that might have an impact on the goodwill realized.

The goodwill generated cannot be used for tax purposes.

PALFINGER only has access to the figures as at the end of a quarter. Given that the relevant information will always become available only after PALFINGER has published the respective quarterly report, it was decided to carry out the initial consolidation as at 31 March 2014 and to use the results of the previous quarter when preparing the consolidated financial statements. As a consequence, the results for the period 31 March 2014 to 30 September 2014 have been included in these consolidated financial statements for the year ended 31 December 2014. No key events that would have had to be disclosed in the case of consolidation at equity took place between 30 September and 31 December 2014.

HIDRO-GRUBERT

On 25 June 2014, PALFINGER agreed to acquire an interest of 30 per cent in Andrés N. Bertotto S.A.I.C., a company based in Río Tercero, Córdoba, Argentina, which operates under the brand of HIDRO-GRUBERT. Moreover, PALFINGER was granted the option to take over the majority of the company's shares during the next three to five years. The closing of the transaction took place on 31 July 2014.

HIDRO-GRUBERT produces access platforms, hydraulic knuckle boom cranes and truck bodies in Río Tercero in the Argentinian province of Córdoba. It is the undisputed market leader in Argentina. This shareholding is going to open up the Latin American access platform market for PALFINGER and thereby further strengthen the Company's market position on the American continent.

The company is included in the consolidated financial statements at equity as an associated company.

EUR thousand	2014
Purchase price paid in cash	746
Purchase price not yet due	1,137
Contingent consideration not yet due (escrow account)	1,226
Subtotal	**3,109**
Pro-rata net assets	(1,331)
Goodwill	**1,778**

Net assets include non-current assets in the amount of EUR 1,330 thousand and net working capital in the amount of EUR 2,729 thousand.

ACQUISITION IN 2015

On 18 December 2014, the contract on the acquisition of 100 per cent in Norwegian Deck Machinery AS, Os, Norway, was signed. The transaction was closed on 14 January 2015. Therefore, the amounts stated have not yet been reported in the consolidated financial statements for the year ended 31 December 2014.

Norwegian Deck Machinery AS has achieved a prominent market position with the development of special winches as well as handling equipment for offshore vessels, offshore service vessels, and oil and gas rigs. One of the distinctive features of the systems developed by Norwegian Deck Machinery AS is the automatic compensation of wave movements, allowing for a safer and more efficient handling of loads.

With this acquisition, PALFINGER has expanded its product portfolio in the marine sector.

At the time of acquisition, the purchase price for the acquisition was allocated on the basis of the preliminarily estimated fair values as follows:

EUR thousand	2015
Purchase price paid in cash	8,557
Subtotal	**8,557**
Net assets	(2,070)
Goodwill	**6,487**

At the time of acquisition, the net assets acquired, on the basis of the estimated fair values, were broken down as follows:

EUR thousand	Fair value
Non-current assets	
Intangible assets	1,142
Property, plant and equipment	193
Other non-current assets	9
	1,344
Current assets	
Trade receivables	2,592
Other current receivables and assets	70
	2,662
Non-current liabilities	
Deferred tax liabilities	227
	227
Current liabilities	
Current financial liabilities	619
Trade payables and other current liabilities	1,090
	1,709
Net assets	**2,070**

ACQUISITIONS IN 2013

The amounts stated for the acquired net assets of the companies acquired in 2013 remained unchanged; no adjustments had to be made.

NON-CONTROLLING INTERESTS

On 27 November 2013, an additional 15 per cent in Guima Palfinger S.A.S., Caussade, France, was sold to the minority shareholder Compagnie Générale Vincent, Étoile-sur-Rhône, France, at a purchase price of EUR 1,700 thousand, increasing the non-controlling interest from 20 per cent to 35 per cent. PALFINGER still holds control over the company. The transaction entered into force on 1 January 2014. The difference between the purchase price and the addition to the non-controlling interests in the amount of EUR 361 thousand was directly recorded in equity as retained earnings. As a consequence, the equity held by the shareholders of PALFINGER AG decreased by a total of EUR 971 thousand.

On 1 September 2014, the remaining 20 per cent of the shares in Palfinger Russland GmbH, Salzburg, were redeemed. Until then, these shares had been reported as puttable non-controlling interests. For details, see Note (61) Liabilities from puttable non-controlling interests.

DECONSOLIDATION

On 1 January 2014, Palfinger Marine Service AS, Rosendal, Norway, was sold to its employees at a purchase price of NOK 1. The negative impact on earnings from the deconsolidation of the company in the amount of EUR 57 thousand was reported under miscellaneous other operating expenses.

For information on the deconsolidation of Palfinger systems GmbH, please see the notes on acquisitions in 2014.

Consolidation method

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is calculated as the aggregate of the consideration transferred, measured at its acquisition-date fair value, and the non-controlling interests in the acquiree. For each business combination, PALFINGER AG measures the non-controlling interests in the acquiree either at their fair value or at the proportionate share of the identifiable net assets of the acquiree. Costs incurred in connection with the business combination are expensed.

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 provisions of the contract, the economic conditions and the general conditions prevailing at the time of the transaction.

For business combinations achieved in stages, the equity interest in the entity previously held by PALFINGER AG is remeasured at its fair value at the time of the transaction and the resulting gain or loss is recognized in the income statement.

The agreed contingent consideration is recognized at its fair value at the acquisition date. Subsequent changes in the fair value of a contingent consideration representing an asset or liability are recognized through the income statement in accordance with IAS 39.

Goodwill is initially measured at cost, this being the excess of the consideration transferred plus the fair value of the previously held non-controlling 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 the income statement.

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

Where goodwill is allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Earnings, assets and liabilities of associated companies and joint ventures are included in the consolidated financial statements applying the equity method. Investments in associated companies or joint ventures are reported in the balance sheet at cost after the adjustment to changes in the Group's share of net assets after acquisition and impairment losses. Losses exceeding the Group's investments in associated companies or joint ventures are not recognized unless the Group bears the economic risk. The goodwill relating to the associated company or joint venture is included in the carrying amount of this share and is neither amortized on a straight-line basis 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 reported as an equity transaction.

Intra-Group accounts receivable and payable, income and expenses as well as inter-company 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 in foreign currencies are converted into the functional currency at every reporting period end date using the respective closing rates. All currency differences are recognized in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate of the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are converted using the exchange rate applicable at the time of determination of the fair value.

In line with IAS 21, financial statements of Group companies reporting in foreign currencies are translated in accordance with the functional currency concept. The assets and liabilities are converted from the functional currency into euros using the respective middle rate at the balance sheet date. Goodwill arising from the acquisition of foreign subsidiaries is allocated to the acquired company and translated at the respective middle rate at the balance sheet date. The income statement items of the consolidated foreign companies are converted using average rates for the period.

Differences arising from the currency conversion of the pro-rata equity are recognized directly in other comprehensive income. In the event of the deconsolidation of a foreign company, these exchange rate differences are recognized in the income statement. Exchange rate differences attributable to non-controlling interests are offset against non-controlling interests.

Non-current 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 operation. Exchange differences arising on such monetary items are recognized directly in other comprehensive income. Upon disposal of the net investment, such exchange differences are reclassified from equity to profit or loss.

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

	Exchange rate as at		Average price	
1 euro equals	31 Dec 2014	31 Dec 2013	Jan–Dec 2014	Jan–Dec 2013
BRL	3.2207	3.2576	3.1162	2.8791
GBP	0.7789	0.8337	0.8055	0.8475
NOK	9.0420	8.3630	8.3940	7.8266
RMB	7.5358	8.3491	8.1693	8.1769
RUB	72.3370	45.3246	51.4243	42.4441
USD	1.2141	1.3791	1.3255	1.3300

FAIR VALUE MEASUREMENT

PALFINGER measures financial instruments such as derivatives, contingent purchase price obligations and liabilities from puttable non-controlling interests at fair value on a recurring basis. The fair values of financial instruments recognized at amortized cost are also stated in these notes under "Financial instruments".

The 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 the 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 values by taking into account all assumptions that the market participants would use as a basis for pricing and proceeding on the assumption that the market participants would act in their own best economic interest.

A fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefit through such asset's highest and best use.

When determining a fair value, PALFINGER applies valuation techniques appropriate in the circumstances and for which sufficient data is available to measure the fair value, using, wherever possible, observable inputs.

The fair values recognized or reported 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.

ACCOUNTING AND VALUATION MEASURES

The accounting and valuation measures used when preparing the consolidated financial statements of the PALFINGER Group are explained in the following:

Note	Balance sheet item	Accounting and valuation principles	Standard
(1)	**Intangible assets**		
	Intangible assets with definite useful lives	At amortized acquisition or manufacturing cost Straight-line amortization over useful lives In general: 2-15 years Capitalized customer relationships: 5-10 years An impairment test is carried out whenever there is any indication of impairment. If the reasons for the impairment cease to exist, corresponding reversals of the impairment loss are performed up to the level of amortized costs.	IAS 38 IAS 36
	Intangible assets with indefinite useful lives and intangible assets under development	Impairment-only approach: No amortization over the assets' useful lives on a systematic basis. An impairment test is carried out once a year and whenever there is any indication of impairment. If the reasons for the impairment cease to exist, corresponding reversals of the impairment loss are performed up to the level of amortized costs.	IAS 38 IAS 36
	Goodwill	Impairment-only approach (see above) In order to perform impairment tests, goodwill is allocated to cash-generating units. The essential standard applied for determining whether a unit qualifies as a cash-generating unit is the assessment of its technical and commercial independence in the generation of income. The impairment test of the cash-generating unit is carried out by comparing the amortized carrying amount (including the allocated goodwill) to the higher of either the fair value less costs to sell or the value in use. When determining the recoverable amount, assumptions regarding future development and estimates are made that might not occur as predicted. The value in use is calculated as the present value of relevant estimated future cash flows before tax for the next four to five years on the basis of the data obtained from internal medium-term corporate planning. Medium-term corporate planning is prepared every second year. In the years in which no medium-term corporate planning is done, the estimated cash flows are adjusted on the basis of a deviation analysis. The most recent strategic corporate planning was carried out in November 2014. After the detailed planning period, calculations are made using a perpetual annuity on the basis of the previous year's assumptions. The discount rate is derived from the weighted average cost of capital customary in the market, adjusted to the specific risks, on the basis of externally available capital market data. When determining the weighted average cost of capital, primarily externally available capital market data is used. If the calculated amount is less than the carrying amount, the 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. The impairment test is applied to the entire goodwill capitalized. When, in the course of an acquisition, non-controlling interests are reported at their fair values, the impairment is spread over the individual groups of shareholders. The allocation is made on the basis of the same key that is also applied when distributing the results of the subsidiary at hand among the shareholders, provided that the subsidiary under review is a cash-generating unit to which goodwill is allocated. According to IAS 36, once goodwill has been written down for impairment, no future recovery of the goodwill value may be recognized.	IFRS 3 IAS 36
	Research and development	Research expenses are reported in the income statement when incurred. Development expenses made with a view to a significant further development of a product or a process are capitalized if the product or process is feasible both from a technological and commercial 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 incurred. Capitalized development expenses of closed projects are reported at cost less accumulated amortization. As long as a development project is not yet completed, an impairment test of the capitalized amounts accrued is carried out annually or more frequently if circumstances indicate that an impairment loss might have occurred.	IAS 38 IAS 36

Note	Balance sheet item	Accounting and valuation principle	Standard
(2)	**Property, plant and equipment**	At amortized cost Besides direct costs, production costs also contain appropriate proportions of materials and manufacturing overhead costs and, in the case of qualifying assets, also borrowing costs. General administrative expenses are not capitalized. Straight-line depreciation over useful lives: Own buildings and investments in third-party buildings: 20 –50 years Plants and machinery: 3 –15 years Fixtures, fittings and 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 in either other operating income or other operating expenses. An impairment test is carried out whenever there is any indication of impairment. If the reasons for the impairment cease to exist, corresponding reversals of the impairment loss are performed up to the level of amortized cost.	IAS 16 IAS 36
	Government grants	Investment grants 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 attaching to it and that the grant will be received.	IAS 20
	Leases as lessee	The allocation of a leased asset to the lessor or lessee is based on the transfer of all material risks and rewards incidental to ownership of the asset. Finance lease: Assets obtained through finance leases are capitalized at the fair value or lower present value of the minimum lease payments at the time of acquisition; straight-line depreciation over useful lives Operating lease: Lease payments are recognized as an expense in earnings before interest and taxes (EBIT) in equal instalments over the term of the lease.	IAS 17
	Borrowing costs	Capitalized if attributable to the acquisition or production of a qualifying asset	IAS 23
(3)	**Investment property**	Land or buildings held to earn rentals or for capital appreciation are measured at amortized cost less accumulated depreciation. Depreciation on the building is performed on a straight-line basis over a period of 25 years. The fair value was determined on the basis of calculations made internally. This was a Level 3 fair value measurement made by means of acknowledged calculation models. Calculation was based on an expert opinion prepared in 2005 by an independent expert on the basis of sales prices observed in the market for similar properties. The standard land value has not changed since then. The building values were adjusted for depreciation.	IAS 40 IAS 36 IFRS 13
(4)	**Inventories**	Valued at acquisition or production cost (see (2) Property, plant and equipment) or the lower net realizable value at the balance sheet date Materials and production supplies, and merchandise: moving average cost method Work in progress and finished goods: standard production costs; costs are reviewed regularly and adjusted if necessary	IAS 2
(5)	**Contract manufacturing and rendering of services**	Revenue is realized in accordance with the percentage of completion which is determined by means of the cost-to-cost method. When applying this method, sales and contract revenue are recognized in proportion of the manufacturing costs actually incurred 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. For technological and financial risks that might occur during the remaining term of the project, an individual estimate is made for each contract and the corresponding amounts are reported in estimated total costs. Imminent losses are realized when incurred if total contract costs are likely to exceed the contract revenue.	IAS 11 IAS 18
(6)	**Liabilities from puttable non-controlling interests**	Puttable or fixed-term interests held by non-controlling shareholders of subsidiaries constitute financial liabilities. Initially, the liabilities are recognized at fair value, which, as a rule, corresponds to the fair value of the interest held by the non-controlling shareholder in the subsidiary at the time the obligation was entered into. Provided that the other shareholders are the beneficial owners of the interests, the results and payments are still attributed to the non-controlling interests. At the balance sheet date, they are reclassified to liabilities, and differences, if any, between the non-controlling interest and the obligation are presented under retained earnings. If, however, the other shareholders are not the beneficial owners, they are presented as an accelerated acquisition and measurement subsequent to initial recognition is made through the income statement.	IAS 27 IAS 32 IAS 39

Note	Balance sheet item	Accounting and valuation principle	Standard
(7)	**Financial instruments**	When they are recognized initially, financial assets are measured at fair value. In the case of financial investments that are not recognized at fair value through the income statement, transaction costs are recognized as well. These costs are directly allocable to the acquisition of the assets. The fair value is determined on the basis of market information available at the balance sheet date. The values listed may diverge from values realized later due to varying determinants. The fair value of financial assets and liabilities reflects the effects of the risk of non-performance by the counterparty. When determining the fair value of a financial asset, the banks' credit risks are taken into account on the basis of their ratings. The fair values of financial liabilities are determined taking into account the Company's own credit risk on the basis of the ratings made by the banks. Market values are available for all derivative financial instruments and securities. The fair values for all other financial instruments are determined on the basis of the discounted anticipated cash flows. Acquisitions or sales of financial assets are recognized at the trade date. Impairment losses for all financial instruments are recorded in the income statement. If there is no more need for impairment, the impairment losses recorded are reversed in the income statement, except in the case of "available for sale" equity instruments where impairment losses are reversed through other comprehensive income.	IAS 32 IAS 39 IFRS 7 IFRS 13
	Securities and other shareholdings	"Available for sale": Measurement subsequent to initial recognition at fair value; recognized in other comprehensive income. In the case of sales, the unrealized profit and/or loss that up to that point had been reported under other comprehensive income will be reported in the income statement under other financial result.	
	Loans	"Loans and receivables": Measurement subsequent to initial recognition reported at amortized cost applying the effective interest method, if necessary less impairment losses	
	Receivables	"Loans and receivables": Measurement subsequent to initial recognition reported at amortized cost, if necessary less impairment losses that are recorded in allowance accounts	
	Cash and cash equivalents	Mark to market	
	Liabilities	Subsequent to initial recognition, liabilities are measured at amortized cost applying the effective interest method.	
	Liabilities from puttable non-controlling interests	Liabilities from puttable non-controlling interests are measured at the fair value of the interests held by the non-controlling shareholders in the subsidiaries. The fair value is calculated internally using acknowledged calculation models on the basis of market interest rates of identical assets with the same duration. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	
	Provisions	The financial instruments contained in the provisions are measured at fair value. The fair value is calculated internally using acknowledged calculation models on the basis of market interest rates of identical assets with the same duration. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	
	Derivative financial instruments	Derivative financial instruments that do not satisfy the criteria for hedge accounting laid down in IAS 39 are classified as held for trading according to IAS 39 and recognized at their fair values through the income statement.	
	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 by means of forward foreign exchange contracts and interest swaps. The special hedge accounting principles as stipulated by IAS 39 are applied to ensure compensation on an accrual basis for the effects of hedged transactions and the hedging instrument in the income statement. The market values resulting at the balance sheet date after deduction of deferred taxes are reported in other comprehensive income and recognized as a reserve according to IAS 39. The reserve is reversed to income in line with future proceeds generated in the relevant financial year.	
(8)	**Long-term employment benefits**		IAS 19
	Defined benefit plans	Defined benefit plans apply to pension commitments in Austria, France and Germany as well as severance pay obligations in Austria, Slovenia, Bulgaria, South Korea, Qatar and the United Arab Emirates. Provisions for pensions and other post-employment benefits as well as for severance payments and anniversary bonuses are valued on the basis of an actuarial opinion prepared by an actuary as at the balance sheet date using the projected unit credit method. The discount rate with matching maturity is determined on the basis of the yield of first-class, fixed-interest industrial bonds, i.e. a rating of AA or higher. According to IAS 19, remeasurements are recognized as other comprehensive income if they relate to provisions for pensions and other post-employment benefits or for severance payments.	

Note	Balance sheet item	Accounting and valuation principles	Standard
	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	Other long-term employment benefits refer primarily to collective bargaining commitments for payment of anniversary bonuses depending on years of service for the employees of Austrian and Slovenian companies and to bonus agreements concluded with the members of the Management Board and other executives. In accordance with IAS 19, remeasurements are recognized as employee benefits expenses in the income statement if they relate to provisions for anniversary bonuses.	
(9)	**Other provisions**	Provisions are reported at the anticipated settlement amount; non-current provisions are reported at their present value.	IAS 37
(10)	**Income tax**	Tax receivables and tax liabilities are offset when they relate to the same tax authority and the Company has a right to offset the items. Deferred taxes are reported according to the liability method and calculated using the respective country's applicable tax rate. Deferred tax assets are only recognized if it is probable that the relevant tax benefits will actually be realized. Deferred tax is calculated using the tax rate expected to apply at the balance sheet date when the temporary differences reverse. As a rule, all changes in taxes result in tax expenses and/or income. Taxes on items reported in other comprehensive income are reported in other comprehensive income. Taxes on items directly reported in equity are directly recognized in equity.	IAS 12

(11) Stock option programme

The Annual General Meeting on 25 March 2009 resolved to set up a stock option programme in the form of an equity-settled plan for members of the Supervisory and Management Boards. As provided for in the agreement, the 2009 stock option programme was terminated in 2014. Under the 2009 stock option programme, 36,122 options were exercised in 2014, and the remaining options that could have been exercised under this programme lapsed. The same modalities as for exercise date 2 under the 2010 stock option programme applied to exercise date 2 (2014) under the 2009 stock option programme (see below).

The Annual General Meeting on 31 March 2010 resolved to grant 50,000 stock options to Christoph Kaml, member of the Management Board. The following applies to the 2010 stock option programme: In order to be able to exercise stock options, the average ratio of earnings before taxes (EBT) and revenue as reported in the consolidated financial statements of PALFINGER AG must have been at least 5 per cent for each of the three balance sheet dates preceding exercise date 2 in 2015.

The maximum number of shares available for subscription is equivalent to the number of options issued. If the EBT ratio is less than 5 per cent, no options may be exercised and there is no entitlement to subscription. If the EBT ratio is 5 per cent, the entitled person enjoys the right to exercise 25 per cent of his stock options at the relevant exercise date. If the EBT ratio exceeds 5 per cent, the number of stock options that may be exercised by a person at the relevant exercise date rises in linear progression up to an EBT ratio of 11 per cent.

The fair value of the options granted is recognized as an employee benefits expense over the vesting period and offset against additional paid-in capital in equity. The fair value is determined at the date the option is granted and expensed over a period during which the employees acquire the unconditional entitlement to the options granted (vesting period). The amount, which is to be reported as an expense, is adjusted to take into account the effect of anticipated employee turnover in order to reflect the expected actual number of options that may be exercised in the future. The reserve according to IFRS 2 reflects accumulated employee benefits expenses up to 31 December 2014. When the stock options lapse, they will be set off against retained earnings.

Thus, changes in stock options were as follows:

	Herbert Ortner		Christoph Kaml		Wolfgang Pilz		Martin Zehnder		Alexander Doujak		Total	
Changes in stock options	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
As at 1 Jan	40,000	40,000	25,000	50,000	25,000	25,000	25,000	25,000	0	15,000	115,000	155,000
Options exercised	(16,054)	0	0	(12,500)	(10,034)	0	(10,034)	0	0	0	(36,122)	(12,500)
Options lapsed	(23,946)	0	0	(12,500)	(14,966)	0	(14,966)	0	0	(15,000)	(53,878)	(27,500)
As at 31 Dec	0	40,000	25,000	25,000	0	25,000	0	25,000	0	0	25,000	115,000
Exercise price of options exercised	10.12			16.57	10.12		10.12					
Share price at date of exercise	28.2			20.46	28.2		28.2					

The remaining options are as follows:

	Christoph Kaml
Number of stock options	25,000
Exercise price in EUR	16.57
Exercise period within 12 weeks after the AGM	2015
Fair value of the option in EUR at valuation date*	5.77
Underlying volatility	45.0 %
Valuation date	31 Mar 2010
Price in EUR at valuation date	16.81

* Valuation model used: Monte Carlo simulation

(12) Recognition of revenue and expenses

Revenue arising from the provision of goods is recognized when all major risks and opportunities arising from the delivered object have been transferred to the buyer. Revenue from the provision of services refers to short-term services which are recognized when the service is rendered.

Operating expenses are recognized when the service is rendered or a delivery is received, or at the time the expenses are incurred. Interest is recognized using the effective interest method. For information on contract manufacturing and the rendering of services see Note (5).

(13) Consolidated statement of cash flows

The presentation of operating cash flows in the consolidated statement of cash flows is based on the indirect method. The item funds corresponds to cash and cash equivalents.

(14) Standards and interpretations to be applied for the first time and/or in the future

The following new, revised and/or supplemented IASB standards were applied for the first time in the financial year under review.

The application of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities became mandatory in the EU for the first time for the period starting on 1 January 2014. **IFRS 10** provides for a new and more comprehensive definition of the term "control" with the purpose of creating a uniform basis for defining the scope of consolidation. According to the new concept, a company controls another company when it has the power to decide on relevant activities, has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. IAS 27 will henceforth only contain provisions on the accounting of interests in subsidiaries in separate financial statements. The new standard **IFRS 11**, which supersedes IAS 31, governs the accounting of joint arrangements either in the form of joint operations or joint ventures. In a joint venture, the parties having joint control only have rights to and obligations from the net assets of the joint venture company. In future, joint ventures are to be posted in the consolidated financial statements using the equity method pursuant to IAS 28; the option of proportionate consolidation will no longer apply. Joint operations, where the partners having joint control have rights to the individual assets and obligations from the individual liabilities of the joint venture company, will continue to be included according to the principle of proportionate consolidation. **IFRS 12** contains the necessary disclosures regarding interests in subsidiaries, joint arrangements and interests in associates, which still have to be posted pursuant to IAS 28. The information to be disclosed is significantly more comprehensive than previously prescribed under IAS 27, 28 and 31.

In the course of the first-time application of the new IFRS 10, PALFINGER, due to the specific legal and economic circumstances, carried out a comprehensive analysis of all available information regarding the possibility of having control over the 50:50 joint venture in China with SANY Automobile Hoisting Machinery Co., Ltd., Changsha (SANY). As a consequence of this analysis, the management came to the conclusion that PALFINGER had control over the joint venture within the meaning of IFRS 10, and for this reason the joint venture was presented as a fully consolidated company in the first three quarters of 2014. As already mentioned in the financial information published for the first three quarters, this was a discretionary decision that alternatively could also have led to the joint venture company's having to be reported as a joint venture within the meaning of IFRS 11 if the facts of the case had been interpreted differently. If this had been the case, the joint venture would have had to be included in the consolidated financial statements at equity. The potential consequences of such a different interpretation were already explained and quantified accordingly in the respective financial information for the individual quarters.

