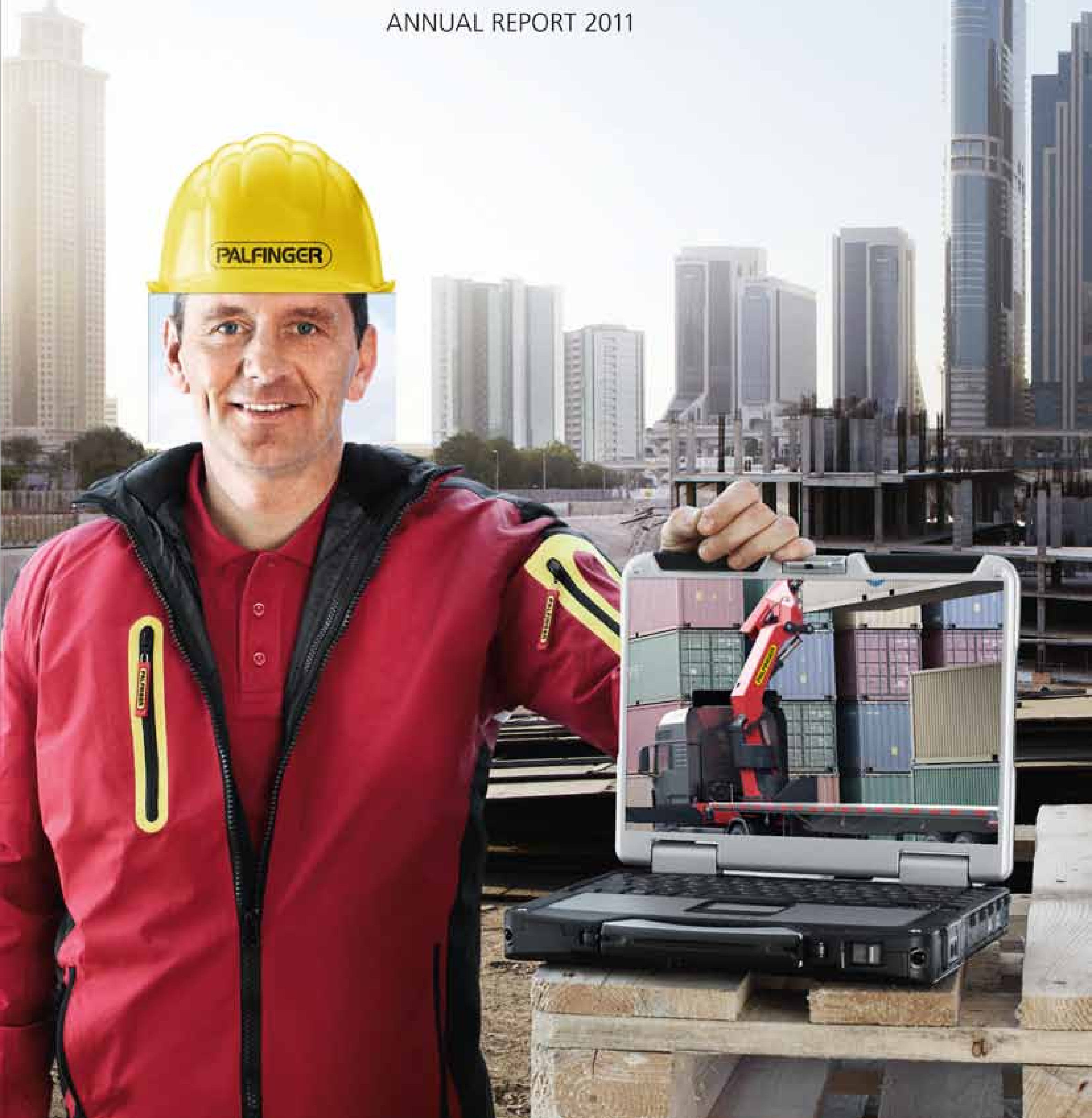
THE MOST FLEXIBLE ANNUAL REPORT EVER

ANNUAL REPORT 2011

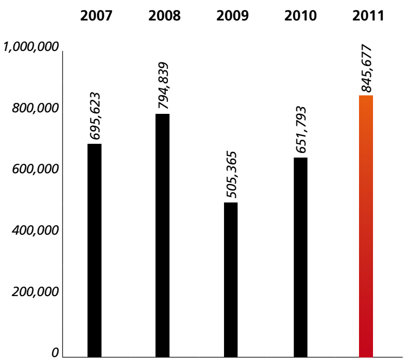


WE REMAIN FLEXIBLE IN THE MOST EXCITING TIMES EVER

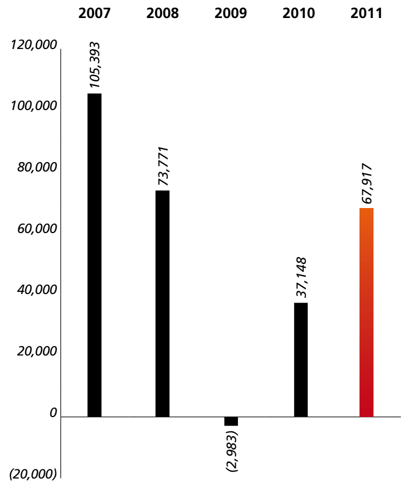
PALFINGER AT A GLANCE

HERBERT ORTNER
CHIEF EXECUTIVE OFFICER

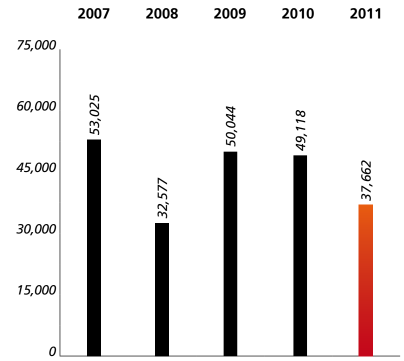
FINANCIAL HIGHLIGHTS OF THE PALFINGER GROUP



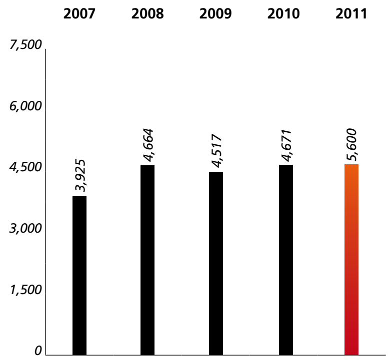
REVENUE
(EUR thousand)



EBIT
(INCL. ASSOCIATED COMPANIES)
(EUR thousand)



OPERATING CASH FLOWS
(EUR thousand)



PAYROLL

EUR thousand	2011	2010	2009	2008	2007
Income statement					
Revenue	845,677	651,793	505,365	794,839	695,623
EBITDA [1)]	96,764	59,887	18,483	102,446	121,031
EBITDA margin	11.4%	9.2%	3.7%	12.9%	17.4%
EBIT [1)]	67,917	37,148	(2,983)	73,771	105,393
EBIT margin	8.0%	5.7%	(0.6%)	9.3%	15.2%
Result before income tax	57,000	29,833	(11,860)	63,915	102,392
Consolidated net result for the period	41,955	24,225	(7,823)	43,907	73,978
Balance sheet					
Total assets	739,774	677,431	587,973	641,331	531,761
Non-current operating assets	385,746	378,101	310,934	306,360	241,842
Net working capital (as at the reporting date) [2)]	133,899	102,602	132,876	170,297	131,253
Capital employed (as at the reporting date) [2)]	519,645	480,703	443,810	476,657	373,095
Equity [2)]	352,780	319,891	292,277	309,885	295,056
Equity ratio	47.7%	47.2%	49.7%	48.3%	55.5%
Net debt	166,876	160,932	151,880	166,774	78,694
Gearing	47.3%	50.3%	52.0%	53.8%	26.7%
Cash flows and investment					
Cash flows from operating activities	37,662	49,118	50,044	32,577	53,025
Free cash flows	11,695	4,166	41,979	(39,537)	(23,246)
Investment in property, plant and equipment	18,615	14,582	7,992	46,515	61,444
Depreciation, amortization and impairment	28,847	22,739	21,466	28,675	15,638
Payroll					
Average annual payroll [3)]	5,600	4,671	4,517	4,664	3,925
Value creation					
ROCE	11.1%	7.1%	0.0%	13.1%	25.7%
ROE	14.1%	8.9%	(2.4%)	15.9%	29.1%
EVA	20,475	(3,308)	(31,033)	26,044	54,502
WACC	7.0%	7.8%	7.0%	6.9%	8.2%
Share					
Number of shares issued	35,730,000	35,730,000	35,730,000	35,730,000	37,135,000
Market capitalization	440,551	1,027,238	556,673	401,605	951,399
Price as at 31 December (EUR)	12.33	28.75	15.58	11.24	25.62
Earnings per share (EUR)	1.19	0.68	(0.22)	1.24	2.09
Operating cash flows per share (EUR)	1.06	1.39	1.41	0.92	1.50
Dividend per share (EUR)	0.38 [4)]	0.22	0.00	0.39	0.70

1) The presentation of earnings before interests and taxes was changed; the comparative figures of previous years were adjusted accordingly.
2) Due to the change in the presentation of puttable non-controlling interests, corrections with retrospective effect were made.
3) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
4) Proposal for presentation to the Annual General Meeting.

PALFINGER AT A GLANCE

- PALFINGER RECORDED EXCELLENT GROWTH AT ALL LEVELS IN 2011
- THE GROUP HAS THUS STRENGTHENED ITS POSITION AS THE GLOBAL LEADER
- THE FOUNDATION HAS BEEN LAID FOR OVERCOMING THE CHALLENGES OF THE FUTURE
- THE GROUP'S GROWTH POLICY CURRENTLY FOCUSES ON ASIA AND CIS AS FUTURE MARKETS
- PALFINGER'S AIM IS TO MAINTAIN AND EXPAND ITS GLOBAL MARKET LEADERSHIP

HOW TO USE THIS ANNUAL REPORT

Flexibility is an integral part of PALFINGER's strategy – a fact that is evidenced by this Annual Report. The Most Flexible Annual Report Ever consists of eight books bundling various issues. Depending on your interests, you may take out any one book and leave the rest inside the outer jacket. Depending on which book is placed on top inside the jacket, a different message and image will be visible. PALFINGER's flexibility is thus presented not only in the content of this Report but also in its design.

The books have been numbered one through eight; the page numbering, however, is consecutive. In addition, each book has a table of contents telling you what part of the Report you are reading. We do hope that this flexibly conceived reading material will find your interest and satisfy your need for information.

In Book 1, **The Most Flexible Annual Report Ever** gives you an overview of the PALFINGER Group: its financial ratios, highlights and a description of the Group's strategies and products. Herbert Ortner has summarized his view of the most relevant issues in a personal foreword addressed to the shareholders.

Book 2 of **The Most Stable Annual Report of PALFINGER** deals with investor relations. On the back of this book we have provided all the contact details for your partners at PALFINGER – in the form of removable business cards, as a special service to you.

The audited corporate governance report contained in Book 3 of **The Most Prompt Annual Report in the World** describes the Management and Supervisory Boards and their operations as well as PALFINGER's commitment to observing the Austrian Code of Corporate Governance.

The consolidated management report starts in Book 4 of **The Most Popular Annual Report on the Market** with a comprehensive market review. In Book 5 of **The Most Positive Annual Report in the Sector** you will find a detailed description of PALFINGER's business development throughout 2011. Book 6 of **The Most Exciting Annual Report of the Year** contains a comprehensive presentation of the individual segments and closes with an outlook for 2012.

In Book 7, the consolidated financial statements, the statement of legal representatives and the auditor's report contain details and notes regarding the business performance of PALFINGER in **The Most Concise Annual Report 2011**.

The Most Clear-Cut Annual Report Worldwide ends with a practical map of the world in Book 8, showing all corporate locations, and an overview of the corporate structure of the PALFINGER Group.

FOREWORD BY THE CEO

DEAR SHAREHOLDERS,

Thank you very much for your interest in our Most Flexible Annual Report Ever. Flexibility, which has been a defined pillar of our strategy for two years now, was an important issue for PALFINGER in the volatile environment of 2011 and is going to become even more important in the future. Hence, this Annual Report may well be our most flexible one ever, but our Company will continue to increase its flexibility.

2011 was a highly successful year for PALFINGER. The structural measures implemented by us made their mark and our markets recorded growth. The figures presented in this Report and their growth rates are evidence of this highly satisfactory development. To us, they confirm that we have emerged from the crisis of 2008 and 2009 stronger than before, and also as compared to our direct competitors. The continued internationalization and the acquisitions carried out in Europe, North America and CIS in previous years have made a significant contribution to this development. Large markets for PALFINGER, such as Germany or France, generated the major part of the growth achieved, but our younger markets recorded much higher growth rates.

"2011 was a highly successful year for us. We believe that further growth is going to take place primarily in the regions outside Europe."

The debt crisis in the euro area and the resulting uncertainty on the financial markets were exacerbated in the second half of 2011. They are going to have an impact on the real economy and consequently also on our markets. This trend became visible in the number of orders received in the European core markets in the last months of 2011. Therefore, present developments suggest that the further growth of PALFINGER in the near future is going to take place primarily in the regions outside Europe.

All of this only goes to show how important internationalization has been so far (without it we would not have been able to achieve record revenue figures in 2011) and will continue to be in the future. Especially Russia, Brazil and the markets in Asia have turned from "future markets" into markets where strong growth has actually been recorded.

In 2011, we took a step of major strategic importance in Russia by acquiring the leading Russian crane producer INMAN. We now have good value-creation structures and a locally renowned product in this huge market. Our strategy in China is still being prepared. All signs point to increased demand in China for the products offered by PALFINGER in the years to come; strong construction activity and mounting payroll costs are only two of the factors accounting for this increase in demand. We aspire to be the global market leader, which is why we also want to tap this part of the global market.

Our aim of achieving sustainably profitable growth also includes, however, our responsibility for the environment and society. Product innovations and our rate of energy efficiency will remain at the focus of our attention, as will the health and safety of our staff. We will be continuously implementing and communicating the relevant initiatives within the entire Group.

Even though forecasts do not show a rosy picture at present, we believe that we are well-positioned for the future. As compared to our position in 2009, the year of crisis, we have significantly improved our structures and gained flexibility so as to enable us to adjust to new circumstances. Our employees have not only supported the changes made, they have, in fact, made this success possible. I would like to thank them for this on behalf of the entire Management Board, the Palfinger family and all the shareholders.

Herbert Ortner

MISSION STATEMENT

PALFINGER STANDS FOR INNOVATIVE LIFTING, LOADING AND HANDLING SOLUTIONS. WITH OUR MARKET KNOW-HOW, OUR TECHNOLOGICAL SKILLS AND THE COMMITMENT OF OUR STAFF, WE ENABLE OUR CUSTOMERS ALL OVER THE WORLD TO BE MORE SUCCESSFUL. SUSTAINABLE OPERATIONS OPTIMIZE PRODUCTS AND PROCESSES AND SIGNIFICANTLY CONTRIBUTE TO PALFINGER'S ECONOMIC SUCCESS.

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.

HIGHLIGHTS OF 2011

23 FEBRUARY 2011
PUBLICATION OF THE 2010 RESULTS

PALFINGER recorded a distinct upward trend in 2010. The recovery of major sales markets together with the implementation of measures aimed at optimizing the organizational and cost structures enabled growth at all levels after a dramatic slump in 2009. Revenue grew by 29 per cent, and EBIT, at EUR 37.1 million, was clearly positive again in 2010, after being in negative territory by –EUR 3.0 million in 2009.

In addition to the further expansion of the Group, in particular towards the future markets in the East, all measures for increasing flexibility were continued in 2011. The management was optimistic for 2011.

30 MARCH 2011
ANNUAL GENERAL MEETING

The Annual General Meeting of PALFINGER AG resolved to distribute a dividend of EUR 0.22 per share due to earnings generated in 2010. Hubert Palfinger and Alexander Exner retired from the Supervisory Board, saying that a generation change was the reason for their retirement, and Hannes Palfinger and Heinrich Dieter Kiener were elected as new members to fill the vacancies. Alexander Doujak, whose term of office was about to expire, was re-elected as Chairman of the Supervisory Board.

10 MAY 2011
PUBLICATION OF RESULTS FOR THE FIRST QUARTER OF 2011

PALFINGER was still on a growth track. Thanks to the positive economic situation, revenue continued to go up in all areas. The huge further growth in EBIT reflected the effectiveness of internal measures taken.

10 AUGUST 2011
PUBLICATION OF RESULTS FOR THE FIRST HALF OF 2011

The PALFINGER Group again recorded significant growth. Previously weak business units also showed satisfactory performance and were increasingly contributing to the Group's success.

26 AUGUST 2011
ACQUISITION OF INMAN

The sales structures that had been created in the CIS countries since 2009 were vastly expanded: After obtaining the approval of the Russian anti-trust authority, PALFINGER acquired the leading Russian crane producer INMAN. The company, with its staff of 415, was consolidated within the Group. Through this acquisition, PALFINGER took a huge step towards expanding the CIS area with a locally recognized product and local added value.

3 NOVEMBER 2011
EXTRAORDINARY GENERAL MEETING

In view of the planned further growth of the PALFINGER Group, an Extraordinary General Meeting passed resolutions aimed at increasing flexibility in funding also large-scale projects: The Management Board was authorized to acquire own shares of up to 10 per cent. A resolution on a new authorized capital of EUR 10 million included the option of issuing a maximum of 10 million new shares.

10 NOVEMBER 2011
PUBLICATION OF RESULTS FOR THE FIRST THREE QUARTERS OF 2011

PALFINGER continued to record growth, even though economic prospects became gloomier, especially in Europe. Russia and the markets in Asia, however, continued their steep growth, confirming the Company's internationalization strategy. It was clear that for PALFINGER, even in a worst-case scenario, the flexibility gained would prevent a new crisis from reaching the dimensions of 2009.

1 DECEMBER 2011
START OF A SHARE BUYBACK PROGRAMME

PALFINGER started a share buyback programme, under the scope of which a maximum of 3,245,000 own shares could be acquired. The buyback volume was limited for the time being to EUR 10 million; the programme was set to run until 2 May 2014 at the latest.

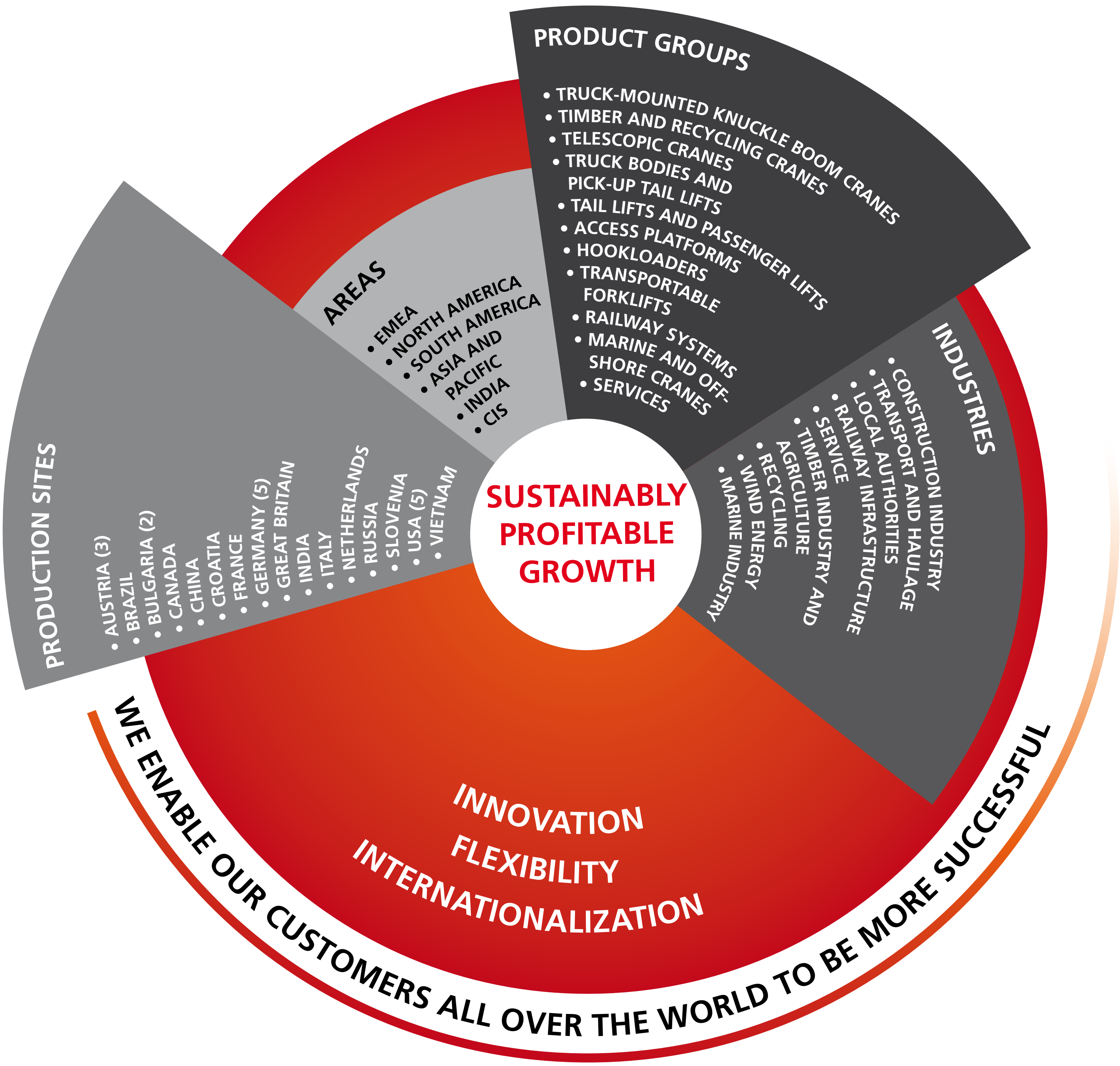
PALFINGER AT A GLANCE

As at 31 December 2011, the PALFINGER Group, headquartered in Salzburg, Austria, comprised 47 companies in 23 countries and had a workforce of 5,600. Its 28 manufacturing and assembly sites as well as the global sales and service network with more than 200 independent general importers and approximately 4,500 outlets in more than 130 countries on all continents guarantee perfect proximity to customers in all 11 product groups.

PALFINGER is regarded as the leader in technology and innovation. PALFINGER is number one worldwide for truck-mounted knuckle boom cranes, timber and recycling cranes as well as hookloaders, and number two in the market for tail lifts and transportable forklifts. Moreover, the Company is the leading specialist in high-tech railway applications.

In 2011, PALFINGER posted revenue of EUR 845.7 million – the highest level in the history of the Group. After achieving a 29-per cent increase in 2010, revenue rose again by 29.7 per cent compared to the previous year. In 2011, EBIT surged from EUR 37.1 million in the previous year to EUR 67.9 million.

With an equity ratio of 47.7 per cent and a gearing ratio of 47.3 per cent, PALFINGER has a sound capital structure. In 2011, cash flows from operating activities amounted to EUR 37.7 million; the return on capital employed (ROCE) increased to 11.1 per cent.


PRODUCT GROUPS
• TRUCK-MOUNTED KNUCKLE BOOM CRANES
• TIMBER AND RECYCLING CRANES
• TELESCOPIC CRANES
• TRUCK BODIES AND PICK-UP TAIL LIFTS
• TAIL LIFTS AND PASSENGER LIFTS
• ACCESS PLATFORMS
• HOOKLOADERS
• TRANSPORTABLE FORKLIFTS
• RAILWAY SYSTEMS
• MARINE AND OFF-SHORE CRANES
• SERVICES
AREAS
• EMEA
• NORTH AMERICA
• SOUTH AMERICA
• ASIA AND PACIFIC
• INDIA
• CIS
PRODUCTION SITES
• AUSTRIA (3)
• BRAZIL
• BULGARIA (2)
• CANADA
• CHINA
• CROATIA
• FRANCE
• GERMANY (5)
• GREAT BRITAIN
• INDIA
• ITALY
• NETHERLANDS
• RUSSIA
• SLOVENIA
• USA (5)
• VIETNAM
INDUSTRIES
• CONSTRUCTION INDUSTRY
• TRANSPORT AND HAULAGE
• LOCAL AUTHORITIES
• RAILWAY INFRASTRUCTURE
• SERVICE
• TIMBER INDUSTRY AND AGRICULTURE
• RECYCLING
• WIND ENERGY
• MARINE INDUSTRY
SUSTAINABLY PROFITABLE GROWTH
INNOVATION
FLEXIBILITY
INTERNATIONALIZATION
WE ENABLE OUR CUSTOMERS ALL OVER THE WORLD TO BE MORE SUCCESSFUL

STRATEGY AND VALUE MANAGEMENT

The PALFINGER Group has been pursuing a long-term growth strategy that is being consistently implemented. Under this strategy, short to medium term goals are adapted to changing framework conditions so as to ensure that they are implemented in a targeted manner. In 2010 the organizational structure was adjusted in line with changed requirements resulting from the growth recorded in previous years and the current framework conditions. Within the scope of corporate strategic planning, specific objectives and measures were defined for the period until 2015.

LONG-TERM GROUP STRATEGY

PALFINGER strives to achieve sustainably profitable growth and the best shareholder value possible. Sustainability is reflected in all aspects of the PALFINGER Group. Taking economic, ecological and social aspects into account is viewed as a basic requirement for corporate success.

Well-trained and highly motivated employees are the core success factor of the Group, which is why they are at the centre of all considerations. In the PALFINGER plants, the customary regional standards regarding the environment and safety are exceeded. With its products, PALFINGER offers users higher safety and supports them in their efforts to save resources and lower their CO_2 emissions.

Sustainably profitable growth – a ranking among the top three market players is to be achieved in all product groups.

The target of growth is to be achieved in the medium term by positive results contributed by all product groups. This goes hand in hand with the goal of obtaining a ranking among the top three market players in every product group, which will be achieved through organic as well as inorganic growth.

To facilitate the implementation of its paramount objectives, PALFINGER has defined three strategic pillars: innovation, internationalization and flexibility.

Innovation – internationalization – flexibility

Innovation guarantees the permanent enhancement of products, processes and organization. PALFINGER has been recognized as the industry's technology leader and service champion for many years now. PALFINGER's unbroken pursuit of quality has made the Company a long-term, reliable partner for its customers.

Internationalization gives PALFINGER the opportunity of putting this commitment into practice in line with regional needs as well. Moreover, regional fluctuations in the economy can thereby be balanced. Particularly since the crisis year 2009, PALFINGER's "young" markets – Brazil, Russia, India, China – have recorded steep growth, whereas European markets have recovered only slowly, some countries not at all. The long-term aim is for each of the three market areas EMEA (Europe, Middle East, Africa and Australia), North and South America and the remaining regions (Asia and Pacific, India, CIS) to generate one-third of PALFINGER's revenue.