In the course of its review, taking samples from the consolidated financial statements for the year ended 31 December 2013 and the financial information for the periods ended 30 June 2013 and 30 June 2014, the Austrian Accounting Reporting Enforcement Panel (Prüfstelle für Rechnungslegung; OePR) found PALFINGER's interpretation of IFRS 10 with a view to the consolidation of the joint venture to be incorrect, stating that the rights held by SANY exceeded mere protective rights and therefore, in contrast to the management's original interpretation, PALFINGER did not have control as defined in IFRS 10. Therefore, the joint venture had to be reported as a joint venture at equity.

The consequences on the first three quarters of 2014 were as follows:

EUR thousand accumulated	Q1 2014	Adjust-ments	Q1 2014 Adjusted	Q2 2014	Adjust-ments	Q2 2014 Adjusted	Q3 2014	Adjust-ments	Q3 2014 Adjusted
Investments in companies reported at equity	11,665	6,602	18,267	122,557	11,983	134,540	128,035	13,258	141,293
Total equity of the shareholders of PALFINGER AG	369,448	32	369,480	436,781	26	436,807	451,464	12	451,476
Non-controlling interests	16,979	(6,691)	10,288	24,069	(12,067)	12,002	26,543	(13,326)	13,217
Total assets	937,731	(15,362)	922,369	1,085,496	(20,205)	1,065,291	1,127,524	(22,579)	1,104,945
Revenue	267,629	(3,648)	263,981	540,133	(8,963)	531,170	795,103	(12,627)	782,476
Earnings before interest and taxes – EBIT	20,100	324	20,424	41,019	425	41,444	55,637	380	56,017
Net financial result	(3,149)	(27)	(3,176)	(5,441)	(67)	(5,508)	(7,772)	(182)	(7,954)
Result after income tax	13,010	178	13,188	27,446	189	27,635	37,485	61	37,546
shareholders of PALFINGER AG (consolidated net result for the period)	11,930	39	11,969	24,607	33	24,640	32,416	1	32,417

For the purposes of the 2013 consolidated financial statements, the three joint ventures with SANY were included following the principle of proportional consolidation provided for in IAS 31, but had only a minor impact on the consolidated financial statements. Therefore, when IFRS 11 was applied for the first time and, therefore, the joint ventures had to be included in the consolidated financial statements at equity, the previous year's figures were not adjusted with retrospective effect. Apart from that, the first-time application of these standards has no material impact on the consolidated financial statements for the year ended 31 December 2013. An adjustment of the previous year's figures was therefore not necessary, and the standards have been applied since 1 January 2014.

The following new, revised and/or supplemented IASB standards and IFRS IC interpretations, whose application was mandatory for the first time in the 2014 financial year, are of no relevance for the consolidated financial statements of PALFINGER AG:

Standards/interpretations	Mandatory application	Endorsement status
IAS 27 Separate Financial Statements (published in: May 2011)	1 January 2014	Endorsed in December 2012
IAS 28 Investments in Associates and Joint Ventures (published in: May 2011)	1 January 2014	Endorsed in December 2012
IAS 32 Offsetting Financial Assets and Financial Liabilities (published in: December 2011)	1 January 2014	Endorsed in December 2012
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (published in: June 2013)	1 January 2014	Endorsed in December 2013
IFRIC 21 Levies (published in: May 2013)	1 January 2014	Endorsed in June 2014
Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2014	Endorsed in April 2013
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014	Endorsed in November 2013

The following new, revised and/or supplemented IASB standards and IFRS IC interpretations that might be of 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. For this reason, they are not relevant for these consolidated financial statements:

Standards/interpretations	Mandatory application
IAS 1 Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IAS 16 and IAS 41 Bearer Plants (published in: June 2014)	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (published in: May 2014)	1 January 2016
IAS 19 Defined Benefit Plans: Employee Contributions (published in: November 2013)	1 July 2014
IAS 27 Equity Method in Separate Financial Statements (published in: August 2014)	1 January 2016
IFRS 9 Financial Instruments (published in: July 2014)	1 January 2018
IFRS 10, 12 and 28 Investment Entities: Applying the Consolidation Exemption	1 January 2016
IFRS 10/IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published in: Sept 2014)	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (published in: May 2014)	1 January 2016
IFRS 14 Regulatory Deferral Accounts (published in: January 2014)	1 January 2016
IFRS 15 Revenue from Contracts with Customers (publishing in: May 2014)	1 January 2017
Improvements to IFRS (2010(2012)) (published in: December 2013)	1 July 2014
Improvements to IFRS (2011(2013)) (published in: December 2013)	1 July 2014
Improvements to IFRS (2012(2014)) (published in: September 2013)	1 January 2016

IFRS 9 Financial Instruments provides for changes regarding the classification and measurement of financial instruments and the impairment of financial assets, and introduces new provisions regulating hedge accounting. PALFINGER expects the application of the new standard to result in minor changes in the posting approach.

IFRS 15 Revenue from Contracts with Customers governs the generation of revenue, thus replacing IAS 11 and IAS 18. The first-time application of this standard will result in an adjustment of internal processes at PALFINGER.

Basically, however, it is not expected that these two new standards will have any material effect on the financial position, cash flows and result of operations of PALFINGER, and no application ahead of time is currently planned.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of estimates and assumptions, which may influence the reported values of assets, liabilities and financial obligations at the balance sheet date, as well as the income and expenses of the financial year. Actual results may differ from these estimates. The true and fair view principle is fully applied in the use of all estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in the following.

(15) Purchase price allocations

Purchase price allocations made in the course of acquisitions require assumptions as to the existence and measurement of the assets (primarily intangible assets), liabilities and contingent liabilities taken over. The main assumptions made when determining the fair values in the course of the purchase price allocation refer to the cash flows and the discount rate. Further details on the acquisitions made in 2014 are provided on pages 100 to 109.

(16) Impairment of non-financial assets

The impairment tests performed by PALFINGER regarding goodwill, intangible assets with indefinite useful lives and uncompleted capitalized development projects are based on calculations of the value in use, for the purpose of which a discounted cash flow model was applied. The recoverable amount strongly depends on the discount rates used under the discounted cash flow model and the expected future cash inflows. Impairment losses on non-financial assets are reported under depreciation, amortization and impairment expenses. Further details on the impairment of non-financial assets are presented in Note (41) Intangible assets and Note (42) Property, plant and equipment.

(17) Development expenditure

Development expenditure is capitalized in accordance with the accounting and valuation method presented. The initial capitalization of these costs is based on the management's assessment that the development's feasibility from a technical and economic point of view is proven. This is usually the case when a product development project has reached a specific milestone of an existing project management model. For the purpose of determining the amount to be capitalized, the management makes assumptions on the amount of the expected future cash flows from the project, the discount rates to be applied and the time period in which the expected future benefits are to be received. The capitalized development expenditure included primarily development services in cranes, access platforms, tail lifts, services and railway systems. The impairment test is geared to the benefit of the individual assets, irrespective of the profit expectations of the entire area. Further details on capitalized development expenditure are presented in Note (41) Intangible assets.

(18) Measurement of receivables

Besides standardized measurement of receivables on the basis of experience regarding days overdue and country risk, the probability of receiving payment is taken into consideration by means of specific bad-debt allowances. In doing so, primarily previous experience with the respective customers, their creditworthiness and available collateral, if any, are taken into account. Impairment losses on receivables are presented in Note (49) Trade receivables. Bad debts are derecognized.

(19) Revenue recognition from contract manufacturing and rendering of services

Revenue from contract manufacturing and the rendering of services is recognized in accordance with the percentage-of-completion method. When applying this method, PALFINGER estimates the share of services already performed by the balance sheet date in proportion to the overall scope of orders and the order costs yet to be incurred. Imminent losses are immediately recognized as expenses if total contract costs are likely to exceed the contract revenue. Especially in the case of technically complex and demanding projects, there is the risk that this estimate of total costs may deviate from the actual costs incurred. Further details on revenue generated from contract manufacturing and the rendering of services are available in Note (28) Revenue and Note (49) Trade receivables.

(20) Measurement of inventories

A standardized obsolescence measurement method was implemented in order to allow for the risk of obsoleteness. This method considers not only actual and planned consumption, minimum inventories and determinations of days stock on hand, but also alternative uses of materials. In addition, the commercial benefit of the existing inventories is reviewed on a case-by-case basis and, if necessary, additional impairment losses are recorded on the basis of long-term storage, limited sales channels or defects in quality. In addition, a systematic review of finished goods is carried out with a view to achieving a loss-free measurement, which is basically characterized by the expected sales prices, currency developments, the time of selling and the costs yet to be expected. Further details on impairment losses recognized for inventories are presented in Note (48) Inventories.

(21) Deferred tax assets

Deferred tax assets are reported for all unused tax-loss carry forwards in the amount of taxable income probably available so that the loss carry forwards may actually be used. In the case of carry forwards not subject to expiry, their usability during the next five years is taken as the decisive factor. For the purpose of determining the amount of the deferred tax asset that may be capitalized, material judgements by the management on the anticipated time of occurrence and the amount of the future taxable income as well as on the future tax planning strategies are required. Further details on deferred taxes are disclosed in Note (45) Deferred tax assets and liabilities.

(22) Pensions, severance payments and anniversary bonuses

The expenses for defined benefit plans and statutory obligations upon termination of employment and periods of employment entitling employees to anniversary bonuses are determined on the basis of actuarial calculations. The actuarial assessment is based on assumptions on discount rates, future increases in wages and salaries, mortality and future increases in pension payments. Each reporting date, these assumptions are reviewed. For the purpose of determining the adequate discount rate, the management uses long-term market interest rates. The mortality rate is based on publicly available mortality tables for the respective countries. The future increases in wages and salaries as well as pension payments are based on the anticipated future inflation rates for the respective countries. Further details on the assumptions used are presented in Note (63) Non-current provisions.

(23) 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 influenced considerably by the time of occurrence of the warranty claim, specific product replacement campaigns, refund quotas of suppliers, the development of the revenue subject to warranty and assumptions of gross profit margins on the basis of the implemented warranty process. Provisions for guarantee and warranty expenses are presented in Note (65) Current provisions.

(24) Liabilities from puttable non-controlling interests

This item comprises puttable and fixed-term interests that are reported at fair value. As their fair value depends on the development of earnings of the entities concerned, a change in fair value may become necessary should the development be different than expected. These estimates are based on the medium-term corporate strategic planning of the PALFINGER Group. For details, please refer to Note (61) and the disclosures regarding financial instruments.

(25) Other non-current provisions

The item other non-current provisions comprises purchase price portions not yet fallen due that depend on the future development of the earnings of the acquired entities. Therefore, a change in the expected underlying values may result in an adjustment of the reported values through the income statement. These estimates are based on the medium-term corporate strategic planning of the PALFINGER Group. For details, please refer to Note (63) and the disclosures regarding financial instruments.

(26) Cash flow hedge

For the purposes of cash flow hedge accounting, a high probability of the respective future cash flows' actually occurring is assumed. Details are disclosed in Note (67) Financial instruments.

(27) Changes in estimates

No major changes in estimates were made in the 2014 financial year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(28) Revenue

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
European Union	522,418	498,151
Rest of Europe	50,437	42,045
North America	219,047	198,510
Central and South America	62,151	89,771
CIS	60,056	53,012
Middle East and Africa	49,409	27,724
Far East	99,903	71,460
Total	**1,063,421**	**980,673**

The classification by geographical area is governed by the customer's registered office. Revenue of EUR 44,792 thousand (previous year: EUR 58,072 thousand) was achieved with Austrian customers.

Revenue recorded in the European Union increased primarily through the acquisition of Nimet in 2013 and in the business units Timber and Recycling Cranes and Railway Systems. The increase achieved in the rest of Europe chiefly relates to the Marine business area in Norway. Thanks to the consistent implementation of PALFINGER's internationalization strategy, revenue generated outside Europe has been continuously rising. The decline in Central and South America was caused predominantly by the lingering weakness of the Brazilian real. Revenue recorded in the Middle East and Africa increased as a result of the acquisition of Megarme.

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Revenue invoiced	999,630	928,835
Revenue from contract manufacturing and rendering of services	63,791	51,838
Total	**1,063,421**	**980,673**

Revenue from contract manufacturing rose primarily in the Railway Systems business unit. Revenue arising from the rendering of services came from the acquisition of Megarme and related to services recognized under the percentage of completion method.

(29) Other operating income

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Income from the disposal of intangible assets and property, plant and equipment	1,030	366
Income from the reversal of impairment losses on intangible assets and property, plant and equipment	273	0
Income from the reversal of contingent purchase price obligations	2,709	1,678
Income from charges for services	2,183	3,075
Exchange rate differences	4,968	2,872
Insurance income	530	1,119
Rental income	356	864
Income from deconsolidation	7,725	0
Miscellaneous other operating income	3,737	2,288
Total	**23,511**	**12,262**

In 2014, other operating income of EUR 2,709 thousand (previous year: EUR 1,678 thousand) related to the reversal of a purchase price liability from acquisitions, as the local results generated by the unit made the utilization of this liability unlikely. For details on exchange rate differences, see Note (67) Financial instruments, item 3 Foreign exchange risk.

Income from the disposal of intangible assets and property, plant and equipment primarily concerns disposals of other plants as well as fixtures, fittings and equipment in France and the USA.

Income from charges for services mostly resulted from the provision of after-sales services and guarantee services.

(30) Cost of sales

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Changes in inventories and own work capitalized	9,518	20,472
Materials and external services	(547,125)	(525,586)
Employee benefits expenses	(179,131)	(155,892)
Depreciation, amortization and impairment	(26,181)	(22,364)
Outgoing freight costs	(17,798)	(14,597)
Guarantees and warranties	(11,104)	(9,433)
Repairs and maintenance	(7,898)	(6,619)
Rentals and leases	(5,375)	(4,908)
Commissions	(4,712)	(4,813)
Temporary workers and other third-party services	(6,159)	(4,744)
Energy infastructure	(5,122)	(4,010)
Travel expenses	(5,292)	(3,229)
Vehicle fleet	(2,608)	(2,293)
Consultancy services	(2,877)	(1,377)
Miscellaneous other expenses	(5,110)	(5,296)
Total	**(816,974)**	**(744,689)**

Cost of sales increased at a higher rate than revenue. The gross profit margin went down insignificantly from 24.1 per cent to 23.2 per cent.

(31) Research and development costs

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Changes in inventories and own work capitalized	7,943	7,026
Materials and external services	(998)	(1,001)
Employee benefits expenses	(24,818)	(22,178)
Depreciation, amortization and impairment	(1,281)	(1,204)
Income from research grants	2,572	1,178
Consultancy services	(3,838)	(1,831)
Temporary workers and other third-party services	(1,757)	(1,712)
Travel expenses	(1,180)	(933)
Miscellaneous other expenses	(1,893)	(1,498)
Total	**(25,250)**	**(22,153)**

This item includes research costs, development costs that cannot be capitalized, and product management costs.

Amortization and impairment of development costs in the amount of EUR 3,454 thousand (previous year: EUR 2,877 thousand) is reported under cost of sale. Therefore, total research and development expenses come to EUR 28,704 thousand (previous year: EUR 25,030 thousand), hence 2.7 per cent (previous year: 2.5 per cent) of revenue.

(32) Distribution costs

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Changes in inventories and own work capitalized	(90)	(152)
Materials and external services	(1,481)	(1,332)
Employee benefits expenses	(44,630)	(43,927)
Depreciation, amortization and impairment	(4,347)	(4,088)
Advertising, representation and market costs	(8,672)	(6,913)
Travel expenses	(5,881)	(5,722)
Temporary workers and other third-party services	(1,664)	(2,703)
Vehicle fleet	(2,411)	(2,463)
Transport costs	(1,496)	(1,490)
Consultancy services	(1,410)	(1,279)
Office and IT expenses	(1,269)	(1,241)
Miscellaneous other expenses	(2,523)	(2,517)
Total	**(75,874)**	**(73,827)**

Advertising, representation and market costs rose mainly as a result of PALFINGER's participation in trade fairs and the acquisitions made in 2014.

(33) Administrative expenses

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Changes in inventories and own work capitalized	(21)	0
Materials and external services	159	(375)
Employee benefits expenses	(50,339)	(40,669)
Depreciation, amortization and impairment	(6,337)	(3,714)
Consultancy services	(6,638)	(9,359)
Temporary workers and other third-party services	(6,082)	(6,200)
Office and IT expenses	(6,099)	(3,863)
Travel expenses	(3,462)	(2,832)
Vehicle fleet	(2,895)	(2,555)
Advertising, representation and market costs	(1,288)	(2,134)
Rentals and leases	(2,744)	(1,936)
Taxes other than those on income	(1,767)	(1,782)
Insurance	(1,432)	(1,737)
Miscellaneous other expenses	(1,689)	(1,567)
Total	**(90,634)**	**(78,723)**

The rise in office and IT expenses was related to maintenance fees for IT programmes. Employee benefits expenses rose primarily due to the acquisitions made in 2014.

FEES CHARGED BY THE AUDITOR

For services provided in the 2014 financial year by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. – the auditor of the consolidated financial statements – as well as by the businesses of the global Ernst & Young network, the following fees were recognized as expenses:

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Audit of the consolidated financial statements and related certification services (including reviews)	(782)	(754)
of which Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	(400)	(276)
Tax advice	(165)	(160)
Other services	(26)	(278)
Total	**(973)**	**(1,192)**

(34) Other operating expenses

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Losses on the disposal of intangible assets and property, plant and equipment	(471)	(294)
Losses on bad debt and impairment losses	(2,251)	(280)
Exchange rate differences	(5,781)	(4,982)
Damage costs	(502)	(1,043)
Expenses in connection with other income	(1,269)	(1,021)
Allocation default reserve from factoring	(272)	0
Allocation provision for legal disputes	(656)	(119)
Contractual penalty	(306)	(190)
Miscellaneous other operating expenses	(4,340)	(1,530)
Total	**(15,848)**	**(9,459)**

Impairment losses rose chiefly as a result of an increase in overdue receivables in the Middle East and India.

Damage costs incurred in 2013 in the amount of EUR 760 thousand concerned hail and storm damage in the USA. In 2014, damage costs were incurred primarily in Germany.

(35) Income from companies reported at equity

Income from associated companies and joint ventures included according to the equity method is comprised of the following:

EUR thousand	2014	2013
Share in the net result for the period	4,140	2,794
Income from disposed associated companies	0	81
Income from revaluation of investments in associated companies due to acquisition	0	7,162
Total	**4,140**	**10,037**

The income from the revaluation of investments made in associated companies in 2013 in the amount of EUR 7,162 thousand resulted from the remeasurement of the 40 per cent share previously held in Nimet Srl, Lazuri, Romania, due to the obtaining of control over the company.

(36) Materials and external services

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Cost of materials	(510,774)	(493,389)
Cost of external services	(38,671)	(34,905)
Total	**(549,445)**	**(528,294)**

For details on the impairment losses on inventories reported under cost of materials, see Note (48) Inventories. Cost of materials primarily relates to metal components such as sheets, pipes and profiles, as well as purchased parts, and electrical and hydraulic components.

(37) Employee benefits expenses

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Wages and salaries	(230,647)	(204,050)
Expenses for severance payments	(2,391)	(2,707)
Pension expensers	(1,763)	(1,939)
Expenses for statutory social security contributions and other pay-related contributions	(49,024)	(43,033)
Other employee benefits	(15,093)	(10,937)
Total	**(298,918)**	**(262,666)**

Expenses for severance payments include payments made under defined contribution plans in the amount of EUR 1,041 thousand (previous year: EUR 773 thousand), which, in turn, include payments made to external severance pay funds for employees, totalling EUR 741 thousand (previous year: EUR 561 thousand).

Pension expenses include expenses under defined contribution plans amounting to EUR 1,881 thousand (previous year: EUR 1,719 thousand).

EUR 11 thousand (previous year: EUR 21 thousand) in employee benefits expenses relating to the granting of stock options as part of the stock option programme and in accordance with IFRS 2 were reported in the 2014 financial year.

(38) Depreciation, amortization and impairment expenses

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Depreciation and amortization	(35,636)	(30,970)
Impairment	(2,509)	(400)
Total	**(38,145)**	**(31,370)**

The development of depreciation, amortization and impairment is discussed in detail in Note (41) Intangible assets, Note (42) Property, plant and equipment and Note (43) Investment property.

(39) Interest result and other financial result

The following table shows the net interest result and other financial result:

Jan–Dec 2013		Financial instruments acc. to IAS 39	
EUR thousand	**Total**	**Loans and receivables**	**At amortized cost**
Interest income	769	666	0
Interest expenses from financial liabilities	(10,187)	0	(9,846)
Other interest expenses	(2,177)	0	(167)
Interest result	**(11,595)**	**666**	**(10,013)**
Income from the disposal of financial assets	42	0	0
Write-up of financial assets	3	0	0
Impairment of financial assets	(13)	0	0
Exchange rate differences	(1,436)	(665)	(75)
Net result	**(1,404)**	**(665)**	**(75)**
Net financial result	**(12,999)**	**1**	**(10,088)**

Jan–Dec 2014		Financial instruments acc. to IAS 39	
EUR thousand	**Total**	**Loans and receivables**	**At amortized cost**
Interest income	763	763	0
Interest expenses from financial liabilities	(12,467)	0	(12,217)
Other interest expenses	(2,089)	0	0
Interest result	**(13,793)**	**763**	**(12,217)**
Income from the disposal of financial assets	1,271	0	0
Write-up of financial assets	31	0	0
Exchange rate differences	577	991	0
Net result	**1,879**	**991**	**0**
Net financial result	**(11,914)**	**1,754**	**(12,217)**

Financial instruments acc. to IAS 39				
Available for sale	Held for trading / other derivatives	Other non-current provisions	Non-current provisions acc. to IAS 19	Finance lease
0	0	103	0	0
0	0	0	0	(341)
0	(414)	(668)	(928)	0
0	**(414)**	**(565)**	**(928)**	**(341)**
42	0	0	0	0
3	0	0	0	0
(13)	0	0	0	0
0	(696)	0	0	0
32	**(696)**	**0**	**0**	**0**
32	**(1,110)**	**(565)**	**(928)**	**(341)**

Financial instruments acc. to IAS 39				
Available for sale	Held for trading / other derivatives	Other non-current provisions	Non-current provisions acc. to IAS 19	Finance lease
0	0	0	0	0
0	0	0	0	(250)
0	(225)	(855)	(1,009)	0
0	**(225)**	**(855)**	**(1,009)**	**(250)**
41	1,230	0	0	0
31	0	0	0	0
0	(414)	0	0	0
72	**816**	**0**	**0**	**0**
72	**591**	**(855)**	**(1,009)**	**(250)**

(40) Income tax expense

The rate of corporation tax applicable to the parent company, PALFINGER AG, remained at 25 per cent, which is the same rate as in the previous year:

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Effective tax expense (–)/income (+)	(7,979)	(7,239)
thereof from previous years	*615*	*(92)*
Deferred tax expense (–)/income (+)	(2,502)	(5,149)
thereof from the recognition of tax-loss carry forwards from previous years	*20*	*175*
thereof due to tax rate changes	*(132)*	*151*
thereof from the adjustment of tax-loss carry forwards	*(21)*	*(1,734)*
Total	**(10,481)**	**(12,388)**

The difference between the book income tax expense and the effective income tax expense in the financial year, as shown in the consolidated income statement, is calculated as follows:

EUR thousand	31 Dec 2014	31 Dec 2013
Result before income tax	**54,578**	**61,122**
Tax rate payable by the Group	25.0%	25.0%
Book income tax expense	**13,645**	**15,281**
Adjustment to foreign tax rates	(1,056)	(411)
Tax-reducing factors		
Research and education allowances	(554)	(502)
Investment grants	(530)	(305)
Tax rate changes	(140)	(39)
Tax-free income from investments	(1,035)	(2,509)
Reversal of non-taxable provisions	(1,227)	(354)
Other income not subject to tax	(206)	(226)
Recognition and use of loss carry forwards from previous years	(20)	(175)
Income tax from previous years	(1,188)	(501)
Valuation of investments and intra-Group transfers of investments	(625)	(2,147)
	(5,525)	**(6,758)**
Tax-increasing factors		
Tax rate changes	8	190
Non-capitalized loss carry forwards	1,175	740
Impairment of loss carry forwards	21	1,734
Non-tax-deductible expenses	1,064	764
Minimum taxes	250	97
Income tax from previous years	573	593
Non-deductible withholding taxes	326	54
Valuation of investments	0	104
	3,417	**4,276**
Income tax expense	**10,481**	**12,388**

NOTES TO THE CONSOLIDATED BALANCE SHEET

(41) Intangible assets

The following table shows the movement in intangible assets:

EUR thousand	Goodwill
Acquisition cost	
As at 1 Jan 2013	**106,858**
Corporate acquisitions	6,050
Additions	0
Disposals	0
Reclassifications	0
Foreign currency translation	(3,658)
As at 31 Dec 2013	**109,250**
As at 1 Jan 2014	**109,250**
Corporate acquisitions and disposals	22,960
Additions	0
Disposals	0
Reclassifications	0
Foreign currency translation	(6,440)
As at 31 Dec 2014	**125,770**
Accumulated amortization and impairment	
As at 1 Jan 2013	**0**
Corporate acquisitions	0
Amortization and impairment	0
Disposals	0
Reclassifications	0
Foreign currency translation	0
As at 31 Dec 2013	**0**
As at 1 Jan 2014	**0**
Corporate acquisitions and disposals	0
Amortization and impairment	0
Impairment	0
Disposals	0
Reclassifications	0
Foreign currency translation	0
As at 31 Dec 2014	**0**
Carrying amounts as at 31 Dec 2013	**109,250**
Carrying amounts as at 31 Dec 2014	**125,770**

Additions to other intangible assets primarily relate to licenses and software.