Flexibility as part of the strategy

Flexibility has been gaining increasing importance in view of the rising volatility of the markets – regions and industries alike – in the past few years. Hence, corporate structures have to be designed to allow for a quick response to changed conditions at all value-creation levels. This is why PALFINGER revised its organizational structure in 2010 and defined flexibility as the third pillar in its Group strategy so as to ensure its focus on the continuous process of increasing its flexibility.

INTERNATIONALIZATION

↙↗ ↖↘

INNOVATION ↔ FLEXIBILITY

PRIORITIES IN 2011

Innovation

In this field, PALFINGER's top priority for 2011 was research and development. A central issue was the development of a new crane series with new models that will be launched gradually over the coming years. This series will contribute to making production even more flexible through continued standardization and reduction of parts. In keeping with PALFINGER's continued internationalization efforts, specific product adjustments made in line with regional needs were another central issue. In addition, special attention was paid to the further development of know-how in electronics, mechatronics and surface technology – the basis for PALFINGER's leading position in engineering.

Besides product innovation, PALFINGER has given great priority to process innovation. In the fields of process and complexity management, key staff members were trained and process analyses carried out. By merging all process-relevant activities into one single organizational unit, it will be possible to better define optimization priorities in the future. Moreover, individual business models were further developed for business units and initiatives were taken in the fields of lean administration and production footprint evaluation.

RESEARCH, DEVELOPMENT AND INNOVATION
PAGE 77

In 2011, PALFINGER launched 65 new product models as well as numerous features aimed at enhancing ease of use and product safety.

Internationalization

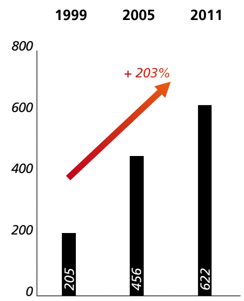
In the individual areas, particularly in South America, CIS and India, the Group's product portfolio was expanded in line with specific regional needs. PALFINGER was thus able to gain additional market shares in these regions.

PERFORMANCE BY SEGMENT, VENTURES
PAGE 97

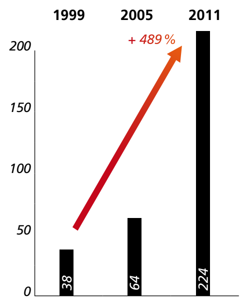
Economies in transition have recorded steep market growth in recent years and have thus increasingly drawn PALFINGER's attention. The Group has plants in the young markets of China, Vietnam and, since 2010, also in India. In 2011, the focus was on the further expansion of the markets in Russia and China. After establishing a veritable dealer organization in Russia since 2009, PALFINGER acquired the leading Russian crane producer INMAN and has managed to significantly improve its global value creation footprint through its own production of a locally renowned product. PALFINGER is preparing a positioning strategy in China so as to be able to participate in the market growth that is taking shape there.

<< BACK FORWARD >> SEARCH PRINT

In comparison with 1999, the year when the Company went public, PALFINGER has increased revenue generated by what is now the EUROPEAN UNITS segment by 203 per cent to EUR 621.7 million. Over the same period, revenue generated outside EMEA has risen by 489 per cent to EUR 223.9 million. This development is impressive proof of the need to continue internationalization, also towards the BRIC countries (Brazil, Russia, India and China).



DEVELOPMENT OF REVENUE IN EMEA
(EUR million)



DEVELOPMENT OF REVENUE IN REST OF THE WORLD
(EUR million)

Flexibility

Increasing flexibility is a process that has been continued at all levels of value creation. On the production side, the priorities set in 2011 included the expansion of order-based manufacturing, the continuation of the structural and cost-related measures and the increase of financial flexibility. Conducive in this regard were measures aimed at optimizing the ratio of net working capital to revenue and the resolutions passed by the Extraordinary General Meeting in November 2011 allowing a fast implementation of corporate actions in case of a future need to fund large-scale projects.

SIGNIFICANT CHANGES, ENHANCING FLEXIBILITY
PAGE 61

Sustainability

In the field of ecological and social issues, the focus lay on the further implementation of the 2010/2011 action programme. PALFINGER achieved additional improvements to the production processes, established sustainable product innovations and expanded programmes for employees. In 2011, strategically important suppliers were also integrated into the sustainable chain of supply by imposing a mandatory Code of Conduct on them.

SUSTAINABILITY
PAGE 86

OBJECTIVES UNTIL 2015

In the autumn of 2010, PALFINGER's management defined its objectives for the next five years. The measures and fundamental strategies to be taken were set up for priority issues whose gradual implementation is to ensure the desired sustainably profitable growth of the PALFINGER Group. The following table presents an overview of the major issues and of the steps that have already been, and will be, taken.

PRIORITIES

Priority	Implementation in 2011	Objectives 2012
INTERNATIONALIZATION TOWARDS MAJOR FUTURE MARKETS IN THE EAST	• Acquisition of the Russian crane producer INMAN • Development of a positioning strategy for China • Talks with potential Chinese partners	• China: expansion of business relations and local value creation
SUPPORT OF EXISTING SALES AND SERVICE PARTNERS, ADDITION AND DEVELOPMENT OF NEW ONES	• Takeover of the service business of Ross & Bonnyman in Great Britain • Opening up of the Volga region through the sales and service network of INMAN • Stronger marketing support of dealers • Business unit Marine Systems: better training and documentation • Annual international dealer conference	• Continuation of dealer survey on priority issues • Business unit Transportable Forklifts: country-specific sales support activities
QUALITY OF SALES AND SERVICE PARTNERS	• Continuation of end customer surveys • Needs assessment survey in the German market	• Determination of measures based on survey of customer requirements in Germany
FURTHER DEVELOPMENT OF PRODUCTS AND REGIONAL ADJUSTMENTS	• Research focus for 2011 • 65 new product models and product enhancements • Numerous adjustments of products to regional markets • INMAN with products recognized in Russia • Targeted expansion of product portfolio in the areas South America and CIS	• Development of a new crane series • Adjustment of products and services to meet Chinese market requirements • Continued expansion of product portfolio in the areas
EXPANSION OF LOCAL VALUE CREATION	• Production in Russia (INMAN) • Start of assembly in India • Selection of suitable local suppliers in India	• Expansion of assembly in India with local procurement • Stronger involvement of local suppliers in China
IMPROVEMENT OF PROFITABILITY OF WEAKER BUSINESS UNITS AND AREAS	• Business unit Hookloaders: turnaround achieved in the EMEA area • Business unit Access Platforms: significant increase in earnings • Area North America: significant increase in earnings	• Business unit Access Platforms: turnaround on annual basis • Area North America: turnaround on annual basis • Further strengthening of areas through acquisitions and/or own production

<< BACK FORWARD >> SEARCH PRINT

VALUE MANAGEMENT

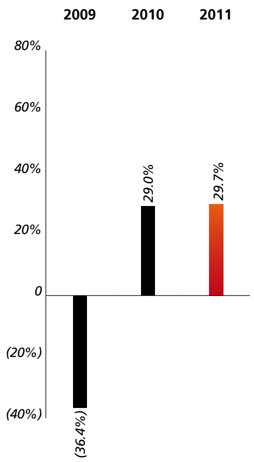
At PALFINGER, growth and economic profit are determined by the indicators revenue increase, EBIT margin, ROCE and net working capital.

The development since 2009 shows a continuation of the positive trend. Revenue increase was again almost 30 per cent, while at the same time the EBIT margin was stepped up to 8.0 per cent in 2011. This improvement was primarily shaped by the exceptional growth in the business units Knuckle Boom Cranes, Timber and Recycling Cranes as well as Hookloaders.

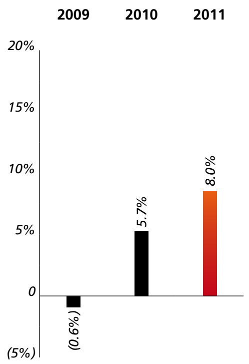
At 15.8 per cent, net working capital as at the balance sheet date in proportion to revenue was kept at a constant level in 2011, after achieving a significant improvement in 2010. Specific measures taken to sustainably reduce inventories, receivables and payables, particularly in the areas North and South America as well as in Asia, have been conducive in this regard.

Due to the enhanced earnings situation, the return on capital employed (ROCE) increased from 7.1 per cent in the previous year to 11.1 per cent.

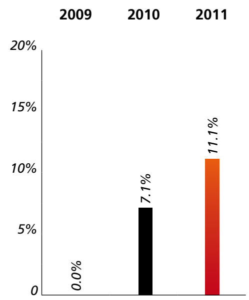
Value creation in 2011



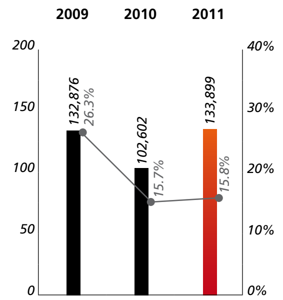
REVENUE INCREASE
(in per cent)



EBIT MARGIN
(in per cent)



ROCE
(in per cent)



NET WORKING CAPITAL
(AS AT THE REPORTING DATE)
(EUR thousand)

Net working capital (as at the reporting date)
As percentage of revenue

DEFINITION OF PERFORMANCE INDICATORS

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) Since 2010, the results of the operating non-controlling interests (the income from associated companies) have been reported under EBIT to better take into account the Company's result of operations.
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 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 capital 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

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GENERAL INFORMATION

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Andreas Fitzner, Vienna Paint

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Minimal arithmetical differences may arise from the application of commercial rounding to individual items and percentages in the Annual Report. The English translation of the PALFINGER Report is for convenience. Only the German text is binding.

This Annual Report contains forward-looking statements made on the basis of all information available at the date of the preparation of this Annual Report. Forward-looking statements are usually identified by the use of terminology such as “expect”, “plan”, “estimate”, “believe”, etc. Actual outcomes and results may be different from those predicted.

Published on 16 February 2012.

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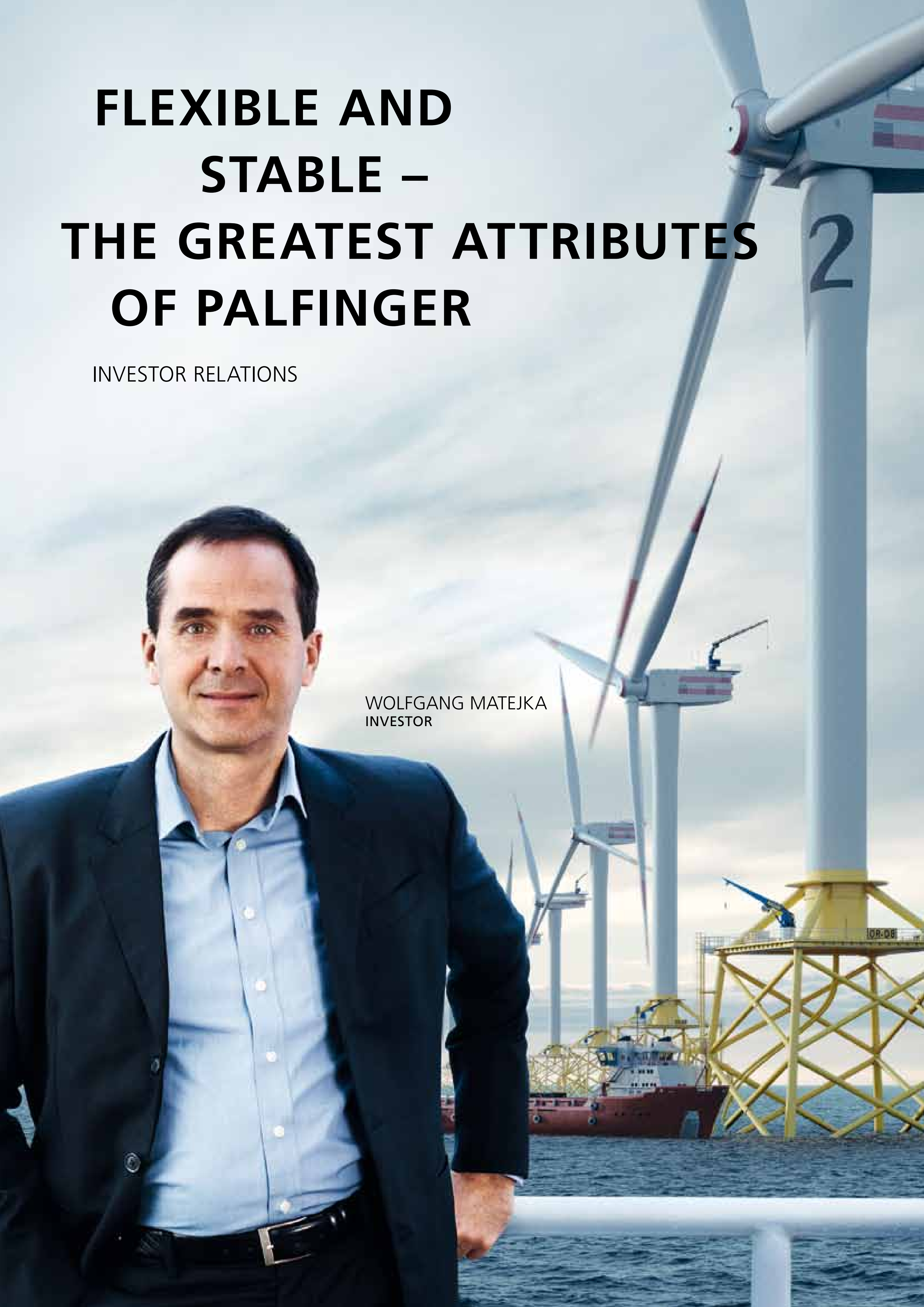
AUSTRIA

FLEXIBLE AND STABLE – THE GREATEST ATTRIBUTES OF PALFINGER

INVESTOR RELATIONS



WOLFGANG MATEJKA
INVESTOR

INVESTOR RELATIONS

- THE PALFINGER FAMILY AS STABLE CORE SHAREHOLDER HOLDS 65 PER CENT
- DIVIDEND OF EUR 0.38 PER SHARE PROPOSED
- PALFINGER CONTINUES TO FOCUS ON THE PROVISION OF COMPREHENSIVE INFORMATION
- VOLATILE INTERNATIONAL STOCK MARKETS IN 2011, WITH SEVERE PRICE LOSSES IN SECOND HALF

INVESTOR RELATIONS

International stock markets

In 2011, the stock markets were characterized by great volatility. In the first half, the rapid alternation of positive and negative news made it difficult to estimate upcoming economic developments and thus contributed to the fluctuation range of the sideways movement. Japan's devastating natural disaster caused share prices to take a bad dive – a trend that was, however, quickly reversed. In the second half of the year, the expansion of the debt crisis and its consequences, including those of a political nature, and concerns about an imminent economic slowdown were reflected in an initially rapid downturn in prices, followed by additional price losses. Business results continued to be positive but could not prevent the enormous downward price adjustment.

Slump of stock markets despite good business results

In line with this trend, European stock indices recorded significant losses in 2011: The German stock index DAX ended 2011 at 15.4 per cent below the level of 2010, and the EuroStoxx 50 – an index of euro-area stocks – also lost 17.5 per cent. Despite the huge slump recorded in March, the Japanese stock market index Nikkei 225 lost only 17.3 per cent over the year as a whole, similar to its European counterparts. On the other hand, the US stock market index Dow Jones Industrial (DJI) showed a slight recovery in the fourth quarter and closed 2011 5.6 per cent above 2010.

A trend that has been observed particularly in Europe relates to Socially Responsible Investment (SRI). This segment recorded particularly strong growth during the financial and economic crisis. According to the Eurosif European SRI Study, a total of approx. 10 per cent of assets under management in Europe are invested taking social, environmental or ethical issues into account.

Vienna Stock Exchange

In the first half of 2011, the Austrian Traded Index ATX posted a slightly weaker performance than the major Western European stock indices and was subsequently marked by stronger downward price adjustments. The ATX closed at 1,897.68 points; the declining prices of the banking stocks contained in the ATX also contributed to this pronounced minus of 35.7 per cent year-on-year. Market capitalization came to EUR 79 billion on 29 December 2011; the monetary turnover of domestic shares amounted to EUR 59.7 billion, which is 18 per cent below the rate of 2010.

THE PALFINGER SHARE

The shares of PALFINGER AG are listed in the Prime Market on the Vienna Stock Exchange and in the ViDX, the index of shares with a growth and technology orientation. Since 2005, PALFINGER stock has also been a constituent of the Austrian VÖNIX sustainability index. In Germany, it is 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.

The performance of the PALFINGER share in 2011 mirrors the uncertainty and high volatility of the economy and the stock markets. The share price remained relatively stable in the first half of 2011, whereas enormous losses were recorded in the second half of the year. In 2011, the price of the PALFINGER share closed at EUR 12.33, which is 57.1 per cent below the closing value of EUR 28.75 on 31 December 2010.

PALFINGER attaches great importance to providing its investors with continuous and transparent information, as is evidenced by the fact that the Company received several awards – some of them international – for its Annual Report 2010.

In 2011, the Management Board and the IR team of PALFINGER AG attended investors conferences in Austria and abroad and engaged in numerous personal conversations with investors, for example at road shows. Analysts and investors were given the opportunity to pay a visit to PALFINGER's headquarters, where they obtained a first-hand impression of the Company's products and production sites. At investors fairs in Vienna and Stuttgart, as well as at open houses held at stock exchanges in Hamburg, Frankfurt and Munich, PALFINGER representatives were also available for the Company's small shareholders.

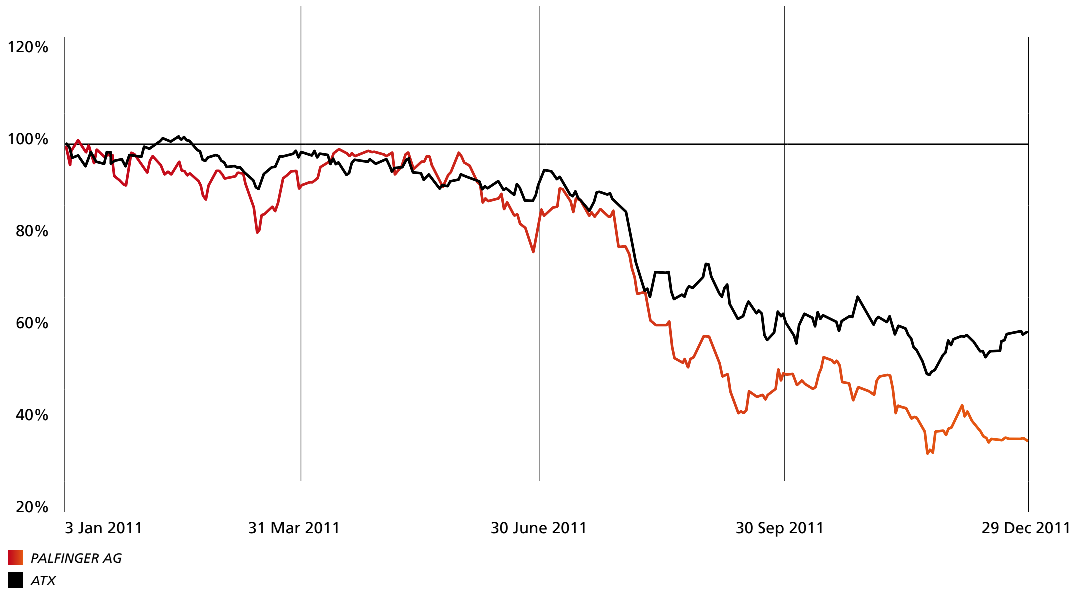
Shareholder information as at 31 December 2011

ISIN	AT0000758305
Number of shares issued	35,730,000
Own shares	368,840
Shares outstanding	35,361,160
Listing on the Vienna Stock Exchange	Prime Market
OTC listings	New York, Frankfurt, Stuttgart, Berlin, Munich, Dusseldorf
Ticker symbols	Reuters: PALF.VIE Bloomberg: PALF.AC Vienna Stock Exchange: PAL

EUR	2011	2010
Low	11.59	14.92
High	28.67	28.75
Average price	21.80	18.59
Price as at 31 December	12.33	28.75
Earnings per share*	1.19	0.68
Operating cash flows per share*	1.06	1.39
Proposed dividend per share	0.38	0.22
Dividend yield relating to the average share price	1.7%	1.2%
Market capitalization as at 31 December (EUR million)	440.55	1,027.24

* Calculated using the weighted average number of shares outstanding.

Share price development in 2011



Research reports
- Berenberg Bank
- Cheuvreux
- Deutsche Bank
- Erste Group
- Goldman Sachs
- Hauck & Aufhäuser
- HSBC
- Raiffeisen Centrobank
- UBS
- UniCredit (up to November 2011)

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 2011 amounted to EUR 196.1 million; the Management Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.38 per share for 2011.

BUYBACK OF SHARES

On 1 December 2011, PALFINGER AG started a share buyback programme providing, in a first move, for the repurchase of own shares at a maximum price of EUR 12.30 per share and a total of up to EUR 10 million. By 31 December 2011, 40,840 own shares had been bought back under this programme. Together with its 328,000 own shares from a buyback programme ended in 2003, the Company held 368,840 own shares as at the balance sheet date.

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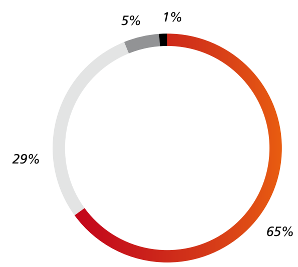
→ INVESTOR RELATIONS
→ CORPORATE GOVERNANCE
→ SHARE BUYBACK

OWNERSHIP STRUCTURE

The Palfinger family, which either directly or indirectly owns 65 per cent of the shares in PALFINGER AG, is a stable core shareholder. As at 31 December 2011, the Company held approx. 1 per cent of the shares. About 5 per cent of the shares are held by Delta Lloyd Asset Management NV. The remaining 29 per cent of the shares are in free float. According to information available to PALFINGER AG, approx. 40 per cent of the free float is held by private shareholders; the rest is held by institutional investors, primarily from Continental Europe.



SHAREHOLDER STRUCTURE

- *Palfinger family*
- *Free float*
- *Delta Lloyd*
- *PALFINGER AG*

INVESTOR RELATIONS

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PALFINGER

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Chief Executive Officer

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FINANCIAL CALENDAR 2012

8 March 2012	Annual General Meeting
12 March 2012	Ex-dividend day
14 March 2012	Dividend payment day
10 May 2012	Publication of results for the first quarter of 2012
9 August 2012	Publication of results for the first half of 2012
9 November 2012	Publication of results for the first three quarters of 2012

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WE ARE PROMPT IN REACTING TO CHANGES IN THE WORLD

CORPORATE GOVERNANCE REPORT

CHRISTOPH KAML
CHIEF FINANCIAL OFFICER

CORPORATE GOVERNANCE REPORT

- COMMITMENT TO THE AUSTRIAN CODE OF CORPORATE GOVERNANCE
- STOCK OPTION PROGRAMME REWARDS LONG-TERM SUCCESSES
- VARIABLE REMUNERATION OF BOARD MEMBERS AVERAGED 42 PER CENT IN 2011

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 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 the Company's website (www.palfinger.com).

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➔ INVESTOR RELATIONS
➔ CORPORATE GOVERNANCE
➔ COMMITMENT TO CG

GOVERNING BODIES AND THE OPERATIONS OF THE MANAGEMENT AND SUPERVISORY BOARDS ACCORDING 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 the employees and of the shareholders as well as the public interest. 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 long-standing tradition at PALFINGER. At its meetings held in 2011, the Supervisory Board primarily discussed the ongoing business operations in the context of the current economic environment, measures to cut costs and the capital employed, projects of acquisition and expansion, risk management as well as the forecast for 2012.

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. Nevertheless, PALFINGER will continue its efforts to step up the percentage of women in the management development programmes.

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 2015
Christoph Kaml (CFO)	1 January 2009	31 December 2015
Wolfgang Pilz (CMO)	1 February 2003	31 December 2015
Martin Zehnder (COO)	1 January 2008	31 December 2015

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 railway applications, tail lifts, transportable 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, sustainability, communications and investor relations 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 a 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 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.

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 marketing and 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.

STILL ON TOP THANKS TO FLEXIBILITY, INTERNATIONALIZATION AND INNOVATION

SUPERVISIORY BOARD:
ALEXANDER DOUJAK, HUBERT PALFINGER JUN.

MANAGEMENT BOARD:
MARTIN ZEHNDER, HERBERT ORTNER, WOLFGANG PILZ AND CHRISTOPH KAML

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.
At the 2011 Annual General Meeting, Chairman Alexander Doujak, whose term of office expired in 2011, was re-elected to the Board. At the same meeting, Hannes Palfinger and Heinrich Dieter Kiener were elected to the Board, each for the first time. The mandates of Alexander Exner and Hubert Palfinger sen. as Supervisory Board members ended at the 2011 Annual General Meeting.

REPORT OF THE SUPERVISORY BOARD
PAGE 176

Name	First appointment	End of term
Alexander Doujak (Chairman) born in 1965	5 April 2006	AGM 2016
Hubert Palfinger jun. (Deputy Chairman) born in 1969	13 April 2005	AGM 2015
Hannes Palfinger born in 1973	30 March 2011	AGM 2016
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.

Alexander Doujak

CHAIRMAN OF THE SUPERVISORY BOARD

Alexander Doujak is an acting partner of corporate consultants Alexander Doujak GmbH. The economist has acted as a consultant for PALFINGER since 1995 on a number of strategic issues. In 2006, he was elected to the Supervisory Board of PALFINGER AG and has been Chairman of the Board since 13 December 2010.

Hubert Palfinger jun.

DEPUTY 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 has acted as Deputy Chairman of the Supervisory Board since September 2008.

Hannes Palfinger

MEMBER 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. Since 2007, Hannes Palfinger has held an executive position at Palfinger systems GmbH, whose marine business was acquired by the PALFINGER Group in 2010.

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.

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 2011, the Audit Committee held two meetings dealing primarily with the 2010 financial statements, the internal control system, risk management and internal audits.
Members: Alexander Doujak (Chairman), Hubert Palfinger jun., Peter Pessenlehner (financial expert), Johann Mair

Nomination Committee

The Nomination Committee met regularly in 2011 and discussed, in particular, the re-election of Management Board members, the appointment of Supervisory Board members to fill vacancies and cooperation within the Management Board as well as its working methods.
Members: Alexander Doujak (Chairman), Hubert Palfinger jun.

Remuneration Committee

At its regular meetings held in 2011, the Remuneration Committee dealt with the remuneration of Management Board members and conducted feedback interviews with the members of the Management Board.
Members: Alexander Doujak (Chairman), Hubert Palfinger jun.

AUDITOR

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, was proposed as the auditor of the 2011 financial statements and consolidated financial statements of PALFINGER AG and appointed by the Annual General Meeting on 30 March 2011.

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 2011, the variable pay of Management Board members amounted, on average, to approx. 42 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 and sustainable 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 171

The members of the Supervisory Board received no remuneration for their services in the 2011 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.

CODE OF CORPORATE GOVERNANCE

PALFINGER satisfies the requirements of the mandatory L rules (legal requirements) and adheres to almost all C (comply or explain) rules of the Austrian Code of Corporate Governance as amended in January 2010. The following C rules are not observed:

Rule No. 53 (Independent Members of the Supervisory Board)
PALFINGER does not fully comply with Rule No. 53. No criteria for independence have been established. Rather, PALFINGER AG publishes personal 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 made a significant contribution 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 the greatest importance in this respect. For all of these reasons, it is not considered necessary to establish criteria for the independence of Supervisory Board members.

CONSOLIDATED FINANCIAL STATEMENTS, BUSINESS TRANSACTIONS WITH RELATED PARTIES **PAGE 169**

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.com.

Rule No. 39 (Supervisory Board Committees)
The requirements of Rule No. 39 are satisfied in principle. The sole exception, as noted in the comments regarding Rule No. 53, is the third paragraph ("sufficient number of independent members in the committees").

Salzburg, 24 January 2012

Herbert Ortner m.p.	Wolfgang Pilz m.p.
Christoph Kaml m.p.	Martin Zehnder m.p.

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5020 SALZBURG
AUSTRIA

PALFINGER: THE MOST POPULAR PRODUCTS ON THE MARKET

MARKET REVIEW

MAGNUS HINZ
PALFINGER DEALER
IN SWEDEN

CONSOLIDATED MANAGEMENT REPORT /

MARKET REVIEW

- GROWING UNCERTAINTY REGARDING GLOBAL ECONOMIC DEVELOPMENT
- DEVELOPMENT OF RELEVANT INDUSTRIES REFLECTS ECONOMIC ENVIRONMENT
- PALFINGER SUCCEEDED IN INCREASING ITS COMPETITIVE EDGE
- CUSTOMERS AND SUPPLIERS ARE TREATED AS PARTNERS
- CODE OF CONDUCT MANDATORY FOR SUPPLIERS SINCE 2011

MARKET REVIEW

ECONOMIC BACKGROUND

The global economic situation in 2011 had two observable phases. As expected, the first half of the year was characterized by good growth. However, from mid-year onwards, the political upheavals in the Middle East and the aftereffects of the devastating natural disaster in Japan put a brake on the economic momentum. Growth in industrialized nations was low in the second half-year and the large public debt in individual European countries triggered a euro crisis that took on major political dimensions in some countries and at the level of the European Union. This resulted in another rapid rise in uncertainty in the financial markets, as a result of which it has been difficult to make any projections as to the future development of business and markets.

The problems in the euro area, as well as the high debt levels in Japan and the USA, impacted on the real economy in the fourth quarter of 2011, although the actual consequences will not be felt until 2012. Against this backdrop, the International Monetary Fund (IMF) lowered its global growth forecast in January 2012, expecting the global economy to grow by 3.8 per cent in 2011 and by a mere 3.3 per cent in 2012.

In Europe, the slowing of economic growth in the second half of 2011 also became increasingly evident in Germany and France, which until then had been considered the drivers of economic growth. The debt crisis in the euro area expanded, and towards the end of the year the leading economic indicators signalled a strong downturn. It is expected that in 2012, the recession will not only be noticeable in Greece and Portugal, but will also hit two major players of the monetary union: Italy and Spain. The European Central Bank lowered its key interest rate again in December, this time to 1 per cent. The euro area is forecast to grow by 1.6 per cent in 2011 but to decline by 0.5 per cent in 2012.

Large national debt in Europe and the USA has slowed global economic growth.

Central and Eastern Europe has been indirectly affected by these developments, as the euro countries are major export markets. Against this backdrop, while still expecting GDP to increase by 5.1 per cent in 2011, the IMF has revised its growth forecast for 2012 downwards to 1.1 per cent. In contrast, economic performance in Russia has continued to be solid, even in the second half of 2011. The high commodity prices proved to be an additional lucrative source of income.

In the USA, the large national debt and the fiscal uncertainties gave rise to insecurities among businesses and private households at first, but from mid-year onwards the US economy showed a remarkably positive performance. In September, the Federal Reserve adopted another stimulus initiative; at 1.8 per cent each, GDP growth is expected to be weak in 2011 and 2012.

Growth remained robust in Latin America, but the decline in foreign demand is likely to lead to a significant slowdown of economic performance. To counter this development, Brazil lowered its base rate in September despite high inflation, and the implementation of additional measures was not ruled out. The IMF has forecast growth rates of 2.9 per cent for 2011 and 3.0 per cent for 2012.

Enormous GDP growth continues in emerging markets such as China.

Asia's emerging economies, first and foremost China, continued to perform excellently in 2011. Despite weakening growth in connection with global developments, outstanding growth rates of 9.2 and 8.2 per cent have been projected in China for 2011 and 2012 respectively. The country has the necessary financial resources to cope even with scenarios of economic crisis in connection with banks, the real estate market or increasing wages. However, the population's growing discontent with the political situation might become a barrier to growth.

In 2011, financial markets all over the world were marked by great uncertainty and hence high volatility, which accelerated tremendously in the second half of the year. Many stock markets again experienced bouts of turbulence, with share prices taking their sharpest plunges in years.

Moreover, increasing fears of recession drove down commodity prices from mid-2011 onwards. Until April 2011, the oil price rose continuously to more than USD 125. After that, the political instability in numerous oil-producing countries led to strong volatility at a high level, ranging between USD 100 and USD 120 for a barrel of Brent crude. At the end of the year, the price for one barrel of Brent crude was USD 107.30.

In Central and Eastern Europe, the price of natural gas is strongly linked to the oil price due to the high share of natural gas deliveries from Russia. Therefore, the higher oil price also had a delayed effect on gas prices in Central and Eastern Europe, driving them up to between 2.5 and 2.8 cent/kWh, and causing gas energy prices in Europe to increase by 5 to 10 per cent in the second half of 2011, depending on the provider. On a global scale, however, the gas price rose to a lesser extent than the oil price.

The higher prices for fossil fuels on the global markets and the nuclear power phase-out policy adopted in Germany in the second half of the year caused the electricity price at the European Energy Exchange EEX to stabilize at a high level between 60 and 70 EUR/MWh.

In the second half of 2011, the euro depreciated considerably in light of the economic developments. After having risen to USD 1.45 as at 30 June 2011, the euro-to-dollar exchange rate at the end of 2011 was USD 1.29, which corresponds to a weakening of the euro by 3.2 per cent compared to the end-of-year price quoted in 2010. The euro-to-yuan exchange rate showed a similar development: With the Chinese yuan valued at CNY 8.16 at the end of the year, the euro recorded a loss in value of 7.5 per cent. However, the euro appreciated 8.9 per cent year-on-year against the Brazilian real.

INDUSTRY REVIEW

Due to the fact that PALFINGER has a diversified product portfolio, the Company's products are used in a variety of industries. In addition to the construction industry, transport and haulage industries, railway infrastructure, timber and agriculture as well as the recycling industry, both wind energy and marine systems have also been relevant customer industries for PALFINGER since 2010.

CONSTRUCTION INDUSTRY

Although the situation improved slightly in the European construction industry in early 2011, an economic downturn was observed as the year went on. In most European countries, forecasts for the construction industry had to be revised downwards in the second half of 2011, as the debt crisis quickly affected the entire industry. Portugal, Spain, Great Britain and Ireland were hit particularly hard. The Eastern European countries also failed to live up to expectations as growth markets. The only exception was Poland, which displayed dynamic development until the end of the reporting period. Construction activities also rose slightly in Russia, boosted by large-scale projects particularly in connection with the preparations for the Winter Olympic Games 2014 in Sochi and the World Football Championships 2018.

Economic development is reflected in the construction industry.

According to Euroconstruct, a heavy slump in the building industry in Europe was prevented primarily by the anti-recession measures taken by the public sector in civil engineering and in the redevelopment sector. Based on the economic outlook for the 2012 financial year, activity in the European construction industry is expected to slow down even further. From 2013 onwards, more and more stimuli are expected to come from the construction of new buildings so that, for the first time after having posted negative figures for five consecutive years, sustainable recovery should be feasible.

According to the National Association of Home Builders (NAHB), the housing market in the USA stabilized in 2010 and recorded a plus for the first time after four years marked by declines. For the year 2011 as a whole, an increase of approx. 1 per cent to a total of 592,000 started construction projects is forecast. In 2012, recovery of the US housing market is predicted to accelerate further to approx. +15 per cent and in 2013 a figure of more than 900,000 housing units should be attained. As promising as these increases may sound, not even half of the level achieved in 2005 will be reached in 2013 if the assumed targets are met.

In South America, an upward trend is expected, primarily in Brazil, due to investments in infrastructure for the World Football Championships 2014 and the Summer Olympic Games 2016.

Asia remains the leader in the field of housing, structural engineering and civil engineering. Solid growth is to be expected, first and foremost in China and India; the Chinese five-year plan provides for the construction of approx. 32 million new private residences by 2015. Nevertheless, even these markets will not be spared the effects of the macro-economic developments in the global market. According to Datamonitor's assessment, the structural engineering and civil engineering sectors in Asia are going to show an average growth rate of approx. 7 per cent in the next years.

In the developed markets, ecological and social aspects have been increasingly taken into consideration in the design of new buildings and sustainability certifications have gained acceptance, primarily for top-quality buildings. For the time being, however, such certifications are associated exclusively with the quality of finished buildings but not with the construction process itself. This means that construction companies are not yet required to comply with stricter regulations in connection with energy efficiency, noise prevention and safety.

TRANSPORT AND HAULAGE

General developments in the global economy have a direct impact on the transport industry, given that its main indicator, the gross domestic product, is directly related to the traffic volume. On this basis, a slight recovery was observed in the European transport market in the previous year, which, in turn, was reflected in the number of new registrations of trucks. According to data provided by the European Automobile Manufacturers' Association (ACEA), year-on-year growth of 30 per cent was determined for commercial vehicles of more than 3.5 tonnes. Only a few countries recorded a decline in registrations; in Greece they decreased by approx. 60 per cent.

High fuel prices raised awareness for fuel-efficient logistics. In developed markets, some of the large haulage companies are explicitly committed to meeting CO_2 reduction targets, and environmental protection was a priority in 2011, particularly in the retail industry. Large supermarket chains in the USA, Great Britain and Western Europe were consistent in the implementation of sustainability programmes, which also affected transport and logistics, as these countries have been giving preference to fuel-efficient logistical solutions that are low in noise pollution.

The overall negative economic outlook has also been confirmed by the German Transportmarkt-Barometer, which is based on a survey carried out by the Centre for European Economic Research. According to this survey, the slowdown in recovery has now also reached the transport market. Growth in transport volume within Germany and in cross-border traffic is expected to slacken further. Prices in road freight transport have already declined and are going to level off at a markedly lower level.

Transport volume of E7 countries has been on the increase.

Despite the current dampening of the business climate, there are signs of an overall positive trend in the transport sector. According to a long-term study carried out by the OECD, the ratio of rail transport and truck transport is going to shift in favour of transport by truck across all regions and markets. However, the balance of power is going to shift as well. PricewaterhouseCoopers, for instance, assumes that in 2019 the production volumes of the developing countries will be the same as those of the industrialized nations. From 2020 onwards, the E7 countries China, India, Brazil, Russia, Indonesia, Mexico and Turkey will grow considerably stronger and thus have by far larger GDPs than the G7 countries. Given the close correlation between transport volume and population, these countries will become core markets, and thus hold additional potential for growth.

RAILWAY INFRASTRUCTURE

In 2011, the global market for railway maintenance and construction vehicles was marked by numerous projects, but only few actual decisions were made and few contracts were awarded. As a consequence, the outstanding product volume increased enormously in the course of the year. It was not until the fourth quarter that first decisions on contracts and orders were made, primarily by European railway companies. It is expected that further decisions on large-scale projects, first and foremost in the Scandinavian countries and in Germany, will be made in 2012. Huge medium-term potential is also available in the French railway market, as investments in maintenance and repair remained low during the past decades and there is a lot of catching up to be done.

Numerous investments in railway infrastructure will soon be taken.

In the Middle East, railway transport is gaining momentum as a future-proof and environmentally friendly infrastructure alternative. Specific investment decisions were made primarily in Saudi Arabia, Dubai and Israel. Moreover, an economic revival and an increase in investment in railway infrastructure are to be expected in the Maghreb countries as a consequence of the Arab Spring. Turkey has been a hotspot of railway investment for quite a while now.

China is the country with by far the greatest potential for the future. The expansion of the high-speed network was advanced quickly, disregarding the need to establish adequate service and maintenance structures. The awareness that such structures are indispensible was raised later only as a consequence of several delays and, unfortunately, also some serious accidents. The pressure to acquire efficient maintenance machinery is thus massive and the local manufacturers are not yet in a position to provide products at an adequate technological level. As a consequence, a short-term increase in demand for imports of efficient state-of-the-art maintenance equipment is expected to take place. In the medium term, the percentage of locally manufactured equipment is probably going to increase, given that the demand is huge.

SERVICE BUSINESS

Rental companies are an important customer group for PALFINGER products such as access platforms, particularly in Europe. After the boom years 2006 and 2007, the industry suffered a decline of up to 60 per cent. In France and Spain, in particular, a significant consolidation of markets took place, both in manufacturing and in the rental industry. 2010 saw the onset of recovery; especially the DACH region (Germany, Austria and Switzerland), the Benelux countries, Scandinavia and the Russian market have recently generated significant growth.

According to the BBI, the German Association of Construction Machinery, Construction Equipment and Industrial Machinery Companies, a growth rate of 12 per cent was achieved in the rental of truck-mounted access platforms in 2011. The investment ratio of the rental companies in Germany increased, on average, from 15 per cent to 20 per cent, with 35 per cent thereof being used for replacement investments and 65 per cent being invested in the expansion of machinery.

TIMBER INDUSTRY AND AGRICULTURE

As global population figures rise, the consumption of timber products accelerates as well, driving up demand for timber accordingly. This dominant trend is going to prevail on the markets, but the main beneficiaries will be countries in Asia, Latin America and Oceania, as timber is supplied increasingly from plantations in such regions.

After having reached a low point in 2009, global consumption of construction timber began to grow again in 2010. In 2011, a moderate growth rate of 4 per cent was achieved according to the International Wood Markets Group. In Europe, Germany remained the largest market for sawlogs with a share of approx. 21 per cent, followed by France, Great Britain, Sweden, Italy and Austria. The Russian market saw a clear increase in 2011. Nevertheless, the current economic developments have also been felt in the timber industry. Hence, it is expected that in 2012, consumption in both the USA and Europe will remain stable at a level similar to that of 2011.

As in other industries, an increase in demand in the timber industry will, for the most part, come from Asia. Imports of construction timber recently grew by up to 50 per cent and resulted in high inventory levels. Following their reduction in the first months of 2012, new annual growth of approx. 15 per cent is expected. Imports to Japan increased significantly in 2011 as the disastrous earthquake and the tsunami affected the housing situation considerably. The reconstruction measures will continue into 2012 and contribute to Asia resuming its position as a growth region.

The agricultural sector remains a shrinking market in Europe. The European Union has kept the level of the proposed agriculture budget for 2014–2020 unchanged, which gives rise to the expectation that the coming years will be marked by stability. Development potential has also been identified in the trend towards bioenergy.

Demand for timber and agricultural products is driven by growing global population figures.

In general, it can be observed that the continuous growth of population figures is having a positive effect on the demand for agricultural products. It is assumed, for instance, that primarily regions such as North America and Asia have stepped up their agricultural production and thus will also record growth, partly at a strong rate, in the 2012 financial year. The Chinese government, by means of its most recent five-year plan, supports the mechanization of production in order to guarantee the population a medium to long term supply of agricultural products.

RECYCLING

At the end of 2011, the gathering financial and economic crisis also had a negative impact on the climate in the scrap market. While at the beginning of the year further recovery was still expected, there was talk of a downward spiral in the second half. This mood was reflected in declines in production and/or in the demand for purchased scrap and, as a consequence, also in a collapse of prices.

According to the German Federal Association for Secondary Raw Materials and Disposal (Bundesverband Sekundärrohstoffe und Entsorgung), the decline in prices for process scrap is going to continue. The market segment of post-consumer scrap depends, to a large extent, on exports, which are expected to remain at a high level due to the demand from China and India.

The generation of communal waste depends on consumption patterns as well as economic prosperity and thus varies from country to country. Moreover, the volume of waste generated is substantially influenced by the way waste is organized and managed. In most countries, households contribute 60 to 90 per cent of the waste volume. In Europe, according to Eurostat, the average volume of recycled waste has doubled in the past 15 years and the share of recycled material has increased from 11 to 24 per cent. The European frontrunner is Germany.

In February 2011, the European Union presented a new raw materials strategy that defined an increase in recycling efforts as a central measure in order to secure the sustainable supply of raw materials in Europe. Moreover, it was announced that in several product areas the composition of the goods would have to contain certain percentages of secondary material in the future. The EU Member States have since intensified their efforts to promote recycling. Scarcity of resources – and hence also recycling – is increasingly perceived as an environmental issue that should be given as much priority as climate protection.

The advancing urbanization in developing markets increasingly calls for efficient waste management, which also holds large potential for the future.

WIND ENERGY

In the wind energy sector, special equipment is needed for the maintenance, repair and service, primarily of offshore wind energy plants. Currently, there is a clear trend towards the further expansion of offshore wind energy. One reason for this is that, due to the strong sea breezes, such wind turbines generate, on average, approx. 40 per cent more energy than terrestrial wind turbines. In addition, the nuclear catastrophe in Japan has resulted in a change in the political attitude towards renewable energy. According to experts, first effects in the form of increased demand will be felt with a time lag of approximately two years. Currently, global offshore capacity is slightly over 3 gigawatts or 2 per cent of the world's total installed wind energy capacity. Offshore capacity is expected to rise to 75 gigawatts or a share of more than 10 per cent in global wind energy capacity by 2020.

Offshore wind energy: enormous growth rates

MARINE INDUSTRY

In the marine sector, the global increase in offshore activities observed in 2011 also boosted demand for adequate crane solutions. Growth was recorded primarily in markets of Scandinavia, Great Britain and Russia, as well as in China and Southeast Asia. A trend towards first-class customized marine crane solutions with strict classification criteria is emerging. For example, PALFINGER has equipped one of the world's most modern research ships for the exploration of maritime raw materials with a newly constructed large marine crane. The market for rescue equipment also saw a positive development in connection with increased activities and the introduction of new safety standards.

PALFINGER AND ITS COMPETITORS

The PALFINGER Group sells eleven different product groups whose markets are characterized by diverse competitive environments.

Approximately 50 per cent of PALFINGER's revenue is generated in the crane area, truck-mounted knuckle boom cranes being the Company's main product. After a positive beginning of the year, economic development in this segment slowed down in the course of 2011 in line with macroeconomic developments. Output figures stabilized clearly below the previous year's level, which constitutes a challenge and a test of stamina for smaller competitors. The major competitors are still HIAB, a company of the Finnish Cargotec Group, and Fassi from Italy. Both companies are represented in the market with a broad crane product range. HIAB is also among PALFINGER's competitors in other product areas such as container handling systems, transportable forklifts or tail lifts. The other product areas in which PALFINGER operates are marked by a multitude of smaller competitors.

In general, it is observable that the larger providers in developed markets are increasingly recognizing the importance of sustainability as a competitive factor. Energy efficiency and the safety of the customers using the products have become topics of central importance. To some extent, attention is also being paid to sustainable material usage and recycling. Product innovations are being designed and communicated accordingly. Structured Group-wide targets regarding product sustainability based on eco-balances and carbon footprint calculations are still rarely observable. The situation is different when it comes to the direct ecological and social effects at providers' own plants, where it has become established practice to measure CO_2 emissions, energy efficiency, the use of renewable energy, water consumption, efficiency of resources and industrial accidents by means of indicators and carry out corresponding optimizations.

Diverse competitive environment in the different product groups – PALFINGER has further expanded its strength.

In 2011, PALFINGER succeeded in further expanding its competitive strength. Factors contributing to this improvement included the consistent pursuit of its internationalization strategy through opening up market potential outside Europe and the accelerated further development of the product portfolio. In the crane area, for instance, a new product series with 14 models was introduced. The current sustainability programme ensures that ecological and social aspects are taken into consideration as well.

With its premium-quality products, PALFINGER also holds a strong competitive position in the attractive and highly specialized areas of agriculture and forestry, railway infrastructure, marine systems and wind energy.

In 2011, as its competitors returned to increasing their market activities and presence at trade fairs, PALFINGER continued its proactive market strategy in cooperation with its global distribution partners and presented its products, innovations and services at around 100 trade fairs worldwide.

An essential component in building the success of the PALFINGER Group is the worldwide service and dealer network, which, like PALFINGER, emerged from the crisis with more economic strength than before. The dealers' knowledge of local specialties and customer needs as well as the stable relationships between PALFINGER and these partners are an important competitive advantage; the same is true for the highly qualified staff on both sides.

PALFINGER's financial strength in combination with a clear strategy thus contributed to the further expansion of its strong market position in 2011. PALFINGER has been a solid business partner and will continue to be so in the future, even if economically challenging times should lie ahead.

The PALFINGER brand

PALFINGER currently comprises a multitude of various brands, which is a consequence of the acquisitions made in recent years. An in-depth examination of this extremely heterogeneous global brand architecture led to an elaboration of the central values for which the Company with its product variety stands in the eyes of its various stakeholders: dealers, end customers, employees, investors, analysts and the general public.

PALFINGER assists its end customers in performing outstanding services for their customers on a daily basis. The use of PALFINGER products facilitates ideal work performance: more speed, improved loading capacity, precise work and ease of use. High quality standards guarantee product reliability and longevity. The long-term economic viability of the PALFINGER products is also evidenced by the "best price deal" devised in 2010.

These values will be incorporated into the brand strategy of PALFINGER for the years to come and are going to play a prominent role in future communication. At the same time, the look and feel of the brand will be revised and optimized.

CUSTOMERS AND SUPPLIERS

CUSTOMER AND DEALER NETWORK

PALFINGER products are distributed in more than 130 countries all over the world, primarily through some 200 independent dealers and the Group's distributing companies. Together with more than 4,500 service centres, this forms a comprehensive network for the end customers.

Dealers, who are the prime link to the Group's end customers, are thus PALFINGER 's most important group of customers. At annual dealer conferences, a mutual exchange of experience and information is promoted and contacts are intensified to ensure the best possible service for end customers.

The needs of dealers and end customers have been assessed to continue enhancement of services.

Moreover, dealer surveys focusing on various topics reveal current needs, which are taken up by PALFINGER as potential for improvement. At the end of 2010, dealers were surveyed about the subject of marketing. Based on the results, PALFINGER initiated numerous activities, e.g. with a view to improving the availability of trade fair tools or offering country-specific product images and brochures. In the first half of 2011, a dealer survey for the new business unit Marine Systems was carried out for the first time. The measures derived from this survey were related primarily to training and documentation.

The surveys among end customers launched in 2010 were also continued in 2011 for additional product groups and national markets. They led to the implementation of corresponding measures at country level in distribution and at the plants. Moreover, in the first half of 2011 PALFINGER started a qualitative assessment of the needs of its service partners and end customers for the German market, the results of which will be integrated into an extensive project in the Services area.

A strategic project to intensify distribution efforts was launched for the business unit Transportable Forklifts in 2011. In cooperation with product management, distribution managers and the respective general representatives, PALFINGER devised strategic marketing targets and indicators as well as relevant implementation strategies and defined the country-specific activities that in the future will support dealers in their distribution activities.

The "best price deal" sales argument developed in 2010 was discussed and adapted, for all products, on the occasion of the international dealer meeting. During the reporting period, the "best price deal" campaign was globally rolled out in the business units Knuckle Boom Cranes and Hookloaders. The other product areas are scheduled to follow in 2012.

PURCHASING

PALFINGER endeavours to keep inventory levels as low as possible. One of its main strategic goals is to be able to quickly and flexibly respond to changes in the extremely volatile market. Particularly in the last months of 2011, uncertainty regarding a further reduction in output figures was on the rise again.

Essential procurement factors for the PALFINGER Group include advanced technologies and innovation, primarily in the fields of hydraulics, electronics and high-tension steel. Therefore, procurement focuses primarily on the EU market, where these issues are strongly promoted. PALFINGER's most important Eastern European procurement markets are Slovenia, Bulgaria, Romania and Croatia; due to the current price pressure, these countries are gaining further importance.

PALFINGER maintains long-term relationships with its suppliers which contributes to continuously increasing the development of components and consequently also the competitiveness of PALFINGER products. This objective is supported by quality assurance agreements entered into with around 130 main suppliers. Regular audits and evaluations identify possible deviations and risks and, if required, the suppliers are provided with the necessary assistance in the optimization process.

Supplier relationships are enhanced by including ecological and social issues as well as the prevention of corruption. This helps to reduce, at an early stage, all image and default risks that might be caused, for instance, by suppliers' failure to comply with environmental requirements.

PALFINGER recently started to carry 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. The results of these surveys will be included in the supplier assessment in the future.

In 2011, PALFINGER also implemented a Code of Conduct for all suppliers, which provides for a commitment to environmental protection and social responsibility for the employees as well as economic ethics. A passage referring to this Code has been incorporated in all contracts. Important points include, among others, the prohibition of child labour, human rights violations and corruption, and compliance is checked in the course of audits.

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➔ CSR ➔ CODE OF CONDUCT

PALFINGER maintains long-term relationships with its suppliers.

The Code of Conduct, as well as ecological, social and ethic aspects included in the quality audits, support a long-term and sustainable relationship with suppliers. Every second year, a supplier meeting is held for the purpose of further enhancing supplier involvement. Both the current economic situation and planned developments of the PALFINGER Group are presented at these meetings.

As a rule, in order to secure the expected future demand, PALFINGER enters into long-term agreements with its main strategic suppliers; these agreements provide for variable annual purchase quantities.

Delivery performance revived again in 2011. This posed a major challenge, as external suppliers also had reduced their capacities due to the crisis and, faced with the subsequent quick increase in output figures in the first half of the year, were not able to build up the required resources fast enough.

Supply in the field of electronics remained one of the main problems. At the beginning of the year, repurchasing times for semi-conductors were still as long as 60 weeks in some cases. Another blow came from the devastating situation in Japan: Damaged plants and/or their poor electricity supply resulted in a global bottleneck for processors. However, PALFINGER was able to cope with this situation well thanks to meticulous planning and close cooperation with the manufacturers. From the middle of the year onwards, the situation improved slightly.

After the rapid declines in prices for raw materials in 2009, the general increase in demand for iron ore and coal from the end of 2010 onwards led to enormous speculative increases in steel prices. As PALFINGER had entered into master agreements early, at the end of 2010, it succeeded in cushioning a large share of these increases. From mid-2011 onwards, a clear downward trend in steel price development was observed again.

PALFINGER continues to subject strategically important suppliers to a risk analysis in order to identify potential economic difficulties at an early stage. In the first half of 2011, increases in output figures resulted in a clear relaxation in the situation with external suppliers. Intervals between audits of strategic suppliers were shortened to up to once a year in order to earlier identify changes that might impact delivery performance. The goal is to maintain a stable and top quality supplier portfolio on a long-term basis.