Intangible assets with indefinite useful lives	Development expenditure	Brands, customer base and order backlog	Other intangible assets	Prepayments	Total
21,342	**22,045**	**41,983**	**15,486**	**0**	**207,714**
5,125	0	1,397	116	0	12,688
4	6,704	0	2,346	0	9,054
0	0	0	(923)	0	(923)
0	(4)	0	8	0	4
(960)	(217)	(1,525)	(372)	0	(6,732)
25,511	**28,528**	**41,855**	**16,661**	**0**	**221,805**
25,511	**28,528**	**41,855**	**16,661**	**0**	**221,805**
8,117	0	10,066	107	3	41,253
0	8,310	0	1,368	13	9,691
0	(115)	0	(1,068)	0	(1,183)
(4)	8	0	69	0	73
289	268	(187)	238	(1)	(5,833)
33,913	**36,999**	**51,734**	**17,375**	**15**	**265,806**
0	**4,388**	**25,381**	**12,505**	**0**	**42,274**
0	0	0	71	0	71
0	2,877	3,667	1,500	0	8,044
0	0	0	(880)	0	(880)
0	(7)	0	7	0	0
0	(36)	(1,075)	(300)	0	(1,411)
0	**7,222**	**27,973**	**12,903**	**0**	**48,098**
0	**7,222**	**27,973**	**12,903**	**0**	**48,098**
0	0	0	(14)	0	(14)
0	3,443	3,621	1,488	0	8,552
0	11	0	0	0	11
0	(115)	0	(1,044)	0	(1,159)
0	8	0	(8)	0	0
0	124	881	243	0	1,248
0	**10,693**	**32,475**	**13,568**	**0**	**56,736**
25,511	**21,306**	**13,882**	**3,758**	**0**	**173,707**
33,913	**26,306**	**19,259**	**3,807**	**15**	**209,070**

GOODWILL

Reported goodwill resulting from business combinations pertains to the following cash-generating units:

EUR thousand	31 Dec 2014	31 Dec 2013
Business area EMEA cash-generating unit	50,718	49,670
Business area Marine cash-generating unit	53,280	40,750
ETI cash-generating unit	6,052	5,328
Business area CIS cash-generating unit	14,463	12,259
Business area South America cash-generating unit	1,257	1,243
Total	**125,770**	**109,250**

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangible assets with indefinite useful lives result from business combinations and are as follows:

EUR thousand	31 Dec 2014	31 Dec 2013
Business area EMEA		
MBB brand	5,840	5,840
Nimet brand	5,012	5,026
Business area Marine		
Megarme brand	5,394	0
Business area North America (excl. ETI)		
Dealer network	6,698	5,896
OMAHA STANDARD brand	1,826	1,608
American Roll-off brand	568	501
ETI		
ETI brand	4,690	4,130
Business area CIS		
INMAN brand	1,573	2,510
Velmash brand	2,312	0
Total	**33,913**	**25,511**

As the management intends to continue to use the brands and the dealer network resulting from business combinations for an indefinite time, thus rendering it impossible to determine the useful lives of these intangible assets, such assets were assigned indefinite useful lives.

After subjecting the intangible assets with indefinite useful lives to impairment tests, no need for impairment was found.

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 five years. Subsequently, the cash flows are extrapolated at a constant rate.

The discount rates applied are in accordance with customary, weighted cost of capital adjusted to specific risks on the basis of external capital market data and are shown in the following table in comparison with the corresponding discount rates of the previous year:

	Pre-tax discount rate	
in per cent	2014	2013
Business area EMEA cash-generating unit	8.3	8.8
Business area Marine cash-generating unit	8.9	8.8
Business area North America (excl. ETI) cash-generating unit	10.5	11.5
ETI cash-generating unit	12.7	11.5
Business area CIS cash-generating unit	18.3	15.1
Business area South America cash-generating unit	22.5	24.6

A sensitivity analysis has found that even if the discount factor increases by 1 per cent, the carrying amounts will still be covered, as was the case in the previous year, and that there is no need for impairment.

The sensitivity analysis also determined that if the EBITs for the years 2015 to 2019 decrease by 10 per cent, provided that all other parameters remain unchanged, the carrying amounts will still be covered and there is no need for impairment.

For cash-generating units containing no goodwill or intangible assets with indefinite useful lives, no impairment tests were carried out, as no indicator was available.

The assumptions underlying the calculation of the values in use of the cash-generating units contain estimation uncertainties. Gross profit margins are determined by using those amounts that are integrated into rolling wave 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 EXPENDITURE

In the 2014 financial year, PALFINGER capitalized development expenditure of EUR 8,310 thousand (previous year: EUR 6,704 thousand) as internally generated intangible assets.

BRANDS, CUSTOMER BASE AND ORDER BACKLOG

In the course of the purchase price allocation for the acquisition of Megarme and PM-Group, EUR 8,117 thousand was capitalized for brands, and EUR 10,060 thousand for customer base and order backlog.

In the 2014 financial year, customer bases and order backlogs in the amount of EUR 2,810 thousand (previous year: EUR 2,732 thousand) were consumed.

(42) Property, plant and equipment

The movements in property, plant and equipment are shown in the following table:

EUR thousand	Land and buildings
Acquisition cost	
As at 1 Jan 2013	**149,207**
Corporate acquisitions	7,144
Additions	3,530
Additional capitalization	145
Disposals	(224)
Reclassifications	2,250
Foreign currency translation	(2,316)
As at 31 Dec 2013	**159,736**
As at 1 Jan 2014	**159,736**
Corporate acquisitions and disposals	15,961
Additions	7,458
Disposals	(9,042)
Reclassifications	3,203
Foreign currency translation	2,062
As at 31 Dec 2014	**179,378**
Accumulated depreciation and impairment	
As at 1 Jan 2013	**35,619**
Corporate acquisitions	238
Accumulated depreciation and impairment	5,094
Impairment	400
Additional capitalization	0
Disposals	(95)
Reclassifications	0
Foreign currency translation	(687)
As at 31 Dec 2013	**40,569**
As at 1 Jan 2014	**40,569**
Corporate acquisitions and disposals	3,306
Accumulated depreciation and impairment	5,817
Impairment	0
Reversal of impairment losses	(217)
Additional capitalization	0
Disposals	(2,477)
Reclassifications	27
Foreign currency translation	150
As at 31 Dec 2014	**47,175**
Carrying amounts as at 31 Dec 2013	**119,167**
Carrying amounts as at 31 Dec 2014	**132,203**

Undeveloped land	Plant and machinery	Other plant, fixtures, fittings and equipment	Prepayments and assets under construction	Total
7,704	**139,277**	**60,624**	**4,055**	**360,867**
0	6,435	1,050	299	14,928
(6)	6,050	7,961	12,118	29,653
0	0	0	0	145
(5,309)	(3,314)	(3,044)	(13)	(11,904)
(505)	3,719	927	(6,395)	(4)
(18)	(2,689)	(1,364)	(163)	(6,550)
1,866	**149,478**	**66,154**	**9,901**	**387,135**
1,866	**149,478**	**66,154**	**9,901**	**387,135**
233	9,338	3,606	377	29,515
71	9,865	13,038	20,740	51,172
(310)	(1,817)	(3,498)	(4)	(14,671)
0	7,085	7	(10,368)	(73)
54	(1,301)	1,982	(739)	2,058
1,914	**172,648**	**81,289**	**19,907**	**455,136**
33	**83,772**	**32,667**	**0**	**152,091**
0	1,145	298	0	1,681
9	11,109	6,698	0	22,910
0	0	0	0	400
0	0	3	0	3
0	(2,757)	(2,420)	0	(5,272)
0	(15)	15	0	0
(2)	(1,776)	(584)	0	(3,049)
40	**91,478**	**36,677**	**0**	**168,764**
40	**91,478**	**36,677**	**0**	**168,764**
0	6,993	2,468	0	12,767
9	12,876	8,364	0	27,066
0	0	2,498	0	2,498
0	(55)	0	0	(272)
0	0	19	0	19
0	(1,550)	(2,453)	0	(6,480)
0	552	(579)	0	0
6	(1,000)	609	0	(235)
55	**109,294**	**47,603**	**0**	**204,127**
1,826	**58,000**	**29,477**	**9,901**	**218,371**
1,859	**63,354**	**33,686**	**19,907**	**251,009**

Additions related primarily to the construction and expansion of production plants in Russia, Brazil, the Netherlands and Poland as well as numerous replacement and expansion investments primarily in Austria, the USA and Germany.

Land and buildings include the real property values of developed properties amounting to EUR 27,320 thousand (previous year: EUR 22,516 thousand). Prepayments and assets under construction are reported at cost and represent assets which were under construction as at the balance sheet date, totalling EUR 19,396 thousand (previous year: EUR 9,304 thousand).

In 2012, a plot of land was purchased for the construction of new Group headquarters. In 2013, it was decided that a related company of the Palfinger family would be put in charge of the construction and rental of Group headquarters. Therefore, the land was sold to this company in 2013 and a lease agreement was concluded for a period of 20 years. Rent was determined on the basis of an independent expert opinion identifying the current market value. PALFINGER AG has a pre-emptive right to this plot of land. Relocation is scheduled to take place in the third quarter of 2015.

In addition to the acquisition of the property in 2012, a purchase option agreement was concluded, obligating and/or authorizing PALFINGER to acquire additional plots of land, amounting to approx. 19,000 m^2 in total, after five or ten years following the planned rezoning of the plots of land. 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 of exercise of the purchase option. This option was not passed on to the related company of the Palfinger family.

In the period under review, borrowing costs on qualifying assets in the amount of EUR 72 thousand (previous year: EUR 13 thousand) were capitalized. Provided that there is no specific financing agreement, the weighted interest rate on borrowings applied by the PALFINGER Group in the amount of 2.28 per cent (previous year: 3.15 per cent) is used.

The impairment in the amount of EUR 400 thousand in 2013 concerned a building in Germany; in 2014, the impairment loss was reversed in the amount of EUR 217 thousand, due to the fact that the reasons for the impairment no longer existed.

In the 2014 financial year, as in the previous year, no government grants in accordance with IAS 20 were taken into account as reductions of acquisition and/or manufacturing costs.

As at 31 December 2014, the carrying amount of property, plant and equipment pledged as collateral for liabilities amounted to EUR 4,875 thousand (previous year: EUR 0 thousand).

(43) Investment property

As at 31 December 2014, investment property included acquisition costs totalling EUR 816 thousand (previous year: 816 thousand) and had a carrying amount of EUR 351 thousand (previous year: EUR 369 thousand). Depreciation and impairment amounted to EUR 18 thousand (previous year: EUR 18 thousand). As at 31 December 2014, the fair value of investment property came to EUR 567 thousand (previous year: EUR 587 thousand).

Rental income from the lease of investment property amounted to EUR 61 thousand (previous year: EUR 61 thousand), and directly attributable operating expenses from the lease of investment property were EUR 18 thousand (previous year: EUR 18 thousand).

(44) Investments in companies reported at equity

The names of the companies included in the consolidated financial statements using the equity method are listed in the statement of investments.

EUR thousand	2014	2013
As at 1 Jan	**12,955**	**14,977**
Addition due to change from proportionate consolidation to equity method	7,097	0
Additions	113,523	0
Capital increase	10,152	0
Share in the net result for the period	4,140	2,875
Dividends	(3,032)	(3,934)
Foreign currency translation	15,998	27
Disposals	(319)	(990)
As at 31 Dec	**160,514**	**12,955**

The tables below contain a summarized schedule of the financials for the associated companies and joint venture companies which are material to the Group and have been included according to the equity method. In each case, the information given refers to 100 per cent and not the share held by PALFINGER in these companies.

	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co.,Ltd.	Sany Palfinger SPV Equipment Co., Ltd.[2)]	
EUR thousand	Jan–Dec 2014	Jan–Dec 2013	Apr–Sept 2014[1)]	Jan–Dec 2014	Jan–Dec 2013
Revenue	94,425	89,866	279,627	20,735	11,067
Result after income tax	5,288	3,711	15,099	(108)	(1,764)
Other comprehensive income after income tax	0	0	141,080	3,105	(646)
Total comprehensive income	5,288	3,711	156,179	2,997	(2,410)
EUR thousand	31 Dec 2014	31 Dec 2013	30 Sept 2014	31 Dec 2014	31 Dec 2013
Non-current assets	2,655	2,210	349,973	5,708	1,562
Current assets	42,536	42,678	433,501	43,065	20,132
Non-current liabilities	0	0	9,573	0	19
Current liabilities	18,482	19,072	422,009	11,499	7,657
Net assets	**26,709**	**25,816**	**351,892**	**37,274**	**14,018**
EUR thousand	2014	2013	2014	2014	2013
Shares/voting rights	**49%**	**49%**	**10%**	**50%**	**50%**
Carrying amount as at 1 Jan	**12,013**	**11,760**	**0**	**0**	**-**
Additions	0	0	109,977	17,103	-
Share in the net result for the period	2,591	1,818	1,510	(54)	-
Foreign currency translation	0	0	14,108	1,552	-
Dividends	(2,312)	(1,566)	0	0	-
Carrying amount as at 31 Dec	**12,291**	**12,013**	**125,595**	**18,602**	**-**
of which goodwill	0	0	90,406	0	-
of which downstream sales	(796)	(637)	0	(35)	-
of which pro-rata net assets	13,087	12,650	35,189	18,637	-

1) See disclosures on the acquisition of SANY Lifting Business on pages 107-108.
2) Company consolidated on a proportionate basis in 2013. At the balance sheet date, the company's cash and cash equivalents were EUR 20,758 thousand (previous year: EUR 4,222 thousand); interest income amounted to EUR 203 thousand (previous year: EUR 113 thousand) and tax income to EUR 229 thousand (previous year: EUR 728 thousand) in the reporting period.

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 company in China.

The table below contains a summarized schedule of the financials for the associated companies not material to the Group, included according to the equity method. In each case, the information given refers to the share held by PALFINGER in these companies.

EUR thousand	2014	2013
Carrying amounts of investments	**4,026**	**942**
Result after income tax	93	1,056
Other comprehensive income after income tax	338	27
Total comprehensive income	431	1,083

(45) Deferred tax assets and liabilities

Deferred taxes comprise the following:

EUR thousand	31 Dec 2014	31 Dec 2013
Deferred tax assets		
Non-current assets		
Intangible assets – different useful lives	364	55
Intangible assets – tax deductible goodwill	1,705	2,121
Property, plant and equipment – different useful lives	892	169
Non-current financial assets - financial asset write-downs not yet taxed	4,798	7,191
Other non-current assets	28	74
	7,787	**9,610**
Current assets		
Inventories – elimination of intercompany profits, differences in tax measurement of manufacturing costs	3,961	3,970
Trade receivables – differences in tax measurement of impairment loss	1,542	757
Other current assets – severance payments not yet taxed	306	304
	5,809	**5,031**
Non-current liabilities		
Non-current provisions – different recognition of employee benefits provisions IAS 19	7,008	5,162
of which deferred taxes directly recognized in other comprehensive income	2,867	1,423
Other non-current liabilities	4,019	1,063
of which deferred taxes directly recognized in other comprehensive income	3,199	910
	11,027	**6,225**
Current liabilities		
Current provisions – different recognition of provisions for guarantee expenses	1,836	1,882
Trade payables and other current liabilities	1,755	1,561
	3,591	**3,443**
Total deferred tax assets	**28,214**	**24,309**
Deferred tax liabilities		
Non-current assets		
Intangible assets – acquisitions, development expenditure	(18,470)	(15,994)
Property, plant and equipment – different useful lives	(8,204)	(7,353)
Non-current financial assets	(1,505)	0
of which deferred taxes directly recognized in other comprehensive income	(880)	0
	(28,179)	**(23,347)**
Current assets		
Inventories – differences in tax measurement of manufacturing costs	(192)	(252)
Trade receivables – contract manufacturing (POC)	(1,990)	(2,610)
Other current assets – differences in tax measurement	(1,014)	(649)
of which deferred taxes directly recognized in other comprehensive income	0	(47)
	(3,196)	**(3,511)**
Non-current liabilities		
Non-current provisions	(181)	(229)
of which deferred taxes directly recognized in other comprehensive income	0	(1)
	(181)	**(229)**
Current liabilities		
Current provisions – different recognition of provisions for guarantee expenses	(625)	(599)
Trade payables and other current liabilities	(56)	(533)
	(681)	**(1,132)**
Total deferred tax liabilities	**(32,237)**	**(28,219)**
Deferred tax assets on loss carry forwards	**16,011**	**16,464**
Deferred taxes	**11,988**	**12,554**
thereof		
deferred tax assets	18,627	20,206
deferred tax liabilities	(6,639)	(7,652)

Deferred taxes contain deferred tax assets directly recognized in other comprehensive income of EUR 4,730 thousand (previous year: EUR 2,061 thousand) and deferred tax liabilities directly recognized in other comprehensive income of – EUR 456 thousand (previous year: –EUR 224 thousand).

Tax-loss carry forwards are comprised of the following:

	Non-capitalized loss carry forwards		Capitalized loss carry forwards	
EUR thousand	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Loss carry forwards subject to expiry				
within one year	87	189	260	372
within two years	0	97	530	252
within three years	0	0	1,146	499
within four years	0	0	881	1,313
within five years	0	0	0	1,569
More than five years	14,896	12,802	20,905	18,582
Loss carry forwards not subject to expiry	24,032	20,140	25,176	28,547
Total	**39,015**	**33,228**	**48,898**	**51,134**

For tax-loss carry forwards of EUR 39,015 thousand (previous year: EUR 33,228 thousand), no deferred tax assets were recognized by the Group, since their effectiveness as definite tax relief within the scope of medium-term planning is not yet sufficiently secured.

For deferred withholding taxes in the amount of EUR 1,414 thousand (previous year: EUR 628 thousand), no deferred tax liabilities were recognized according to IAS 12.39, as PALFINGER is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(46) Non-current financial assets

Non-current financial assets are comprised of the following:

EUR thousand	31 Dec 2014	31 Dec 2013
Loans	2,054	333
Financial receivables from related parties	29,959	428
Securities	1,141	1,110
Cash at banks	502	0
Total	**33,656**	**1,871**

Securities comprise shares in investment funds and bonds for safeguarding employee benefits provisions as required by law.

A 10-year instalment plan and sufficient collateral provided by other related parties are available for receivables from related parties amounting to EUR 29,531 thousand. Arm's length interest rates are charged for these receivables (see acquisition of Palfinger systems).

(47) Other non-current assets

Other non-current assets are the following:

EUR thousand	31 Dec 2014	31 Dec 2013
Employer's pension liability reinsurance	2,938	1,531
Deferred expenses	180	204
Miscellaneous other non-current assets	11	11
Total	**3,129**	**1,746**

Employer's pension liability reinsurance pertains to repurchase rights for life insurance policies which do not meet the criteria for being offset against pension provisions in accordance with IAS 19.

(48) Inventories

Inventories are shown below:

EUR thousand	31 Dec 2014	31 Dec 2013
Materials and production supplies	96,382	78,284
Work in progress	67,228	64,296
Finished goods and goods for resale	74,236	71,617
Prepayments	1,334	1,248
Total	**239,180**	**215,445**

Inventories increased primarily as a result of higher revenue generated in the areas and also due to the acquisition of PM-Group.

EUR 671 thousand (previous year: EUR 814 thousand) in inventories was valued at net realizable value.

In the 2014 financial year, a reversal of an impairment in inventories of EUR 394 thousand (previous year: EUR 1,227 thousand) was made and recognized as cost of sales.

(49) Trade receivables

Trade receivables are as follows:

EUR thousand	31 Dec 2014	31 Dec 2013
Receivables from contract manufacturing and rendering of services	27,317	12,764
Invoiced receivables	135,957	151,028
Total	**163,274**	**163,792**

On 19 December 2014, PALFINGER AG, or rather a number of selected Austrian and German subsidiaries of the PALFINGER Group, entered into a factoring agreement with an Austrian bank. Under this factoring agreement, trade receivables are sold on a revolving basis up to a maximum volume of EUR 60,000 thousand every two weeks. The receivables sold in connection with the existing factoring agreement amounted to EUR 14,843 thousand (previous year: EUR 0 thousand) as at the balance-sheet date (31 December 2014) and were fully derecognized in accordance with the rules of IAS 39 due to the transfer of control. Up to a contractually defined amount, PALFINGER continues to bear the risk in connection with credit-risk-related defaults. As at 31 December 2014, the maximum risk of loss resulting therefrom amounted to EUR 287 thousand (previous year: EUR 0 thousand) and corresponded to the maximum deductible. At the time of sale, this expected loss was fully expensed under other current provisions. The carrying amount corresponds to the fair value of the continuing commitment. As the factoring agreement was concluded shortly before the balance-sheet date, the recognition of the expected loss as an expense covered the entire impact on the income statement during the remainder of the reporting period. PALFINGER plans to raise the total volume gradually in 2015.

A lower number of receivables in Russia and Brazil, as well as factoring in Germany and Austria, resulted in a decrease in invoiced receivables.

Manufacturing orders according to the percentage-of-completion method are shown below:

EUR thousand	31 Dec 2014	31 Dec 2013
Costs incurred	22,925	14,272
Plus profits recognized	5,003	5,984
Progress billings	(611)	(7,492)
Receivables from contract manufacturing and rendering of services	**27,317**	**12,764**

Receivables from contract manufacturing increased primarily as a result of projects of the Railway Systems business unit.

Based on experience, allowances for doubtful debts of EUR 7,869 thousand (previous year: EUR 5,474 thousand) were made to take into account insolvency risks. These allowances are the following:

	Specific bad-debt allowances		Standardized bad-debt allowances	
EUR thousand	2014	2013	2014	2013
As at 1 Jan	**3,254**	**3,524**	**2,220**	**2,724**
Change in scope of consolidation	357	82	692	0
Allocation	1,606	628	1,863	700
Use	(612)	(559)	(116)	(111)
Reversal	(272)	(197)	(1,160)	(961)
Reclassification	0	(18)	0	18
Foreign currency translation	70	(206)	(33)	(150)
As at 31 Dec	**4,403**	**3,254**	**3,466**	**2,220**

(50) Current financial assets

Current financial assets are shown below:

EUR thousand	31 Dec 2014	31 Dec 2013
Financing receivables from associated companies	774	0
Derivative financial instruments	0	295
Other financing receivables	632	138
Total	**1,406**	**433**

(51) Other current receivables and assets

Other current receivables and assets are shown in the following table:

EUR thousand	31 Dec 2014	31 Dec 2013
Receivables relating to social security and other taxes	11,457	8,165
Other receivables	9,463	8,751
Deferred expenses and indemnification	5,026	4,641
Receivables from associated companies	61	0
Total	**26,007**	**21,557**

Other receivables increased as a result of receivables from the factor under the sale of trade receivables [also see Note (49)].

(52) Cash and cash equivalents

The funds reported in the statement of cash flows correspond to cash and cash equivalents. Cash and cash equivalents comprise the following:

EUR thousand	31 Dec 2014	31 Dec 2013
Cash in hand	118	364
Cash at banks	20,639	15,601
Total	**20,757**	**15,965**

As at 31 December 2014, there were no restraints on the disposal over funds.

(53) Share capital

The Company's share capital is divided into 37,593,258 (previous year: 35,730,000) no-par-value shares. All shares issued have been paid up in full.

At the Extraordinary General Meeting of 3 November 2011, the Management Board was authorized, according to sec. 169 of the Companies Act, to increase the share capital, subject to the approval of the Supervisory Board, by 31 October 2016 by up to EUR 10 million by means of issuing up to 10 million new ordinary bearer or registered shares (no-par-value shares) against contributions in cash or in kind – in several tranches, if necessary – and to determine the issue price, the terms of issue and any further details pertaining to the implementation of the capital increase in agreement with the Supervisory Board.

Moreover, the Management Board was authorized to exclude the subscription right of shareholders, subject to the approval of the Supervisory Board

(i) if the capital increase is made against contributions in kind, which is to say that shares are issued for the purpose of acquiring businesses, enterprises, business units or shares in one or more companies in Austria or abroad or
(ii) if the capital increase is made for the purpose of listing the shares of the Company on a foreign stock exchange or
(iii) in order to exempt any fractional amounts from the subscription rights of shareholders or
(iv) in order to service an over-allotment (greenshoe) option granted to issuing banks.