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ONE THING'S POSITIVE: WE ARE THE MOST SUCCESSFUL GROUP IN THE SECTOR

HANS FRIEDRICH
MANAGING DIRECTOR OF EPSILON

CONSOLIDATED MANAGEMENT REPORT /

PERFORMANCE OF PALFINGER

- GROWTH IN ALL AREAS AND PRODUCT DIVISIONS IN 2011
- RECORD REVENUE OF EUR 846 MILLION (+ 30 PER CENT)
- EBIT INCREASED BY 83 PER CENT
- MARKET EXPANDED AND FLEXIBILITY INCREASED TO SECURE LEADING MARKET POSITION
- RESEARCH FOCUS SUPPORTS THE AIM OF MAKING CUSTOMERS MORE SUCCESSFUL

BUSINESS DEVELOPMENT IN 2011

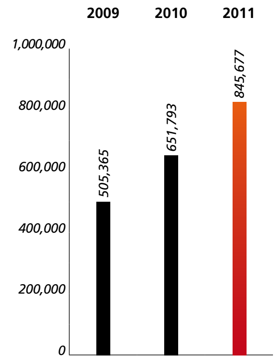
In the 2011 financial year, the PALFINGER Group recorded a continuous upward trend, which was reflected both in revenue and earnings. After the recovery of the most important markets in the 2010 financial year, further growth – and thus the highest revenue in the history of the Company – was generated in all areas and product divisions in 2011. The growth achieved was mainly due to the fact that in the reporting period a new surge of investment, which had become necessary for technical reasons, followed on the heels of the investment reticence evidenced by companies on the market during the crisis. Moreover, PALFINGER was able to generate further growth through market development and the expansion and improvement of the existing distribution network, particularly in the USA and Russia.

Primarily the first half of the 2011 financial year was characterized by market growth, rising earnings and improving visibility. In the fourth quarter, increasing uncertainty in the financial markets retarded this development considerably. The measures implemented by PALFINGER to improve the process and cost structures and to further pursue market expansion, which had already led to an exceptionally large increase in earnings in the previous period, continued to contribute to the successes achieved. This is proof that PALFINGER made use of the weak years of 2008 and 2009 in order to enhance its structures and become more flexible in its responses to a quickly changing environment.

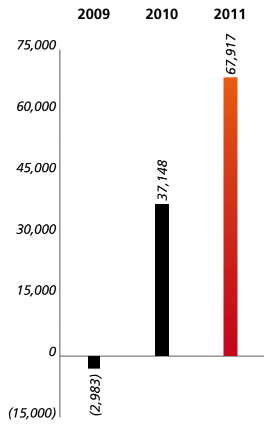
The PALFINGER Group posted record revenue of EUR 845.7 million in the 2011 financial year, which is 29.7 per cent higher than the previous year's figure of EUR 651.8 million. This increase was supported primarily by Europe and North America, although a positive trend was observed in all regions. Growth was particularly satisfactory in the areas Asia and Pacific as well as India, areas which in terms of revenue are still small. The positive market development in the area North America resulted in a marked boost in revenue, particularly in the second half of 2011. The acquisitions made in 2010 and 2011 accounted for approximately one fourth of the increase in revenue achieved.

EBIT (including associated companies) for the 2011 financial year came to EUR 67.9 million, after EUR 37.1 million in the previous year, which corresponds to an increase of 82.8 per cent. The EBIT margin rose from 5.7 per cent in 2010 to 8.0 per cent. This significant achievement was made possible first and foremost by the clear increase in demand in nearly all product divisions across all areas, increased productivity and capacity utilization at the plants and the effectiveness of the measures initiated. The expansion of order-based manufacturing brought about the desired boost in productivity while at the same time increasing financial flexibility.

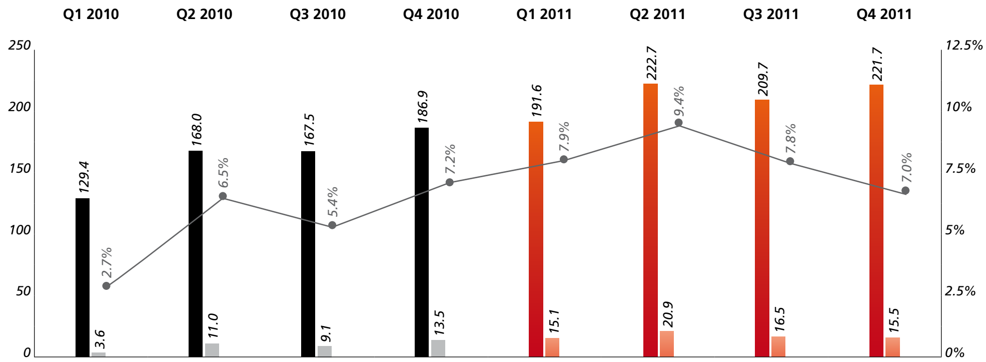
EBITDA went up by 61.6 per cent from EUR 59.9 million in 2010 to EUR 96.8 million in 2011. PALFINGER posted a consolidated net result of EUR 42.0 million for the 2011 financial year, after EUR 24.2 in the previous year.



DEVELOPMENT OF REVENUE
(EUR thousand)



DEVELOPMENT OF EBIT (INCL. ASSOCIATED COMPANIES)
(EUR thousand)



DEVELOPMENT OF REVENUE AND EBIT
(EUR million)

Revenue
EBIT
EBIT margin (in per cent)

A look at the performance of the individual quarters of 2011 shows the continuous upward trend, even though the second half of the year was affected by the fact that there were fewer working days due to the summer company holidays and the Christmas holidays. Both revenue (Q1: EUR 191.6 million; Q2: EUR 222.7 million; Q3: EUR 209.7 million; Q4: EUR 221.7 million) and EBIT (Q1: EUR 15.1 million; Q2: EUR 20.9 million; Q3: EUR 16.5 million; Q4: EUR 15.5 million) reflect the successes achieved.

In Europe, business in many core markets continued to grow in nearly all product divisions in 2011. In Spain, Greece and Portugal, all of which were hit particularly hard by the crisis, markets were still weak during the period under review. The destocking process carried out by dealers in previous years, in particular in knuckle boom cranes and timber cranes, played a significant role in the improved market situation's having an immediate effect on order intake and consequently, through order-based manufacturing, on revenue. In addition, the successful acquisitions carried out in the Marine Systems business unit in 2010 also contributed to increasing revenue and earnings. The higher capacity utilization at the manufacturing and assembly sites and the raised efficiency due to process enhancements boosted earnings in Europe even further. Substantial improvements in the product divisions Hookloaders and Access Platforms also had a positive effect.

Of the areas outside Europe, North America in particular recorded increases throughout the year, with the acquisition of ETI in the second quarter of 2010 accounting for around one fourth of the increase in revenue posted in these areas.

Revenue in Asia and India was stepped up significantly as well, even though revenue generation in these areas is still comparatively low. In the area CIS, another major step in PALFINGER's internationalization strategy was taken through the acquisition of the leading Russian crane manufacturer INMAN in August 2011, which considerably increased the significance of the Russian market for the Company.

As incoming orders picked up in the areas outside Europe, revenue grew as well; the measures initiated to boost earnings, process enhancements in value creation and the expansion of order-based manufacturing were factors contributing to the continued improvement of earnings.

SIGNIFICANT CHANGES

ENHANCING FLEXIBILITY

Due to the increasing volatility of the markets, only short-term predictions of corporate developments are possible, which makes the issue of flexibility more important than ever in all corporate areas. As a consequence, a further increase in flexibility was defined as the third strategic pillar of the PALFINGER Group in 2010.

Under its Group-wide project entitled CC-Top (CC for "current capital"), initiated to reduce inventories, receivables and trade payables, PALFINGER has been placing a stronger focus on current capital employed since 2010. The project was continued in 2011 with new objectives. Under this project, PALFINGER succeeded in considerably reducing average net working capital in proportion to revenue in 2010, and despite strong increases in revenue and a high degree of value added continued to lower it even further in proportion to revenue in 2011. The capital released made it possible to make investments without significantly augmenting PALFINGER's net debt.

INFORMATION PURSUANT TO SEC. 243A OF THE BUSINESS CODE, EXTRAORDINARY GENERAL MEETING
PAGE 64

INVESTOR RELATIONS, BUYBACK OF SHARES
PAGE 26

In order to be able to take corporate actions facilitating greater flexibility in funding, PALFINGER held an Extraordinary General Meeting on 3 November 2011. The Meeting passed a resolution on an authorized capital in the amount of EUR 10 million. Moreover, the Management Board was authorized to buy back shares in the magnitude of up to 10 per cent of the Company's share capital. On 1 December 2011, PALFINGER started a share buyback programme to this end. These resolutions made it possible for PALFINGER to act quickly and flexibly, even when it comes to financing large-scale growth measures.

CONTINUATION OF MARKET EXPANSION

In the third quarter, PALFINGER took a major strategic step in internationalization in the Russian market with the takeover of the leading Russian crane manufacturer INMAN. Using local production capacities, the Group now generates value locally and has set up additional sales channels in the large Russian growth market. Following its initial consolidation with effect from 26 August 2011, INMAN, with a staff of around 400, contributed EUR 7.1 million of the Group's revenue in 2011. Integration priorities include market development, value creation and purchasing in order to quickly realize potential synergies. In addition, PALFINGER is continuing to expand its dealer network in the increasingly important sales market of Russia.

The takeover of the tail lift service business of Ross & Bonnyman in Great Britain, which had been agreed upon in November 2010, was concluded in the third quarter of 2011 following an intense review by the anti-trust authorities. This acquisition provided PALFINGER with access to a considerable customer base, which also has positive effects on the development of the tail lift business in Great Britain.

In India, efforts went into expanding the assembly site in Chennai, which took up operations at the end of 2010. The intensified market development has already been fruitful; the first telescopic cranes adapted to local needs were successfully sold on the Indian market. For the first time, suitable local suppliers were selected to expand the Group's supplier base.

The acquisitions made in 2010, which were bundled in the new business unit Marine Systems, showed the expected positive development. In the field of wind energy, PALFINGER won important large-scale orders in the second half of 2011. In cooperation with renowned companies, PALFINGER is promoting the further market development of this alternative source of energy. Energy providers are expected to make large investments in wind energy in the near future.

Focus of internationalization is on Asia.

In the context of its internationalization strategy, PALFINGER has set itself the medium-term goal of generating one third each of the Group's revenue in the regions EMEA, the two Americas and Asia. The basis for meeting this goal has been laid in EMEA and North and South America through acquisitions made in recent years. Emphasis is thus now being placed on expanding business in Asia.

LEGAL CHANGES WITHIN THE PALFINGER GROUP

On 3 March 2011, the name of Palfinger systems (SEA) Pte. Ltd., a company with its registered office in Singapore acquired in 2010, was changed to Palfinger Marine Pte. Ltd.

With the commercial register entry of 3 May 2011, Palfinger Marine d.o.o., with its registered office in Skrljevo, Croatia, was merged into Palfinger Proizvodna Tehnologija Hrvatska d.o.o., which has its registered office in Delnice, Croatia. In the course of the consolidation of the sites and machinery in the Marine Systems business unit, the Skrljevo plant of Palfinger Proizvodna Tehnologija Hrvatska d.o.o. in Croatia was sold to PK d.o.o. The staff were offered employment at the Delnice site. The move out of the Skrljevo plant is scheduled for 30 June 2012.

On 30 May 2011, Palfinger Marine- und Beteiligungs-GmbH founded the wholly-owned subsidiary Palfinger CIS GmbH, which has its registered office in Salzburg and a share capital of EUR 35,000.

MBB Liftsystems Ltd. in Great Britain was definitively liquidated and deleted from the commercial register with effect from 29 June 2011.

In August 2011, with retrospective effect from 1 January 2011, the shares of Palfinger Marine- und Beteiligungs-GmbH in Palfinger Gmbh, registered in Commercial Register B of the local court in Traunstein and having its registered office in Ainring, Germany, were demerged and taken over by Palfinger Europe GmbH. Palfinger Europe GmbH now holds 100 per cent of the shares in Palfinger GmbH.

On 26 August 2011, Palfinger CIS GmbH acquired 100 per cent of the leading Russian crane manufacturer INMAN ZAO.

The shares of Palfinger France S.A. in Palfinger Paris Sud S.C.I. were sold on 30 September 2011.

On 10 October 2011, a wholly-owned subsidiary of Palfinger Marine- und Beteiligungs-GmbH was founded under the name of Palfinger Marine Services AS, with its registered office in Rosendal, Norway, and a share capital of NOK 100,000.

In December, the German Palfinger Finanzierungs-GmbH, which has its registered office in Ainring, Germany, and is registered in the commercial register of the local court in Traunstein under HR B 18986, was merged into PALFINGER AG with effect from 1 April 2011.

In view of the initiated adjustment of the Company's corporate-law structure to its current management structure, the following companies, all of which have their registered offices in Salzburg, were founded in December: Palfinger Area Units GmbH, Palfinger European Units GmbH, Palfinger North America GmbH and Palfinger South America GmbH.

In December 2011, Palfinger CIS GmbH acquired 31 per cent in Kraftinvest Palfinger Beteiligungs-GmbH, which simultaneously was renamed Palfinger Russland GmbH. Since then, the PALFINGER Group has thus held 80 per cent in this company.

INFORMATION ACCORDING TO SEC. 243A OF THE BUSINESS CODE

As at 31 December 2011, the issued share capital of PALFINGER AG was EUR 35.7 million, divided into 35,730,000 no-par-value bearer shares. Each PALFINGER share entitles its holder to one vote.

As at 31 December 2011, PALFINGER AG held 368,840 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 2011, the Palfinger family directly or indirectly held approx. 65 per cent of the shares in PALFINGER AG. More than 5 per cent of the shares were held by Delta Lloyd Asset Management NV. Around 29 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 placed in 2009 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.

EXTRAORDINARY GENERAL MEETING HELD ON 3 NOVEMBER 2011

By resolution of the Extraordinary General Meeting held on 3 November 2011, the Management Board was authorized, according to sec. 65 para. 1(8) as well as paras. 1a and 1b of the Companies Act, 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 the resolution was adopted. The consideration payable may not be lower than EUR 1.00 per share or higher than EUR 50.00 per share. Trading in own shares shall be excluded as a purpose of the acquisition. The authorization may be exercised in full or in part or in several tranches and in pursuit of one or several purposes by the Company, a subsidiary or third parties on the Company's account.

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.

INVESTOR RELATIONS,
BUYBACK OF SHARES
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The Management Board is authorized, for a period of five years from the date of the resolution, 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. The authorization may be exercised in full or in part or in several tranches and in pursuit of one or several purposes by the Company, a subsidiary or third parties on the Company's account.

In addition, by resolution of the Extraordinary General Meeting held on 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 10,000,000 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. The Management Board was also 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.

FINANCIAL POSITION, CASH FLOWS AND RESULT OF OPERATIONS

FINANCIAL POSITION

Total assets increased by 9.2 per cent as compared to the previous year and amounted to EUR 739.8 million (previous year: EUR 677.4 million) as at 31 December 2011. This was due primarily to the expansion of business volume and the acquisitions made.

This increase reflected, for one thing, the revenue-related rise in net working capital by EUR 31.3 million or 30.5 per cent to EUR 133.9 million (previous year: EUR 102.6 million). Another conducive factor was that **non-current assets** were stepped up by EUR 10.9 million or 2.9 per cent to EUR 391.8 million (previous year: EUR 380.9 million), which was caused primarily by the tangible and intangible assets from the acquisitions made in 2011 being reported. The satisfactory expansion of business volume (share contributed by acquisitions: EUR 15.5 million) was also reflected in the rise in **current assets** by EUR 51.4 million or 17.3 per cent, from EUR 296.5 million to EUR 348.0 million.

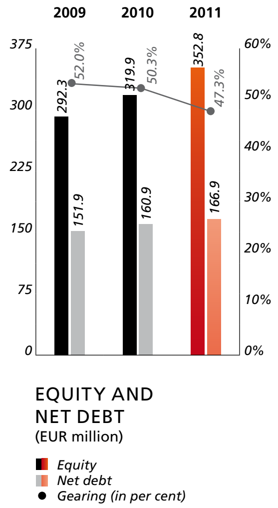
It was due to the continuation of the Group-wide CC-Top project, which pays special attention to inventories, accounts receivable and accounts payable, that average **net working capital** was lowered again in 2011 from 18.0 per cent to 14.0 per cent relative to revenue.

Due to the presentation of the contractually defined put options of the non-controlling shareholders from the acquisition of the companies ETI and Ned-Deck Marine as a separate item under liabilities in the balance sheet as at 31 December 2010, **equity** was reduced by EUR 11.5 million and, as at 31 December 2011, by EUR 11.8 million. The year-on-year increase in equity by 10.3 per cent, from EUR 319.9 million to EUR 352.8 million – despite the payment of a dividend in 2011 – was primarily due to the positive consolidated result after income tax of EUR 47.4 million.

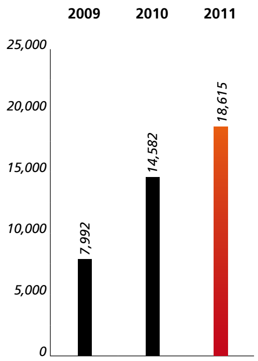
Non-current liabilities decreased from EUR 195.3 million to EUR 161.0 million. The main reasons for this drop were the reclassification of the tranches of the promissory note loan due in 2012, amounting to EUR 43.0 million, from non-current financial liabilities to current financial liabilities and the taking up of additional long-term funding in the course of the acquisitions made. 84.5 per cent of PALFINGER's total capital employed has been secured on a long-term basis. **Current liabilities** reflect not only the effect of the reclassification but also the augmentation of the operating performance within the Group. While equity increased (taking into account the adjustment described above), net debt rose only slightly as compared to the previous year, which led to a reduction of the **gearing ratio** from 50.3 per cent at the end of 2010 to 47.3 per cent as at 31 December 2011.

ABBREVIATED CONSOLIDATED BALANCE SHEET

EUR million	31 Dec 2011	31 Dec 2010	31 Dec 2009
Non-current assets	391.8	380.9	312.8
Current assets	348.0	296.5	275.2
Total assets	**739.8**	**677.4**	**588.0**
Equity	352.8	319.9	292.3
Non-current liabilities	161.0	195.3	163.3
Current liabilities	226.0	162.2	132.4
Total equity and liabilities	**739.8**	**677.4**	**588.0**



EQUITY AND NET DEBT
(EUR million)



INVESTMENT IN PROPERTY, PLANT AND EQUIPMENT
(EUR thousand)

CASH FLOWS

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

In the 2011 financial year, **cash flows from operating activities** amounted to EUR 37.7 million, compared to EUR 49.1 million in the previous year. This change was caused by a clearly positive result before income tax posted in 2011, the reverse effects from the necessary augmentation of inventories in connection with the expanded business volume and an increase in tax burden due to the improved earnings situation.

Cash outflows for investing activities came to EUR 34.6 million, which is 36.0 per cent below the previous year's figure of EUR 54.1 million. While investments in acquisitions of companies were significantly lower, amounting to EUR 11.5 million (previous year: EUR 36.3 million), replacement investments in property, plant and equipment and intangible assets were stepped up.

The described effects arising from the cash flows for operating activities and investing activities resulted in higher **free cash flows** of EUR 11.7 million in 2011, after EUR 4.2 million in the 2010 financial year.

Despite the effect of the dividend payment in 2011, **cash outflows for financing activities** decreased by EUR 8.7 million to EUR 3.9 million (previous year: EUR 12.6 million) due to additional long-term credit being taken out.

FREE CASH FLOWS

EUR million	Jan–Dec 2011	Jan–Dec 2010	Jan–Dec 2009
Cash flows from operating activities	37.7	49.1	50.0
Cash flows from investing activities	(34.6)	(54.1)	(15.9)
	3.1	**(5.0)**	**34.2**
Adjusted interest on borrowings after tax	8.6	9.2	7.8
Free cash flows	**11.7**	**4.2**	**42.0**

RESULT OF OPERATIONS

In the 2011 financial year, **revenue** increased by 29.7 per cent to EUR 845.7 million (previous year: EUR 651.8 million). With a share of 73.5 per cent (previous year: 73.5) the EUROPEAN UNITS segment was the main contributor to sales revenue. The European Union remained the Group's most important sales market, accounting for 63.9 per cent of revenue (previous year: 64.3 per cent). North America's share in sales revenue increased from 16.1 per cent in 2010 to 16.7 per cent in the year under review. Central and South America also generated slightly higher revenue than in the previous year.

As a consequence of the higher production volume, **expenditures for materials and external services** increased from EUR 337.3 million to EUR 458.7 million.

The increase in **employee benefits expenses** from EUR 178.7 million to EUR 216.9 million reflected, on the one hand, the general recovery of the markets and the consequent stepping up of resources and, on the other hand, the acquisitions made. In addition, the discontinuation of short-time work and the balance-sheet inclusion of bonus payments impacted this figure.

The rise in **EBIT** for the 2011 financial year to EUR 67.9 million (previous year: EUR 37.1 million) was based on the positive market development in both segments, the positive effects of the acquisitions made and the enhancement of efficiency in connection with the improvement measures implemented in recent years.

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Income tax expenses continued to approach the Austrian corporation tax rate of 25 per cent. The change resulted primarily from the measurement of existing loss carry forwards of foreign subsidiaries and the additional capitalization of loss carry forwards on the basis of the success achieved with the turnaround projects. The effective tax rate rose from 8.6 per cent to 16.9 per cent.

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 EUR 0.38 per share be distributed this year (previous year: EUR 0.22 per share).

ABBREVIATED CONSOLIDATED INCOME STATEMENT

EUR million	Jan–Dec 2011	Jan–Dec 2010	Jan–Dec 2009
Revenue	845.7	651.8	505.4
EBITDA	96.8	59.9	18.5
EBITDA margin	11.4%	9.2%	3.7%
EBIT	67.9	37.1	(3.0)
EBIT margin	8.0%	5.7%	(0.6%)
Consolidated net result for the period	42.0	24.2	(7.8)
Earnings per share (EUR)	1.19	0.68	(0.22)
Dividend per share (EUR)	0.38*	0.22	0.00

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

Due to the improved earnings situation, the **return on capital employed (ROCE)** increased from 7.1 per cent in the previous year to 11.1 per cent.

CALCULATION OF ROCE

EUR million	Jan–Dec 2011	Jan–Dec 2010	Jan–Dec 2009
EBIT	67.9	37.1	(3.0)
Adjusted income tax expense	(12.4)	(4.4)	2.9
NOPLAT	**55.5**	**32.7**	**(0.1)**
Non-current assets	386.3	346.8	310.2
Non-current financial assets	(4.4)	(2.3)	(1.6)
Non-current operating assets*	**381.9**	**344.5**	**308.6**
Inventories*	179.2	154.2	167.3
Current receivables and other current assets (excluding securities)	127.2	106.4	114.7
Tax receivables	0.4	0.8	1.3
Non-current and current provisions	(56.0)	(43.6)	(38.3)
Deferred tax liabilities*	(11.3)	(13.3)	(12.1)
Tax liabilities	(3.7)	(3.0)	(1.8)
Other non-current and current liabilities	(117.0)	(83.8)	(79.4)
Net working capital*	**118.8**	**117.7**	**151.6**
Capital employed*	**500.7**	**462.3**	**460.2**
ROCE	**11.1%**	**7.1%**	**0.0%**

* Annual average.

TREASURY

The main objective of PALFINGER's financing guidelines is to minimize the Group's financial expenditures while at the same time ensuring that sufficient liquidity reserves are available so as to be able to meet payment obligations of the Group at any time.

Cash inflows from operating activities form the most important source of funding. Moreover, PALFINGER's in-house banking scheme makes a valuable contribution to reducing the Group's net interest expense. Excess liquid funds of Group companies are used to reduce the need for external financing. In addition, by balancing Group-internal transactions via clearing accounts, external bank transactions and banking charges are reduced.

Other significant corporate treasury responsibilities include the effective management of foreign exchange and interest risks, and central control of global insurance solutions.

The individual processes are laid down in the Group's treasury guidelines. All processes are transparent and traceable; every single measure is documented and supported by state-of-the-art IT infrastructure.

CASH AND LIQUIDITY MANAGEMENT

In 2011, the expansion of the debt crisis in the euro area made money and capital markets highly volatile. PALFINGER's greatest priority was to ensure the sufficient liquidity supply of the Group and to increase its financial flexibility through additional financing sources.

The solvency of the PALFINGER Group at any time was guaranteed by maintaining liquidity reserves, agreeing on long-term financing agreements and increasing and extending approved credit lines.

When concluding financing agreements, increased attention was paid to the long-term availability of liquidity in 2011. In order to diversify risk, the credit volume is distributed among several banking partners so as to remain independent from individual lenders.

In order to finance investments and acquisitions, long-term loans were entered into with several banking partners in the past financial year.

RISK REPORT

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

The basic components of the risk management 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. The corporate risk management reports directly to the Management Board, which bears overall responsibility.

Standardized risk management takes into account opportunities and risks.

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 process chain, also taking external factors into consideration. The evaluation is carried out with a view to their possible impacts and their probability of occurrence and uses a clearly structured and 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 corporate risk management department also carries out periodic checks in order to make sure that the planned measures are implemented within the set deadlines.

The internal auditing department monitors adherence to the relevant statutory provisions 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 the 2011 financial year, market demand was on the increase, even though this trend became significantly weaker in the second half of the year. PALFINGER was able to utilize a large part of existing capacities. Should the trend of recent months continue and market demand drop further, PALFINGER will have to adjust its fixed-cost structure. The volatility of the markets is one of today's biggest challenges. Hence, the flexible and lean processes in place at PALFINGER constitute a significant competitive advantage over the Company's competitors.

Under its Group-wide risk management system, PALFINGER AG divides its risk areas into four main categories:

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

External risks

ECONOMIC DEVELOPMENTS

After the positive market trend during the first half of 2011, the debt crisis in Europe and the USA again slowed down industry growth, and PALFINGER registered a decline in the number of incoming orders in Western Europe. PALFINGER has been meeting this impact of the economy on the Company's risks and opportunities by constantly adjusting to the market situation.

Compared to the years before the crisis of 2008/2009, the situation on the market, and of PALFINGER in particular, has, however, fundamentally changed: The focus on flexibility in the entire value-creation chain – from suppliers to dealers – has led to a considerable reduction in inventories. An increase in market demand is therefore directly reflected in the number of orders received by PALFINGER. This is why a complete breakdown of incoming orders is not likely.

The drivers of economic growth in Europe – Germany and France – are also important sales markets for PALFINGER. A slump in market demand in these countries would have severe repercussions on the performance of PALFINGER.

Cooperation with strategic partners is of great significance to PALFINGER. The improvement of the market environment has also made it possible for PALFINGER's business partners to recover. In some markets, however, the end customers of the PALFINGER Group have most recently been confronted once again with a reduced demand from the logistics and construction industries. As this development also affects competitors, greater price pressure may evolve should stagnation continue.

Nevertheless, PALFINGER decided, for strategic reasons, to introduce new products to sales markets currently recording low volumes in order to derive maximum benefit from an upswing. PALFINGER's consistent internationalization strategy has created the basis for the Company to be less dependent on regional market developments and is also designed as an instrument to counteract growing competition from Asia.