On 27 January 2014, the Management Board of the Company passed a resolution, which was approved by the Supervisory Board on 17 February 2014, to increase the share capital of the Company by EUR 1,863,258.00, from EUR 35,730,000.00 to EUR 37,593,258.00 by using part of the authorized capital to issue, against contributions in kind and excluding the subscription right of the other shareholders, 1,863,258 no-par-value bearer shares with one vote and a pro-rated share in the share capital of EUR 1 each per no-par-value share. This capital increase was entered into the commercial register on 14 May 2014.

The new shares were issued exclusively to SANY Germany GmbH, Cologne, Germany, which was exclusively allowed to subscribe to such shares. The new shares entitle their holders to profit-sharing as of 1 January 2014.

The capital increase was effected against contributions in kind for the purpose of funding the acquisition of 10 per cent in SANY Lifting Business. The total nominal amount of the increase in share capital in the amount of EUR 1,863,258.00 and the total issue amount of the new shares, namely EUR 54,034,482.00, were raised in full.

The premium of EUR 52,171 thousand and the issuing costs of EUR 1,306 thousand, less EUR 326 thousand in deferred tax income, were recognized in equity as additional paid-in capital.

The movements in shares outstanding are shown below:

Shares	2014	2013
As at 1 Jan	**35,401,910**	**35,389,410**
Issue of new shares	1,863,258	0
Exercise of stock option	36,122	12,500
As at 31 Dec	**37,301,290**	**35,401,910**

(54) Additional paid-in capital

Additional paid-in capital comprises appropriated and non-appropriated additional paid-in capital as well as reserves according to IFRS 2.

RESERVE ACCORDING TO IFRS 2

The reserve according to IFRS 2 for the stock option programme is as follows:

EUR thousand	2014	2013
As at 1 Jan	**86**	**111**
Allocation	11	21
Use	(61)	(37)
Reversal	0	(9)
As at 31 Dec	**36**	**86**

Details on the stock option programme can be found in Note (11).

(55) Treasury stock

As at 31 December 2014, holdings of treasury stock amounted to 291,968 shares (previous year: 328,090 shares).

The Extraordinary General Meeting of 3 November 2011, according to sec. 65 para. 1 (8) as well as paras. 1a and 1b of the Companies Act, authorized the Management Board to acquire no-par-value bearer or registered shares of the Company, in an amount not exceeding 10 per cent of the share capital of the Company via the stock exchange as well as over the counter, with said authorization to remain valid for a period of 30 months from the date of adoption of the resolution. The consideration payable may not be lower than EUR 1.00 per share or higher than EUR 50.00 per share. The Management Board of PALFINGER AG may resolve on the acquisition of shares via the stock exchange but must subsequently inform the Supervisory Board of such resolution. The acquisition of shares over the counter is subject to the prior approval of the Supervisory Board.

Moreover, the Management Board was authorized, for a period of five years according to sec. 65 para. 1b of the Companies Act, subject to the approval of the Supervisory Board, to resolve on a method of selling and/or using own shares other than by sale via the stock exchange or by public offer, also excluding the repurchase right (reverse subscription right) of shareholders, and to determine the conditions of sale.

(56) Foreign currency translation reserve

The change in the foreign currency translation reserve, broken down by currency, is shown in the following table:

EUR thousand	2014	2013
AED	2,252	0
BRL	170	(4,248)
GBP	632	(236)
NOK	(1,005)	(2,319)
RMB	15,937	(184)
RUB	(21,008)	(3,515)
USD	10,275	(3,447)
other	1,157	(997)
Total change	**8,410**	**(14,946)**

(57) Earnings per share

According to IAS 33, earnings per share are calculated by dividing the consolidated net result for the period by the weighted average number of shares outstanding. In the 2014 financial year, the weighted average number of shares outstanding amounted to 36,612,148 shares (previous year: 35,399,403 shares).

On the basis of the consolidated net result for the period, amounting to EUR 38,421 thousand (previous year: EUR 44,038 thousand), undiluted earnings per share were EUR 1.05 (previous year: EUR 1.24). Due to the low dilutive effect of the stock option programme, diluted earnings per share were identical with undiluted earnings per share.

(58) Retained earnings

Retained earnings increased by EUR 1,397 thousand (previous year: increase of EUR 1,035 thousand) owing to the reclassification of the puttable non-controlling interests from the current earnings of the Company. For details on liabilities from puttable non-controlling interests, see Notes (6) and (61).

DIVIDEND PER SHARE

The following dividends were resolved upon and paid to the shareholders of PALFINGER AG:

	Total EUR thousand	Number of shares	Dividend per share
Dividend resolved for the 2013 financial year (Annual General Meeting of 12 March 2014)	14,515	35,401,910	0.41
Dividend resolved for the 2012 financial year (Annual General Meeting of 6 March 2013)	13,448	35,389,410	0.38

In order to distribute the net profit for 2014 reported in the financial statements of PALFINGER AG in accordance with the Business Code, the Management Board will make the following proposal to the Annual General Meeting of 11 March 2015:

	EUR thousand
Net profit for 2014 of PALFINGER AG	5,332
Profit carry forward from 2013	141,501
Total net profit	**146,833**
Dividend proposed (EUR 0.34 per share)	12,682
Remaining net profit	**134,151**

(59) Valuation reserves according to IAS 39

As in the previous year, the valuation reserves according to IAS 39 only contain cash flow hedging reserves. Changes in the cash flow hedging reserves are presented in the following table:

EUR thousand	2014	2013
Changes in unrealized profits (+)/losses (–)	(14,384)	1,136
thereof from		
Interest rate swaps	(5,190)	1,061
forward foreign exchange contracts	(9,194)	75
Realized profits (–)/losses (+)	2,024	278
thereof from		
Interest rate swaps	1,295	868
forward foreign exchange contracts	729	(590)
Total change	**(12,360)**	**1,414**

(60) Non-controlling interests

The table below contains a summarized schedule of the financials for intra-Group eliminations regarding each subsidiary in which significant non-controlling interests are held:

	EPSILON Kran GmbH.		Equipment Technology, LLC		Guima Palfinger S.A.S.	
EUR thousand	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Non-current assets	1,405	610	26,831	21,136	9,153	8,350
Current assets	26,624	26,477	20,570	16,636	7,630	9,651
Non-current liabilities	1,112	1,152	3,917	1,782	1,091	394
Current liabilities	11,880	10,670	7,729	6,484	6,084	8,677
Net assets	**15,037**	**15,265**	**35,755**	**29,506**	**9,608**	**8,930**
Shares/voting rights of non-controlling interests	**35%**	**35%**	**20%**	**20%**	**35%**	**20%**
Carrying amount of non-controlling interests	5,451	5,531	0	0	3,308	615

EUR thousand	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Cash flows from operating activities	14,170	13,863	3,099	3,401	2,438	2,076
Cash flows from investing activities	(1,170)	(3,862)	(4,816)	1,401	(246)	1,219
Cash flows from financing activities	(13,000)	(10,001)	1,053	4,599	(2,118)	(3,701)
Profit/loss attributable to non-controlling interests	4,503	3,420	405	531	384	289
Other comprehensive income attributable to non-controlling interests	(32)	(20)	845	(263)	(147)	(14)
Dividends to non-controlling interests	4,550	3,500	0	0	0	0

*The carrying amount of the non-controlling interest in Equipment Technology, LCC is included in liabilities from puttable non-controlling interests.

The net assets of EPSILON Kran GmbH are restricted insofar as share transfers are subject to the approval of the minority 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, insignificant non-controlling interests are also governed by profit distribution agreements or subject to the restriction that distributions must be approved by the minority shareholders.

(61) Liabilities from puttable non-controlling interests

The following table shows the movement in liabilities from puttable non-controlling interests:

EUR thousand	2014	2013
As at 1 Jan	**17,370**	**18,999**
Interest cost	225	318
Addition through corporate acquisition	8,209	0
Increase through profit and loss	0	96
Reversal through profit and loss	(1,229)	0
Redemption	(2,626)	(1,364)
Increase directly in equity	1,976	400
Reversal directly in equity	(553)	(1,079)
As at 31 Dec	**23,372**	**17,370**

The addition in 2014 relates to the acquisition of Megarme as at 14 January 2014. The redemption concerns the non-controlling interest held in Palfinger Russland GmbH.

The carrying amounts are Level 3 fair values, determined on the basis of the following valuation methods and inputs:

Liabilities from puttable non-controlling interests	Valuation method	Inputs
Equipment Technology, LLC, Oklahoma City (US)	Discounted cash flow method	Risk-adjusted pre-tax interest rate, results of corporate planning in USD
Megarme-Group, Middle East	Discounted cash flow method	Risk-adjusted pre-tax interest rate, results of corporate planning in AED

Sensitivity analysis for significant inputs when determining Level 3 fair value as at 31 December 2014:

		Change in fair value recognized in OCI	
EUR thousand	**Change in assumption**	**Increase**	**Decrease**
Interest rate	+/(1) %	(852)	898
Projected profit measure	+/(10) %	2,140	(2,141)
EUR/USD	+/(10) %	(1,378)	1,684
EUR/AED	+/(10) %	(568)	694

(62) Non-current financial liabilities

Due to the expansion of the business volume and in order to ensure the continuous solvency of the PALFINGER Group to an even higher extent, additional liquidity reserves were created in 2014. New, approved credit lines were agreed upon and expiring financing lines were extended.

By prolonging the 2012 issue of promissory notes ahead of time and increasing its amount, in October 2014, additional financing flexibility was created; the long-term structure of the promissory notes tranches also resulted in an extension of the average capital commitment. Promissory note loans in the amount of EUR 59 million were redeemed in advance, and EUR 105 million in loans were raised by issuing promissory notes with maturities of five, seven and ten years.

Deferred interest expenses are contained in current financial liabilities.

The average interest rate is the average interest burden in per cent relating to the average carrying amount in the financial year, after interest and currency hedging have been taken into account. In 2014, this value amounted to 2.28 per cent (previous year: 3.15 per cent).

(63) Non-current provisions

The following table shows non-current provisions:

EUR thousand	**31 Dec 2014**	**31 Dec 2013**
Pension provisions	9,837	7,486
Provisions for severance payments	21,809	15,977
Anniversary bonus provisions	4,674	3,828
Other non-current provisions	13,066	11,301
Total	**49,386**	**38,592**

PENSION PROVISIONS

PALFINGER is committed by the terms of individual contracts with certain employees to provide supplementary retirement pensions payable after their retirement. The amounts of these pensions are calculated on the basis of length of service and remuneration at the time of retirement.

Valuation was based on the following parameters:

	Age of retirement		Interest rate (p.a.)		Pension increase (p.a.)	
	2014	2013	2014	2013	2014	2013
Austria	65 years	65 years	2.25%	3.5%	1.5%	1.5%
Germany	63 years	63 years	2.25%	3.5%	1.5%	1.5%
France	60–63 years	60–62 years	2.25%	3.5%	2.7%	1.5%

The change in the interest rate is based on the remeasurement necessitated by the change in the economic environment.

As at 31 December 2014, the average duration of defined benefit pension obligations from pension commitments was 15.31 years.

The calculation of pension provisions was performed as at 31 December 2014 using actuarial principles and taking into account the calculation rules under IAS 19. The obligations are measured using the projected unit credit method.

The calculations in Austria are based on the earliest possible pensionable age according to the 2004 Pension Reform ([Austrian] Budget Accompanying Act of 2003 [Budgetbegleitgesetz 2003]), taking into consideration transitional regulations. In the case of women entitled to such benefits, the computed pensionable age has been raised in steps corresponding to 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 AVO-2008-P (version for salaried employees).

The calculations in Germany are based on the earliest possible pensionable age in accordance with the German statutory social security pension insurance, using the mortality tables “Richttafeln 2005 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, hedged by reinsurance contracts, giving rise to a low counterparty risk vis-à-vis insurance companies.

PROVISIONS FOR SEVERANCE PAYMENTS

Severance payments are one-time settlements required under labour law, payable to employees on termination of employment by the employer or by mutual agreement or on retirement. They are calculated on the basis of the length of service and the amount of remuneration. The amount of the provisions for severance payments was calculated in accordance with actuarial principles.

Valuation was based on the following parameters:

	Interest rate (p.a.)		Salary increases (p.a.)		Employee turnover discount (p.a.)	
	2014	2013	2014	2013	2014	2013
Austria	2.25%	3.5%	3.0%	3.0%	2.0%	2.0%
Slovenia	2.25%	3.5%	3.0%	3.0%	2.0%	2.0%
Bulgaria	2.25%	3.5%	5.0%	5.0%	age-related 5% to 20%	age-related 5% to 20%
South Korea	3.29%	4.0%	5.0%	5.0%	age-related 7.8% to 13.4%	10.0%
UAE and Qatar	4.75%	-	4.5%	-	age-related	-

Changes in the interest rate are based on the remeasurement necessitated by the changed economic environment.

As at 31 December 2014, the average duration of defined benefit obligations from severance payments was 14.13 years.

Employees whose employment contract is governed by Austrian law and whose employment status started before 1 January 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, 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 the remuneration paid at the time of termination and the length of service.

In the case of employees in Austria whose employment commenced after 1 January 2003, this obligation has been transferred to a contribution-based system. These payments, which are made to an external severance pay fund, are reported as expenses and amount to 1.53 per cent of the remuneration paid.

Pension provisions and provisions for severance payments can be seen in the following table:

	Pensions		Severance payments	
EUR thousand	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Net present value of defined benefit	10,624	8,410	21,809	15,977
Fair value of plan assets	(787)	(924)	0	0
Provision	**9,837**	**7,486**	**21,809**	**15,977**

	Pensions		Severance payments	
EUR thousand	2014	2013	2014	2013
Net present value of defined benefit obligation as at 1 Jan	**8,410**	**8,036**	**15,977**	**14,281**
Addition through corporate acquisition	0	0	1,140	254
Addition	60	0	0	0
Current service cost	188	128	1,432	901
Interest expenses	291	301	619	533
Gains (–)/losses (+) from remeasurements	2,014	440	3,463	844
Benefits paid	(337)	(491)	(1,001)	(836)
Foreign currency translation	(2)	(4)	179	0
Net present value of defined benefit obligation as at 31 Dec	**10,624**	**8,410**	**21,809**	**15,977**

Plan assets consist of a pension fund with a renowned insurance company.

EUR thousand	2014	2013
Fair value of plan assets as at 1 Jan	**924**	**1,024**
Expected return on plan assets	32	36
Gains (+)/losses (–) from remeasurements	(97)	(54)
Actual benefits paid by fund	(72)	(82)
Fair value of plan assets as at 31 Dec	**787**	**924**

The actual return amounted to –EUR 65 thousand (previous year: –EUR 18 thousand).

Net costs for pensions and severance payments, resulting from defined benefit plans, are comprised as follows:

	Pensions		Severance payments	
EUR thousand	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Employee benefits expenses				
Current service cost	(188)	(128)	(1,432)	(901)
Interest expenses				
Interest expenses	(259)	(265)	(619)	(533)
Net cost	**(447)**	**(393)**	**(2,051)**	**(1,434)**

Remeasurements are composed as follows:

	Pensions		Severance payments	
EUR thousand	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Gains (–)/losses (+) from remeasurements	**2,111**	**494**	**3,463**	**844**
thereof experience adjustments	18	150	213	323
thereof from changes in demographic assumptions	52	0	4	3
thereof from changes in financial assumptions	1,944	290	3,246	518
thereof from return on plan assets	97	54	0	0

Realistic changes in the following actuarial parameters as at the reporting date that are deemed to be essential for calculating pension costs and the expected defined benefit claims, 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 defined benefit obligation							
	Pensions				Severance payments			
	+ 1 %		(1) %		+ 1 %		(1) %	
EUR thousand	2014	2013	2014	2013	2014	2013	2014	2013
Interest rate	(1,406)	(1,074)	1,775	1,341	(2,711)	(2,035)	3,270	2,465
Pension increase/ Salary increase	1,564	1,166	(1,291)	(971)	3,097	2,366	(2,630)	(1,996)

ANNIVERSARY BONUS PROVISIONS

Provisions for anniversary bonuses derived from collective bargaining and/or company agreements were calculated using the same parameters (with the exception of the employee turnover discount) as for the provision for severance payments.

The following table shows the movements in anniversary bonus provisions:

EUR thousand	2014	2013
As at 1 Jan	**3,828**	**3,545**
Change in scope of consolidation	(18)	0
Allocation	908	309
Interest cost	131	130
Use	(175)	(156)
As at 31 Dec	**4,674**	**3,828**

OTHER NON-CURRENT PROVISIONS

The changes in other non-current provisions are shown in the following table:

EUR thousand	2014	2013
As at 1 Jan	**11,301**	**9,773**
Change in scope of consolidation	268	0
Corporate acquisitions	9,592	0
Allocation	4,139	2,809
Interest cost	855	566
Use	(8,958)	(1,103)
Reversal	(4,041)	(1,678)
Reclassification	0	58
Foreign currency translation	(90)	876
As at 31 Dec	**13,066**	**11,301**

As at the end of 2013, there were contingent considerations, agreed upon in 2012, from the acquisition of subsidiaries. These considerations depended on the future EBITDA of the units. Those purchase price portions that were to have become due and payable in 2015 and 2019 were reversed in the 2014 financial year, as their utilization was no longer to be reckoned with.

Moreover, other non-current provisions contain other non-current employee benefits provisions of EUR 2,513 thousand (previous year: EUR 7,558 thousand). These are composed of long-term bonus agreements for executives, which will become payable in 2018 provided that the agreed benchmarks are achieved. In 2014, non-current provisions were used primarily for the the payment of long-term bonus agreements (see Disclosures concerning governing bodies and employees).

(64) Other non-current liabilities

Other non-current liabilities primarily relate to foreign taxes and liabilities to employees as well as deferred income.

(65) Current provisions

The movements in current provisions are shown in the following:

	Provision for guarantee and warranty expenses		Other current provisions	
EUR thousand	2014	2013	2014	2013
As at 1 Jan	**11,527**	**12,124**	**824**	**922**
Change in scope of consolidation	111	151	391	0
Allocation	4,043	4,195	842	429
Use	(4,300)	(4,569)	(192)	(309)
Reversal	(388)	(226)	(173)	(181)
Foreign currency translation	127	(148)	1	(37)
As at 31 Dec	**11,120**	**11,527**	**1,693**	**824**

(66) Trade payables and other current liabilities

Trade payables and other current liabilities are broken down as follows:

EUR thousand	31 Dec 2014	31 Dec 2013
Trade payables	81,992	78,100
Liabilities to associated companies	424	13
Advances received on orders	20,640	21,592
Liabilities to employees	24,733	21,826
Liabilities relating to social security and other taxes	13,622	12,354
Other liabilities	12,426	7,061
Deferred income	2,367	1,052
Total	**156,204**	**141,998**

Liabilities to employees, amounting to EUR 24,733 thousand (previous year: EUR 21,826 thousand), include deferrals for unused vacation time, incentive bonuses and compensatory time off, as well as wage and salary expenditures payable.

Other liabilities, totalling EUR 12,426 thousand (previous year: EUR 7,061 thousand), relate to debtors with credit balances, liabilities to the factor from incoming payments for trade receivables sold [see Note (49) for details], and miscellaneous other liabilities.

(67) Financial instruments

The reconciliation of the carrying amounts for each category under IAS 39 to fair values is shown in the following table:

			Measured acc. to IAS 17
EUR thousand	Carrying amount 31 Dec 2014	No financial instrument/ recognition acc. to IFRS 10	At amortized cost
Non-current assets			
Non-current financial assets	33,656	0	0
thereof			
Level 2 fair value			
Current assets			
Trade receivables	163,274	27,317	0
Current financial assets	1,406	0	0
Other current receivables and assets	26,007	16,483	0
Cash and cash equivalents	20,757	0	0
Total assets	**245,100**	**43,800**	**0**
Non-current liabilities			
Liabilities from puttable non-controlling interests	23,372	23,372	0
Non-current financial liabilities	327,291	0	10,168
thereof			
Level 2 fair value			
Non-current provisions	49,386	46,887	0
thereof			
Level 3 fair value			
Other non-current liabilities	3,062	3,062	0
Current liabilities			
Current financial liabilities	85,130	0	923
thereof			
Level 2 fair value			
Trade payables and other current liabilities	156,204	61,362	0
Total liabilities	**644,445**	**134,683**	**11,091**

	Measured acc. to IAS 39					
	At amortized cost		At fair value			
			Recognized in other comprehensive income		Recognized in the income statement	
	Loans and receivables	At amortized cost	Available for sale	Hedging derivatives	Held for trading / other derivatives	Carrying amount of financial instruments 31 Dec 2014
	32,515	0	1,141	0	0	33,656
		0	1,141	0	0	
	135,957	0	0	0	0	135,957
	1,406	0	0	0	0	1,406
	9,524	0	0	0	0	9,524
	20,757	0	0	0	0	20,757
	200,159	**0**	**1,141**	**0**	**0**	**201,300**
	0	0	0	0	0	0
	0	303,653	0	13,470	0	327,291
			0	13,470	0	
	0	0	0	0	2,499	2,499
					2,499	
	0	0	0	0	0	0
	0	81,410	0	2,479	318	85,130
			0	2,479	318	
	0	94,842	0	0	0	94,842
	0	**479,905**	**0**	**15,949**	**2,817**	**509,762**

			Measured acc. to IAS 17
EUR thousand	Carrying amount 31 Dec 2013	No financial instrument/ recognition acc. to IFRS 10	At amortized cost
Non-current assets			
Non-current financial assets	1,871	0	0
thereof			
Level 2 fair value			
Current assets			
Trade receivables	163,792	12,764	0
Current financial assets	433	0	0
thereof			
Level 2 fair value			
Other current receivables and assets	21,557	12,806	0
Cash and cash equivalents	15,965	0	0
Total assets	**203,618**	**25,570**	**0**
Non-current liabilities			
Liabilities from puttable non-controlling interests	17,370	13,740	0
thereof			
Level 3 fair value			
Non-current financial liabilities	184,681	0	9,764
thereof			
Level 2 fair value			
Non-current provisions	38,592	36,058	0
thereof			
Level 3 fair value			
Other non-current liabilities	4,561	3,792	0
Current liabilities			
Current financial liabilities	51,219	0	795
thereof			
Level 2 fair value			
Trade payables and other current liabilities	141,998	56,824	0
Total liabilities	**438,421**	**110,414**	**10,559**

The fair value of forward foreign exchange contracts is determined by calculating the present value of cash flows on the basis of the current interest yield curves of the respective currencies from observable market data as well as the current exchange rates at the valuation date. In the case of interest rate swaps, the fair value is determined by calculating the present value of cash flows on the basis of the current interest yield curves of the respective currencies from observable market data. Interest rate caps are measured by calculating the present value of cash flows on the basis of the current interest yield curves as well as interest rate volatilities of the respective currencies from observable market data. Securities are measured at the current rate at the valuation date.

Measured acc. to IAS 39					
At amortized cost		At fair value			
		Recognized in other comprehensive income		Recognized in the income statement	
Loans and receivables	**At amortized cost**	**available for sale**	**Hedging derivatives**	**Held for trading / other derivatives**	**Carrying amount of financial instruments 31 Dec 2013**
761	0	1,110	0	0	1,871
	0	1,110	0	0	
151,028	0	0	0	0	151,028
138	0	0	192	103	433
		0	192	103	
8,751	0	0	0	0	8,751
15,965	0	0	0	0	15,965
176,643	**0**	**1,110**	**192**	**103**	**178,048**
0	0	0	0	3,630	3,630
				3,630	
0	174,100	0	817	0	184,681
		0	817	0	
0	0	0	0	2,534	2,534
				2,534	
0	769	0	0	0	769
0	49,067	0	1,357	0	51,219
		0	1,357	0	
0	85,174	0	0	0	85,174
0	**309,110**	**0**	**2,174**	**6,164**	**328,007**

Material risks of non-performance 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 assets and current liabilities correspond to the market values, as they either have short-term maturities or have floating interest rates. Default risks are accounted for by adequate impairments. The carrying amounts of non-current financial liabilities in the amount of EUR 327,291 thousand (previous year: EUR 184,681 thousand) more or less correspond to the market values (Level 2) of EUR 328,624 thousand (previous year: EUR 184,348 thousand) as they mostly carry floating interest rates. The market values were calculated on the basis of observable current interest rate curves of the respective currencies using the discounted cash flow method. Interest rate swaps held to hedge against interest rate exposure are reported at market value.

In the 2014 financial year, income from the disposal of securities amounted to EUR 41 thousand (previous year: EUR 42 thousand) and is reported in other financial result (cf. Note (39) Interest result and other financial result).

The following table shows the movement in Level 3 fair values:

EUR thousand	2014	2013
As at 1 Jan	**6,164**	**7,650**
Addition through corporate acquisition	3,592	0
Interest cost	461	560
Redemption	(2,626)	(204)
Reversal through profit and loss	(3,881)	(1,781)
Increase through profit and loss	0	96
Foreign currency translation	8	(157)
Exchange rate differences through profit and loss	(1,219)	0
As at 31 Dec	**2,499**	**6,164**

Result in the income statement	Jan–Dec 2014	Jan–Dec 2013
Interest expenses	(461)	(656)
Financial income	1,230	103
Other operating income	2,651	1,678
Exchange rate differences of the net financial result	1,219	0
Unrealized gain/loss for financial instruments held on the balance sheet date	1,093	1,125

In the 2014 financial year, no financial instruments were reclassified to or from Level 3. All Level 3 carrying amounts existing as at 31 December 2013 were either redeemed or reversed in the 2014 financial year and therefore no longer existed as at 31 December 2014.

For the Level 3 carrying amounts added in 2014, the following valuation methods and inputs were used when determining fair values:

Financial intstruments	Valuation method	Inputs
Non-current provisions	Discounted cash flow method	Risk-adjusted pre-tax interest rate, results of corporate planning in RUB

Sensitivity analysis for significant inputs when determining fair values as at 31 December 2014:

		Change in fair value	
EUR thousand	Change in assumption	Increase	Decrease
Interest rate	+/(1) %	(52)	53
Projected profit measure	+/(10) %	276	(276)
EUR/RUB	+/(10) %	(227)	278

Capital management

The primary objective of PALFINGER's capital management is to secure financial flexibility, scope for value-enhancing investments and the retention of solid balance-sheet ratios.

A strong equity structure retains the trust of investors, lenders and the market and guarantees a solid capital basis for its future business development.

Net debt of PALFINGER is controlled centrally in consultation with the corporate treasury department, whose main responsibilities include long-term guaranteed liquidity in support of business operations, an efficient use of banking and financial services and limiting financial risks while optimizing revenue and costs. Central synergy effects and local opportunities are taken into consideration as well.

PALFINGER controls its capital structure taking into consideration the change in economic framework conditions, the strategic projects agreed upon and the internal equity ratio and gearing ratio targets. In 2014, by prolonging the 2012 issue of promissory notes ahead of time and increasing its amount, and by taking out long-term bank loans and investment funding, long-term refinancing was provided for the investments and acquisitions made in the period under review and capital commitment on the liabilities side was substantially extended.

Liquidity management was further optimized by expanding the automated cash pooling solution in the USA and in Europe. Flexibility in funding was also increased by expanding long-term credit lines.

In order to maintain this capital structure, PALFINGER pursues a consistent dividend policy based on the consolidated net result for the previous year. In accordance with PALFINGER's long-term dividend policy of distributing approx. one third of the consolidated net result for the period to its shareholders, a dividend of EUR 0.41 (previous year: EUR 0.38) per share was paid in 2014.

PALFINGER monitors its capital using the gearing ratio, which corresponds to the ratio of net debt and equity, as well as the equity ratio. In the long term, an equity rate of more than 50 per cent and a gearing ratio below 50 per cent are desirable. Net debt of EUR 356,600 thousand (previous year: EUR 217,925 thousand) includes non-current and current financial assets and the cash holdings as well as non-current and current financial liabilities. Equity of EUR 461,312 thousand (previous year: EUR 385,914 thousand) corresponds to the equity reported according to IFRS.

Financial risks

The main focus of PALFINGER, in accordance with its own treasury guidelines, is on minimizing financial risks, which are individually enumerated in the following.

1. LIQUIDITY RISK

Liquidity risk describes the necessity of having sufficient funds available at any time in order to meet obligations when they come due. The tasks of liquidity risk management therefore are the analysis of the exposure and the consistent safeguarding of liquidity through liquidity planning, maintenance of sufficient credit lines and sufficient diversification of lenders.

Managing the liquidity risk is the responsibility of the Group's treasury department, which uses efficient cash management systems for this purpose. Group-wide cash reporting ensures the transparency necessary to control funds in a targeted manner. 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. Due to the intra-Group financing structure and the use of cash pooling solutions in Europe and America, an efficient control and Group-wide distribution of the required liquidity are facilitated.

In order to extend the maturities of the financial liabilities and diversify PALFINGER's financing partners, the acquisitions carried out, the investments made and the loans maturing in 2014 were refinanced through long-term loans. These facilities entered into in 2014 have maturities of up to ten years. For details regarding the issue of promissory note loans, please refer to Note (62) Non-current financial liabilities.

Another measure to ensure liquidity is the maintenance of long-term unutilized credit lines with PALFINGER's banking partners. The existing financing agreements have been extended and have durations of up to three years.

The contractual remaining time to maturity of undiscounted cash flows is broken down as follows:

EUR thousand	31 Dec 2013	< 1 year	1–5 years	> 5 years
Financial liabilities	**251,220**	**56,081**	**188,948**	**6,191**
Liabilities from cash flow hedges	**10,876**	**1,970**	**7,037**	**1,869**
Liabilities from puttable non-controlling interests	**4,147**	**0**	**4,147**	**0**
Provisions for purchase price portions	**4,818**	**0**	**1,934**	**2,884**
Trade payables and other current liabilities				
Trade payables	78,869	78,100	769	0
Other liabilities for financial instruments	7,074	7,074	0	0
	85,943	**85,174**	**769**	**0**
Total	**357,004**	**143,225**	**202,835**	**10,944**

EUR thousand	31 Dec 2014	< 1 year	1–5 years	> 5 years
Financial liabilities	**428,638**	**93,771**	**304,847**	**30,020**
Liabilities from cash flow hedges	**17,416**	**7,661**	**8,842**	**913**
Liabilities from derivatives held for trading	**371**	**371**	**0**	**0**
Provisions for purchase price portions	**8,250**	**0**	**8,250**	**0**
Trade payables and other current liabilities				
Trade payables	81,992	81,992	0	0
Other liabilities for financial instruments	12,850	12,850	0	0
	94,842	**94,842**	**0**	**0**
Total	**549,517**	**196,645**	**321,939**	**30,933**

2. CREDIT RISK

Credit risk is the risk of loss due to a contracting party's default in payment or non-payment. 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 reported in the balance sheets.

A standardized bad-debt allowance was recognized for all receivables overdue.

The following is a breakdown of trade receivables overdue:

EUR thousand	31 Dec 2014	31 Dec 2013
Receivables not yet due	**124,475**	**125,584**
Receivables impaired		
Overdue for less than 30 days	23,877	23,069
Overdue for more than 30 days but less than 60 days	8,259	7,327
Overdue for more than 60 days but less than 90 days	2,411	924
Overdue for more than 90 days but less than 120 days	1,123	2,345
Overdue for more than 120 days	3,129	4,543
	38,799	**38,208**
Total	**163,274**	**163,792**

Other receivables do not include any receivables overdue. In the case of receivables not yet due there is no indication of bad-debt losses.

When investing funds, only banks with excellent credit ratings are chosen. Credit risk is limited to the amounts reported in the balance sheet.

3. FOREIGN EXCHANGE RISK

Foreign exchange risk is a form of risk that arises from the change in price of one currency against another. The value of a financial instrument may be affected by changes in the currency exchange rate.

The Group's international activities account for payment transactions in different currencies. Through local value creation, excessive amounts of foreign exchange items are minimized by way of natural hedges. The resulting material foreign exchange exposure is hedged using adequate hedging instruments. Foreign exchange cash flows from operations are hedged by means of forward foreign exchange contracts (cash flow hedges).

The supply of finished products and components to foreign-currency countries creates a risk position that is not covered by natural hedges. The ongoing analyses of this position are the basis for establishing a hedging strategy that is evaluated in regular meetings.

Financial transactions may only be concluded on the basis of a relevant hedged item. Speculative transactions (i.e. transactions without an underlying operating item) are prohibited.

Foreign exchange differences in the individual financial statements are reported in earnings before interest and taxes (EBIT) and/or the net financial result, depending on their cause.

Foreign exchange differences had the following effects on the income statement:

EUR thousand	Jan–Dec 2014	Jan–Dec 2013
Exchange rate differences income	4,968	2,872
Exchange rate differences expenses	(5,781)	(4,982)
Exchange rate differences in at equity result	(1,615)	(133)
Earnings before interest and taxes – EBIT	**(2,428)**	**(2,243)**
Exchange rate differences of the net financial result	577	(1,438)
Result from exchange rate differences	**(1,851)**	**(3,681)**

Foreign-currency risk sensitivity analysis:
Transactions that are carried out in a currency other than the respective functional currency may have an impact on foreign exchange risks. In the case of fair-value and cash-flow hedges, the changes in the values of the underlying transaction and the hedging transaction caused by changes in the exchange rate are almost completely offset in the same period in the income statement. Accordingly, these financial instruments are not linked to currency risks with an impact on profit or loss, or equity.

The impact of a hypothetical foreign exchange movement on profit or loss and equity is identified within the scope of a sensitivity analysis. This analysis assumes that the major exchange rates against the euro either strengthen or decrease by 10 per cent as at the balance sheet date, while all other variables remain constant. The following table shows the impact of a 10 per cent appreciation or depreciation of the major exchange rates against the euro:

31 Dec 2013	+10%			– 10%		
EUR thousand	Impact on profit or loss	Impact on equity	Total impact	Impact on profit or loss	Impact on equity	Total impact
USD	270	(3,955)	(3,685)	(330)	4,834	4,504
GBP	3	(545)	(542)	(3)	666	663
BRL	(144)	(307)	(451)	177	375	552
SGD	114	0	114	(140)	0	(140)
CNY	(146)	0	(146)	178	0	178
RUB	(986)	(404)	(1,390)	1,206	494	1,700
INR	0	(337)	(337)	0	412	412
NOK	352	(3,959)	(3,607)	(431)	4,839	4,408
SEK	1	0	1	(1)	0	(1)
HRK	(138)	0	(138)	169	0	169
RON	(695)	0	(695)	850	0	850
Foreign currency sensitivities	**(1,369)**	**(9,507)**	**(10,876)**	**1,675**	**11,620**	**13,295**

31 Dec 2014	+10%			– 10%		
EUR thousand	Impact on profit or loss	Impact on equity	Total impact	Impact on profit or loss	Impact on equity	Total impact
USD	(662)	(8,684)	(9,346)	810	10,614	11,424
GBP	(126)	(584)	(710)	155	713	868
BRL	(111)	(649)	(760)	136	793	929
SGD	(18)	0	(18)	22	0	22
CNY	35	0	35	(43)	0	(43)
RUB	(368)	(691)	(1,059)	450	845	1,295
INR	(254)	(317)	(571)	311	387	698
CAD	(51)	0	(51)	62	0	62
NOK	744	(764)	(20)	(910)	934	24
SEK	1	0	1	(1)	0	(1)
HRK	(76)	0	(76)	93	0	93
AED	30	0	30	(36)	0	(36)
RON	(779)	0	(779)	952	0	952
KRW	(460)	0	(460)	562	0	562
Foreign currency sensitivities	**(2,095)**	**(11,689)**	**(13,784)**	**2,563**	**14,286**	**16,849**

The calculation is made on the basis of the original and derivative financial instruments in non-functional currency as at the balance sheet date. Foreign currency translation effects from intra-Group accounts receivable and accounts payable were reported in profit or loss; any effects from non-current 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 in equity. Foreign currency translation effects caused by the conversion of the financial statements of foreign subsidiaries into the Group currency, the euro, are not taken into account.

4. INTEREST RATE RISK

Changing interest rates have an impact on the economic value of financial instruments (in particular when interest rates are fixed for a long term) and on the net interest income or expense resulting from these financial instruments. This impact constitutes the interest rate risk in its two forms – risk of change in value and net interest income risk.

The risk of change in value results in a depreciation of financial assets or an appreciation of financial liabilities. Changing values have a more pronounced impact if interest rates are fixed for long periods than in the case of floating-interest arrangements.

The net interest income risk is manifested in higher interest expenses for financial liabilities or lower interest income on financial assets. This risk mainly concerns financial instruments for which floating (short-term) interest rates have been fixed.

Monitoring and managing interest rate risks is part of the regular treasury reporting in the Group. The floating-rate exposure of the Group's financing is hedged by interest rate swaps of EUR 146.7 million (previous year: EUR 137.2 million).

The sensitivity analysis is made on the basis of PALFINGER's floating-interest financial liabilities. A hypothetic increase in floating interest rates by 100 base points or one percentage point per year would raise PALFINGER's interest expenses by EUR 764.7 thousand (previous year: EUR 351.6 thousand).

Hedging

HEDGING FOR FUTURE CASH FLOWS (CASH FLOW HEDGE)

The foreign exchange risks of PALFINGER AG result from receivables from Group companies in a foreign currency and from international project business. This exposure is primarily hedged through forward foreign exchange contracts.

The sale of foreign currencies in forward foreign exchange contracts constitutes a hedge against the income from operations in foreign currencies. The result of the underlying transaction runs in the opposite direction of the result of the forward transaction. Assessment and risk analysis of the outstanding hedges are carried out regularly (mark to market). Hedges pertain to those cash flows that are expected within the next twelve months at the latest or correspond to the duration of a project.

The existing interest rate swaps hedge against the risk of interest rate changes in the case of floating-interest arrangements. This hedge limits the negative effect of unforeseeable interest-rate fluctuations on the net financial result.

	Nominal amount in contract currency		Mark-to-market valuation (EUR)	
thousand	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Forward foreign exchange contracts				
sell USD/buy EUR	USD 25,200	USD 2,500	(944)	67
sell EUR/buy NOK	EUR 8,355	EUR 0	46	0
sell USD/buy NOK	USD 76,438	USD 65,812	(8,257)	(447)
Interest rate swaps	EUR 146,720	EUR 137,220	(6,794)	(1,602)
Total			**(15,949)**	**(1,982)**

The market value of hedges is reported as a cash flow hedge according to IAS 39. Valuation gains or losses as at the balance sheet date are to be directly recognized in equity. As soon as the underlying transactions have been carried out, the accumulated gains/losses are reversed from other comprehensive income and recognized in the income statement.

Any amounts relating to cash flow hedges that were recorded in other comprehensive income and those realized are illustrated in the statement of comprehensive income.

HEDGING OF FUNDS (HELD FOR TRADING)

Derivative financial instruments which the Group uses for the hedging of funds and which do not meet the criteria of hedge accounting under IAS 39 with regard to documentation and effectiveness are classified as held for trading. Changes in the fair values of these financial instruments are recognized in the income statement.

	Nominal amount in contract currency		Mark-to-market valuation (EUR)	
thousand	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Currency swaps				
sell USD/buy EUR	USD 43,000	USD 15,800	(354)	116
buy RUB/sell EUR	RUB 0	RUB 150,000	0	(20)
sell NOK/buy EUR	NOK 106,500	NOK 0	43	0
sell AED/buy EUR	AED 3,400	AED 0	(7)	0
sell USD/buy NOK	USD 0	USD 434	0	7
Interest rate caps	EUR 0	EUR 50,000	0	0
Total			**(318)**	**103**

Valuation gains/losses from currency swaps amount to –EUR 421 thousand (previous year: –EUR 840 thousand) and are reported in the amount of –EUR 421 thousand (previous year: –EUR 840 thousand) under exchange rate difference in the financial result.

Other liabilities and risks

OPERATING LEASES

Liabilities for the use of assets not recognized in the balance sheet (buildings, production facilities, fixtures, fittings and equipment) will presumably amount to EUR 2,929 thousand (previous year: EUR 2,211 thousand) for the 2015 financial year and EUR 8,987 thousand (previous year: EUR 7,881 thousand) for the following four years and EUR 17,348 thousand (previous year: EUR 17,823 thousand) in more than five years. For details, please see Disclosures of business transactions with related parties.

In the reporting period, minimum lease payments from operating leases in the amount of EUR 2,360 thousand (previous year: EUR 2,409 thousand) were reported as expenses.

FINANCE LEASES

The property, plant and equipment leased relates to a company aircraft with a carrying amount of EUR 8,237 thousand (previous year: EUR 10,226 thousand).

The pertaining lease liabilities are carried under non-current or current financial liabilities in accordance with their durations.

	Minimum lease payments		Present value of minimum lease payments	
EUR thousand	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Up to one year	1,157	999	923	795
Between one and five years	10,576	10,275	10,168	9,764
More than five years	0	0	0	0
Total	**11,733**	**11,274**	**11,091**	**10,559**
Minus any future finance costs	(642)	(715)		
Present value of finance lease liabilities	**11,091**	**10,559**		

Other financial obligations

As at 31 December 2014 and 31 December 2013, there were no contingent claims or contingent liabilities.

OTHER DISCLOSURES

Disclosures of business transactions with related parties

At PALFINGER, related parties are broken down into associated companies and joint ventures, key management and other related parties. The associated companies and joint ventures are listed in the statement of investments. The term key management comprises the Supervisory and Management Boards of PALFINGER AG. Other related parties primarily include businesses controlled by the key management and businesses controlling associated companies.

All transactions with associated companies, joint ventures and enterprises controlling associated companies are carried out for the provision of goods and services. Transactions carried out with the key management result from the provision of consultancy services. Transactions carried out with other related parties primarily relate to the delivery of goods and the provision of consultancy services as well as to an acquisition made in 2014. Further details on acquisitions may be found in the notes under "Acquisitions in 2014".

Transactions with related parties are carried out in observance of the arm's length principle.

The following table contains transactions with associated companies and joint ventures; the information given refers to 100 per cent and not the actual share held.

Transactions with Management Board members are not contained in the following table; for details, please see "Disclosures concerning governing bodies and employees".

	Associated companies and joint ventures		Supervisory Board		Other	
EUR thousand	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Receivables	8,289	6,451	0	0	30,830	8,452
Liabilities	424	686	0	383	1,209	959
Revenue	51,429	51,564	0	0	3,216	4,417
Other operating income	200	347	0	0	551	147
External services	(1,548)	(91)	(11)	(977)	(2,399)	(2,194)
Cost of materials	(5)	(1,558)	0	0	0	0
Interest income	8	82	0	0	2	2

Receivables from associated companies and joint ventures include trade receivables of EUR 6,954 thousand (previous year: EUR 5,686 thousand).

Of the liabilities to associated companies and joint ventures of EUR 424 thousand (previous year: EUR 686 thousand), EUR 72 thousand (previous year: EUR 30 thousand) resulted from the provision of goods and services.

Since 1 October 2012, the present Group headquarters has been rented at an arm's length price by a company of the majority shareholder under a lease agreement that may be terminated by PALFINGER AG at the end of each quarter upon six months' notice.

In 2013, it was decided that a related company of the Palfinger family would be put in charge of the construction and rental of Group headquarters. Therefore, the land was sold to this company in 2013 and a lease agreement was concluded for a period of 20 years. Rent was determined on the basis of an independent expert opinion identifying the current market value. PALFINGER AG has a pre-emptive right to this plot of land.

The plot of land acquired in 2012 in the course of the construction of new Group headquarters in Bergheim was sold to a related company of the Palfinger family in 2013 at a price of approx. EUR 5.2 million. This company will complete the construction of the building and then rent it to PALFINGER AG.

A 10-year instalment plan and sufficient collateral provided by other related parties are available for receivables from related parties amounting to EUR 29,531 thousand. Arm's length interest rates are charged for these receivables.

The takeover of Palfinger systems GmbH in 2014, followed by its sale, constituted a transaction with related parties. Details on this transaction may be found in the notes under "Acquisitions in 2014".

Disclosures concerning governing bodies and employees

EMPLOYEES

The average number of employees in the PALFINGER Group (including the Management Board) during the financial year was 8,030 (previous year: 6,573). At the balance sheet date there were 8,893 Group employees (previous year: 6,874).

In 2013, the average number of employees in companies included on a proportionate basis was 178. In 2014, no companies were included in the consolidated financial statements on a proportionate basis.

SUPERVISORY BOARD

In the 2014 financial year, the following individuals were either appointed, or delegated by the Works Council, to serve on the Supervisory Board:

- Hubert Palfinger jun., Chairman[1)]
- Hannes Palfinger, Deputy Chairman[1)]
- Jian Qi (since 12 March 2014)
- Wolfgang Anzengruber
- Peter Pessenlehner[2)]
- Heinrich Dieter Kiener
- Gerhard Gruber (Works Council)
- Johann Mair (Works Council)[2)]
- Alois Weiss (Works Council)

1) Member of the Audit, Nomination and Remuneration Committees.
2) Member of the Audit Committee.

The members of the Supervisory Board received no remuneration for their services.

MANAGEMENT BOARD

- Herbert Ortner, CEO
- Christoph Kaml, CFO
- Wolfgang Pilz, CMO
- Martin Zehnder, COO

The remuneration of the Management Board consists of several components and is broken down as follows:

	Fixed salary		Stock option programme		Performance-related remuneration	
EUR thousand	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Herbert Ortner	528	518	1	5	396	572
Christoph Kaml	395	387	8	8	288	425
Wolfgang Pilz	329	323	1	3	297	425
Martin Zehnder	334	327	1	3	297	425
Total	**1,586**	**1,555**	**11**	**19**	**1,278**	**1,847**

For the short-term performance-related remuneration of Management Board members, provisions totalling EUR 1,402 thousand (previous year: EUR 1,378 thousand) were formed.

In addition, an agreement on bonuses for the achievement of a long-term increase in corporate value was concluded with the members of the Management Board in 2011. These bonuses were paid out at the end of February 2014 for the increase in corporate value from January 2011 to February 2014. The bonus for the increase from then until the end of 2015 will be paid out in 2016, provided that the agreed benchmarks are achieved. In the 2014 financial year, the CEO received a bonus of EUR 820 thousand p.a. and the other Management Board members each received a bonus of EUR 550 thousand p.a.

For benefits payable after termination of employment, EUR 43 thousand (previous year: EUR 39 thousand) were reported as current service cost in the 2014 financial year. This concerns severance payment obligations for Herbert Ortner and Wolfgang Pilz as well as individual contracts regarding pension commitments concluded with Wolfgang Pilz.

At PALFINGER AG, expenses for severance and pension payments for members of the Management Board and other executives amounted to EUR 352 thousand (previous year: EUR 148 thousand), for the remaining employees to EUR 1,369 thousand (previous year: EUR 655 thousand).

The expenses for severance payments contain payments made to contribution-based severance pay funds for members of the Management Board in the amount of EUR 72 thousand (previous year: 18 EUR thousand).

Key events after the balance sheet date

Details on the acquisition carried out in 2015 may be found in the notes under “Acquisitions in 2015”.

Beyond that, after the end of the 2014 financial year, there have been no material post-reporting events that would have led to a different presentation of the Group’s financial position, cash flows or result of operations.

Salzburg, 28 January 2015

The Management Board of PALFINGER AG

Herbert Ortner m.p. Chief Executive Officer	Christoph Kaml m.p. Chief Financial Officer
Wolfgang Pilz m.p. Chief Marketing Officer	Martin Zehnder m.p. Chief Operating Officer

STATEMENT OF LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated financial statements for the year ended 31 December 2014 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) and that the consolidated management report for the year ended 31 December 2014 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.

We confirm to the best of our knowledge that the separate financial statements for the year ended 31 December 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of PALFINGER AG as required by the Austrian Business Code (UGB) and that the management report for the year ended 31 December 2014 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.

Salzburg, 28 January 2015

The Management Board of PALFINGER AG

Herbert Ortner m.p.
Chief Executive Officer

Christoph Kaml m.p.
Chief Financial Officer

Wolfgang Pilz m.p.
Chief Marketing Officer

Martin Zehnder m.p.
Chief Operating Officer

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of PALFINGER AG, Salzburg, for the financial year from 1 January 2014 to 31 December 2014. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year ended 31 December 2014, and the notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND FOR THE ACCOUNTING SYSTEM

The Company's management is responsible for the Group's accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under sec.245a UGB (Austrian Business Code). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY AND DESCRIPTION OF TYPE AND SCOPE OF THE STATUTORY AUDIT

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

OPINION

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 31 December 2014 and of its financial performance and its cash flows for the financial year from 1 January 2014 to 31 December 2014 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

COMMENTS ON THE CONSOLIDATED MANAGEMENT REPORT

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to sec. 243a UGB are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to sec. 243a UGB are appropriate.

Salzburg, 28 January 2015

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Brigitte Frey m.p.	Diether Dämon m.p.
Certified public accountant	Certified public accountant

*) If the consolidated financial statements are published or transmitted in a version that differs from the German version (e. g. shortened version or translation), it is not permitted to quote the auditor's report nor is it permitted to refer to our audit review without our prior consent.

REPORT OF THE SUPERVISORY BOARD

In the 2014 financial year, 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 17 February, 26 May, 8 September and 9 December, and attended by the Management Board. The Management 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 Chairman of the Management Board, also outside the scope of the Supervisory Board meetings, in order to confer with him concerning the Company's strategy, business development and risk situation.

Besides current developments, the Supervisory Board focussed primarily on strategy in the individual business units, acquisition projects and major investment decisions, economic, environmental and social risks, the developments of Group-wide sustainability management as well as the cooperation with the Chinese SANY Group. The Audit Committee, the Nomination Committee and the Remuneration Committee met at regular intervals during the reporting year. The strategic orientation and further development of the Group were the focus of discussions.

PALFINGER AG's financial statements for the year ended 31 December 2014 and the management report including the Company's accounting records were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft Gm.b.H., Salzburg. The audit revealed that the accounting records, the financial statements and the management report 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 2014. This also applies to the consolidated financial statements.

The consolidated financial statements prepared in accordance with IFRS (as adopted by the European Union) were supplemented by the consolidated management report and additional information in accordance with sec. 245a of the Business Code.