As in other industries, the European knuckle boom crane market may also see large Chinese corporations take over competitors of PALFINGER to gain access to core markets. Such a development would have a strong impact on the competitive environment.

Even though PALFINGER occupies an excellent position, a potential decrease in profits constitutes a financial risk. In the event that market conditions deteriorate again, there is also the principal balance-sheet risk of having to further adjust individual capitalized intangible assets to the changed valuations (impairment); otherwise investments may not amortize as planned.

POLITICAL DEVELOPMENTS

The uncertain stability of the euro area also put the political landscape in Europe to the test in 2011. The scale of these developments cannot yet be predicted and also constitutes a huge element of uncertainty for PALFINGER. On the one hand, demand is strongly dependent on the willingness of the public sector to invest; on the other hand, European countries may receive the necessary financial assistance from China. This could, in turn, result in preference being given to Chinese manufacturers and hence cause a shift in competition in PALFINGER's core markets.

In some markets relevant to PALFINGER, such as the USA, Brazil, Russia and China, an increased trend towards protectionism has been noticeable. PALFINGER is trying to take advantage of these developments by expanding its local manufacturing capacities.

Political turmoil in some countries would put PALFINGER at greater risk of losing some of its sales markets and having to amortize capital that has already been tied up.

Strategic risks

PRODUCT PORTFOLIO

The continuation of the ongoing integration projects in the relevant product divisions is of crucial importance for the successful development of the Group. The identified potential synergies must be exploited.

With its entry into the marine crane business, PALFINGER has firmly established itself in a promising customer segment with great future potential that also supports further internationalization and profitability enhancement.

Another important factor of success is the consistent continuation of turnaround projects with effective control mechanisms. Professional project management as well as support through risk management have the object of ensuring that the targets set will be reached.

ORGANIZATION AND CORPORATE CULTURE

Within PALFINGER's areas, the strengthening of the individual product fields has brought about flexibility in meeting various local customer demands. At the same time, Group-wide standards have been defined, particularly in supporting areas, to allow for the use of synergies.

The Asian markets are going to become more significant for PALFINGER, which will require adjustments and changes to be made in the entire organization. In this connection, open-mindedness and the willingness to recognize, understand and especially accept other work approaches and cultures are important 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 new developments 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.

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 focus on complexity management.

Important innovations have been secured by patents, and confidential information within the Company is protected against unauthorized access.

PROCUREMENT

As the market upswing levelled off in the second half of 2011, delivery times in procurement became shorter again. Nevertheless, in order to minimize risks, increasing attention is being paid, particularly in the case of strategically significant materials and parts, to finding at least one additional procurement option.

Quality, price and supply reliability are of the essence in procurement. Suppliers are actively supported when it comes to making further improvements so as to counter the risk of supply shortages. PALFINGER has implemented special supplier selection procedures, risk management and supplier management systems to monitor its suppliers' performances.

At present, energy costs constitute a small percentage of PALFINGER's operating expenses. In the medium term, this percentage may, however, rise slightly due to the upward trend in prices in connection with growing global demand and the politically uncertain situation in some petrol-producing countries. Moreover, it is expected that taxes on fossil fuels will go up, especially in Europe. PALFINGER has therefore attached great priority to energy efficiency within the scope of its facility management project. In 2011, energy-optimization measures were implemented at European sites, and additional sites are expected to follow suit.

PRODUCTION

For PALFINGER, the most important value-creation phases are the manufacturing 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 these analyses and the resulting measures taken, such as the renewal of machinery, the introduction of Total Productive Maintenance processes and the optimization of the PALFINGER ProductionSystem.

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 line with customer requests. The Company has insurance cover for potential losses; 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.

Internal risks relating to supporting processes

ACCOUNTING AND FINANCE

Due to the ongoing financial crisis in Europe and the USA, it is essential for PALFINGER to have a flexible capital structure. Raising capital is something that may become more difficult in the near future. The option of financing relevant growth projects from the Company's own resources may prove to be a competitive advantage.

The uncertainty in market development that has been growing over the past few months has also confronted PALFINGER with new challenges. The consistent pursuit of long-term strategic goals is a fundamental factor of success; short-term adjustments and decisions are made on the basis of the Company's rolling forecast. All relevant information provided by market players on the customer and supplier side goes into this forecast to create a data base that is as valid as possible. Nevertheless, there is a limit to the transparency of future business performance, which may lead to significant deviations in practice. Decisions that have a material financial effect, such as investments in site expansions, may turn out to be not so profitable afterwards. Thanks to steering committees operating in a timely manner, efficient controlling and short decision-making processes, PALFINGER is in a position to respond to changes in the market environment at all times.

The objective of the existing accounts receivable management is to reduce credit risks in advance – an objective that becomes increasingly significant in economically difficult times. 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 for the individual accounts receivable.

Liquidity risks, interest rate risks and foreign currency risks are controlled by the treasury department, where all relevant information from the entire Group converges.

LIQUIDITY RISK

Group-wide cash reporting guarantees the transparency required to be able to control funds in a targeted 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 sustainably reduce capital employed in order to counteract this risk. This project has been successfully continued and has made a substantial contribution to optimizing capital employed.

The determination of credit lines and the amount of refinancing costs of credit institutions and banks depend on their 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 creates a risk position primarily in US dollars that is not covered by natural hedges. On the basis of the ongoing analyses of this position, a hedging strategy is established, which is evaluated at regular meetings.

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 foreign exchange forwards.

INTEREST RATE RISK

The greater financing need 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. This hedging applies to the floating-rate part of the financing instruments. The interest rate exposure of these loans is hedged in part by interest rate swaps and in part by interest rate caps. In the case of an interest rate swap, the floating rate is converted into a fixed rate, thus fixing the cost of interest for the term of the swap. The interest rate cap puts an upper limit on interest payments. Until the interest rate cap is reached, the market interest rate is used for calculating interest payments. If the market interest rate exceeds the cap determined, PALFINGER will receive a payment from its counterparty.

RISKS RELATING TO THE FINANCIAL STATEMENT CLOSING PROCESS

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. 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-eye principle, have already been introduced. Audits carried out by the internal auditing department, external consultants and the auditor ensure that processes are continuously improved and optimized.

HUMAN RESOURCES

PALFINGER regards its employees as the major factor in successfully achieving its objectives. Special planning and ongoing staff reviews ensure the training of future junior management. In connection with the ongoing volatility of markets, the development of flexible working time models remains an important issue that will be given even greater priority in the future with a clear focus on maintaining top-quality staff.

PALFINGER's growth projects in Asia require that well-qualified staff from the main plants be mobile. In order to accomplish this successfully, appropriate secondment programmes, also offering post-return orientation, have been initiated.

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 also has a range of technical security and protective measures in place to minimize the risks of misuse of data and data loss.

Summing up, the risks to which the PALFINGER Group is exposed are manageable and can be controlled by adequate measures. Therefore, the continued existence of the Group is 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 the Group-wide risk management process in place at PALFINGER. 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 Group 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

The identification of risks, their definitions as well as their evaluation are contained in the risk report.

RISK REPORT
PAGE 70

Controls

The Group guidelines define not only the substance of these parameters but also the internal controls to be implemented from a Group perspective in local processes. Local management must lay 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

Quarterly statements are consolidated and reviewed by the auditor. 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 of internal and external accounting is based on the same stock of data and is reconciled with accounting on a monthly basis.

It has been agreed with the Audit Committee of the Supervisory Board that the internal control system of PALFINGER AG is adequate. However, continuous efforts are being made to raise 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.

RESEARCH, DEVELOPMENT AND INNOVATION

The PALFINGER brand stands for innovation, quality and reliability. In order to maintain or expand its leadership in the field of technology and service, PALFINGER regularly invests in the enhancement of existing products and the development of new products. PALFINGER's target is to make its customers more successful in their business.

PALFINGER's research and development centre, which accommodates numerous centres of excellence, is located at the Austrian business location in Köstendorf. Additional R&D departments have been established at various international sites. The targeted strategic orientation of the centres of excellence, as well as the R&D priorities within the PALFINGER Group, guarantee the best possible use of synergies, the development of modular sub-assemblies and system components, and proximity to the market.

In addition to further development at the international level, the R&D centre in Köstendorf has been expanded continuously. Under a multi-stage investment programme, a modern testing facility with an outdoor testing environment was built in 2011.

Further development of electronics and mechatronics know-how was a priority in 2011.

In 2011, PALFINGER placed its strategic innovation focus on further development in the fields of electronics and mechatronics, which are of material importance for product functionality, efficiency and reliability. In this connection, the existing centre of excellence for electronics was expanded to include sensor systems and complex hydraulic control systems. PALFINGER is now able to analyze and further develop all interfaces of the complete crane system within the framework of its own R&D structure.

Product development during the production phase (simultaneous engineering), already intensified in 2010, was expanded to include additional areas. This has helped to reduce complexity and allows for a quick ramp-up of the production of revised and new products.

In addition, uniform product data and product life cycle management software is being implemented for all R&D functions. It provides a common basis for the entire manufacturing process and thus promotes the further standardization of processes and components.

In 2011, PALFINGER invested EUR 18.0 million in research and development, which corresponds to 2.1 per cent of the Company's total revenue.

Patents and ideas

The PALFINGER Group currently holds 61 active patents, utility models and special registered designs for the protection of functional design elements. Seven additional patents have been applied for.

DEVELOPMENTS IN 2011

Truck-mounted knuckle boom cranes

The stability control system which had been added to the product range upon introduction of the crane standard EN12999:2011 was developed further in 2011. The new High Performance Stability Control (HPSC) is currently the most innovative system on the market. An intelligent real-time data algorithm in combination with sensors makes the positioning of stabilizers fully variable and allows for the widest possible working range and maximum flexibility in crane use.

After the successful market introduction of the SH models in 2010, three additional models in the large crane segment (over 60 metre tonnes) were added to this product range.

In order to be able to meet the steadily growing demand for large cranes outside Europe, two new cranes in the 45 and 60 metre tonne range were developed. These cranes can be equipped with either a manual control system or with the PALFINGER HPLS system.

Timber and recycling cranes
The product line for timber and recycling cranes was rounded out. In the off-road area, production of the 15-metre-tonne skidding crane was completed; the prototype of a harvester crane was made available at the end of 2011 as scheduled.

In order to simplify the selection of modules and features and to optimize order processing, a product configurator is being developed.

Transportable forklifts
In 2011, after having reviewed the CR series, PALFINGER focused on projects lowering the total cost of ownership and enhancing product reliability. Using a modern 3D CAD system, PALFINGER can now also apply the resources and expertise gained from crane design to this area.

Hookloaders
In 2011, considerable attention was paid to product enhancements in the field of hookloaders, primarily regarding product reliability, long life-cycles and improvement of corrosion protection within the meaning of the ISO-12944-C3 standards. With the introduction of Palfinger Origin Protection (POP), PALFINGER has now met standards applicable in the automotive industry such as corrosion protection for mechanical components.

The Synchron S17–S21 and additional telescopic devices were introduced and 8 and 10 tonne models were added to the skiploader product range.

In the first quarter of 2011, PALFINGER set up an R&D department in China, which paved the way for adapting hookloaders for the Asian markets and developing new products that meet Asian standards. A new telescopic model that is characterized by a high level of reliability and can be mounted on all common Chinese trucks has already been developed.

PALFINGER developed the T4-J model, which meets the Japanese automotive standards of JABIA, specifically for the Japanese market. Other priority issues in this area included product standardization, the creation of preconditions for producing custom-built models and local procurement.

For the North American market, PALFINGER developed the HAD500 model with new features, as well as additional models of the ARL product line equipped with extendable tails to increase capacity and a special version for Canada. In cooperation with developers and production experts, PALFINGER is working on optimizing process design in order to be able to utilize synergies in production and reduce its ecological footprint.

Telescopic cranes
The product line of fully hydraulic service cranes for North America was expanded in 2011: Two new models are now ready to go into serial production, and two models have reached the prototype stage. Equipped with tried and tested hexagonal extension booms, they feature an outstanding lifting moment and are unrivalled in terms of speed.

A separate R&D team for service cranes in the USA has been given the function of improving the transfer of know-how between the areas and thus guaranteeing compliance with proven development processes, standards, quality and systems.

Following the introduction of a special telescopic crane for the Indian market in February 2011, PALFINGER presented, in November of the same year, a second crane that had been fully designed in India. The local R&D team places special emphasis on buying materials and components exclusively from local suppliers. Priorities in this context include light weight, a high level of lifting power thanks to a new design of the outriggers, the use of proven parts of knuckle boom cranes and keeping the number of components small.

Tail lifts and passenger lifts

In the tail lift area, 2011 was marked by numerous product launches which once again confirmed PALFINGER's innovation leadership: a new 1-tonne foldable tail lift for Great Britain, a model for heavy-duty vehicles with close coupler, a 4.0-tonne vertical lift for double deck trailers, flexible underrun protection for the Scandinavian market and a 500-kg foldable tail lift for Australia. A patent application was filed for the bolt-on mounting brackets "Eco". The modular concept of the TRB Trainlift makes it possible to quickly provide new applications for various train manufacturers and other customers.

In North America, PALFINGER presented special product adaptations of the ILT series: a tailgate combined with a walkable ramp, a non-powered lowering system for regions with colder climates and a sideloader for the food retail sector.

In the field of passenger lifts, the EU Directive on type approval of whole motor vehicles, which will be binding from 2014 onwards, has to be implemented. This will require product modifications and new designs. In 2011, models for special market segments were added to the product range. Out of these innovations, three products were registered with the patent office.

The testing facilities are now being converted and improved. Increased product development and the optimization of development processes are to reduce the lead times in development as well as the period preceding market introduction of a product.

Access platforms

In the course of product consolidation, PALFINGER presented a new model of the 3.5-tonne class with a basket jib and a working height of 21 metres. In the premium class, a counter slewing system with a working height of 30 metres on a 7.5-tonne chassis was introduced.

With a Gravity Powered Drive, which allows for manoeuvrability without energy supply, PALFINGER has developed a unique feature specifically for use in chemical plants and other hazardous environments. This system was patented in 2011.

65 product models launched – new developments and adjustments of systems to regional requirements

With the development of the new model ETO 55 MH for the North American market, PALFINGER created first-class manoeuvrability and lifting capacity. A patent has been registered for the special levelling system technology which requires neither chains nor cylinders. In addition, PALFINGER is the only provider of single-read load charts in North America.

Railway systems

Application software based on Paltronic 150 was developed, thereby making all currently applicable railway safety standards (EN50155, EN50128, etc.) available for all railway products. In addition, a product safety manager was established.

In order to better meet the requirements in terms of rotations within the swivelling range, the unique crane model PR220 was developed.

Moreover, special investments were made in the quality of the railway software applications. Adequate hardware and software now makes it possible to simulate and automatically test the railway software applications during product development.

Marine systems

The introduction of features of truck-mounted cranes in the field of marine cranes was already started in 2010. Focusing on the development and standardization of winches, PALFINGER offers safety features in accordance with EN13852 for the PK-M, PTM and PSM products.

The PFM 3500 is the largest crane that PALFINGER has launched on the market so far. Thanks to its continued innovation in corrosion protection, PALFINGER is now in a position to offer solutions for the highest corrosiveness category C5-M, especially for offshore wind energy plants.

In the wind energy sector, PALFINGER is currently cooperating with another provider of marine and offshore cranes in the development of a hybrid crane.

The DNV-MPQA audit and the certifications of the plants in Maribor, Lengau, Tenevo and Cherven Brjag have confirmed the outstanding level of quality at the PALFINGER manufacturing and assembly sites.

Services

In the service area, PALFINGER's software was expanded by adding a hookloader module to the PACWIN.NET programme. In addition, the HPSC stability control system reached full functionality in the current version of the PALDIAG.NET diagnostic programme and PACWEB in September.

Training activities in 2011 concentrated on the introduction of HPSC and the organization of product weeks with international participants. Another priority was the integration of the Marine Systems business unit, which included the systematization of training courses for marine crane products as well as the preparation of various documentation material for this area.

COOPERATION PROJECTS

PALFINGER carries out cooperation projects with universities, universities of applied sciences and technical colleges for purposes of research and development, to exchange and transfer knowledge and for training purposes, in order to develop human resources and recruit new staff.

In addition, cooperation projects with independent development partners support enhancements in the fields of ergonomics, user comfort, sensor technology, product and process auditing, as well as further development in new technologies, methods and process management.

Cooperation projects at various levels ensure expansion of PALFINGER's innovation leadership.

Moreover, an exchange of experience, information and technology is maintained with other industrial companies and suppliers along the entire value-creation chain. This enables PALFINGER, through best-practice approaches, to verify the competitiveness of its processes in a practical manner. Employees of PALFINGER regularly attend events such as technology days and meetings of standardization bodies and give presentations at trade conferences, which supports the Company's intensive networking efforts.

VALUE CREATION

In 2010, PALFINGER defined a holistic value-creation strategy combining the contents of the PALFINGER ProductionSystem with the concept of order-based manufacturing. This strategy focuses on continuously optimizing and increasing the flexibility of value creation, improving the global value-creation structure and material flows, boosting the flexibility of capacities and further developing strategic procurement, as well as a continuous focus on product and process quality.

All process-enhancing functions have been combined with an emphasis on a close interaction of value creation and market and product development. Focus has been placed on cooperation at the earliest possible stage and the standardization and modularization of products and parts to enable PALFINGER to exploit additional potential. This makes it possible to delay the decoupling point, as part of the postponement strategy, to as late as possible in the process and provides the opportunity to procure the relevant components via consumption-based (Kanban) processes. Consequently, inventories are reduced and the entire value-creation chain becomes more flexible.

The entire value-creation chain is becoming more and more flexible.

In 2011, efforts focused on the value-creation processes of the business unit Access Platforms and the further development of the value-creation strategy for the area North America.

ORDER-BASED MANUFACTURING

In recent years, PALFINGER has already introduced order-based manufacturing in several business units, which facilitated a reduction of inventories, particularly in the field of finished products and work in progress, and a significant increase in productivity. In addition, flexibility in terms of resources was enhanced, enabling PALFINGER to better respond to the quickly changing market demand.

The transition to order-based manufacturing within the Group, and its optimization, was continued in 2011. In South America, priorities included shortening throughput times and stabilizing processes; in the business unit Access Platforms, attention was paid to introducing new product lines; in the Hookloaders business unit, throughput times were also shortened considerably. At other European production sites, improvement measures were taken to further reduce inventories.

At the manufacturing plants, the reduction of lot sizes and the resulting necessary reduction of machine set-up times continue to present a challenge. A programme to reduce complexity costs in this connection was prepared in the reporting period and is scheduled to be implemented in 2012.

PALFINGER plans to implement further improvement measures in 2012 – in particular with a view to delivery periods, reduction of inventories and improvement of productivity – as well as to expand order-based manufacturing to include other business units.

Up-stream and down-stream integration towards suppliers and dealers will also be given priority in order to be able to synchronize processes even better. In doing so, PALFINGER caters to three different requirements which are gaining increasing importance: the sale of products in stock that can be delivered quickly, customer-specific products and special applications in the form of projects.

QUALITY MANAGEMENT

Quality standards and regular internal and external audits have become a fixed component of PALFINGER's corporate culture in order to fully keep up with continuously rising customer expectations. The expansion strategy pursued by the PALFINGER Group poses additional challenges to quality management. PALFINGER's aim is to transfer and sustainably maintain the high standard of all corporate units all the way through the value-creation chain.

In 2011, numerous system, process, product and supplier audits were successfully carried out at the new companies as well as at the companies within the areas. Employees as well as suppliers are regularly trained in methods to uphold and continuously improve quality standards. Compliance with such standards is reviewed on a regular basis.

Internal and external audits confirm the constant improvement of quality standards.

Internal audits were further improved and/or expanded in 2011. Prototype construction was reviewed and made more efficient, internal component and welding audits were intensified and became a fixed component of quality management.

Regarding the expansion of external audits, the Marine Systems business unit, which was only formed in the second half of 2010, is particularly noteworthy. In September 2011, the site in Maribor, Slovenia, was awarded self-tester status (MSA) by DNV (Det Norsk Veritas) for components subject to acceptance. This made it possible for PALFINGER to align processes and costs for marine components much better with customers' expectations regarding prices and delivery dates. Following an outstanding audit result, MSA certification was also granted to the plants in Lengau, Austria, as well as Tenevo and Cherven Brjag in Bulgaria. PALFINGER has thus taken a major step in quality management for the new business unit Marine Systems.

Recertifications for the quality management system according to DIN ISO 9001:2008 were made at the Austrian plants in Salzburg, Köstendorf and Lengau as well as at Cadelbosco di Sopra in Italy, at the Bulgarian plant in Cherven Brjag and at Ganderkesee, Germany. All systems were successfully recertified for the next three years.

In 2012, the expansion of the quality management systems in the areas will be a predominant focus. Moreover, PALFINGER is striving to obtain additional certifications from other acceptance companies in the Marine Systems business unit in order to simplify components acceptance.

MANUFACTURING FOR THIRD PARTIES

PALFINGER provides a fixed share of its production capacities – and thus also know-how – to external customers. This production-side opening to the external market has contributed to maintaining and strengthening competitiveness as well as to raising customer orientation. Products manufactured for third parties include, first and foremost, welding components, hydraulic cylinders and system sub-assemblies. In 2011, this was done at four PALFINGER plants.

The centre of excellence for hydraulic cylinders, which was set up in 2010, provides expert knowledge to external customers and supports the internal know-how transfer at PALFINGER and thus product enhancements in other areas as well.

In 2011, the customer base and the number of orders were expanded considerably, not least due to the long-term commitment and intensified efforts of PALFINGER's sales division. In this connection, PALFINGER also underwent quality audits and, with its excellent assessments, established itself as the preferred supplier in several cases.

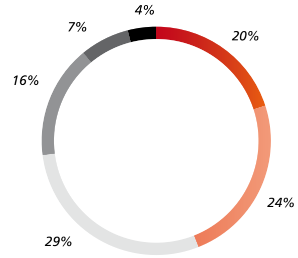
PALFINGER's know-how is also available to external customers.

PALFINGER stands for high quality, competitive prices, high delivery performance and continuous enhancement of products and processes. Internal and external customers alike appreciate in particular PALFINGER's expertise in manufacturing certified components, especially for the Marine Systems business unit.

HUMAN RESOURCES

The growth recorded by the PALFINGER Group in 2011 is also reflected in the number of employees. As compared to 2010, 998 new jobs were created, which corresponds to an increase of approximately 20 per cent. The acquisition of the Russian crane producer INMAN, with a workforce of 415 at the date of acquisition, also contributed to this increase. As at 31 December 2011, the PALFINGER Group employed a total of 6,043 staff members (excluding temporary workers) in its 43 fully consolidated Group companies. On an annual average, 5,600 staff members were employed by PALFINGER. In addition, 293 temporary workers (on average) were employed to cover capacity bottlenecks. The percentage of women employed remained constant at approx. 10 per cent.

In the year under review, the staff turnover rate was 10.2 per cent and thus rose as compared to 8.5 per cent in 2010.



EMPLOYEES BY AREA
(in per cent)

- 20% Austria
- 24% Rest of Western Europe
- 29% Central and Eastern Europe
- 16% North America
- 7% South America
- 4% Asia (incl. India)

ATTRACTIVE JOBS AND SELF-RELIANT EMPLOYEES

PALFINGER endeavours to offer attractive jobs to its current and potential 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. The methods and principles of lean management are applied at nearly all manufacturing and assembly plants.

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

PALFINGER's pay system is another integral part of the Group's HR policy. In many lines of work the pay system contains variable-pay components, determined by organizational performance as well as the fulfilment of an employee's individual performance targets, thus creating an attractive incentive and motivation for employees to earn more than the base salary.

SKILLED LABOUR AS A CORE FACTOR OF SUCCESS

The training concept implemented by the PALFINGER Group starts with initial vocational training, a field in which, for example, PALFINGER has for many years set the benchmark in Austria with its apprentice training programmes. In the 2011 financial year, 67 apprentices were trained in Austria, primarily mechanical, production, mechatronic and construction engineers, welders and industrial business management assistants. Almost all apprentices graduated with distinction from the part-time vocational school for apprentices; several top rankings were, for example, achieved in the "Lehrlingsaward Oberösterreich" (Apprentice Award of Upper Austria). The "Lehre mit Matura" (apprenticeship and upper secondary school leaving certificate) scheme has also proven extremely successful.

At the international locations, PALFINGER also imparts its own know-how to train skilled labour in a targeted manner. 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 the plant.

In the field of continuing vocational training, the PALFINGER College has become a well-established institution at the Austrian sites. This training and development programme is essentially based on the transfer of knowledge by internal experts, specifically supplemented by courses held by external speakers. In Austria, 758 staff members attended a total of 2,388 training days with the aim of extending their business skills.

Being able to deploy highly qualified staff at the right place at the right time has become of the essence, given the volatility of markets and the internationality of the Group.

The Palfinger Global Leadership Programme, an internal staff development programme, ensures that employees with potential management skills – currently 14 international participants from within the PALFINGER Group – receive the best possible preparation for their future top management positions. A trainee programme with seven participants has been equally successful.

Furthermore, a corporate business development initiative was started in 2011 in cooperation with the Österreichisches Controller-Institut, with the specific object of strengthening the entrepreneurial skills of the management and the networking of the individual units through the development of strategic and performance skills within the scope of PALFINGER's corporate strategy.

Personnel marketing activities such as presence at job fairs, high school graduation projects, traineeships and academic diploma theses are being further developed.

ORGANIZATIONAL AND HUMAN RESOURCES DEVELOPMENT

Employee satisfaction is another important factor accounting for corporate success. In this connection, mention should be made of the pleasing results of the 2011 annual staff survey, in which a record number of employees participated and which showed higher satisfaction ratings than before. In order to respond to other feedback from the survey, workshops were held at the individual sites.

Regular appraisal interviews are designed to harmonize the individual goals pursued by employees with those pursued by PALFINGER and also improve the quality of work and cooperation as a whole.

Specific development of skills of employees

In addition, annual staff review talks between HR managers and executives provide an important source of information on existing human resources potential and where it needs to be promoted, so as to ensure the best possible career and succession planning.

In order to make it easier for new employees to be integrated into the Company, an orientation programme was developed at the Austrian sites in which background knowledge relevant to PALFINGER is taught in a concise and practical way.

In 2011, 34 expatriates facilitated a comprehensive transfer of know-how between headquarters and local companies as well as among local companies.

Regular meetings of the global management team guarantee efficient information flows and decisions; in addition, an annual evaluation of the strategic need for highly qualified executives helps to prevent a future shortage.

SUSTAINABILITY

At PALFINGER, environmental protection and social responsibility are fundamental corporate values. Sustainability means designing products in such a way that users may apply them in a safe and eco-efficient manner. Working conditions at the plants are humane and, at the same time, production is resource and energy efficient. PALFINGER also incorporates its suppliers into its commitment to sustainability. Sustainability is thus an issue that is addressed along the entire value-creation chain. Not only does this benefit the environment and society; sustainable development leads to product innovations, lowers costs and brings greater stability to the network of suppliers.