The Supervisory Board has approved the financial statements for the year ended 31 December 2014 and the management report for the 2014 financial year, thereby adopting the 2014 financial statements of PALFINGER AG according to sec. 96 para. 4 of the Companies Act. The Supervisory Board has approved the consolidated financial statements of the Company and the consolidated management report prepared according to sec. 244 et seq. of the Business Code. The Supervisory Board has evaluated and approved the proposal of the Management Board with respect to the distribution of profits for the 2014 financial year.

The Supervisory Board would like to express its thanks and recognition to the members of the Management Board and all staff members of the PALFINGER Group for their outstanding commitment and achievements in the 2014 financial year.

Salzburg, 6 February 2015

Hubert Palfinger jun.
Chairman of the Supervisory Board

CORPORATE-GOVERNANCE-REPORT

COMMITMENT
TO THE AUSTRIAN
CODE OF CORPORATE
GOVERNANCE

ANNUAL EVALUATION BY AN EXTERNAL AUDITOR

STOCK OPTION
PROGRAMME REWARDS
LONG-TERM
AND SUSTAINABLE SUCCESS

CORPORATE GOVERNANCE REPORT

INFORMATION ACCORDING TO SEC. 243B OF THE BUSINESS CODE

PALFINGER is committed to the standards of the Austrian Code of Corporate Governance (www.corporate-governance.at) and complies with nearly all rules of the Code. In accordance with legal provisions, this commitment is annually evaluated by an external auditor. The evaluation result confirms that corporate governance is genuinely put into practice at PALFINGER. The audited questionnaire is made available to all interested parties on PALFINGER's corporate website (www.palfinger.ag).

www.palfinger.ag/en/investor-relations/corporate-governance

GOVERNING BODIES OF THE COMPANY AND METHOD OF OPERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD PURSUANT TO SEC. 243B PARA. 2 OF THE BUSINESS CODE

According to the Austrian Companies Act (AktG), the Management Board of PALFINGER AG manages the Company under its own responsibility in such a manner as is in the best interest of the Company, taking into consideration the interests of all stakeholders. Loyalty towards one's colleagues, an open mind, a regular exchange of information and fast decision-making processes are among the Company's supreme principles. The Supervisory Board supervises the management and assists the Management Board in significant decisions. Open communication between the Management Board and the Supervisory Board and also within the respective Boards has a longstanding tradition at PALFINGER. At its meetings held in 2014, the Supervisory Board primarily discussed the ongoing business operations, the effects of the challenging economic environment, measures to cut costs and capital employed, projects of integration, acquisition and expansion (in particular the intensified cooperation with SANY), risk management and the internal control system, sustainability issues, and perspectives for 2015, on the one hand, and the medium-term development of the Group up to 2019, on the other hand.

GRI G4-34,G4-35,G4-36: Governance structure and governance bodies

At present there are no women on either the Supervisory Board or the Management Board or in any top management positions at PALFINGER. Even in the levels below that, the share of women in executive positions is low and/or limited to administrative positions. PALFINGER intends to change this situation in the medium term. To this end, PALFINGER has increased the Company's presence at job fairs and has specifically addressed prospective female applicants of high potential. When new executive positions are created or existing ones become vacant, PALFINGER is making a greater effort to encourage women to apply for such positions. However, one problem in this regard is that technical training is a prerequisite for the majority of executive positions at PALFINGER. The proportion of female engineers is extremely low which is often why no women apply for a position in the Company. PALFINGER has stepped up its efforts to raise the percentage of women in the management development programmes in order to better meet the basic ideas of diversity. Under the name "PALversity", a Group-wide project was initiated to raise awareness of the benefits of diversity in order to foster this concept more strongly and capitalize on it to a greater extent.

GRI G4-LA 12: Diversity and equal opportunity

Human resources, Diversity
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MANAGEMENT BOARD

The Management Board of PALFINGER AG is composed of four members; Herbert Ortner has been the CEO since June 2008.

Name	First appointment	End of term
Herbert Ortner (CEO)	1 February 2003	31 December 2018
Christoph Kaml (CFO)	1 January 2009	31 December 2018
Wolfgang Pilz (CMO)	1 February 2003	31 December 2018
Martin Zehnder (COO)	1 January 2008	31 December 2018

Herbert Ortner

CEO – CHIEF EXECUTIVE OFFICER
Born in 1968, Herbert Ortner was global Business Unit Manager for industrial hoses at the publicly listed Semperit Group until 2001. He then joined PALFINGER, where he developed the spare parts, equipment and service business before being appointed to the Management Board in February 2003. The focus of his activities as Chief Marketing Officer included PALFINGER's business units Railway Systems, Tail Lifts, Truck Mounted Forklifts and Access Platforms as well as the further expansion of the service business. As CEO he has been in charge of legal affairs, procurement, personnel, communications, investor relations and sustainability management since June 2008.

Christoph Kaml

CFO – CHIEF FINANCIAL OFFICER
Born in 1974, Christoph Kaml started his career with Gemini Consulting. Before joining PALFINGER AG in 2004, he was the holder of a general commercial power of attorney at an M&A consulting company in Switzerland. In 2006, he switched from PALFINGER Corporate Development to the management of the business area North America domiciled in Niagara Falls, Canada, where he was in charge of finances, strategy and business development. Since January 2009, Kaml has been PALFINGER AG's Chief Financial Officer. In August 2012, he and his family relocated to China, where his new domicile and place of work enables him to oversee and intensify the cooperation with SANY.

Wolfgang Pilz

CMO – CHIEF MARKETING OFFICER
Born in 1959, Wolfgang Pilz has been working at PALFINGER in the crane business since 1984. He was appointed Marketing & Sales Manager of the truck crane division in 1997. Since February 2003, he has been Chief Marketing Officer and thus responsible for the sale of PALFINGER products.

Martin Zehnder

COO – CHIEF OPERATING OFFICER
Born in 1967, Martin Zehnder started his career at Alstom Schienenfahrzeuge AG in 1984. From 2000 to 2005 he was Managing Director of Development and Production for Keystone Europe in France. In 2005, Martin Zehnder became Global Manufacturing Manager in charge of all manufacturing facilities of the PALFINGER Group, and since January 2008 he has been the Company's Chief Operating Officer, responsible for global manufacturing and assembly.

SUPERVISORY BOARD

As at the balance sheet date, the Supervisory Board of PALFINGER AG consisted of six members elected by the Annual General Meeting and three members delegated by the Works Council. Hubert Palfinger jun. is Chairman of the Supervisory Board and Hannes Palfinger is Deputy Chairman.

Report of the Supervisory Board
Page 180

Name	First appointment	End of term
Hubert Palfinger jun. (Chairman since 10 December 2013) born in 1969	13 April 2005	AGM 2015
Hannes Palfinger (Deputy Chairman since 10 December 2013) born in 1973	30 March 2011	AGM 2016
Jian Qi born in 1960	12 March 2014	AGM 2017
Wolfgang Anzengruber born in 1956	31 March 2010	AGM 2015
Peter Pessenlehner born in 1970	31 March 2010	AGM 2015
Heinrich Dieter Kiener born in 1956	30 March 2011	AGM 2016
Johann Mair* born in 1951	24 May 2005	*
Alois Weiss* born in 1962	13 February 2006	*
Gerhard Gruber* born in 1960	15 May 2006	*

* Delegated by the Works Council.

Hubert Palfinger jun.

CHAIRMAN OF THE SUPERVISORY BOARD

After spending 15 years with various companies of the PALFINGER Group, Hubert Palfinger jun. took over the management of Industrieholding GmbH in 2004. He has held a seat on the Supervisory Board of PALFINGER AG since 2005 and served as Deputy Chairman of the Supervisory Board from September 2008 until his appointment as Chairman in 2013.

Hannes Palfinger

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

After taking his degree in business economics and pursuing a career as an athlete, Hannes Palfinger spent three years working for PricewaterhouseCoopers in Vienna as an assistant auditor. He has been affiliated with PALFINGER through numerous traineeships at the Company. From 2007 to 2010, Hannes Palfinger held an executive position at Palfinger systems GmbH, a majority in which was acquired by PALFINGER in the period under review. He has held a seat on the Supervisory Board since 2011 and became Deputy Chairman in 2013.

Other than Hubert Palfinger jun. and Hannes Palfinger, no member of the Supervisory Board holds or represents a shareholding in the Company of more than 1 per cent.

In accordance with Rule No. 58 of the Austrian Code of Corporate Governance, it is noted that Wolfgang Anzengruber was unable to participate in three of the four meetings of the Supervisory Board due to scheduling conflicts. In the Annual General Meeting of 12 March 2014, Jian Qi was elected to the Supervisory Board for the first time. Subsequently, he participated in two meetings of the Board by video conferencing.

COMMITTEES OF THE SUPERVISORY BOARD

Audit Committee

The powers of decision vested in the Audit Committee are in compliance with the provisions of the Companies Act. In 2014, the Audit Committee held two meetings dealing with the 2013 financial statements, the internal control system, risk management and internal audits as well as with PALFINGER's cooperation with the auditor. Members: Hubert Palfinger jun., Hannes Palfinger, Peter Pessenlehner (financial expert), Johann Mair

Nomination Committee

The Nomination Committee met regularly in 2014 and discussed, in particular, the cooperation within and working methods of the Management Board. Members: Hubert Palfinger jun., Hannes Palfinger

Remuneration Committee

At its regular meetings held in 2014, the Remuneration Committee dealt with the remuneration of Management Board members and conducted feedback interviews with the members of the Management Board. Members: Hubert Palfinger jun., Hannes Palfinger

AUDITOR

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, was proposed as the auditor of the 2014 financial statements and consolidated financial statements of PALFINGER AG and appointed by the Annual General Meeting on 12 March 2014.

REMUNERATION REPORT

The remuneration system in place for Management Board members includes fixed elements and profit-related payments and is adequate given the size and complexity of the Company. Profit-related remuneration is based, on the one hand, on targets that are set in agreement with the individual Management Board members and, on the other hand, on fundamental financial ratios of the PALFINGER Group: revenue growth, profit before tax and ROCE, as well as a higher corporate value in the long term. In 2014, the variable pay of Management Board members amounted, on average, to approx. 45 per cent of their annual remuneration.

The stock option programme adopted by the 2009 and 2010 Annual General Meetings and the performance standards defined in this programme are a means of rewarding, in particular, long-term success. For detailed information on remuneration, stock options as well as special bonuses, please refer to the notes to the consolidated financial statements of this Report.

Consolidated financial statements, Disclosures concerning governing bodies and employees
Page 175

The members of the Supervisory Board received no remuneration for their services in the 2014 financial year.

A D&O insurance policy, the premiums of which are paid by PALFINGER AG, has been taken out for Supervisory and Management Board members as well as for other high-ranking executives of the PALFINGER Group.

GOVERNANCE AND SUSTAINABILITY

The information on the sustainability aspects relating to corporate governance may be found on PALFINGER's website.

www.palfinger.ag/en/sustainability/management

FAIR BUSINESS

CORPORATE ETHICS AND CORRUPTION PREVENTION

PALFINGER is committed to the defined values of entrepreneurial spirit, respect and learning. Corruption is not only intolerable from a moral point of view but is also in contradiction with these values and harmful to the economy, and consequently also to PALFINGER. Whenever any irregularities are suspected, action is immediately taken. In order to prevent or, if necessary, reveal corruption, PALFINGER has implemented a multi-layered process.

Group guidelines and Code of Conduct

Group guidelines and a Code of Conduct define the essential business processes, in particular in the areas of finance, purchasing, sales and legal affairs.

GRI G4-56: Code of Conduct

GRI G4-57: Internal and external mechanisms on compliance and integrity

www.palfinger.ag/en/sustainability/management

Since the first quarter of 2010, agreements with employees, dealers, suppliers and cooperation partners have contained legally binding references to the PALFINGER Code of Conduct, which is available on www.palfinger.com and www.palfinger.ag. Furthermore, an internal guideline on “Rules of Conduct on Preventing Corruption and Anti-Competitive Behaviour” was adopted in 2011. This guideline is discussed in depth with employees during audits and risk management workshops.

In the event of any severe violations of the Code of Conduct, the Rules of Conduct or other Group guidelines, the internal auditing department consults with the Management Board on the procedure for analysing these violations. If necessary, external experts are also consulted. Depending on the result of this analysis, a decision is made on the further steps to be taken.

Four-eyes principle

The four-eyes principle applies with respect to authorized signatures within the scope of business activities with third parties whenever such signatures have the effect of constituting rights and/or obligations. This means that pursuant to Group guidelines, two signatures of competent authorized persons of the respective local unit are required. For the individual business units and/or Group companies, detailed signing regulations are in place, taking into account local processes and reasonable value limits. These regulations are regularly reviewed and, whenever necessary, adjusted.

Integrity Line

GRI G4-58: Reporting concerns about integrity

PALFINGER was one of the first Austrian companies to give employees and external stakeholders the opportunity to report possible violations of laws and guidelines that concern companies of the PALFINGER Group. The Integrity Line was made known via the Company’s website and the Code of Conduct. In the 2013 financial year, it was also integrated into the new website. In the period under review, no allegations reported turned out to be of substance.

Internal audits

GRI G4-SO 3: Operations assessed

The internal auditing department, the risk management and the Group controlling team carry out regular reviews in the companies of the PALFINGER Group. Of the 67 companies of the Group, six were audited in 2014.

Risk management news

The Group risk management department submits regular reports to PALFINGER’s management on any news, in particular on any suggestions about how to avoid and/or unearth corruption by third parties.

Welcome package

The welcome package presented to new employees has been redesigned. The values represented by PALFINGER and the measures taken to avoid corruption have been given greater emphasis.

GRI G4-SO 4: Anti-corruption communication

Separation of functions

PALFINGER attaches great importance to the separation of functions, even in smaller units, meaning that one person may not hold several critical functions at the same time. This principle is designed to reduce errors as well as the probability of corruption, but first and foremost to protect employees. It is not possible, for example, for one and the same employee to be authorized to create an order and also be able to post an invoice, or to be able to create a vendor as well as trigger a payment.

Compliance violations

Any compliance violations involving an amount in excess of EUR 5,000 are centrally reported. In 2014, as in previous years, no major cases of corruption were reported or discovered at PALFINGER. Similarly, no substantial penalties were imposed for any violations of legal provisions. No lawsuits are pending on grounds of anti-competitive conduct.

GRI G4-SO 5: Incidents of corruption

GRI G4-SO 7: Competition law

GRI G4-SO 8: Significant fines

TAXES AND SUBSIDIES

At PALFINGER, making fair tax payments is a matter of social responsibility and is part of good management practices. The Company receives government benefits in the form of infrastructure, safety or the further training of its employees. In return, PALFINGER also makes a contribution in the form of taxes – making use of generally accepted, customary and proper tax-optimizing practices.

PALFINGER does not apply any specific pricing policy to intra-company services and deliveries to shift profits to sites in countries with lower income tax rates. The Group has a standardized pricing model in line with the OECD Transfer Pricing Guidelines and hence also with market prices. All documents and contracts are stored centrally, giving all sites access to them. All other taxes and fees are paid as mandated. PALFINGER does not use any special purpose entities to avoid tax payments. A major portion of the Company's tax payments is made in Austria, where a large percentage of PALFINGER's value added is also created.

GRI G4- EC 1: Direct economic value generated and distributed

GRI G4- EC 4: Financial assistance received from government

Whenever a decision in favour of a particular site is taken at PALFINGER, subsidies are of no relevance. The value-creation chain and the logistic processes are of overriding importance, meaning that subsidies are, of course, a welcome support but do not influence investment decisions. If subsidies are granted, PALFINGER always attempts to fulfil the relevant conditions in a quick, efficient and cost-efficient manner. In the event that any conditions are not met, PALFINGER repays the subsidies granted.

More information on taxes and subsidies is available on PALFINGER's website under Fair Business.

www.palfinger.ag/en/sustainability/aspects/business

IWI study
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www.palfinger.ag/-/media/Corporate/Sustainability/reports/IWI-study-2014.pdf?la=en

CODE OF CORPORATE GOVERNANCE

PALFINGER satisfies the requirements of the mandatory L-rules (legal requirements) and adheres to almost all C-rules (comply or explain) of the Austrian Code of Corporate Governance as amended in July 2012. The following C-rules are not observed:

Rules No. 39 and No. 53 (Independence of the Supervisory Board and independence of committee members)

Consolidated financial statements, Business transactions with related parties
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PALFINGER does not fully comply with Rule No. 53. No criteria for independence have been established. Rather, PALFINGER AG publishes personal profiles and qualification profiles of the members of the Supervisory Board and circumstances that might limit their independence on its website. On the basis of this information, any shareholder as well as the public at large can gain insight into the qualifications of the members of the Supervisory Board and assess their suitability for this Board.

The performance of the Supervisory Board members has contributed 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 according to their professional and personal characteristics as well as their knowledge of the Company and of the entire sector have been of importance in this respect. For all of these reasons, it is not considered necessary to establish criteria for the independence of Supervisory Board members.

This also applies to the committee members (third paragraph, Rule No. 39).

www.palfinger.ag/en/investor-relations/corporate-governance/Additional data according to section 48 and 53 of the Austrian Corporate-Governance-Code

Information on contracts requiring prior approval can be found in the notes to the consolidated financial statements and on the Company's website www.palfinger.ag.

Salzburg, 28 January 2015

Herbert Ortner m.p. Wolfgang Pilz m.p.

Christoph Kaml m.p. Martin Zehnder m.p.

INTEGRATION OF
SUSTAINABILITY
OBJECTIVES INTO
ALL PROCESSES

SUSTAINABILITY DEFINED
AS A KEY CRITERION FOR THE ATTAINMENT OF OBJECTIVES

CUSTOMER
SATISFACTION
IS
THE
FIRST
PRIORITY
FOR
ALL
STAKEHOLDERS

SUST AINA BILITY

INDEX

SUSTAINABILITY INDEX

MATERIALITY ANALYSIS

GRI G4-18: Defining the report content
GRI G4-19: Material aspects

In 2013, in a multi-stage process, PALFINGER analysed the material ecological, social, economic and ethical aspects that are of strategic importance to the Company from both an internal and external point of view. In a first step, with the assistance of an external auditor, the stakeholders and topics were identified and the most important issues and aspects according to the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) were evaluated.

This process of internal evaluation was subsequently applied to the stakeholders, the definition of which is described on PALFINGER's website. To this end, first of all a prioritization of all stakeholders was made. Then, a quantitative survey was carried out among selected representatives of interest groups and stakeholder groups. The response rate was 52.5 per cent. Through this method, the interests of these groups were identified as well. In the future, such surveys will take place regularly and form the basis for the stakeholder dialogues.

www.palfinger.ag/en/sustainability/management/materiality-analysis

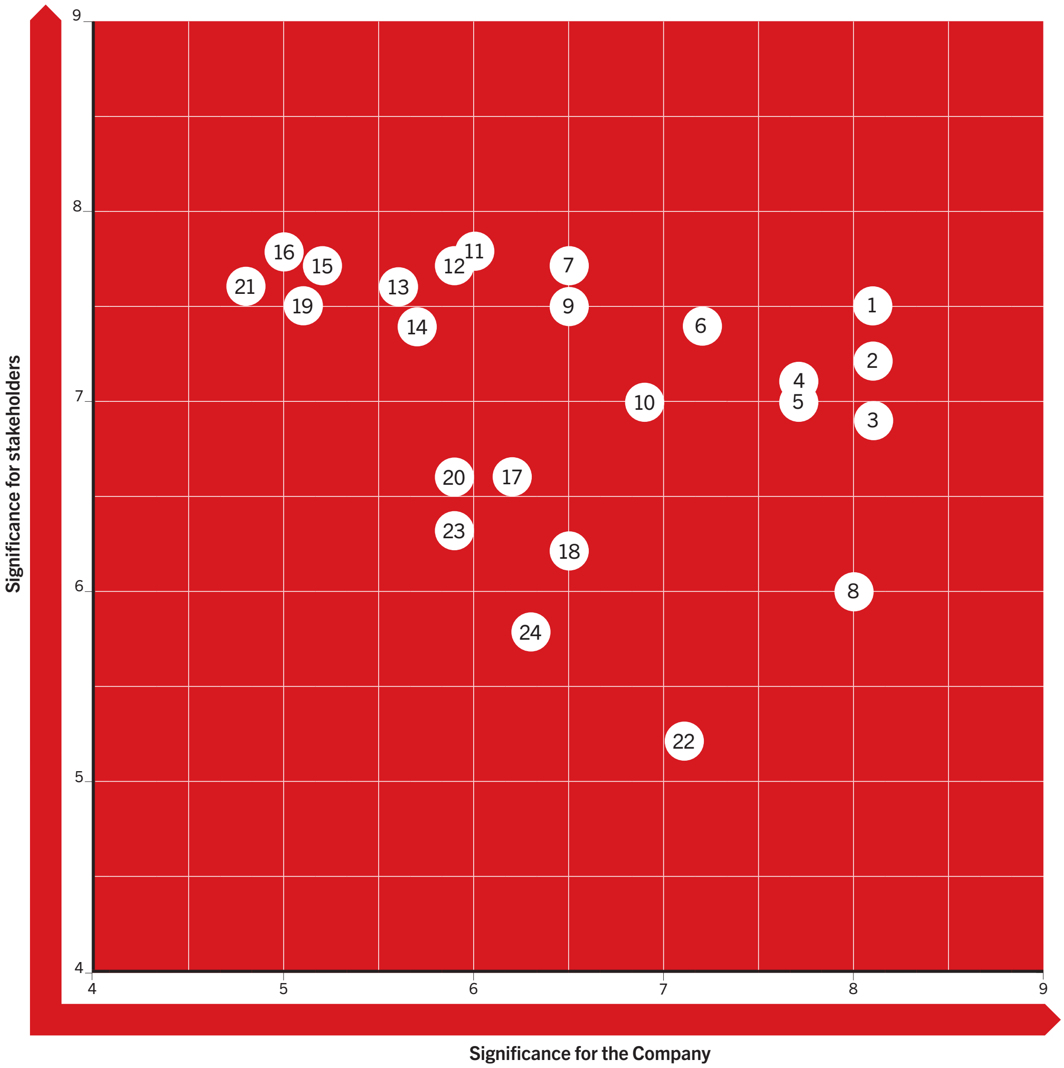
The results of the most recent survey have been mapped in the updated materiality matrix and are reflected throughout this Integrated Annual Report on the 2014 financial year. A detailed description of the topics as well as the SASB reconciliation regarding the aspects under the Global Reporting Initiative (GRI) are available on PALFINGER's website.

A complete overhaul of the analysis, with the involvement of external stakeholders, is scheduled for 2015; at the beginning of 2014, only an update was made with selected internal teams.

www.palfinger.ag/en/sustainability/management/stakeholder-management

MATERIALITY MATRIX

GRI G4-18: Defining the report content; G4-19: Material aspects; G4-20: Boundary within the organization for each material aspect; G4-21: Boundary outside the organization for each material aspect; G4-23: Changes in the scope and aspect boundaries



1 Customer satisfaction
2 Research and development
3 Product quality
4 Education and training
5 Product safety
6 Demand for raw materials
7 Compliance with legislation
8 Products for ecological and social purposes
9 Occupational health and safety
10 Viability of the business model
11 Avoiding waste
12 Corporate ethics and competition law
13 Independence of the Supervisory Board
14 Diversity and equal opportunity
15 Code of Conduct
16 Avoiding discharge of hazardous substances
17 Sustainability in the supply chain
18 Optimum lifecycle costs
19 Fair pay
20 Energy efficiency
21 Transparent remuneration of top management
22 Efficient and environmentally friendly products
23 Communication with employees
24 Attractive employer

MATERIAL ASPECTS AND PALFINGER'S RESPONSIBILITY

SUSTAINABLE PRODUCTS

GRI G4-20: Boundary within the organization for each material aspect

GRI G4-21: Boundary outside the organization for each material aspect

Product quality, customer satisfaction
Customer satisfaction is accorded highest priority at PALFINGER. The products are made to last and are low in maintenance.

Product safety
PALFINGER's products are distinguished by utmost safety, beyond statutory requirements. The prevention of accidents during use is a primary goal, facilitated through the targeted training of users and product development focused on safety aspects.

Efficient and environmentally friendly products, optimum lifecycle costs
Measured over their lifecycles, PALFINGER products are the most economical solution available. The products stand out due to their low need for energy and operating supplies when in operation. Hazardous substances are avoided, for instance by the use of halogen-free cables or components without chrome VI coatings. Operating supplies such as hydraulic oils or lubricants have minimal environmental impact. It is easy to recycle the products at the end of their lifecycles.

Products for ecological and social purposes
PALFINGER strives for successful product innovations for use in the environmental and social fields. This has already been achieved in the case of cranes for wind energy plants and access systems for people with disabilities.

Research and development
PALFINGER will continue to invest in research and development.

HUMAN RESOURCES

Education and training
PALFINGER will continue to promote the further education and training of its employees.

Occupational health and safety
PALFINGER protects its employees against accidents and promotes their health.

Diversity and equal opportunity
PALFINGER offers all employees the same opportunities – irrespective of age, gender, origin and personal background.

Attractive employer
PALFINGER wants to attract the best employees in the labour market and is committed to keeping employee turnover low.

Fair remuneration
PALFINGER strives to offer its employees fair remuneration throughout the Group.

Communication with employees
All employees are informed about significant corporate developments. Communication with and among employees is at a high level internationally and is characterized by the corporate values of entrepreneurial spirit, respect and learning.

ENVIRONMENT

Demand for raw materials
In production, PALFINGER uses raw materials such as steel and aluminium efficiently.

Avoiding waste and discharge of hazardous substances
At its sites, PALFINGER avoids waste and potentially hazardous substances or ensures their safe storage and disposal. There should not be any discharge of hazardous substances during product use.

Energy efficiency
PALFINGER strives to optimize energy consumption in production continuously, thus reducing costs and emissions.

SUSTAINABLE AND FAIR BUSINESS OPERATIONS

Viability of the business model
PALFINGER ensures that its business model and thus the core business remain viable in the long term.

Corporate ethics, compliance with legislation and competition law, independence of the Supervisory Board, Code of Conduct
PALFINGER acts in an ethically correct manner: It complies with competition law, avoids corruption, pays taxes as required and complies with legal provisions. The Company is properly governed. PALFINGER has committed itself to clear values (entrepreneurial spirit, respect and learning) and objectives and acts accordingly.

Transparent remuneration of the top management
This is a commitment made by PALFINGER in keeping with the Code of Corporate Governance.

Sustainability in the supply chain
PALFINGER takes an interest in whether suppliers pay attention to environmental protection and social responsibility. PALFINGER gives preference to suppliers who show commitment in these fields.

SUSTAINABILITY REPORT PROFILE AND BOUNDARIES

GRI G4-18: Defining the report content

GRI G4-28, G4-29, G4-30: Report profile

This Integrated Annual Report 2014, published by the PALFINGER Group, presents all aspects of sustainability and is therefore once again an integrated annual report. Relevant sustainability aspects that are not described in this Report have been published on the corporate website of PALFINGER AG at www.palfinger.ag/en/sustainability. Comprehensive reporting on sustainability topics thus results from this Integrated Annual Report 2014 and the detailed sustainability disclosures made on PALFINGER's website. The GRI index provides references to the relevant documents.

The Integrated Annual Report 2014 compares all figures for the year 2014 to those for the previous year 2013. Comparisons of key performance indicators (KPIs) are presented at least over a period of three years (2014–2013–2012).

Materiality analysis
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The previous, first integrated annual report of PALFINGER AG was published on 19 February 2013 and is also available on the Group's website. Since 2013, an integrated annual report, containing reporting on sustainability aspects, has been published annually. The topics reported on are selected on the basis of the materiality analysis, a process carried out in 2013/2014, and are also oriented on the topics of PALFINGER's CSR map. New inputs also result from the sustainability management discussions as well as the discussions of the four sustainability teams comprising representatives from various departments, on the basis of the two-year sustainability programme.

As a matter of principle, all fully consolidated companies have been included in PALFINGER's sustainability reporting. In the field of human resources, employment figures regarding headcounts and FTEs excluding temporary workers have been presented in a comprehensive manner, whereas all other employment indicators for companies that were added to the Group in 2014 have not yet been included.

Environmental data comprises all **manufacturing and assembly sites** that were already part of the PALFINGER Group prior to the 2014 reporting year. These were:
Lengau (AT), Köstendorf (AT), Elsbethen (AT), Löbau (DE), Seifhennersdorf (DE), Krefeld (DE), Ganderkesee (DE), Caussade (FR), Harderwijk (NL), Barneveld (NL), Welwyn Garden City (GB), Cadelbosco (IT), Modena (IT), Maribor (SI), Marine Maribor (SI), Delnice (HR), Cherven Brjag (BG), Tenevo (BG), Lazuri (RO), Niagara Falls (CA), Tiffin (US), Council Bluffs (US), Trenton (US), Cerritos (US), Caxias do Sul (BR), Shenzhen (CN), Hanoi (VN), Sacheon (KR), Ishimbay (RU), Salavat (RU)

As **corporate headquarters and/or distribution and administration sites**, the following locations that already were part of the PALFINGER Group before the 2014 financial year and their absolute energy values were included in the reporting:
Salzburg (AT), Ainring (DE)

The manufacturing and assembly sites acquired or founded in 2014 as well as major administration sites will be included in the reporting starting from 2015.

Due to the large number of sites, it was not possible to present data for each site individually in this Report. Rather, the data for the regions European Union, Far East, CIS, Central and South America, and North America, was combined or the overall data for PALFINGER was presented.

Material changes refer primarily to the presentation of specific indicators on eco-efficient production. Whereas in previous reports, these indicators were weighted according to production output, they are now calculated in relation to the revenue generated at the individual sites. This makes it easier to compare the data – also for the purposes of internal sustainability management for individual manufacturing and assembly sites – and is in line with complexity reduction in value creation. Some non-financial performance indicators may also have changed as a result of the enhancement of internal control procedures to improve data quality.

GRI INDEX

According to the criteria of the Global Reporting Initiative ("Core"), all general standard disclosures and the specific standard disclosures for all aspects of relevance according to the materiality analysis have been described in this Report on the basis of G4 indicators. Moreover, additional indicators have also been treated ("comprehensively"). The following index contains the relevant references.

GRI G4-32: Report profile

References to the principles of the UN Global Compact have been listed here as well. The detailed progress report for the UN Global Compact is available on PALFINGER's website.

www.palfinger.ag/en/sustainability/commitment

GENERAL STANDARD DISCLOSURES

* Page numbers refer to the pdf document.

General standard disclosures	Short description of information disclosed	Reference to page number in the Integrated Annual Report or to online information*
Strategy and analysis		
G4–1	Statement from the most senior decision-maker of the organization	Annual Report: Foreword by the CEO pp. 7 et seq.
G4–2	Key sustainability-related impacts, risks and opportunities	Annual Report: Risk report pp. 50 et seq.
Organizational profile		
G4–3	Organizational profile: Brands, products and services	Annual Report: PALFINGER at a glance p. 12
G4–4	Product overview	Annual Report: PALFINGER at a glance p. 12
G4–5	Organizational profile: The organization's headquarters	Annual Report: PALFINGER at a glance p. 12
G4–6	Overview of most significant operations	Annual Report: Corporate locations of the PALFINGER Group pp. 208–209
G4–7	Nature of ownership and legal form	Annual Report: The PALFINGER shares pp. 25 et seq.
G4–8	Markets	Annual Report: Market review pp. 30 et seq., Customer and dealer network p. 34, Performance by segment pp. 77 et seq.; Online information: Human rights aspects regarding the use of products p. 38
G4–9	Organizational profile: Scale of the organization	Annual Report: PALFINGER at a glance p. 12
G4–10 & UNGC Principle 3	Employment profile	Annual Report: Human resources pp. 70 et seq., Gender p. 76.; Online information: Employment trend at PALFINGER pp. 25 et seq., Progress report for the UN Global Compact pp. 70 et seq.; Omission: Only the total number of employees was broken down by gender.
G4–11 & UNGC Principle 3	Number of employees covered by collective bargaining agreements	Online information: Human rights pp. 37–38, Progress report for the UN Global Compact pp. 70 et seq.
G4–12	Description of supply chain	Annual Report: Suppliers and purchasing pp. 36 et seq.; value-creation strategy pp. 61 et seq.; Online information: Sustainability in value-creation pp. 7 et seq.
G4–13	Significant changes regarding the organization, changes in shareholder structure, changes regarding the supply chain	Annual Report: The PALFINGER shares pp. 25 et seq., Suppliers and purchasing pp. 36 et seq., Legal changes within the PALFINGER Group pp. 42–43
G4–14 & UNGC Principle 7	Precautionary principle	Online information: Progress report for the UN Global Compact pp. 70 et seq.
G4–15	Self-commitment to voluntary initiatives	Online information: Commitment pp. 61–62
G4–16	Active memberships	Online information: Commitment pp. 61–62

General standard disclosures	Short description of information disclosed	Reference to page number in the Integrated Annual Report or to online information*
Identified material aspects and boundaries		
G4–17	Entities included in the consolidated financial statements	Annual Report: Companies of the PALFINGER Group pp. 211–212
G4–18	Defining the report content	Annual Report: Materiality analysis pp. 191 et seq.; Sustainability report profile and boundaries pp. 194–195; Online information: Sustainability in value-creation pp. 7 et seq., Materiality analysis p. 47
G4–19	Material aspects: Economic performance, materials, energy, effluents and waste, products and services, supplier environmental assessment, employment, occupational health and safety, training and education, diversity and equal opportunity, supplier assessment for labour practices, supplier human rights assessment, anti-corruption, anti-competitive behaviour, compliance, supplier assessment for impacts on society, customer health and safety, product and service labelling	Annual Report: I Innovation, Internationalization and Flexibility in Consideration of sustainable Aspects pp. 17 et seq., Materiality analysis pp. 191–192; Online information: Material aspects according to GRI p. 6, Materiality analysis p. 47
G4–20	Boundary within the organization for each material aspect	Annual Report: Suppliers and purchasing pp. 36 et seq., Materiality matrix pp. 192–193, Material aspects and PALFINGER`s responsibility pp. 193–194; Online information: Sustainability in value creation pp. 7 et seq., Materiality analysis p. 47
G4–21	Boundary outside the organization for each material aspect	Annual Report: Suppliers and purchasing pp. 36 et seq., Materiality matrix pp. 192–193, Material aspects and PALFINGER`s responsibility pp. 193–194; Online information: Sustainability in value creation pp. 7 et seq., Materiality analysis p. 47
G4–22	Restatements of reported information	Annual Report: How to use this Integrated Annual Report p. 5
G4–23	Changes in the scope and aspect boundaries	Annual Report: Materiality Matrix p. 192; Online information: Materiality analysis p. 47
Stakeholder engagement		
G4–24	List of stakeholders	Online information: Stakeholder management pp. 48 et seq.
G4–25	Selection of stakeholders with whom to engage	Online information: Stakeholder management pp. 48 et seq.
G4–26	Stakeholder engagement	Online information: Stakeholder management pp. 48 et seq.
G4–27	Results of stakeholder engagement	Online information: Stakeholder management pp. 48 et seq.

General standard disclosures	Short description of information disclosed	Reference to page number in the Integrated Annual Report or to online information*
Report profile		
G4–28	Reporting period	Annual Report: Sustainability report profile and boundaries pp. 194-195
G4–29	Previous report	Annual Report: Sustainability report profile and boundaries pp. 194-195
G4–30	Reporting cycle	Annual Report: Sustainability report profile and boundaries pp. 194-195
G4–31	Contact to sustainability management	Annual Report: General information p. 213; Online information: Contact p. 64
G4–32	GRI index	Annual Report: GRI index pp. 196 et seq.
G4–33	External assurance	Annual Report: Independent assurance statement pp. 204 et seq.
Governance		
G4–34	Governance structure and governance bodies, sustainability committees	Annual Report: Governing bodies of the company and method of operation of the management board and supervisory board pursuant to se. 243b para. 2 of the business code pp. 182 et seq.; Online information: Sustainability management pp. 45–46
G4–35 (comprehensively)	Governance structure of the organization	Annual Report: Governing bodies of the company and method of operation of the management board and supervisory board pursuant to se. 243b para. 2 of the business code pp. 182 et seq.; Online information: Sustainability management pp. 45–46
G4–36 (comprehensively)	Role and Responsibility of the highest governance body	Annual Report: Governing bodies of the Company and method of operation of the Management Board and Supervisory Board pursuant to sec. 243b para. 2 of the Business Code pp. 182 et seq.; Online information: Sustainability management pp. 45–46
G4–37 (comprehensively)	Dialogue with civil society	Online information: Sustainability management pp. 45–46
Ethics and integrity		
G4–56 (comprehensively) & UNGC Principle 10	Code of Conduct	Annual Report: Fair Business pp. 187–188; Online information: Progress report for the UN Global Compact pp. 70 et seq.
G4–57 (comprehensively) & UNGC Principle 10	Internal and external mechanisms on compliance and integrity	Annual Report: Fair Business pp. 187–188; Online information: Progress report for the UN Global Compact pp. 70 et seq.
G4–58 & UNGC Principle 10	Reporting concerns about integrity	Annual Report: Fair Business pp. 187–188; Online information: Progress report for the UN Global Compact pp. 70 et seq.

SPECIFIC STANDARD DISCLOSURES

Identified aspects	DMA and indicators	Reference	Omission
List of identified aspects	List specific standard disclosures related to each identified material aspect Information on DMA (Disclosures on Management Approach) and sustainability programme	Reference to page number in the printed Integrated Annual Report or to online information Annual Report: Materiality analysis pp. 191–192; Online information: Sustainability programme 2014/15 pp. 53 et seq., Sustainability management pp. 45–46, Material GRI-aspects in the value-creation chain pp. 65 et seq.	In exceptional cases, where it is not possible to provide certain information, reasons for the omission have to be given.
Category: Economic			
Economic performance	G4 - EC 1: Direct economic value generated and distributed	Annual Report: Consolidated Income statement pp. 84 et seq., Fair Business – Taxes and Subsidies p. 188; Online information: Monetary flows to stakeholders pp. 12–13	
Economic performance	G4 – EC 2: Financial implications and other opportunities and risks for the organization due to climate change	Annual Report: Risk report pp. 50 et seq.	The focus is on a description of risks in qualitative terms.
Economic performance	G4 – EC 4: Financial assistance received from government	Annual Report: Consolidated Income statement pp. 84 et seq., Fair Business – Taxes and Subsidies p. 188; Online information: Monetary flows to stakeholders pp. 12–13	The presentation covers subsidies, investment grants and R&D grants. Tax relief has been included in the EC 1 indicator.
Indirect economic impacts	G4 – EC 8: Significant indirect economic impacts, including the extent of impact	Annual Report: I Innovation, Internationalization and Flexibility in Consideration of sustainable Aspects pp. 17 et seq., Risk report pp. 50 et seq.; Online information: Society p. 14	
Category: Environmental			
Materials & UNGC Principles 7, 8	G4 – EN 1: Materials used by weight or volume	Annual Report: Eco-efficiency in production – efficient use of raw materials p. 66; Online information: Progress report for the UN Global Compact pp. 70 et seq.	The main materials used, steel and aluminium, are presented.
Energy & UNGC Principles 7, 8	G4 – EN 3: Energy consumption within the organization	Online information: Energy consumption at PALFINGER p. 16; Online information: Progress report for the UN Global Compact pp. 70 et seq.	
Energy & UNGC Principles 7, 8	G4 – EN 4: Energy consumption outside the organization	Annual Report: Eco-efficiency in production – Efficient use of raw materials p. 66; Online information: Energy consumption outside the organization p. 17, Progress report for the UN Global Compact pp. 70 et seq.	An estimate is presented for the most important raw materials, steel and aluminium. Due to the variety of products and their uses, it is impossible to provide information on the absolute energy consumption of the products.
Energy & UNGC Principles 7, 8	G4 – EN 5: Energy intensity	Annual Report: Eco-efficiency in production – Energy efficiency p. 68.; Online information: Energy efficiency pp. 17 et seq.; Progress report for the UN Global Compact pp. 70 et seq.	
Energy & UNGC Principles 7, 8	G4 – EN 6: Reduction of energy consumption	Annual Report: Eco-efficiency in production – Energy efficiency pp. 68 et seq.; Online information: Energy efficiency pp. 17 et seq., Progress report for the UN Global Compact pp. 70 et seq.	The reduction is described exclusively in a qualitative manner.

Identified aspects	DMA and indicators	Reference	Omission
Category: Environmental			
Energy & UNGC Principles 7, 8	G4 – EN 7: Reductions in energy requirements of products	Online information: Reductions in energy requirements of PALFINGER products p. 19, Energy consumption during product use pp. 42–43, Progress report for the UN Global Compact pp. 70 et seq.	Due to the diversity of products and their uses, the measures are described in qualitative terms.
Emissions & UNGC Principles 7, 8	G4 – EN 15: Direct greenhouse gas (GHG) emissions (Scope 1)	Online information: Climate protection pp. 19 et seq., Progress report for the UN Global Compact pp. 70 et seq.	Differentiation by scope was implemented in the 2014 financial year; as a result, retroactive comparison is currently not possible.
Emissions & UNGC Principles 7, 8	G4 – EN 16: Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Online information: Climate protection pp. 19 et seq., Progress report for the UN Global Compact pp. 70 et seq.	Differentiation by scope was implemented in the 2014 financial year; as a result, retroactive comparison is currently not possible.
Emissions & UNGC Principles 7, 8	G4 – EN 17: Other indirect greenhouse gas (GHG) emissions (Scope 3)	Online information: Climate protection pp. 19 et seq., Progress report for the UN Global Compact pp. 70 et seq.	Differentiation by scope was implemented in the 2014 financial year; as a result, retroactive comparison is currently not possible.
Effluents and waste & UNGC Principles 7, 8	G4 – EN 23: Waste	Annual Report: Eco-efficiency in production – Efficient use of raw materials and Hazardous waste pp. 66–67.; Online information: Efficient use of raw materials p. 15, Reduction of hazardous waste pp. 21 et seq., Progress report for the UN Global Compact pp. 70 et seq.	Production waste eligible for recycling is not presented in absolute figures but rather expressed as a waste cuttings rate. Due to the relevance of this information, only hazardous waste is reported on.
Products and services & UNGC Principle 9	G4 – EN 27 Mitigation of environmental impacts of products	Annual Report: Research, development and innovation – Safe and efficient products pp. 59 et seq.; Online information: Measures to mitigate environmental impacts of products p. 24, Environmentally compatible products pp. 41 et seq., Progress report for the UN Global Compact pp. 70 et seq.	
Supplier environmental assessment & UNGC Principles 7, 8	G4 EN– 32: Environmental protection in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers p. 38; Online information: Environmental protection in the supply chain p. 10, Progress report for the UN Global Compact pp. 70 et seq. and DMA	
Supplier environmental assessment & UNGC Principles 7, 8	G4 EN– 33: Environmental protection in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers p. 38; Online information: Environmental protection in the supply chain p. 10, Progress report for the UN Global Compact pp. 70 et seq. and DMA	
		DMA Online information: Ecological impacts in the supply chain p. 10; Impacts on labour practices in the supply chain p. 10	

Identified aspects	DMA and indicators	Reference	Omission
Category: Social			
Employment	G4 – LA 1: Total number of employees and employee turnover	Annual Report: Human resources pp. 70 et seq.; Online information: Total number of employees and employee turnover pp. 25 et seq.	Employee turnover and retirements are presented. It is currently not possible to show newly hired employees, but there are long-term plans to do so following the introduction of the relevant HR systems.
Occupational health and safety	G 4 – LA 5: Occupational health and safety programmes	Annual Report: Human resources - Health and safety pp. 74–75; Online information: Occupational health management pp. 29 et seq.	Occupational health and safety programmes of the Company are presented in general terms.
Occupational health and safety	G 4 – LA 6: Industrial accidents, occupational diseases and lost days	Annual Report: Human resources - Health and safety pp. 74–75; Online information: Lost days, occupational safety and accident prevention pp. 30 et seq.	A presentation by gender is currently not possible, but is planned in the long term following the introduction of the relevant HR systems.
Occupational health and safety	G4 – LA 8: Health and safety topics covered in formal agreements with trade unions	Online information: Health and safety pp. 29 et seq.	A presentation of the Company's occupational health management scheme will be made.
Training and education	G 4 – LA 9: Hours of training per employee	Annual Report: Skilled labour pp. 73–74; Online information: Training and education p. 33	A presentation by gender and employee category is currently not possible but is planned in the long term following the introduction of the relevant HR systems.
Training and education	G 4 – LA 10: Programmes for skills management	Annual Report: Skilled labour pp. 73–74; Online information: Training and education p. 33	Transition assistance programmes for the management of career endings resulting from retirement or termination of employment are not reported on.
Training and education	G4 – LA 11: Employees receiving regular reviews	Annual Report: Attractive jobs for employees with individual responsibility p. 72; Online information: Communication with employees p. 34	A presentation by gender and employee category is currently not possible but is planned in the long term following the introduction of the relevant HR systems.
Diversity and equal opportunity & UNGC Principle 6	G4 – LA 12: Diversity and equal opportunity	Annual Report: Diversity p. 75–76; Governing bodies of the Company and method of operation of the Management Board and Supervisory Board pursuant to sec. 243b para. 2 of the Business Code pp. 182 et seq.; Online information: Equal opportunity pp. 34 et seq., Progress report for the UN Global Compact pp. 70 et seq.	Percentages of employees in various age groups are indicated in the categories 0–30, 30–56, 56+.
Supplier assessment for labour practices & UNGC Principles 2– 6	G4 – LA 14: Occupational health and safety in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers p. 38; Online information: Labour practices in the supply chain p. 10, Progress report for the UN Global Compact pp. 70 et seq.	
Supplier assessment for labour practices & UNGC Principles 2– 6	G4 – LA 15: Labour practices in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers p. 38; Online information: Labour practices in the supply chain p. 10, Progress report for the UN Global Compact pp. 70 et seq.	
Human rights – Investment & UNGC Principle 1	G 4 – HR 1: Human rights in investment agreements	Annual Report: Strategy and value management pp. 15 et seq.; Online information: Human rights in the supply chain p. 11, Human rights: Investment, employee training and other aspects p. 38, Progress report for the UN Global Compact pp. 70 et seq.	The focus is on a description in qualitative terms.

Identified aspects	DMA and indicators	Reference	Omission
Category: Social			
Freedom of association and collective bargaining & UNGC Principle 3	G4 – HR 4: Operations where the right to exercise the freedom of assembly may be at risk	Online information: Freedom of assembly p. 37, Progress report for the UN Global Compact pp. 70 et seq.	
Supplier human rights assessment & UNGC Principle 2	G4 – HR 11: Human rights in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers p. 38; Online information: Impacts on labour practices in the supply chain p. 11, Progress report for the UN Global Compact pp. 70 et seq.	
Anti-corruption & UNGC Principle 10	G4 – SO 3: Operations assessed	Annual Report: Fair business – Internal audits p. 187; Online information: Society p. 14, Progress report for the UN Global Compact pp. 70 et seq.	
Anti-corruption & UNGC Principle 10	G4 – SO 4: Anti-corruption communication	Annual Report: Fair business – Welcome package p. 188; Online information: Society p. 14, Progress report for the UN Global Compact pp. 70 et seq.	The presentation contains a description without any quantitative disclosures.
Anti-corruption & UNGC Principle 10	G4 – SO 5: Incidents of corruption	Annual Report: Fair business – Compliance violations p. 188; Online information: Society p. 14., Progress report for the UN Global Compact pp. 70 et seq.	
Anti-competitive behaviour	G4 – SO 7: Competition law	Annual Report: Fair business – Compliance with legislation p. 188; Online information: Society p. 14	
Compliance	G4 – SO 8: Significant fines	Annual Report: Fair business – Compliance violations p. 188; Online information: Society p. 14	
Supplier Assessment for Impacts on Society	G4 – SO 9: Assessment of impacts on society identified in the supply chain	Online information: Impacts on society identified in the supply chain p. 11	The focus is on a description of accidents involving PALFINGER products.
Supplier Assessment for Impacts on Society	G4 – SO 10: Impacts on society in the supply chain	Online information: Impacts on society identified in the supply chain , p. 11	
Customer health and safety	G4 – PR 2: Incidents of non-compliance with safety provisions	Annual Report: Research, development and innovation – Safe and efficient products pp. 59 et seq.; Online information: User safety p. 39	Non-compliance with provisions regarding health and safety is reported on in a qualitative manner.
Product and service labelling	G4 – PR 5: Survey measuring customer satisfaction	Annual Report: Customer and dealer network p. 34; Online information: User safety p. 39	

To the Board of PALFINGER AG

INDEPENDENT ASSURANCE REPORT

Limited assurance over disclosures and data in the Integrated Annual Report 2014 of PALFINGER AG

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.

Engagement

GRI G4-33: External assurance

We were requested to perform a limited assurance engagement related to disclosures and data in the "Integrated Annual Report 2014" (hereafter "Report") of PALFINGER AG.

The assurance included the sustainability reporting according to the GRI G4 CORE Option as such:

- Integrated Annual and Sustainability Report in a PDF plus GRI index within the report and the homepage
- Additional web information available for download in a PDF

The GRI index defines the scope of our engagement. Our limited assurance covered web content available at http://www.palfinger.com. The information is available in a PDF at https://www.palfinger.ag/-/media/Corporate/Sustainability/reports/webreport2014.pdf?la=en. In case that the reviewed pages contain links to other pages, we point out that we did not review the content of the other pages.

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.

The "General Conditions of Contract for the Public Accounting Professions" , are binding for this engagement. According to that, our liability is limited and 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 PALFINGER AG and any third party together is EUR 726,730 in the aggregate.

LIMITATIONS TO OUR REVIEW

- Our limited assurance engagement did not include the chapter "Konzernabschluss zum 31.12.2014".
- We did not test data derived from external surveys, we only verified that relevant disclosures and data are correctly quoted in the Report.
- We did not perform any assurance procedures on data, which were subject of the annual financial audit. We merely checked that data was presented in accordance with the GRI Guidelines.
- Limited assurance over prospective information was not subject to our engagement.