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➔ CSR

SUSTAINABILITY MANAGEMENT

PALFINGER collects and consolidates the entire Group's ecological and social key performance indicators within the scope of its comprehensive key performance indicator management on an annual basis. Every other year, the successes achieved and the future goals are published in a sustainability report. The latest report covered 2008 and 2009 and won the Austrian Sustainability Reporting Award (ASRA) and the Austrian Annual Report Award (AAA) of the economic journal "trend" for the best sustainability report published by an Austrian company. These awards not only acknowledge the comprehensive documentation made but also the commitment of PALFINGER. The next sustainability report will be published in the second quarter of 2012 and will cover 2010 and 2011.

Sustainability Report 2010/2011: publication in second quarter 2012

In 2011, the defined sustainability programme 2010/2011 was continued. Responsibility for the individual measures lay with the respective management representatives who consulted with the Group-wide sustainability management on a regular basis. Some of the programme's priorities are listed below.

Sustainable product innovations

PALFINGER has managed to establish sustainable product innovations on the market. Particular mention should be made of electrically operated tail lifts which avoid noise emissions and lower the fuel consumption of trucks.

Another example is the maintenance-free extension system that requires only a minimum amount of grease for initial lubrication and no subsequent lubrication at all; it is thus easy on the environment and minimizes service costs for the customer. Food-grade grease is used in the initial lubrication of the maintenance-free extension system.

Moreover, an information campaign on biodegradable hydraulic oil was carried out in 2011 with the objective of increasing its share in total hydraulic oil consumption.

Eco-efficient production

In 2011, energy efficiency was a top priority. The facility management project that was implemented at various sites in Austria, Bulgaria and Slovenia played an essential role in the implementation of energy efficiency measures. A detailed documentation of energy indicators was made, from which measures for improvement were derived. For example, the thermal insulation of buildings was improved, and leaks of pressurized air and process gases were eliminated. In order to develop and incorporate skills sustainably, PALFINGER has promoted the training of staff members to qualify as European Energy Managers.

Social responsibility

Health and safety are given great priority at PALFINGER. In 2011, for example, a crisis intervention team was established and offices were set up to serve as first points of contact for employees regarding matters of concern such as health or indebtedness. The long-standing health and safety programme PALfit was continued. A pilot project by the name of Generation Management was initiated to counter a drain of know-how caused by retiring employees.

CUSTOMERS AND SUPPLIERS, PURCHASING
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Sustainability in the supply chain

A mandatory Code of Conduct was established for suppliers. Regular audits of suppliers encompass ecological and social aspects as well as those regarding economic ethics.

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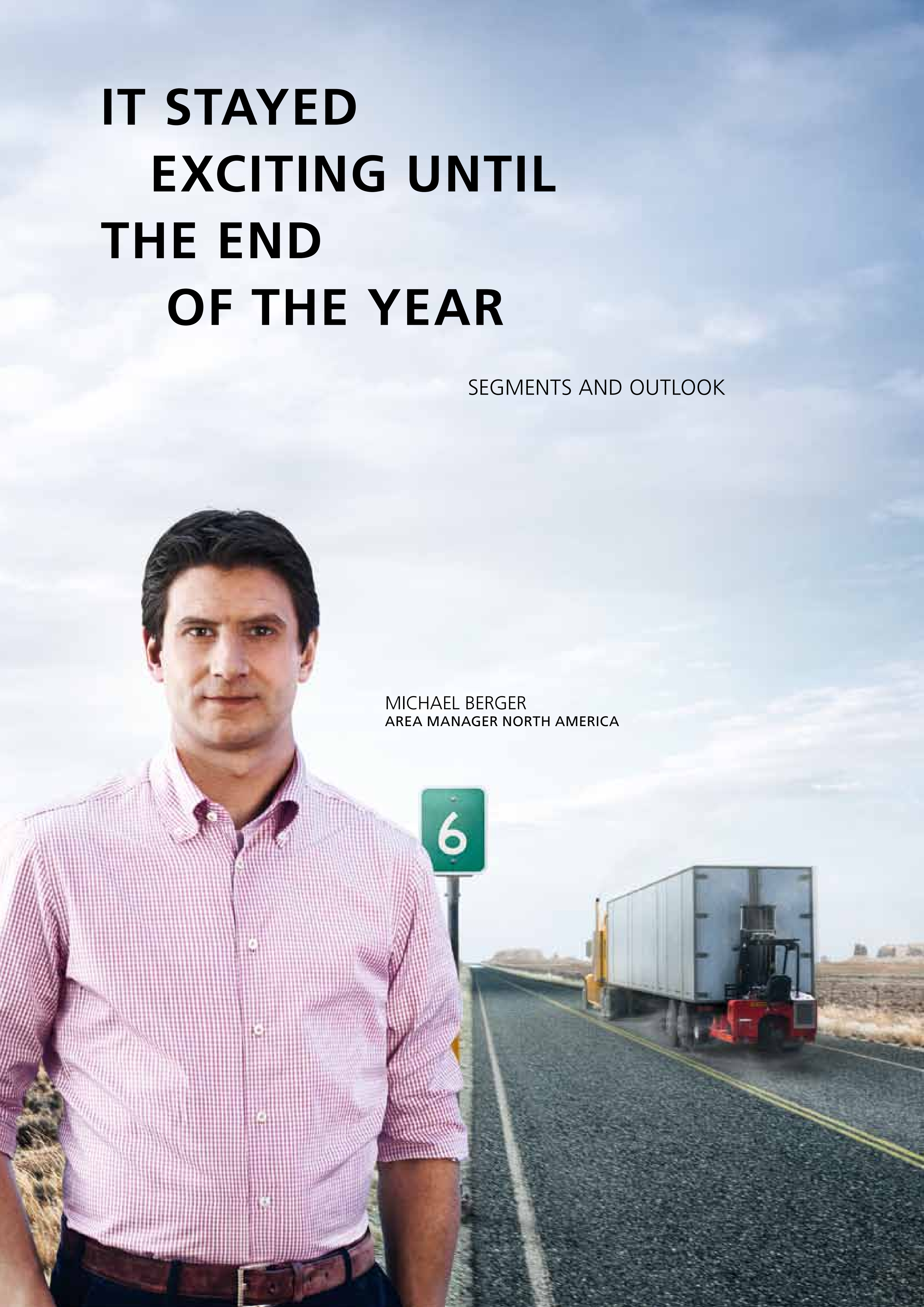
IT STAYED EXCITING UNTIL THE END OF THE YEAR

SEGMENTS AND OUTLOOK



MICHAEL BERGER
AREA MANAGER NORTH AMERICA

CONSOLIDATED MANAGEMENT REPORT /

SEGMENTS AND OUTLOOK

- **EUROPEAN UNITS SEGMENT ACCOUNTS FOR LION'S SHARE OF REVENUE AND EARNINGS DESPITE HIGH VOLATILITY**
- **AREA UNITS SEGMENT: HIGH GROWTH RATES ACHIEVED, ABOVE ALL IN YOUNG MARKETS**
- **VENTURES UNIT ACCELERATES ONGOING MARKET EXPANSION IN ASIA**
- **SLIGHT GROWTH EXPECTED IN 2012 DESPITE UNCERTAIN OUTLOOK**

CONSOLIDATED MANAGEMENT REPORT / SEGMENTS AND OUTLOOK

PERFORMANCE BY SEGMENT

Since 2010, PALFINGER has taken a regional approach in its organizational structure. The European business units and the areas outside Europe have been given a large degree of independence in order to enable them to meet the requirements of the individual markets in an ideal manner. Not only does this support the further internationalization of the Group, it also makes it possible to focus more strongly on increasing the flexibility of all processes. In this context, special emphasis is placed on strategic projects that promote the further development of the PALFINGER Group.

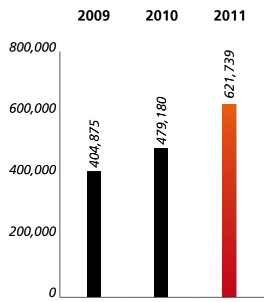
The segment performance figures are broken down accordingly into the segments EUROPEAN UNITS and AREA UNITS and the VENTURES unit.

SEGMENTS 2011

	Revenue EUR thousand	**Revenue** in %	**EBIT** EUR thousand	**EBIT** in %
EUROPEAN UNITS	621,739	73.5%	80,058	117.9%
AREA UNITS	223,938	26.5%	(1,102)	(1.6%)
VENTURES	–	–	(10,301)	(15.2%)
Consolidation	–	–	(738)	(1.1%)
PALFINGER Group	**845,677**	**100.0%**	**67,917**	**100.0%**

EUROPEAN UNITS

The EUROPEAN UNITS segment comprises the area EMEA with the business units Knuckle Boom Cranes, Timber and Recycling Cranes, Tail Lifts, Access Platforms, Hookloaders, Transportable Forklifts, Railway Systems, Production, the distribution company in Germany and the associated subsidiaries and, since the third quarter of 2010, the Marine Systems business unit.

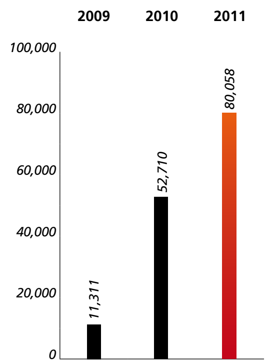


DEVELOPMENT OF SEGMENT REVENUE
(EUR thousand)

BUSINESS DEVELOPMENT IN 2011

In the 2011 financial year, the EUROPEAN UNITS segment posted revenue of EUR 621.7 million, which was 29.8 per cent higher than the previous year's figure of EUR 479.2 million. This corresponds to EUR 142.6 million in growth, EUR 54.5 million of which is attributable to the new Marine Systems business unit. In 2010, revenue generated by Ned-Deck Marine (NDM) was included in this segment for only six months, while revenue generated by the marine and wind energy business taken over from Palfinger systems GmbH was included for only a two-month period.

Revenue and earnings grew in nearly all product areas, with exceptionally high increases in earnings being achieved in the business units Timber and Recycling Cranes, Access Platforms, Transportable Forklifts and Hookloaders, as well as by the distribution company in Germany. The strongest growth in absolute figures was recorded in the crane business, which, however, was also the area faced with the biggest prior decline. Railway Systems was the only business unit to post a decline in revenue in 2011, thus reducing the positive contribution to earnings. This was due to the volatile order situation in 2010 in combination with the long lead times of projects.



DEVELOPMENT OF SEGMENT EBIT
(EUR thousand)

Growing demand in Europe, PALFINGER's core market, facilitated significant increase in earnings.

At EUR 80.1 million the segment EBIT was clearly above the previous year's figure of EUR 52.7 million. This substantial improvement was the result of higher capacity utilization on the one hand and the sustainable impact of previously implemented cost-cutting measures on the other hand. In addition, the sale of the non-controlling interest of 36 per cent in Palfinger Southern Africa (Pty.) Ltd. produced a positive one-off effect of EUR 1.8 million.

EUR thousand	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Segment revenue	98,824	126,597	112,658	141,101	146,883	171,288	148,331	155,237
Segment EBIT	9,008	15,501	10,023	18,178	19,493	25,144	20,017	15,404

Knuckle Boom Cranes

In the 2011 financial year, revenue in Knuckle Boom Cranes increased by 18 per cent as compared to the previous year. The most successful sales markets were Germany, France, Scandinavia, Great Britain and South Africa. Markets in Spain, Portugal, the Netherlands and the Middle East were weak. This business unit within the EUROPEAN UNITS segment – PALFINGER's core business – is still the most profitable unit of the PALFINGER Group.

Timber and Recycling Cranes

Increases in market demand were translated into a revenue boost of 64 per cent and exceptionally strong growth in earnings in the Timber and Recycling Cranes business unit. Market leadership in Europe was expanded, not least because PALFINGER has a much more diverse product range than its competitors.

Tail Lifts

The Tail Lifts business unit recorded a continuous rise in revenue and an exceptionally high increase in earnings in the 2011 financial year. The performance of markets in Great Britain and Germany was particularly satisfying. The takeover of the service business of Ross & Bonnyman, which was concluded in the third quarter of 2011, has had an additional positive effect on further growth in the British market.

Access Platforms

Markets in this late-cycle area continued to be hesitant during 2011, although a very positive trend in the development of revenue and earnings is observable. Restructuring measures resulted in a distinct improvement in the 2011 financial year after the considerable reduction of earnings experienced in 2010. In the course of the year, further product quality enhancements and the expansion of the service business led to market share gains, particularly in Germany and France.

Hookloaders

After undergoing changes in 2010, the operational management of the European business unit Hookloaders succeeded in making this unit sustainably profitable through restructuring, lowering of fixed costs and optimization of production processes. The increase in demand, particularly in Germany, also reflected the technological and qualitative advantages of the products offered. For 2012 additional potential has been identified, primarily in France, in innovative and cost-efficient solutions for mounting the products on carrying vehicles.

Transportable Forklifts

The Transportable Forklifts business unit continued to display its strength in the key account business and particularly in Germany. All in all, a satisfactory contribution to revenue and earnings was generated on this basis in 2011. In Great Britain, PALFINGER expects to boost business by means of a design customized for the local market. Moreover, PALFINGER plans to broaden the customer base in order to be able to better compensate the volatility of the individual geographical markets. A comprehensive marketing project has been devised to this end.

Railway Systems

In contrast to the other business units, the volatile order situation in the Railway Systems business in 2010, in combination with the long lead times of projects, was reflected in weak earnings in the 2011 financial year. An increase in incoming orders has been recorded since the beginning of 2011, but this will not be reflected in a return of the Railway Systems business unit to its usual contribution to earnings until 2012. The development of this business unit in the reporting period was supported by the focus on service strategy.

Production

The Production business unit achieved an exceptionally large increase in its contribution to earnings during the reporting period. This was made possible, on the one hand, by improved capacity utilization and, on the other hand, by optimized processes in connection with order-based manufacturing and a good cost structure. PALFINGER has already established a reputation as a reliable partner with top quality products in the field of third-party manufacturing for external customers. In Croatia, in order to further optimize production flows, two companies were merged in the second quarter of 2011 and the Delnice site was expanded. An expansion of production capacities by 30 per cent at the site in Tenevo, Bulgaria, was agreed upon with a view to ensuring supply with top-quality cylinders even if demand should increase in the future.

Marine Systems

The Marine Systems business unit, which was set up in 2010, is composed of the four sub-units Marine, Rescue, Wind and Service. The advancing integration of this business unit is well underway, which is reflected in an increase in incoming orders and positive earnings. The result of this business unit will still be impacted slightly by the effects of the purchase price allocation for a few quarters. The product areas included in this unit lived up to the expectations, with highly satisfactory contributions to earnings being generated by Ned-Deck Marine. In the offshore wind energy sector, two important large-scale orders were won in the second half of the year. This sector will remain a priority, enabling PALFINGER to derive optimal benefit from the future potential of this growth market.

SEGMENT SHARE IN THE CONSOLIDATED NET RESULT FOR THE PERIOD

	in % of Group	**2011** EUR thousand	**2010** EUR thousand
External revenue	73.5%	621,739	479,180
EBITDA	106.2%	102,730	70,081
Depreciation, amortization and impairment	78.6%	22,672	17,371
EBIT	117.9%	80,058	52,710
Segment assets	75.0%	554,984	508,945
Segment liabilities	37.9%	146,495	135,846
Investment in property, plant and equipment, intangible assets	74.7%	18,205	13,936
EBIT margin		**12.9%**	**11.0%**
Average payroll during reporting period*	68.9%	3,857	3,366

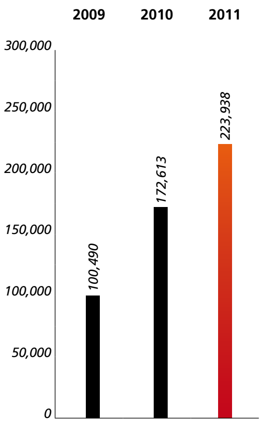
* Consolidated Group companies excluding equity shareholdings and temporary workers.

AREA UNITS

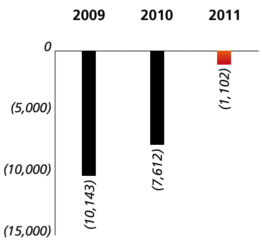
The AREA UNITS segment comprises the areas North America, South America, Asia and Pacific, India and CIS together with their respective regional business units.

The areas outside Europe are still being developed, which was reinforced by the recent acquisitions in North America and Russia and the initiatives promoted in China. In combination with the US market still being on a low level, this resulted in this segment posting negative results. By integrating and further expanding its strategic initiatives PALFINGER aims to quickly enter the profit zone in the AREA UNITS on the basis of continued growth.

In the third quarter of 2011, PALFINGER took over the leading crane producer in Russia, a huge growth market; the results posted by INMAN have been included in this segment since 26 August.



DEVELOPMENT OF SEGMENT REVENUE
(EUR thousand)



DEVELOPMENT OF SEGMENT EBIT
(EUR thousand)

BUSINESS DEVELOPMENT IN 2011

In the reporting period, revenue generated by the AREA UNITS segment increased by 29.7 per cent from EUR 172.6 million to EUR 223.9 million year on year. At 26.5 per cent, the share of the areas outside Europe in the consolidated revenue remained at the same level as in the previous year.
In the fourth quarter of 2011, revenue amounted to EUR 66.4 million, which was an impressive 45.1 per cent higher than in the same quarter of the previous year. This was due in part to increases in revenue in all product areas in North America. In addition, the CIS area, in connection with the acquisition of INMAN, was a major growth booster.

At –EUR 1.1 million the segment's EBIT for 2011 was better than the figure of –EUR 7.6 million recorded for 2010. After the positive effect in connection with the acquisition of the Omaha Standard Group in the third quarter of 2010, in 2011 a one-time positive effect of EUR 4.0 million resulted from the initial consolidation of the acquisitions made. Moreover, the improvement of EBIT shows that PALFINGER is on the right track towards posting positive earnings.

The transition to order-based manufacturing in South America had very favourable effects on results. The main burdens were the market development expenses for new regions and products in North and South America and Russia, as well as the integration costs incurred in connection with acquisitions.

EUR thousand	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Segment revenue	30,601	41,380	54,856	45,776	44,693	51,406	61,401	66,438
Segment EBIT	(3,865)	(2,653)	839	(1,933)	(2,588)	(1,746)	(917)	4,149

North America

In the area North America, the local product range was rounded out with the acquisition of ETI, an access platform producer, in 2010. Furthermore, all the business units in this area reported significant revenue growth during the reporting period, thereby bringing its result back into the black. PALFINGER is still working hard to integrate the business units in terms of value creation as well as distribution and dealer networks in a move designed to generate further potential for this area. Additional potential was created by restructuring PALFINGER's own dealer network in the USA.

South America

PALFINGER still sees South America as a growth market in which the Group consistently pursues the establishment of new products such as its EPSILON timber and recycling cranes. In 2011, satisfactory increases in revenue were generated particularly in Chile. Increased efficiency in value creation through order-based manufacturing has already had a positive effect on this area's results. The situation in the market for telescopic cranes is proving more and more difficult due to the products of Chinese competitors. PALFINGER is examining possible strategic options in this connection.

Asia and Pacific

PALFINGER continued to achieve growth in the area Asia and Pacific, which is still small, with revenue up by approx. 26 per cent compared to the previous year. This area thus contributed around 2 per cent to the Group's consolidated net result for the period. In China, having established a value-creation site in Shenzhen, PALFINGER is now intensively developing further strategic options designed to significantly enhance growth potential in this area for the PALFINGER Group.

India

In the area India, results for 2011 were impacted by the costs of start-up and expansion incurred in connection with the new assembly site in Chennai. Local value creation at the site was expanded further in order to meet market requirements. The intensified market development efforts made since 2010 have already brought about a satisfactory improvement in incoming orders. The successful introduction of a telescopic crane adapted to local needs promises a consolidation of this trend. For the first time, suitable local suppliers were selected to expand the Group's supplier base. This has helped to improve the cost structure.

CIS

The area CIS has already benefited considerably from the local sales organization implemented in 2009. Since then, the distribution of PALFINGER products has been advanced through the company Palfinger Crane Rus, in which PALFINGER formerly held a 49% share. To ensure the ideal organization of further growth steps, the share in this company was increased to 80 per cent in the reporting period. The number of PALFINGER dealers on both sides of the Ural already exceeds 50, and the search for additional local partners is progressing well. Sales figures developed satisfactorily in 2011, particularly for knuckle boom cranes and timber and recycling cranes.

With the takeover of the leading crane manufacturer INMAN, PALFINGER reached a major milestone in expanding its local presence through distribution and value-creation structures. Moreover, a locally recognized product was added to the Group's product portfolio through this acquisition. This expansion step has contributed considerably to Russia's becoming one of the most important individual markets for the PALFINGER Group in the future.

Expansion of business outside Europe is also reflected in higher earnings.

SEGMENT SHARE IN THE CONSOLIDATED NET RESULT FOR THE PERIOD

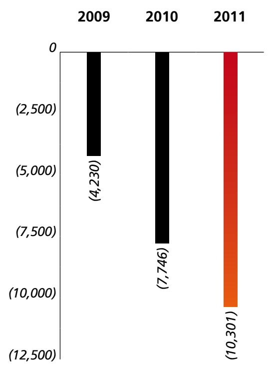
	in % of Group	2011 EUR thousand	2010 EUR thousand
External revenue	26.5%	223,928	172,613
EBITDA	5.2%	5,074	(2,244)
Depreciation, amortization and impairment	21.4%	6,175	5,368
EBIT	(1.6%)	(1,102)	(7,612)
Segment assets	31.1%	230,079	182,302
Segment liabilities	30.8%	119,020	75,056
Investment in property, plant and equipment, intangible assets	25.3%	6,173	5,111
EBIT margin		**(0,5%)**	**(4.4%)**
Average payroll during reporting period*	30.1%	1,685	1,281

* Consolidated Group companies excluding equity shareholdings and temporary workers.

VENTURES

The VENTURES unit is still composed of all major strategic projects for the future pursued by the PALFINGER Group up to their operational maturity, and the costs of such projects are reported in this unit.

BUSINESS DEVELOPMENT IN 2011



DEVELOPMENT OF UNIT EBIT
(EUR thousand)

In 2011, numerous projects, particularly in the areas CIS, Asia and Pacific, and India, were coordinated under the VENTURES unit.

With the takeover of the Russian crane producer INMAN, a major growth project for the PALFINGER Group in the area CIS was successfully completed in the third quarter of 2011.

A priority in 2011 was the preparation of the preferred strategy for the Group's further positioning in China. PALFINGER is proceeding on the assumption that China is going to become the largest market for its products within a few years. In order to maintain its global leading position, it is therefore important, for several reasons, that PALFINGER become considerably more active in this growth market, apart from the existing plant in Shenzhen. PALFINGER has been holding talks with potential Chinese partners for some time now in this connection.

The projects included in the VENTURES unit do not generate revenue. The unit's EBIT for 2011 amounted to –EUR 10.3 million, compared to –EUR 7.7 million in 2010. The year-on-year increase in expenses reflects the fact that the PALFINGER Group consistently promotes its projects for the future.

SIGNIFICANT CHANGES, CONTINUATION OF MARKET EXPANSION PAGE 62

EUR thousand	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Unit EBIT	(1,584)	(1,861)	(1,744)	(2,557)	(1,772)	(2,539)	(2,650)	(3,340)

SHARE IN THE CONSOLIDATED NET RESULT FOR THE PERIOD

	in % of Group	2011 EUR thousand	2010 EUR thousand
EBITDA	(10.6%)	(10,301)	(7,746)
EBIT	(15.2%)	(10,301)	(7,746)
Average payroll during reporting period*	1.0%	57	24

* Consolidated Group companies excluding equity shareholdings and temporary workers.

KEY EVENTS AFTER THE BALANCE SHEET DATE

After the end of the 2011 financial year, there have been no material post-reporting events.

OUTLOOK

After the global economic crisis of previous years, PALFINGER showed gratifying performance in 2010 and 2011 that was based, on the one hand, on implemented structural and growth initiatives and, on the other hand, on the recovery of important markets. The Group managed to grasp market opportunities and emerged from the crisis even stronger than before in all sectors, having obtained significant benefits from the incipient market growth. In the second half of 2011, however, uncertainty in the European markets increased once again due to the re-emergence of economic turmoil, causing the economic mood to take another negative turn.

The consistent pursuit of internationalization, especially outside Europe, is thus being continued. In recent years, the strategic decision to grow towards the BRIC countries has already proven its worth: Some of the formerly large European markets still have not recovered from the global economic crisis of 2008/2009. In contrast, markets that are still young for PALFINGER are performing very well.

PALFINGER plans further growth for 2012.

At the moment, the internationalization focus is on Asia and Russia, where, along with economic growth, the market potential of PALFINGER is on the rise as well. In Russia, PALFINGER has already taken a major step with the acquisition of INMAN. In China, another important future market, PALFINGER has been promoting target-oriented strategic development to increase local value creation.

Flexibility is an essential competitive advantage for PALFINGER, particularly in connection with the increasing volatility of the markets. Switching to order-based procurement, manufacturing and assembly has enabled PALFINGER to respond to order fluctuations quickly without locking up excessive capital by increasing inventories. PALFINGER will therefore continue to pursue its flexibility course consistently in all fields.

The growing diversity of the Group's products, expansion through acquisition as well as the promotion of internationalization have proved to be significant competitive advantages for PALFINGER but, at the same time, require that the Group concentrate more on complexity management. Stepping up activities and increasing resources in this field should help the Group to utilize and expand these advantages in the future as well.

The developments that have been observed in the financial markets in Europe from the second half of 2011 onwards will also have an impact on the real economy and thus on the markets that are of relevance for PALFINGER. Nevertheless, PALFINGER is confident that a decline in performance will not reach the same dimensions as in the crisis year 2009: The optimized cost structure, enhanced processes and above all the reduction of inventories at all value-creation stages – from suppliers to dealers – enable PALFINGER to respond flexibly to changes in market demand.

Against the backdrop of the uncertain development of the economy and demand, the management expects a moderate increase in revenue, especially coming from the areas outside Europe, for the 2012 financial year. In addition, the areas North and South America and the business units Access Platforms and Marine Systems are expected to make even more substantial contributions to earnings.

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CLEAR AND CONCISE: CONSOLIDATED FINANCIAL STATEMENTS 2011

UWE LEOPOLD
FINANCE & RISK MANAGEMENT

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DEC 2011

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31 Dec 2011	31 Dec 2010*
Non-current assets			
Intangible assets	1, 16, 19, 26	150,372	127,972
Property, plant and equipment	2, 16, 27	196,774	200,151
Investment property	3, 28	404	419
Investments in associated companies	29	13,060	15,459
Deferred tax assets	11, 17, 30	23,219	31,858
Non-current financial assets	6, 31	6,049	2,794
Other non-current assets	32	1,917	2,242
		391,795	**380,895**
Current assets			
Inventories	4, 22, 33	198,578	159,754
Trade receivables	5, 6, 21, 34	120,875	110,511
Other current assets	35	13,083	9,893
Tax receivables	11	306	513
Cash and cash equivalents	6, 36	15,137	15,865
		347,979	**296,536**
Total assets		**739,774**	**677,431**
Equity			
Share capital	37	35,730	35,730
Additional paid-in capital	7, 38	30,477	30,423
Treasury stock	39	(2,009)	(1,509)
Retained earnings*	40, 41	285,476	251,172
Foreign currency translation reserve		(3,065)	(1,236)
		346,609	**314,580**
Non-controlling interests*		6,171	5,311
		352,780	**319,891**
Non-current liabilities			
Liabilities from puttable non-controlling interests*	10, 14, 23	16,045	11,469
Non-current financial liabilities	6, 42	86,328	123,562
Non-current provisions	8, 9, 18, 24, 43	47,457	40,637
Deferred tax liabilities	11, 30	7,287	15,178
Other non-current liabilities	44	3,917	4,461
		161,034	**195,307**
Current liabilities			
Current financial liabilities	6	102,783	55,947
Current provisions	9, 20, 45	12,286	11,668
Tax liabilities	11	3,088	4,352
Trade payables and other current liabilities	6, 46	107,803	90,266
		225,960	**162,233**
Total equity and liabilities		**739,774**	**677,431**

* Due to the change in the presentation of puttable non-controlling interests, corrections with retrospective effect were made (see Note 14).

CONSOLIDATED INCOME STATEMENT [1)]

EUR thousand	Note	Jan–Dec 2011	Jan–Dec 2010
Revenue	47	**845,677**	**651,793**
Changes in inventory and own work capitalized	48	20,885	342
Other operating income	49	10,348	14,267
Materials and external services	33, 50	(458,727)	(337,284)
Employee benefits expenses	51	(216,858)	(178,722)
Depreciation, amortization and impairment expenses	26, 27, 52	(28,847)	(22,739)
Other operating expenses	53	(115,485)	(92,955)
Income from associated companies	29	10,924	2,446
Earnings before interest and taxes – EBIT		**67,917**	**37,148**
Interest income	54	500	518
Interest expenses	54	(11,169)	(10,896)
Exchange rate differences	54	(278)	3,028
Other financial income	54	30	35
Net financial result		**(10,917)**	**(7,315)**
Result before income tax		**57,000**	**29,833**
Income tax expense	12, 55	(9,634)	(2,556)
Result after income tax		**47,366**	**27,277**
attributable to			
shareholders of PALFINGER AG (consolidated net result for the period)		**41,955**	**24,225**
non-controlling interests		**5,411**	**3,052**
EUR			
Earnings per share (undiluted and diluted)	40	1.19	0.68
Dividend per share	40	0.38[2)]	0.22

1) The presentation has been adjusted (see Note 14).
2) Proposal of the Management Board to the Supervisory Board for presentation to the Annual General Meeting for resolution.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan–Dec 2011	Jan–Dec 2010
Result after income tax		**47,366**	**27,277**
Unrealized profits (+)/losses (–) from foreign currency translation		(1,719)	6,124
Unrealized profits (+)/losses (–) from AFS securities	41		
Changes in unrealized profits (+)/losses (–)		0	(10)
Deferred taxes thereon		0	3
Actuarial gains (+)/losses (–) according to IAS 19	43	(211)	(1,759)
Deferred taxes thereon		51	447
Unrealized profits (+)/losses (–) from cash flow hedge	41		
Changes in unrealized profits (+)/losses (–)		(81)	(673)
Deferred taxes thereon		(36)	111
Effective taxes thereon		56	85
Realized profits (–)/losses (+)		(215)	532
Deferred taxes thereon		33	(154)
Effective taxes thereon		23	25
Other comprehensive income after income tax		**(2,099)**	**4,731**
Total comprehensive income		**45,267**	**32,008**
attributable to			
shareholders of PALFINGER AG		**39,746**	**28,890**
non-controlling interests		**5,521**	**3,118**

<< BACK FORWARD >> SEARCH PRINT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to the shareholders of PALFINGER AG						Equity attributable to the shareholders of PALFINGER AG			
					Retained earnings						
EUR thousand	Note	Share capital	Additional paid-in capital	Treasury stock	Other retained earnings	Actuarial gains/losses acc. to IAS 19	Valuation reserves acc. to IAS 39	Foreign currency translation reserve	Total	Non-controlling interests	Equity
As at 1 Jan 2010		**35,730**	**30,363**	**(1,509)**	**231,042**	**411**	**(363)**	**(7,287)**	**288,387**	**3,890**	**292,277**
Total comprehensive income											
Result after income tax		0	0	0	24,225	0	0	0	**24,225**	3,052	**27,277**
Other comprehensive income after income tax											
Unrealized profits (+)/losses (–) from foreign currency translation		0	0	0	0	0	0	6,051	**6,051**	73	**6,124**
Unrealized profits (+)/losses (–) from AFS securities		0	0	0	0	0	(7)	0	**(7)**	0	**(7)**
Actuarial profits (+)/losses (–) acc. to IAS 19	43	0	0	0	0	(1,305)	0	0	**(1,305)**	(7)	**(1,312)**
Unrealized profits (+)/losses (–) from cash flow hedge	41	0	0	0	0	0	(74)	0	**(74)**	0	**(74)**
		0	0	0	0	(1,305)	(81)	6,051	**4,665**	66	**4,731**
		0	**0**	**0**	**24,225**	**(1,305)**	**(81)**	**6,051**	**28,890**	**3,118**	**32,008**
Transactions with shareholders											
Dividends		0	0	0	0	0	0	0	**0**	(1,085)	**(1,085)**
Acquisitions		0	0	0	0	0	0	0	**0**	8,101	**8,101**
Reclassification non-controlling interests*	14	0	0	0	(2,779)	0	0	0	**(2,779)**	(8,690)	**(11,469)**
Other changes	7, 38	0	60	0	22	0	0	0	**82**	(23)	**59**
		0	**60**	**0**	**(2,757)**	**0**	**0**	**0**	**(2,697)**	**(1,697)**	**(4,394)**
As at 31 Dec 2010*		**35,730**	**30,423**	**(1,509)**	**252,510**	**(894)**	**(444)**	**(1,236)**	**314,580**	**5,311**	**319,891**
As at 1 Jan 2011		**35,730**	**30,423**	**(1,509)**	**252,510**	**(894)**	**(444)**	**(1,236)**	**314,580**	**5,311**	**319,891**
Total comprehensive income											
Result after income tax		0	0	0	41,955	0	0	0	**41,955**	5,411	**47,366**
Other comprehensive income after income tax											
Unrealized profits (+)/losses (–) from foreign currency translation		0	0	0	0	0	0	(1,829)	**(1,829)**	110	**(1,719)**
Actuarial profits (+)/losses (–) acc. to IAS 19	43	0	0	0	0	(160)	0	0	**(160)**	0	**(160)**
Unrealized profits (+)/losses (–) from cash flow hedge	41	0	0	0	0	0	(220)	0	**(220)**	0	**(220)**
		0	0	0	0	(160)	(220)	(1,829)	**(2,209)**	110	**(2,099)**
		0	**0**	**0**	**41,955**	**(160)**	**(220)**	**(1,829)**	**39,746**	**5,521**	**45,267**
Transactions with shareholders											
Dividends	40	0	0	0	(7,788)	0	0	0	**(7,788)**	(3,811)	**(11,599)**
Reclassification non-controlling interests		0	0	0	453	0	0	0	**453**	(864)	**(411)**
Buyback of own shares		0	0	(500)	0	0	0	0	**(500)**	0	**(500)**
Other changes	7, 38	0	54	0	64	0	0	0	**118**	14	**132**
		0	**54**	**(500)**	**(7,271)**	**0**	**0**	**0**	**(7,717)**	**(4,661)**	**(12,378)**
As at 31 Dec 2011		**35,730**	**30,477**	**(2,009)**	**287,194**	**(1,054)**	**(664)**	**(3,065)**	**346,609**	**6,171**	**352,780**

* Due to the change in the presentation of puttable non-controlling interests, corrections with retrospective effect were made (see Note 14).

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan–Dec 2011	Jan–Dec 2010
Result before income tax		**57,000**	**29,833**
Write-downs (+)/write-ups (–) of non-current assets	52	28,633	22,739
Gains (–)/losses (+) on the disposal of non-current assets		(332)	(104)
Interest income (–)/interest expenses (+)	54	10,669	10,378
Income from associated companies		(10,924)	(2,446)
Expense for stock option programme		53	60
Other non-cash income (–)/expenses (+)		(2,192)	3,986
Increase (–)/decrease (+) in assets		(41,120)	(15,876)
Increase (+)/decrease (–) in provisions		3,168	(5,604)
Increase (+)/decrease (–) in liabilities		10,891	15,467
Cash flows generated from operations		**55,846**	**58,433**
Interest received		500	518
Interest paid		(10,410)	(9,987)
Dividends received from associated companies		3,008	3,981
Income tax paid		(11,282)	(3,827)
Cash flows from operating activities		**37,662**	**49,118**
Cash receipts from the sale of intangible assets and property, plant and equipment		2,275	1,564
Cash payments for the acquisition of intangible assets and property, plant and equipment		(24,438)	(18,917)
Cash payments for the acquisition of subsidiaries net of cash acquired[1]		(11,494)	(36,334)
Cash payments for investments in associated companies		0	(1,026)
Cash receipts from the sale of associated companies		1,058	0
Cash receipts from the sale of securities		25	34
Increase (–)/decrease (+) in other non-current assets		(2,027)	604
Other cash receipts/cash payments		0	(8)
Cash flows from investing activities		**(34,601)**	**(54,083)**
Dividends to shareholders of PALFINGER AG		(7,788)	0
Dividends to non-controlling shareholders		(3,811)	(1,085)
Cash payments for the buyback of own shares		(500)	0
Loans taken out for acquisitions		12,720	28,055
Repayment of loans for acquisitions		(12,425)	(25,320)
Long-term refinancing of redemptions and maturing short-term loans		20,000	0
Increase (+)/decrease (–) in other financial liabilities	42	(12,103)	(14,294)
Cash flows from financing activities		**(3,907)**	**(12,644)**
Total cash flows		**(846)**	**(17,609)**

EUR thousand	Note	2011	2010
Funds as at 1 Jan[2]		**15,865**	**33,073**
Effects of foreign exchange differences		118	401
Total cash flows		(846)	(17,609)
Funds as at 31 Dec	36	**15,137**	**15,865**

1) See Scope of consolidation.
2) See Note (36) Cash and cash equivalents.

OPERATING SEGMENTS

The Management Board of PALFINGER AG manages the Group by dividing it into the operating segments EUROPEAN UNITS and AREA UNITS as well as the VENTURES unit.

EUROPEAN UNITS

The EUROPEAN UNITS segment comprises the following cash-generating units:
- Area EMEA
- Business unit Marine Systems

AREA UNITS

The AREA UNITS segment comprises the following cash-generating units:
- Area North America (excl. ETI)
- ETI*
- Area South America
- Area Asia and Pacific
- Area India
- Area CIS

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

VENTURES

In the VENTURES unit PALFINGER bundles all future 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.

TRANSFER PRICING

Transfer pricing between the manufacturing plants, the assembly plants and the distribution companies is carried out at production cost based on standard capacity utilization plus a mark-up derived from a standardized functional and risk analysis.

GROUP FINANCING

The financing of the Group (including financial expenses and income) as well as income taxes are controlled on a Group-wide basis and not allocated to the individual operating segments.

EUR thousand	EUROPEAN UNITS Jan–Dec 2010	AREA UNITS Jan–Dec 2010	VENTURES Jan–Dec 2010	Consoli-dation Jan–Dec 2010	Unallocated amounts Jan–Dec 2010	Total Jan–Dec 2010
External revenue	479,180	172,613	0	0	0	**651,793**
Intra-group revenue	35,479	634	0	(36,113)	0	**0**
Depreciation, amortization and impairment	(17,371)	(5,368)	0	0	0	**(22,739)**
thereof impairment	0	0	0	0	0	**0**
EBIT	52,710	(7,612)	(7,746)	(204)	0	**37,148**
Segment assets	508,945	182,302	0	(32,871)	19,055	**677,431**
thereof investments in associated companies	12,067	3,392	0	0	0	**15,459**
Segment liabilities*	135,846	75,056	0	(32,871)	179,509	**357,540**
Investments in intangible assets and property, plant and equipment	13,936	5,111	0	0	0	**19,047**

EUR thousand	EUROPEAN UNITS Jan–Dec 2011	AREA UNITS Jan–Dec 2011	VENTURES Jan–Dec 2011	Consoli-dation Jan–Dec 2011	Unallocated amounts Jan–Dec 2011	Total Jan–Dec 2011
External revenue	621,739	223,938	0	0	0	**845,677**
Intra-group revenue	53,240	4	0	(53,244)	0	**0**
Depreciation, amortization and impairment	(22,672)	(6,175)	0	0	0	**(28,847)**
thereof impairment	(1,178)	(425)	0	0	0	**(1,603)**
EBIT	80,058	(1,102)	(10,301)	(738)	0	**67,917**
Segment assets	554,984	230,079	0	(67,632)	22,344	**739,774**
thereof investments in associated companies	13,060	0	0	0	0	**13,060**
Segment liabilities	146,495	119,020	0	(67,632)	189,111	**386,994**
Investments in intangible assets and property, plant and equipment	18,205	6,173	0	0	0	**24,378**

* Due to the change in the presentation of puttable non-controlling interests, corrections with retrospective effect were made (see Note 14).

The following table shows revenue broken down by product segment:

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Cranes	526,000	397,576
Hydraulic systems	319,677	254,217
Total	**845,677**	**651,793**

The product segment cranes is primarily composed of the products knuckle boom cranes, timber and recycling cranes, marine cranes and the related service business. The hydraulic systems product group comprises the products tail lifts, access platforms, hookloaders, transportable forklifts and railway systems.

INFORMATION ON GEOGRAPHICAL AREAS

Non-current assets can be broken down as follows:

EUR thousand	31 Dec 2011	31 Dec 2010
Intangible assets		
Austria	39,007	36,651
Germany	35,940	35,390
USA	22,708	22,700
Russia	18,411	0
France	16,707	16,880
Other foreign countries	17,599	16,351
	150,372	**127,972**
Property, plant and equipment		
Austria	67,915	69,236
USA	26,915	26,186
Slovenia	26,055	27,950
Bulgaria	24,116	24,762
Germany	20,091	20,797
Other foreign countries	31,682	31,220
	196,774	**200,151**
Investment property		
Austria	0	53
Germany	404	366
	404	**419**
Deferred tax assets		
Austria	5,897	9,842
Foreign	17,322	22,016
	23,219	**31,858**
Other non-current assets		
Austria	830	1,086
Germany	441	326
Brazil	312	536
Other foreign countries	334	294
	1,917	**2,242**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

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, loading and handling solutions.

The consolidated financial statements of PALFINGER AG for the year ended 31 December 2011 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Union (EU). IFRS and IFRIC interpretations whose application is not mandatory for financial years starting on 1 January 2011 were not applied ahead of time. As these consolidated financial statements meet the criteria laid down in sec. 245a of the (Austrian) Business Code (UGB), the Company is not obligated to prepare financial statements in accordance with the provisions of the Code.

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. With the exception of Palfinger Cranes India Pvt. Ltd., India, 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. As the financial statements of Palfinger Cranes India Pvt. Ltd., India, are prepared as at 31 March, an interim financial statement as at 31 December was prepared for such company.

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. In general, when preparing these consolidated financial statements, the historical cost system was applied. Exceptions were made for derivate financial instruments and financial assets available for sale. These items were valued at fair value.

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 nature of expense 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 individual 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 2011 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, Austria. The consolidated financial statements for the year ended 31 December 2011 were released for submission to the Supervisory Board on 24 January 2012 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 2011.

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. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

Associated companies 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.

As at 31 December 2011, the scope of consolidation, including PALFINGER AG as the parent company, comprised 43 fully consolidated companies and four companies consolidated at equity, all of whose names are disclosed in the statement of investments.

Company, registered office	Controlling company[1]	Direct interest[2] in per cent	Indirect interest[3] in per cent	Curr.[4]
Fully consolidated companies				
PALFINGER AG, Salzburg (AT)				EUR
Composite Works, LLC, Oklahoma City (US)	ETI	56.75	45.40	USD
EPSILON Kran GmbH, Salzburg (AT)	PEU	65.00	65.00	EUR
Equipment Technology, LLC, Oklahoma City (US)	PUSA	80.00	80.00	USD
Fast RSQ B.V., Barneveld (NL)	NDM	100.00	75.00	EUR
Guima France S.A.S., Caussade (FR)	GP	100.00	80.00	EUR
Guima Palfinger S.A.S., Caussade (FR)	PMB	80.00	80.00	EUR
INMAN ZAO, Ishimbay (RU) (Initial consolidation: 26 August 2011)	PCIS	100.00	100.00	RUB
Interlift, Inc., Cerritos (US)	MBB	100.00	100.00	USD
Madal Palfinger S.A., Caxias do Sul (BR)	PMB	99.14	99.14	BRL
MBB Hubfix s.r.o., Bratislava (SK)	MBB	100.00	100.00	EUR
MBB Inter S.A.S., Silly en Gouffern (FR)	MBB	100.00	100.00	EUR
MBB Interlift N.V., Erembodegem (BE)	MBB	100.00	100.00	EUR
MBB Palfinger GmbH, Ganderkesee (DE)	PEU	100.00	100.00	EUR
NDM Romania S.r.l., Cluij-Napoca (RO)	NDM	100.00	75.00	RON
Ned-Deck Marine B.V., Barneveld (NL)	PMB	75.00	75.00	EUR
Ned-Deck Marine Vietnam Co. Ltd., Hanoi (VN)	NDM	100.00	75.00	USD
Omaha Standard, Inc., Council Bluffs (US)	PUSA	100.00	100.00	USD
Palfinger Area Units GmbH, Salzburg (AT) (Initial consolidation: 15 December 2011)	PAG	100.00	100.00	EUR
Palfinger Asia Pacific Pte. Ltd., Singapore (SG)	PMB	100.00	100.00	EUR
Palfinger CIS GmbH, Salzburg (AT) (Initial consolidation: 17 June 2011)	PMB	100.00	100.00	EUR
Palfinger Crane Rus LLC, St. Petersburg (RU) (Initial consolidation: 19 December 2011)	PARUS	100.00	80.00	RUB
Palfinger Cranes India Pvt. Ltd., Chennai (IN)	PMB/PAP	100.00	100.00	INR
Palfinger European Units GmbH, Salzburg (AT) (Initial consolidation: 15 December 2011)	PAG	100.00	100.00	EUR
Palfinger Europe GmbH, Salzburg (AT)	PMB	100.00	100.00	EUR
Palfinger GmbH, Ainring (DE)	PEU	100.00	100.00	EUR
Palfinger Gru Idrauliche S.r.l., Bolzano (IT)	PEU	100.00	100.00	EUR
Palfinger, Inc., Niagara Falls (CA)	PMB	100.00	100.00	USD
Palfinger Marine- und Beteiligungs-GmbH, Salzburg (AT)	PAG	100.00	100.00	EUR
Palfinger Marine d.o.o., Maribor, Maribor (SI)	PMB	100.00	100.00	EUR
Palfinger Marine Pte. Ltd., Singapore (SG)	PMB	60.00	60.00	SGD
Palfinger Marine Services AS, Rosendal (NO) (Initial consolidation: 10 October 2011)	PMB	100.00	100.00	NOK
Palfinger North America GmbH, Salzburg (AT) (Initial consolidation: 15 December 2011)	PAUG	100.00	100.00	EUR
Palfinger Platforms GmbH, Krefeld (DE)	PEU	100.00	100.00	EUR
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	PMB	100.00	100.00	EUR
Palfinger Proizvodnja d.o.o., Maribor (SI)	PMB	100.00	100.00	EUR
Palfinger Proizvodna Tehnologija Hrvatska d.o.o., Delnice (HR)	PMB	100.00	100.00	HRK
Palfinger Russland GmbH, Salzburg (AT) (Formerly Kraftinvest Palfinger Beteiligungs-GmbH) (Initial consolidation: 19 December 2011)	PMB/PCIS	80.00	80.00	EUR
Palfinger South America GmbH, Salzburg (AT) (Initial consolidation: 15 December 2011)	PAUG	100.00	100.00	EUR
Palfinger (Shenzhen) Ltd., Shenzhen (CN)	PAP	100.00	100.00	CNY
Palfinger USA, Inc., Tiffin (US)	PMB	100.00	100.00	USD
Palfleet Truck Equipment, Co., Birmingham (US)	OSI	100.00	100.00	USD
Ratcliff Palfinger Ltd., Welwyn Garden City (UK)	PMB	100.00	100.00	GBP

1) Controlling company:
ETI = Equipment Technology, LLC, Oklahoma City (US)
GP = Guima Palfinger S.A.S., Caussade (FR)
MBB = MBB Palfinger GmbH, Ganderkesee (DE)
MP = Madal Palfinger S.A., Caxias do Sul (BR)
NDM = Ned-Deck Marine B.V., Barneveld (NL)
OSI = Omaha Standard, Inc., Council Bluffs (US)
PAG = PALFINGER AG, Salzburg (AT)
PAP = Palfinger Asia Pacific Pte. Ltd., Singapore (SG)
PARUS = Palfinger Russland GmbH, Salzburg (AT)
PAUG = Palfinger Area Units GmbH, Salzburg (AT)
PCIS = Palfinger CIS GmbH, Salzburg (AT)
PEU = Palfinger Europe GmbH, Salzburg (AT)
PMB = Palfinger Marine- und Beteiligungs-GmbH, Salzburg (AT)
PPT = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)
PUSA = Palfinger USA, Inc., Tiffin (US)

2) From the point of view of the controlling company.
3) From the point of view of PALFINGER AG.
4) Curr.= functional currency.

Company, registered office	Controlling company[1)]	Direct interest[2)] in per cent	Indirect interest[3)] in per cent	Curr.[4)]
Companies consolidated using the equity method				
Nimet Srl, Lazuri (RO)	PPT	40.00	40.00	RON
Palfinger Argentina S.A., Buenos Aires (AR)	MP	100.00	99.14	ARS*
Palfinger France S.A., Étoile sur Rhône (FR)	PEU	49.00	49.00	EUR
STEPA Farmkran GmbH, Elsbethen (AT)	PEU	45.00	45.00	EUR

* Company not fully consolidated due to negligible importance.

Newly founded companies

By articles of association dated 30 May 2011, Palfinger Marine- und Beteiligungs-GmbH, Salzburg, founded the wholly-owned subsidiary Palfinger CIS GmbH, Salzburg. The subsidiary was entered into the commercial register held at the Provincial Court of Salzburg Acting as the Commercial Court on 17 June 2011. The company was founded to provide an optimized corporate-law base for the progressing expansion in the CIS countries.

Furthermore, PALFINGER AG, Salzburg, founded the two holding companies Palfinger European Units GmbH, Salzburg, and Palfinger Area Units GmbH, Salzburg, as wholly-owned subsidiaries. The companies Palfinger North America GmbH, Salzburg, and Palfinger South America GmbH, Salzburg, were established as wholly-owned subsidiaries of Palfinger Area Units GmbH. The companies were entered in the commercial register at the Provincial Court of Salzburg Acting as the Commercial Court on 15 December 2011. The holding companies were founded in preparation for a project to optimize the Group's structure, to adjust the corporate-law structure to the current management structure and to achieve a division into investment companies and operating companies. The project will be implemented in 2012.

On 10 October 2011, Palfinger Marine Services AS, Rosendal, Norway, was established as a wholly-owned subsidiary of Palfinger Marine- und Beteiligungs-GmbH, Salzburg. The company was entered in the commercial register at the Commercial Court on 19 October 2011. The purpose of founding this company was to promote the expansion of the service business in the business unit Marine Systems.

Mergers

Palfinger Marine d.o.o., Skrljevo, Croatia, was merged into Palfinger Proizvodna Tehnologija Hrvatska d.o.o., Delnice, Croatia, as the absorbing company, with effect from 3 May 2011 in order to simplify the Group's structure.

In addition, Palfinger Finanzierungs-GmbH, Ainring, Germany, was merged into the parent company PALFINGER AG, Salzburg, Austria, as the absorbing company, with retrospective effect from 31 March 2011.

Acquisitions made in 2011

INMAN

On 4 July 2011, PALFINGER signed the contract for the takeover of the leading Russian crane producer INMAN (Ischimbajskie Neftianiye Manipuliatory, JSC). The acquisition of 100 per cent of the shares in this company was closed on 26 August 2011.

With this acquisition, PALFINGER AG is further expanding its business in Russia. The company, which has its registered office in Ishimbay in the Republic of Bashkortostan (Volga region), has been a producer and distributor of hydraulic lifting and loading systems, in particular knuckle boom cranes, since 1992.

ROSS & BONNYMAN LTD.

In 2010, the Scottish access platform manufacturer Ross & Bonnyman decided to cease manufacture of commercial tail lifts. On 5 November 2010, Ratcliff Palfinger Ltd. and Ross & Bonnyman Ltd. signed a contract for the acquisition of the latter's spare parts and service business. After having obtained the approval of the anti-trust authorities, the transaction was closed on 1 August 2011.

KRAFTINVEST PALFINGER BETEILIGUNGS-GMBH

PALFINGER used to hold 49 per cent of Kraftinvest Palfinger Beteiligungs-GmbH, a company included at equity. The latter's sole subsidiary, Palfinger Crane Rus LLC, is headquartered in St. Petersburg and is the largest dealer and general importer of numerous PALFINGER products in Russia. Following the acquisition of an additional 31 per cent of the shares in Kraftinvest Palfinger Beteiligungs-GmbH from the previous majority shareholder on 19 December 2011, PALFINGER now holds 80 per cent and thus a controlling interest in Kraftinvest Palfinger Beteiligungs-GmbH and Palfinger Crane Rus LLC. Regarding the remaining 20 per cent, the non-controlling shareholder holds a put option to sell the remaining shares to PALFINGER. This obligation is being treated as a part of the purchase price not yet due. In the course of the acquisition, Kraftinvest Palfinger Beteiligungs-GmbH was renamed Palfinger Russland GmbH. Consequently, both companies were fully consolidated with effect from 19 December 2011. This acquisition has enabled PALFINGER to derive additional benefits from the strongly growing Russian market.

At the time of acquisition, the accumulated purchase price for all acquisitions was allocated on the basis of the preliminary estimated fair values as follows:

EUR thousand	**2011**
Purchase price paid in cash	14,441
Portion of purchase price not yet paid	2,900
Portion of purchase price not yet due	6,644
Fair value of interests held	6,682
Subtotal	**30,667**
Net assets	(15,445)
Goodwill	**15,222**

The final valuation of the purchase price allocation will be completed within 12 months from the date of acquisition, provided that all bases for determining the fair values, including, in particular, the customer bases and the brand, have been analyzed in detail.

The goodwill generated cannot be used for tax purposes.