Criteria
The information included in the Report was based on the criteria applicable for the year 2014 ("The Criteria"), consisting of:

- GRI Sustainability Reporting Guidelines G4.

We believe that these criteria are suitable for our assurance engagement.

Management responsibilities
PALFINGER AG's management is responsible for the preparation of the Report and the company website information therein in accordance with the criteria mentioned above. This responsibility includes designing, implementing and maintaining internal control. Those are relevant to the preparation of the Report to eliminate material misstatements.

Our responsibilities
It is our responsibility to express a conclusion on the information included in the Report as well as the additional webbased information documented in a separate PDF on the basis of the limited assurance engagement.

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE 3000 and the Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC), which includes requirements in relation to our independence.

What we did to form our conclusion
We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. The assurance engagement was conducted at the Clients head quarter in Salzburg. Our main procedures were:

- Obtained an overview over the industry as well as the characteristics and governance of the organisation;
- Interviewed a selection of Group and functional senior managers and executives to understand key expectations and identify systems, process and internal controls processes to support them;
- Reviewed Group level, Board and Executive documents to assess awareness and to understand how progress is tracked;
- Examined risk management and governance processes related to sustainability and critical evaluation of the representation in the report;
- Performed analytical procedures at Group level;

- Performed site visits in Salzburg to review progress and obtain evidence of performance. In addition we reviewed data samples at site level for completeness, reliability, accuracy and timeliness;
- Reviewed data and processes on a sample basis to test whether they had been collected, consolidated and reported appropriately at Group level. This included reviewing data samples to test whether the data had been reported in an accurate, reliable and complete manner;
- Reviewed the coverage of material issues the key issues raised in the stakeholder dialogues, areas of performance covered in external media reports and the environmental and social reports of PALFINGER AG's peers
- Challenged a sample of statements and claims in the Report against our worksteps and the GRI principles and
- Reviewed whether the GRI G4 Guidelines were consistently applied for the CORE Option.

Our Conclusion

Based on the scope of our review nothing has come to our attention that causes us to believe that the disclosures and data in the Report were not prepared, in accordance with the criteria identified above.
Vienna, 28. January 2015
ERNST & YOUNG Wirtschaftsprüfungsgesellschaft m.b.H.

Brigitte Frey **ppa. Christine Jasch**

Global Reporting Initiative™ Organizational Stakeholder 2015

DEFINITION OF PERFORMANCE INDICATORS

ECONOMY

Capital employed
reflects capital investment and is calculated as
- intangible assets
- plus property, plant and equipment, shareholdings and net current assets

Earnings per share
is the ratio of the consolidated net result for the period to the weighted average number of shares outstanding

EBIT
(Earnings Before Interest and Taxes)

EVA
(Economic Value Added) indicates the Company's economic profit:
- ROCE minus WACC
- multiplied by average capital employed

Free cash flows
is the net amount of cash available to service internal or external borrowing:
- cash flows generated from operations
- plus interest on borrowings
- minus tax shield on interest on borrowings

Gearing ratio
is a measure relating to the Company's debt:
- ratio of net debt and equity in per cent

Net debt
is calculated as
- non-current and current financial liabilities

minus
- long-term and short-term securities
- long-term loans
- cash and cash equivalents

NOPLAT
(Net Operating Profit Less Adjusted Taxes) is composed of
- EBIT
- minus taxes on EBIT

ROCE
(Return on Capital Employed) shows the rate of return generated on capital invested in the Company:
- ratio of NOPLAT to
- average capital employed (from reporting date of previous year to reporting date of current year) in per cent

ROE
(Return on Equity) is a measure of the Company's profitability that presents earnings in relation to equity employed:
- ratio of after-tax earnings and
- average equity as a percentage

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

Working capital
is the net surplus of current assets over current liabilities

HUMAN RESOURCES

Employee turnover	Employee turnover is defined as the ratio of the number of employees that have left the Company during a year to the average annual headcount. It is expressed as a percentage.

ENVIRONMENT

Index: Energy consumption in relation to revenue	This indicator shows the degree to which the energy input is utilized. It takes into account electricity, fuel (petrol, diesel, kerosene, CNG) and heating energy (fuel oil, natural gas, liquid gas, propane, butane). The energy input is determined in relation to the local revenue of each individual site. The index makes it possible to compare individual sites despite different currencies: The energy efficiency in 2011 has been defined as 100 per cent. A lower rate in a subsequent year means higher efficiency (i.e. less energy in relation to revenue). To calculate the energy efficiency for the entire Group, the mean value (energy efficiency of all sites) is weighted by the energy consumption of each site.
Index: Hazardous waste in relation to revenue	The volume of hazardous waste is measured at each site. The applicable regional laws determine whether a certain type of waste is classified as hazardous. In order to compare individual sites and calculate a Group value, the volume of hazardous waste is determined in relation to the local revenue of the individual production site and an index is formed (volume 2011 = 100 per cent). In calculating Group-wide indices, the various production sites are weighted by the volume of waste produced in the year under review.
Suppliers with excellent and good environmental management	Suppliers are classified according to how many elements of environmental management they have in place. These elements include, for example, a certified environmental management system, environmental aspects in planning processes, review of environmental impact, environmental programmes and environmental targets or training programmes.
Share of PALFINGER products used for ecological and social purposes in Group revenue	This indicator shows which opportunities for innovation and marketing sustainable product applications have and how they are used. PALFINGER lifting solutions for ecological purposes and industries comprise special products for the railway, offshore, biomass and recycling sectors. Social purposes include access systems and marine rescue systems. Other PALFINGER products, such as truck mounted knuckle boom cranes, some of which are sold to biomass producers, fire brigades or the recycling industry, are excluded.

CORPORATE LOCATIONS OF THE PALFINGER GROUP

AUSTRIA

PALFINGER AG
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
EPSILON Kran GmbH.
• Christophorusstrasse 30, 5061 Elsbethen/Glasenbach
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
PalAir GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Area Units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger CIS GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Europe GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
• Moosmühlstrasse 1, 5203 Köstendorf
• Kapellenstrasse 18, 5211 Friedburg
Palfinger S. Units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger GmbH
• Betriebsstrasse I/Objekt 9, 2482 Münchendorf
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Marine- und Beteiligungs-GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger North America GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger PM Holding GmbH
• Franz-Wolfram-Strasse 24, 5020 Salzburg
Palfinger Russland GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Sany International Mobile Cranes Sales GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger South America GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger systems GmbH
• Vogelweiderstrasse 40a, 5020 Salzburg
• Weng 4, 8913 Admont
Palfinger systems units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
STEPA Farmkran Gesellschaft m.b.H.
• Christophorusstrasse 28, 5061 Elsbethen/Glasenbach

ARGENTINA

Andrés N. Bertotto S.A.I.C.
• Provincial Rute Nº 6, Km 5.5, X580XAB Río Tercero, Córdoba
• Colectora Este esquina Ituzaingo, 1611 Don Torcuato, Buenos Aires
Palfinger Argentina S.A.
• Av. Corrientes 327, 3° Piso, Buenos Aires

BELGIUM

MBB Interlift N.V.
• Industrielaan 4, 3e Industriezone, 9320 Erembodegem

BRAZIL

Madal Palfinger S.A.
• Rua Flavio Francisco Bellini 350, CEP 95098–170, Caxias do Sul
• Estrada do Embu, 485 – Jardim São Vicente, CEP 06713–100, Cotia
Palfinger Dreggen Do Brasil Ltda
• Lauro Muller 116, NBIO/Suite 2405, Torre do Rio Sul, Botafogo CEP 22290-160, Rio de Janeiro
Palfinger Koch Metalúrgica Ltda.
• Av. Tancredo Neves 470 A, Distrito Industrial, CEP 94930-540, Cachoeirinha
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda
• Rua Flavio Francisco Bellini 350, CEP 95098–170, Caxias do Sul

BULGARIA

Palfinger Produktionstechnik Bulgaria EOOD
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• 8672 Tenevo

CANADA

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Dreggen (Hong Kong) Company Limited
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PALFINGER AG Shanghai Rep Office
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Palfinger (Shenzhen) Ltd.
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Sany Palfinger SPV Equipment Co., Ltd.
• No. 189 Huanghe Road, Sany Industrial Zone, Notong city, Rudong, 226400 Jiangsu
SANY Automobile Hoisting Machinery Co,. LTD
• No. 168 West Jinzhou Road, Jinzhou New Area, Changsha, Hunan

GRI G4-6: Overview of most significant operations

CROATIA

Palfinger Proizvodna Tehnologija Hrvatska d.o.o.
• Lučićka Cesta 1, 51300 Delnice

DENMARK

Palfinger Marine Denmark Filial af Palfinger Marine- und Beteiligungs-GmbH, Austria
• Kystvejen 100, a4, 5330 Munkebo

FRANCE

A.C.I. SAS
• Avenue Descartes, 33370 Artigues près Bordeaux
Caridro Atlantique Sarl
• 9, Rue James Joule, 44400 Rezé
Caridro Centre Sarl
• 28, Rue Emile Leconte, 45140 Ingré
Caridro Ouest S.A.S.
• ZA de la Longueraie, 56140 Saint Abraham
Caridro Val de Loire Sarl
• 10, Allée Rolland Pilain ZA Even Parc – St Malo, 37320 Esvres sur Indre
Guima Herblay Sarl
• 4, Rue Édouard Branly, 95220 Herblay
Guima Palfinger S.A.S.
• 29A, Avenue des Tourondes, 82300 Caussade
Guima Provence Sarl
• Route de Marseille, 83170 Brignoles
Guima Sud Ouest Sarl
• 277, Chemin de Bordevielle, 31790 Saint Sauveur
MASCHE SAS
• 20 Avenue de l'escouvrier, 95200 Sarcelles
MBB Inter S.A.S.
• Rue de l'Eglise, 61310 Silly en Gouffern
Nord Benne SARL
• Avenue Kuhlmann – BP 106, 59373 Loos Cedex
Palfinger France S.A.S.
• 125 rue de la roche colombe, 26800 Étoile sur Rhône Cedex
Palfinger Service Annecy SAS
• 329, Route de Valparc, 74330 Poisy
Palfinger Service Paris SAS
• 24 Avenue Condorcet, 91240 Saint Michel sur Orge
Sand SARL
• ZAC Deux Vallées, 10, Avenue des Mineurs, 54910 Valleroy

GERMANY

MBB Palfinger GmbH
• Fockestrasse 53, 27777 Ganderkesee-Hoykenkamp
Palfinger GmbH
• Feldkirchener Feld 1, 83404 Ainring
• Rauheckstrasse 4, 74232 Abstatt
• Industriestrasse 4, 89188 Merklingen
• Düsseldorfer Strasse 100, 47809 Krefeld
• Johann-Andreas-Schubert-Strasse 6, 02730 Ebersbach
• Köthener Strasse 33a, 06118 Halle/Saale
• Dirnismaning 34, 85748 Garching

- Bullerdeich 59, 20537 Hamburg
- Rudolfstrasse 16c, 10245 Berlin

Palfinger Platforms GmbH
- Düsseldorfer Strasse 100, 47809 Krefeld
- Äußere Bautzner Strasse 47, 02708 Löbau
- Halbendorfer Strasse 4, 02782 Seifhennersdorf
- Johann-Andreas-Schubert-Strasse 6, 02730 Ebersbach

GREAT BRITAIN

Ratcliff Palfinger Ltd.
- Bessemer Road, Welwyn Garden City, Herts AL7 1ET

INDIA

Palfinger Cranes India Pvt. Ltd.
- 37, Varadarajapuram, Nazarathpet, Poonamallee, Chennai – 600 123

ITALY

Palfinger Gru Idrauliche S.r.l.
- Via Dante Aleghieri 50, 42023 Cadelbosco di Sopra

Palfinger Platforms Italy s.r.l.
- Piazza Verdi Nr. 43, 39100 Bolzano
- Via Enrico De Nicola Nr. 31, 41122 Modena

NETHERLANDS

Palfinger Boats B.V.
- Pasteurdijk 8, 3846 BS Harderwijk

Palfinger projects B.V.
- Ambachtsweg 10, 3771 MG Barneveld

Palfinger Ned-Deck B.V.
- Ambachtsweg 10, 3771 MG Barneveld

Palfinger Entraco System Solution B.V.
- Puntweg 3, 3208 LD Spijkenisse

NORWAY

Palfinger Dreggen AS
- Hegrenesveien 17A, 5042 Bergen

POLAND

Palfinger Dreggen Poland sp. z o.o.
- Kontenerowa 71, 81-155 Gdynia

QATAR

Megarme Qatar WLL
- Al Qadeem Street, Al Rayyan, Doha

ROMANIA

Nimet Srl
- Strada Targului 103, 137121 Lazuri, Dambovita

RUSSIA

INMAN ZAO
- 69 Pervomayskaya Street, City of Salavat, 453250, Respublika Bashkortostan
- 2 Pervootkryvateley Baschkirskoy Nefti, 453210, Ishimbay, Respublika Bashkortostan

Palfinger Crane Rus LLC
- Parkovaya Ulitza, 7, 196084, St. Petersburg

PALFINGER SANY Cranes OOO
- Fabriciusa 42, bld. 1, 125363, Moscow

PM-Engineering OOO
- 2, Vorobetsky proezd, Velikiye Luki, Pskov region

Podjomnie Maschini ZAO
- 6, Kornienko street Velikiye Luki, Pskov region

Holding Company Lifting Machines ZAO
- 77 Nikolsky prospect, Arkhangelsk, Arkhangelsk region

SMZ OAO
- 77, Nikolsky prospect, Arkhangelsk, Arkhangelsk region

Velmash-S OOO
- 6, Kornienko street Velikiye Luki, Pskov region

Velmash ZAO
- 6, Kornienko street Velikiye Luki, Pskov region

SMZ OOO
- 77, Nikolsky prospect, Arkhangelsk, Arkhangelsk region

Konvek OOO
- 6, Kornienko street., Velikiye Luki, Pskov region

SINGAPORE

Palfinger Asia Pacific Pte. Ltd.
- 3 International Business Park #05-25/26 Nordic European Centre Singapore 609927

Palfinger Dreggen Pte. Ltd.
- 2 Toh Guan Road East, Naigai Nitto Building #03-2A, Singapore 608837

Palfinger Marine Pte. Ltd.
- 79 Joo Koon Circle, Singapore 629107 Palfinger SLS Holding Pte. Ltd.
- 4 Battery Road, #25-01, Bank of China Building, Singapore 049908

Palfinger SLS Holding Pte. Ltd.
- 4 Battery Road, #25-01, Bank of China Building, Singapore 049908

SLOVAKIA

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- Gogolova 18, 85101 Bratislava

SLOVENIA

Palfinger Marine d.o.o., Maribor
- Špelina Ulica 22, 2000 Maribor

Palfinger Proizvodnja d.o.o.
- Jaskova 18, 2001 Maribor

SOUTH KOREA

Palfinger Dreggen Korea Limited
- 20, Waeguk-kiup-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do

TURKEY

Palfinger Sany International Mobile Cranes Sales GmbH Irtibat Bürosu
- Hakkı Yeten Cad. Selenium Plaza 10C Kat:6, 34349 Fulya, Beşiktaş, Istanbul

UNITED ARAB EMIRATES

Megarme General Contracting Company LLC
- Office # 101, Pizza Hut Building Sheikh Suroor Building, Khaleefa Street, PO Box 43814, Abu Dhabi

Mega Repairing Machinery Equipment LLC
- Office No. 320, Bruben Business Centre, Bur Dubai, Dubai Investment Park, PO Box 6396, Dubai

USA

Composite Works, LLC
- 341 NW 122nd Street, Oklahoma City, OK 73114, Oklahoma

Equipment Technology, LLC
- 341 NW 122nd Street, Oklahoma City, OK 73114, Oklahoma

Palfinger Liftgates, LLC
- 15939 Piuma Avenue, Cerritos, CA 90703, California
- 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey

Omaha Standard, LLC
- 3501 South 11th Street, Council Bluffs, IA 51501, Iowa
- 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey

Palfinger, Inc.
- 3450 Lakeside Drive, Suite 110, Miramar, FL 33027, Florida

Palfinger USA, Inc.
- 4151 West State Route 18, Tiffin, OH 44883, Ohio

PalFleet Truck Equipment Company, LLC
- 2490 Pinson Valley Parkway, Birmingham, AL 35217, Alabama
- 5178 Old Dixie Highway, Forest Park, Atlanta, GA 30297, Georgia
- 4101 Trailer Drive, Charlotte, NC 28269, North Carolina
- 3030 Irving Boulevard, Dallas, TX 75247, Texas
- 2770 Bluff Road, Indianapolis, IN 46225, Indiana
- 5620 Fern Valley Road, Louisville, KY 40228, Kentucky
- 2109 South 35th Street, Council Bluffs, IA 51501, Iowa
- 1801 Lebanon Pike, Nashville, TN 37210, Tennessee
- 4151 West State Route 18, Tiffin, OH 44883, Ohio
- 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey

VIETNAM

Palfinger Boats Vietnam Co. Ltd.
- Road 206, Section A, Pho Noi A Industrial Park, Van Lam District, Hung Yen

Palfinger Ned-Deck Vietnam Co. Ltd.
- 7 Phan Huy Chu, Hoan Kiem, Hanoi
- Road D2, Area D, IZ Pho Noi A, Hung Yen

As at 31 December 2014

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PALFINGER AG
Austria, Salzburg

100% Palfinger EMEA GmbH
Austria, Salzburg

- 65% **EPSILON Kran GmbH.** – Austria, Salzburg – 35% STEINDL KRANTECHNIK Gesellschaft m.b.H. et al.
- 45% **STEPA Farmkran Gesellschaft m.b.H.** – Austria, Elsbethen – 55% STEINDL KRANTECHNIK Gesellschaft m.b.H.
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- 100% **MBB Interlift N.V.** – Belgium, Erembodegem
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- 90% **Palfinger GmbH** – Germany, Ainring – 10% Palfinger Europe GmbH
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  - 99.8% **Caridro Atlantique Sarl** – France, Rezé – 0.2% Olivier Billon
  - 54.17% **Caridro Centre Sarl** – France, Ingré – 45.83% Codepar
  - 40% **Caridro Val De Loire Sarl** – France, Esvres – 60% L. Charpentier
  - 100% **A.C.I. SARL** – France, Artigues près Bordeaux
  - 40% **Sand SARL** – France, Valleroy – 60% Sand family
  - 30% **MASCHE SAS** – France, Sarcelles – 70% Ch. Liauzu et al.
  - 60% **Nord Benne SARL** – France, Loos Cedex – 40% Parmentier family
  - 100% **JCB Poids Lourds Sarl** – France, Lievin
  - 100% **Palfinger Service Annecy Sarl** – France, Poisy
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- 100% **Ratcliff Palfinger Ltd.** – Great Britain, Welwyn Garden City

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Austria, Salzburg

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- 100% **Palfinger Dreggen AS** – Norway, Bergen
- 100% **Palfinger Dreggen Do Brasil Ltda** – Brazil, Rio de Janeiro
- 60% **Palfinger Koch Metalúrgica Ltda.** – Brazil, Cachoeirinha – 40% Koch Metalúrgica S/A
- 100% **Palfinger Dreggen Pte. Ltd.** – Singapore, Singapore
- 33% **Dreggen (Hong Kong) Company Limited** – Hong Kong – 67% Ng Kwong Wing et al.
- 100% **Palfinger Dreggen Poland sp. z o.o.** – Poland, Gdynia
- 100% **Palfinger Dreggen Korea Ltd.** – South Korea, Sacheon-si
- 100% **Palfinger Ned-Deck B.V.** – Netherlands, Barneveld
- 100% **Palfinger Ned-Deck Vietnam Co. Ltd.** – Vietnam, Hanoi
- 80% **Palfinger Boats B.V.** – Netherlands, Harderwijk – 20% Matthijs van der Ham
- 100% **Palfinger Boats Vietnam Co. Ltd.** – Vietnam, Hung Yen
- 100% **Palfinger Marine d.o.o., Maribor** – Slovenia, Maribor
- 100% **Palfinger Marine Pte. Ltd.** – Singapore, Singapore

100% Palfinger Area Units GmbH
Austria, Salzburg

- 100% **Palfinger North America GmbH** – Austria, Salzburg
- 100% **Palfinger, Inc.** – Canada, Niagara Falls
- 100% **Palfinger USA, Inc.** – USA, Tiffin
- 100% **Palfinger Liftgates, LLC** – USA, Cerritos
- 100% **Omaha Standard, LLC** – USA, Council Bluffs
- 100% **Palfleet Truck Equipment Company, LLC** – USA, Birmingham
- 80% **Equipment Technology, LLC** – USA, Oklahoma City – 20% Neuberger family & Glenn Smith
- 63.48% **Composite Works, LLC** – USA, Oklahoma City – 36.52% Custom Composites, LLC et al.
- 100% **Palfinger South America GmbH** – Austria, Salzburg
- 30% **Andrés N. Bertotto S.A.I.C..** – Argentina, Río Tercero – 70% Bertotto family
- 99.64% **Madal Palfinger S.A.** – Brazil, Caxias do Sul – 0.36% retail shareholders
- 100% **Palfinger-Tercek Indústria de Elevadores Veiculares Ltda** – Brazil, Caxias do Sul
- 100% **Palfinger Argentina S.A.** – Argentina, Buenos Aires
- 100% **Palfinger Asia Pacific Pte. Ltd.** – Singapore, Singapore
- 100% **Palfinger (Shenzhen) Ltd.** – China, Shenzhen
- 50% **Sany Palfinger SPV Equipment Co., Ltd.** – China, Rudong – 50% Sany Automobile Hoisting Machinery Co Ltd.
- 99.99% **Palfinger Cranes India Pvt. Ltd.** – India, Chennai – 0.01% Palfinger Asia Pacific Pte. Ltd.
- 100% **Palfinger CIS GmbH** – Austria, Salzburg
- 100% **INMAN ZAO** – Russia, Ishimbay
- 100% **Palfinger Russia GmbH** – Austria, Salzburg
- 100% **Palfinger Crane Rus LLC** – Russia, St. Petersburg
- 60% **Palfinger PM Holding GmbH** – Austria, Salzburg – 20% Steindl Forsttechnik GmbH, 20% P.M.H.G Holding Global Limited
- 100% **Podyomnie Maschini ZAO** – Russia, Velikiye Luki
  - 60% **Velmash-S OOO** – Russia, Velikiye Luki – 40% Holding Company Podyomnie Maschini ZAO
  - 51.25% **SMZ OOO** – Russia, Arkhangelsk – 48.75% Holding Company Podyomnie Maschini ZAO
  - 100% **PM-Engineering OOO** – Russia, Velikiye Luki
  - 51.6% **Holding Company Podyomnie Maschini ZAO** – Russia, Arkhangelsk – 48.4% Palfinger PM Holding GmbH
  - 75% **SMZ OAO** – Russia, Arkhangelsk – 25% Holding Company Podyomnie Maschini ZAO
  - 76.37% **Velmash ZAO** – Russia, Velikiye Luki – 23.63% Holding Company Podyomnie Maschini ZAO
  - 75.5% **Konvek OOO** – Russia, Velikiye Luki – 24.5% Velmash-S OOO

100% Palfinger S. Units GmbH
Austria, Salzburg

- 80% **Palfinger Platforms Italy s.r.l.** – Italy, Bolanzo – 20% Sky Access Srl.
- 50% **Palfinger Sany International Mobile Cranes Sales GmbH** – Austria, Salzburg – 50% SANY Belgium Holding S.A.
- 100% **PALFINGER SANY Cranes ooo** – Russia, Moscow
- 100% **Palfinger SLS Holding Pte. Ltd.** – Singapore, Singapore
- 10% **SANY Automobile Hoisting Machinery Co., Ltd.** – China, Changsha – 90% SANY HEAVY Group
- 100% **PalAir GmbH** – Austria, Salzburg
- 100% **Palfinger systems units GmbH** – Austria, Salzburg
- 26% **Palfinger systems GmbH** – Austria, Salzburg – 74% Marine Systems Overseas Pte. Ltd. et al.
- 50% **Palfinger Entraco systems Solution BV** – Netherlands, Spijkenisse – 50% Entraco Venture Corporation Pte. Ltd.
- 70%* **Mega Repairing Machinery Equipment LLC** – United Arab Emirates, Dubai – 30%* Billy Harkin et al.
- 70%* **Megarme General Contracting Company LLC** – United Arab Emirates, Abu Dhabi – 30%* Harkin Holdings Limited
- 70%* **Megarme Qatar WLL** – Qatar, Doha – 30%* Harkin Holdings Limited

GRI G4-17: Entities included in the consolidated financial statements

- fully consolidated (integrated into sustainability reporting) (red)
- at equity (grey)
- * held in parts via escrow

As at 31 December 2014

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Consulting Sustainability Aspects
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Design
Rahofer Werbeagentur

Typesetting
in-house, using FIRE.sys

Published on 6 February 2015.

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