The valuation of the previously held interest of 49 per cent results in an income of EUR 3,969 thousand, which is reported under income from associated companies.

The portions of the purchase price not yet fallen due will become payable in 2014 and 2015 and depend on the revenue and the operating result after tax. The reported value results from the current medium-term corporate planning and is subject to change in proportion to these two parameters (see Note 43).

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	7,206
Property, plant and equipment	2,187
	9,393
Current assets	
Inventories	8,402
Trade receivables	4,157
Cash and cash equivalents	2,946
	15,505
Non-current liabilities	
Non-current financial liabilities	124
Deferred tax liabilities	1,204
	1,328
Current liabilities	
Current financial liabilities	1,317
Current provisions	205
Tax liabilities	163
Trade payables and other current liabilities	6,440
	8,125
Net assets	**15,445**

Goodwill generated in the course of the acquisition primarily reflects the benefit expected from the market expansion in Russia and Scotland.

Net cash flows from the acquisitions were as follows:

EUR thousand	2011
Cash flows from operating activities	
Transaction costs	(431)
Cash flows from investing activities	
Purchase price paid in cash	(14,441)
Cash and cash equivalents	2,946
Net cash flows from the acquisitions	**(11,924)**

PRO FORMA DISCLOSURES

Since the time of initial consolidation, the aforementioned acquisitions have contributed EUR 7,807 thousand to the consolidated revenue of PALFINGER AG and EUR 266 thousand to its consolidated net result for the period.

If the transactions had been made with effect from 1 January 2011, the consolidated net result for the period of PALFINGER AG would have been as follows:

EUR thousand	Jan–Dec 2011 stated	Jan–Dec 2011 pro forma
Revenue	845,677	864,302
Consolidated net result for the period	41,955	43,901
Earnings per share in EUR	1.19	1.24

Acquisitions made in 2010

PALFINGER MARINE GROUP

In the 2010 consolidated financial statements, the acquired net assets of the Palfinger Marine Group were determined on the basis of the estimated fair values at the time of acquisition. As the estimated fair values determined at that time correspond to the final fair values, no adjustments to the acquired net assets had to be made.

For details on the acquisitions made in 2010 please refer to the 2010 consolidated financial statements.

Liquidations

The entry for MBB Liftsystems Ltd. (in liquidation), Cobham, Great Britain, was finally deleted from the commercial register with effect from 29 June 2011.

Associated companies

PALFINGER SOUTHERN AFRICA (PTY.) LTD.

As at 1 April 2011, the remaining shares in Palfinger Southern Africa (Pty.) Ltd., amounting to 36 per cent, were sold to the former co-owners.

KRAFTINVEST PALFINGER BETEILIGUNGS-GMBH

As described above, Kraftinvest Palfinger Beteiligungs-GmbH was fully consolidated through an increase in the shares held by PALFINGER from 49 per cent to 80 per cent.

CONSOLIDATION METHOD

Business combinations are accounted for using the acquisition method. The acquisition cost of a business acquisition is calculated as the total 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 PALFINGER AG 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 recognized in the income statement.

The agreed consideration is recognized at its fair value at the time of transaction. Subsequent changes in the fair value of a contingent consideration representing an asset or liability are recognized either through the income statement or under total comprehensive income in accordance with IAS 39. A contingent consideration that is classified as equity is not remeasured, but is recognized in equity at the point in time that it is made.

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 forms part of 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 are included in the consolidated financial statements applying the equity method. Investments in associated companies 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 investment in associated companies are not recognized unless the Group bears the economic risk. The goodwill relating to the associated company 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 accounted for 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 calculation 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 equity. 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.

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

	Exchange rate as at		Average exchange rate	
1 euro equals	31 Dec 2011	31 Dec 2010	Jan–Dec 2011	Jan–Dec 2010
BRL	2.4159	2.2108	2.3247	2.3403
GBP	0.8353	0.8567	0.8692	0.8591
RUB	41.7650	40.4581	40.9665	40.3792
USD	1.2939	1.3252	1.3926	1.3288

Due to the increase in business and transactions in euros, the functional currency of Palfinger Produktionstechnik Bulgaria EOOD, Bulgaria, was changed from BGN to EUR with effect from 1 January 2011. The differences from exchange rate translation accrued up to that point in time amounting to EUR 134 thousand will be carried forward until the company is deconsolidated.

Due to the acquisition of the US-based ETI Group in the previous financial year and the increasing importance of the US-American economic framework for the business operations of Palfinger, Inc., Canada, the latter company's functional currency was changed from CAD to USD with effect from 1 January 2011. The differences from exchange rate translation accrued up to that point in time amounting to EUR 350 thousand will now be carried forward in USD until the company is deconsolidated.

The effects of exchange rate movements on the calculation of the financial statements of the consolidated subsidiaries resulted in a change in equity of approximately –EUR 1,829 thousand (previous year: EUR 6,051 thousand) booked through the balance sheet. This figure is reported under foreign currency translation reserve in the statement of changes in equity.

CAPITAL MANAGEMENT

PALFINGER's target is to maintain a strong equity structure in order to retain the trust of investors, lenders and the market and to guarantee a solid capital basis for its future business development.

Net debt of PALFINGER is controlled centrally by 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. Due to the implementation of strict net working capital management in the operating sector, no strategic liquidity reserve was required in 2011.

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. Despite the highly difficult capital market environment, extending maturities of financial liabilities continued to be a priority on the liabilities side in 2011.

On 3 November 2011, PALFINGER held an Extraordinary General Meeting to be able to take corporate actions facilitating greater flexibility in funding. The Meeting resolved on an authorized capital of EUR 10 million, enabling PALFINGER to issue up to 10 million new shares. Moreover, the Management Board was authorized to buy back own shares in the magnitude of up to 10 per cent of the Company's share capital. These resolutions have made it possible for PALFINGER to act quickly and flexibly, even when it comes to financing large-scale growth measures.

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 one third of the consolidated net result for the period to its shareholders, a dividend of EUR 0.22 per share was paid in 2011.

PALFINGER once again used long-term investment financing to fund acquisitions in 2011. Maturing funding was refinanced through long-term bank loans. Flexibility in funding was also increased by expanding credit lines. When agreeing on credit lines, PALFINGER continues to pay special attention to their long-term availability.

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 includes non-current and current financial assets and the cash holdings as well as non-current and current financial liabilities. Equity corresponds to the equity reported according to IFRS.

ACCOUNTING AND VALUATION METHODS

(1) INTANGIBLE ASSETS

Purchased intangible assets are capitalized at acquisition cost. Internally generated intangible assets are capitalized at manufacturing cost if the preconditions set out in IAS 38 regarding the capitalization of internally generated intangible assets are satisfied.

Intangible assets are subject to amortization over their relevant useful lives. Amortization is performed on a straight-line basis over a time frame between two and fifteen years or in line with the products' life cycles in the case of development expenses, and is recorded under the item depreciation, amortization and impairment expenses. Customer relationships capitalized as part of corporate acquisitions are amortized over a useful life of five to ten years. At the end of every financial year the residual values, the useful lives and the methods of amortization of these assets are reviewed and, if necessary, adjusted prospectively. Changes in the method or period of amortization that become necessary as a consequence of modifications of the anticipated useful lives or the expected consumption of the future economic benefits of the assets are treated as changes in estimates.

In the case of intangible assets with indefinite useful lives and intangible assets under development, each asset is tested for impairment at least once a year. These intangible assets are not amortized over their useful lives on a systematic basis. Once a year, the useful lives of all intangible assets with indefinite useful lives are checked as to whether the estimations of the indefinite useful lives are still justified. If this is not the case, the estimates are changed prospectively from an indefinite useful life into a finite useful life.

Impairments are recognized in the year in which the event giving rise to the impairment occurs and are recorded under the item depreciation, amortization and impairment expenses. If the reasons for the impairment cease to exist, corresponding reversals of the impairment loss are performed until the level of amortized cost is reached. Such reversals are recorded as other operating income.

Goodwill

Goodwill according to IFRS 3 is not amortized but is instead tested for impairment annually as well as whenever there are indications that impairment has occurred.

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 net realizable value or the value in use. The value in use is calculated as the present value of relevant future cash inflows and outflows on the basis of the data obtained from the internal medium-term corporate planning. The discount rate is derived from the Company's weighted cost of capital. 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 carrying amount of 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 IFRS 3, goodwill once written down for impairment can no longer be recovered.

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.

(2) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are reported at cost, adjusted for straight-line depreciation. 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.

Assets are depreciated as soon as they are available for use. Depreciation is performed on a straight-line basis over the prospective useful lives of the relevant assets and is shown under depreciation, amortization and impairment expenses. The anticipated economic or technical useful life is used to determine the expected useful life of property, plant and equipment. If property, plant and equipment is composed of major identifiable components with different useful lives, these components are disclosed separately and depreciated over their respective useful lives.

	Years
Own buildings and investments in third-party buildings	20–50
Plants and machinery	3–15
Fixtures, fittings and equipment	3–10

At the end of every financial year the residual values, useful lives and methods of depreciation of these assets are reviewed and, if necessary, adjusted prospectively. Changes in the method or period of depreciation that become necessary as a consequence of modifications of the anticipated useful lives or the expected consumption of the future economic benefits of the assets are treated as changes in estimates.

When major inspections are performed, their costs are recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Replacement investments and value increasing investments are capitalized and depreciated over either the new or the original useful life. All other expenses for maintenance and repair work are recognized in the income statement when incurred.

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 (realizable value higher than carrying amount) or other operating expenses (realizable value lower than carrying amount).

Government grants

In accordance with IAS 20, government grants for property, plant and equipment are presented as reductions of the acquisition and/or manufacturing costs and reduce amortization on a systematic basis accordingly in the following periods.

PALFINGER receives grants for research and further training in various countries. These are recognized as other operating income in the time periods in which the expense which is to be compensated for by the grant is incurred.

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.

Leases

In line with IAS 17, 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.

Assets obtained through finance leases are capitalized at the fair value or lower present value of the minimum lease payments at the acquisition date from the viewpoint of the lessee, and depreciated over their useful lives. The capitalized value of assets corresponds to the present value of the lease payments outstanding at the balance sheet date.

Assets obtained through operating leases are allocated to the lessor. The lessee recognizes the lease payments as an expense in equal instalments over the term of the lease.

Borrowing costs

Borrowing costs that are attributable to the acquisition or production of a qualifying asset are capitalized as part of the cost of the asset.

(3) INVESTMENT PROPERTY

Investment property includes land or buildings held to earn rentals or for capital appreciation rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property is measured at cost less accumulated depreciation. Depreciation on buildings is performed on a straight-line basis over a period ranging from 20 to 50 years. The fair value of investment property is determined on the basis of expert opinions that are prepared internally and using an income-cost approach.

(4) INVENTORIES

Inventories are assets held for sale as part of the normal operating business (finished goods and merchandise), assets that are still in the process of production (work in progress) or that are consumed as part of the manufacturing of products or the rendering of services (materials and production supplies).

Inventories are valued at acquisition or production cost or the lower net realizable value at the balance sheet date. The valuation of materials and production supplies as well as goods for resale is carried out in accordance with the moving average cost method. Write-downs are made where the net realizable value is lower than the carrying amount. The production costs of work in progress and finished goods are determined on the basis of standard production costs and, besides direct materials and manufacturing costs, also contain appropriate shares of materials and manufacturing overheads as well as administrative expenses relating to manufacturing. The standard production costs are reviewed regularly and adjusted to current conditions if necessary.

(5) CONTRACT MANUFACTURING

Receivables from projects and sales in this connection are recognized in accordance with the percentage of completion. Projects are characterized by the fact that they are agreed on the basis of individual contractual terms with fixed prices. The percentage of completion is determined by means of the cost-to-cost method. Reliable estimates of the total costs of the contracts, the selling prices and the actual costs incurred are available on a monthly basis. The estimated profits from the contracts are realized in proportion to calculated sales. When applying the cost-to-cost method, sales and contract revenue are recognized in proportion of the manufacturing costs actually incurred to the expected total costs. Losses are booked through the income statement as soon as they are identified. 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 resulting from the measurement of projects not yet invoiced are immediately recorded as expenses. Imminent losses are realized if total contract costs are likely to exceed the contract revenue.

(6) FINANCIAL INSTRUMENTS

Financial assets within the meaning of IAS 39 are classified either as held for trading, loans and receivables, available for sale or hedging derivatives. PALFINGER determines the designation of its financial assets upon initial recognition.

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.

Acquisitions or sales of financial assets are recognized at the trade date.

The fair value of financial instruments is the amount for which a financial instrument could be exchanged between knowledgeable, willing and independent parties in an arm’s length transaction. The fair value is frequently identical to the market price, and therefore its calculation is based on market information available at the balance sheet date. The values listed may diverge from values realized later due to varying determinants.

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.

Securities and other shareholdings

Securities and other shareholdings are classified as available for sale according to IAS 39. They are measured at fair value provided that a reliable fair value can be determined. Significant unrealized profits and losses are recognized in equity. In the case of sales, the unrealized profit and/or loss that up to that point had been reported in the balance sheet will be reported in the income statement under other financial expenses. Impairment losses are recorded in the income statement. Impairment losses recorded for equity instruments are reversed in the balance sheet, impairment losses recorded for debt instruments in the income statement.

Loans

Interest-bearing loans are classified as loans and receivables according to IAS 39. To the extent that no impairment losses are required, they are reported at amortized cost, applying the effective interest method, and less any impairment losses; non-interest bearing loans and interest-bearing loans with low rates of interest are discounted accordingly. Impairment losses are reversed through the income statement.

Receivables

Receivables are classified as loans and receivables according to IAS 39 and are reported at amortized cost, if necessary less impairment losses. Foreign currency receivables are valued at the foreign currency middle rate at the balance sheet date. Impairment losses are recorded in allowance accounts; the receivable is only derecognized in the event of insolvency or failure to assert the claim in court. Impairment losses are reversed through the income statement.

Cash and cash equivalents

Current financial assets are composed of cash in hand, cheques and cash at banks with an initial remaining time to maturity of a maximum of three months and are reported under cash and cash equivalents. They are measured mark to market as at the balance sheet date.

Liabilities

Liabilities are shown at amortized cost applying the effective interest method.

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 in US dollars and Russian rubles for the following financial year is hedged in the PALFINGER Group by means of forward currency contracts. 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 value of forward contracts arising from the valuation of forward contracts at the balance sheet date after deduction of deferred taxes is reported in the balance sheet as a reserve according to IAS 39. The reserve is reversed to income in line with future proceeds generated in the relevant financial year.

(7) 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 and to grant 250,000 stock options under this programme to Alexander Exner, former Chairman of the Supervisory Board (retired from the Supervisory Board on 30 March 2011), Alexander Doujak, member of the Supervisory Board (since 13 December 2010 Chairman of the Supervisory Board), and to Management Board members Herbert Ortner, Wolfgang Pilz and Martin Zehnder.

The objective of the programme is to link the amount of remuneration directly to operating performance. Thus, the management should be more willing to align its objectives with those of the shareholders of the Company but also have a share in the success of the Company.

The following applies to the 2009 stock option programme: Each stock option may be exercised in exchange for one share at an exercise price of EUR 10.12. The stock options may be exercised (one half each) at two exercise dates. 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 3 per cent (exercise date 1 in 2012) or 5 per cent (exercise date 2 in 2014) for each of the three balance sheet dates preceding the date the option is exercised.

The maximum number of shares available for subscription is equivalent to the number of options issued. If the EBT ratio is less than 3 or 5 per cent, no options may be exercised and there is no entitlement to subscription. If the EBT ratio is 3 or 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 3 or 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 7 or 11 per cent.

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: Each stock option may be exercised in exchange for one share at an exercise price of EUR 16.57. The stock options may be exercised (one half each) at two exercise dates. 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 4 per cent (exercise date 1 in 2013) or 5 per cent (exercise date 2 in 2015) for each of the three balance sheet dates preceding the date the option is exercised.

The maximum number of shares available for subscription is equivalent to the number of options issued. If the EBT ratio is less than 4 or 5 per cent, no options may be exercised and there is no entitlement to subscription. If the EBT ratio is 4 or 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 4 or 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 9 or 11 per cent.

The fair value of the options granted is recognized as employee benefits expense 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).
A Monte Carlo simulation is used to determine the fair value of options, taking into account the terms and conditions on which the options were granted. The amount, which is to be reported as an expense, is adjusted to take into account the effect of anticipated staff turnover in order to reflect the expected actual number of options that may be exercised in the future.

	Herbert Ortner		**Christoph Kaml**		**Wolfgang Pilz**		**Martin Zehnder**		**Alexander Exner**		**Alexander Doujak**	
Number of stock options	40,000	40,000	25,000	25,000	25,000	25,000	25,000	25,000	10,000	0	15,000	15,000
Exercise price in EUR	10.12	10.12	16.57	16.57	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Exercise period within 12 weeks after the AGM	2012	2014	2013	2015	2012	2014	2012	2014	2012	2014	2012	2014
Fair value of option in EUR at valuation date*	2.58	2.56	4.73	5.77	2.58	2.56	2.58	2.56	2.58	2.56	2.58	2.56
Underlying volatility	50.0%	40.0%	45.0%	45.0%	50.0%	40.0%	50.0%	40.0%	50.0%	40.0%	50.0%	40.0%
Valuation date	25 Mar 2009		31 Mar 2010		25 Mar 2009		25 Mar 2009		25 Mar 2009		25 Mar 2009	
Price in EUR at valuation date	9.29		16.81		9.29		9.29		9.29		9.29	

* Valuation model used: Monte Carlo simulation.

Changes in stock options were as follows:

Number of stock options	2011	2010
As at 1 Jan	**300,000**	**250,000**
Options granted	0	50,000
Options lapsed	30,000	0
As at 31 Dec	**270,000**	**300,000**

Alexander Exner resigned from the Supervisory Board with effect from 30 March 2011. 30,000 of the stock options granted to him lapsed in connection with his resignation.

(8) LONG-TERM EMPLOYMENT BENEFITS

Defined benefit plans

Defined benefit plans apply to pension commitments in Austria and Germany as well as severance pay obligations in Austria, Slovenia and Bulgaria.

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.

Provisions for pensions and other post-retirement benefits as well as for severance payments and anniversary bonuses are valued using the projected unit credit method. Under this method, anticipated benefits are distributed over the working lifespan of the employees until retirement. Anticipated future salary increases are taken into account. The amounts of the provisions are determined on the basis of an actuarial opinion prepared by an actuary as at the balance sheet date.

According to IAS 19, actuarial gains and losses are recognized in the balance sheet if they relate to provisions for pensions and other post-retirement benefits or for severance payments.

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 to such defined contribution plans 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. In accordance with IAS 19, actuarial gains and losses are recognized as employee benefits expenses in the income statement if they relate to provisions for anniversary bonuses.

(9) OTHER PROVISIONS

Other provisions were formed to reflect the level of uncertain liabilities, recognizing the amount associated with the highest level of probability of occurrence of individual obligations as the best estimate. Where the provision being measured involved a large population of items, the expected-value method of estimation was applied. Non-current provisions are reported at their present value.

(10) LIABILITIES FROM PUTTABLE NON-CONTROLLING INTERESTS

Puttable or fixed-term interests held by non-controlling shareholders of subsidiaries constitute financial liabilities and are reported under "liabilities from puttable non-controlling interests". At first, the liabilities are recognized at 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.

(11) 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.

According to the liability method, deferred tax is reported on temporary differences between the amounts recognized under IFRS and those recognized in the tax balance sheet as well as on tax-loss carry forwards. Temporary differences are reported whenever they give rise to deferred tax liabilities. 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.

(12) RECOGNITION OF REVENUE AND EXPENSES

Revenue arising from the provision of goods and services 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 see Note (5).

(13) CONSOLIDATED STATEMENT OF CASH FLOWS

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

(14) ADJUSTMENTS WITH RETROSPECTIVE EFFECT

PALFINGER AG holds its associated companies for the exclusive purpose of supporting and optimizing the Group's operating activities. One of the most important key performance indicators within PALFINGER AG is "EBIT plus income from associated companies". These circumstances have now been taken into account and the consolidated income statement has been adjusted accordingly by eliminating the subtotal "Earnings before interest and taxes – EBIT (before associated companies)" and instead inserting the subtotal "Earnings before interest and taxes – EBIT" after the item "Income from associated companies". The new structure has resulted in a clearer and more reliable presentation of the earnings situation of PALFINGER AG.

As at 31 December 2010, puttable non-controlling interests have been reported under non-controlling interests. The right of termination constitutes an obligation and thus a liability according to IAS 32. Therefore, these interests are now shown as liabilities from puttable non-controlling interests. The residual value between the fair value of the liabilities and the share in net assets of the non-controlling shareholder is presented under retained earnings.

This change, made with retrospective effect, resulted in the following corrections:

EUR thousand	31 Dec 2010	Corrections	31 Dec 2010 corrected
Retained earnings	253,951	(2,779)	251,172
Non-controlling interests	14,001	(8,690)	5,311
Equity	**331,360**	**(11,469)**	**319,891**
Liabilities from puttable non-controlling interests	0	11,469	11,469
Non-current liabilities	**183,838**	**11,469**	**195,307**

This change did not have any effect on the consolidated income statement and the consolidated statement of cash flows. No changes had to be made compared to 1 January 2010.

(15) STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME AND/OR IN THE FUTURE

The following new, revised and/or supplemented IASB standards and IFRIC interpretations, whose application was mandatory for the first time in the 2011 financial year, resulted in changes in the consolidated financial statements of PALFINGER AG and/or clarifications of facts relevant for the Group. These changes did not have any significant impact on the Group's financial position, cash flows and result of operations during this or previous reporting periods.

The IASB has issued an amendment to **IAS 24 Related Party Transactions** that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships as well as clarifying the circumstances in which persons and key management personnel constitute related party relationships of an entity. IAS 24 is to be applied for the first time for financial years starting on or after 1 January 2011. The first-time application of this standard did not have any impact on the Group's financial position, cash flows or result of operations during this or previous reporting periods.

The amendments of the collective standard **Improvements to IFRS** in the course of the Annual Improvements Process Project 2010, which had to be applied for the first time for financial years starting on or after 1 January 2011, did not have any material impact on the Group's financial position, cash flows and result of operations during this or previous reporting periods.

The following new, revised and/or supplemented IASB standards and IFRIC interpretations are of no relevance for the consolidated financial statements of PALFINGER AG:

Standards/interpretations	Mandatory application	Endorsement status
IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (published in: October 2009)	1 February 2010	endorsed in December 2009
IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (published in: January 2010)	1 July 2010	endorsed in June 2010
IFRIC 14 Prepayments of a Minimum Funding Requirement (published in: November 2009)	1 January 2011	endorsed in July 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (published in: November 2009)	1 July 2010	endorsed in July 2010

In November 2011, the EU Commission adopted the revised version of IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition, to be applied from 1 July 2011 onwards; the revision of this standard did not have any impact on the consolidated financial statements of PALFINGER.

The following new, revised and/or supplemented IASB standards and IFRIC interpretations that might be of relevance for PALFINGER have been issued but their application is not yet mandatory and 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 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (published in: June 2011)	1 July 2012
IAS 12 Income Taxes – Recovery of Underlying Assets (published in: December 2010)	1 January 2012
IAS 19 Employee Benefits (published in: June 2011)	1 January 2013
IAS 27 Separate Financial Statements (published in: May 2011)	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (published in: May 2011)	1 January 2013
IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (published in: December 2010)	1 July 2011
IFRS 9 Financial Instruments: Classification and Measurement (published in: November 2009)	1 January 2015
IFRS 10 Consolidated Financial Statements (published in: May 2011)	1 January 2013
IFRS 11 Joint Arrangements (published in: May 2011)	1 January 2013
IFRS 12 Disclosure of Involvement with Other Entities (published in: May 2011)	1 January 2013
IFRS 13 Fair Value Measurement (published in: May 2011)	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (published in: September 2011)	1 January 2013

In November 2009, the IASB issued **IFRS 9 Financial Instruments – Classification and Measurement**. The new standard replaces the measurement categories of IAS 39 by the categories of amortized cost and fair value. Whether an instrument is to be allocated to the category of amortized cost depends on the business model applied by the company, on the one hand, and on the product features of the individual instrument, on the other hand. Instruments that do not satisfy the definition criteria of the category of amortized cost have to be measured at fair value in the income statement. Measurement at fair value through the balance sheet is admissible for selected equity instruments. The new standard is to be applied for financial years starting on or after 1 January 2015. The Company is currently examining the impact of this standard on the consolidated financial statements.

The Company does not expect the remaining new, revised and/or supplemented standards to have any major impact on its consolidated financial statements.

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.

(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.

Further details on the impairment of non-financial assets are presented in Note (26) Intangible assets and Note (27) Property, plant and equipment.

(17) 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.

PALFINGER reported as assets tax-loss carry forwards amounting to EUR 50,812 thousand (previous year: EUR 50,000 thousand). Capitalized tax-loss carry forwards of EUR 34,021 thousand (previous year: EUR 30,438 thousand) are not subject to expiry.

Further details on deferred taxes are disclosed in Note (30) Deferred tax assets and liabilities.

(18) 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 (43) Non-current provisions.

(19) 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. On 31 December 2011, the carrying amount of the capitalized development expenditure was EUR 12,882 thousand (previous year: EUR 9,458 thousand) and included primarily development services in cranes, access platforms, 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.

(20) PROVISIONS FOR GUARANTEE AND WARRANTY EXPENSES

When forming provisions for guarantee and warranty expenses, guarantee and warranty obligations are taken into consideration using a standardized method. This method is influenced considerably by the time of occurrence of the warranty claim, specific product replacement campaigns, refund quotas of suppliers, developments of the revenue subject to warranty and assumptions of gross profit margins on the basis of the implemented warranty process.

In the 2011 financial year, the provisions for guarantee and warranty expenses amounted to EUR 11,296 thousand (previous year: EUR 10,614 thousand).

(21) 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.

In the 2011 financial year, bad-debt allowances amounting to EUR 5,503 thousand (previous year: EUR 6,972 thousand) were reported.

(22) 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 (33) Inventories.

(23) 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. For details, refer to the explanations regarding financial instruments.

(24) 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 and/or revenue of the acquired entities. Therefore, a change in the expected underlying values may result in an adjustment of the reported values through profit and loss. For details, refer to Note 43 and the explanations regarding financial instruments.

(25) CHANGES IN ESTIMATES

No major changes in estimates were made in the 2011 financial year.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(26) INTANGIBLE ASSETS

The following table shows the movement in intangible assets:

EUR thousand	Goodwill	Intangible assets with indefinite useful lives	Development expenditure	Brands, customer base and order backlog	Other intangible assets	Prepayments	Total
Acquisition cost							
As at 1 Jan 2010	**41,855**	**13,540**	**6,931**	**26,242**	**12,918**	**22**	**101,508**
Change in scope of consolidation	35,553	4,233	100	13,793	279	0	**53,958**
Additions	0	0	3,596	0	793	76	**4,465**
Additional capitalization	0	0	0	0	74	0	**74**
Government grants	0	0	(130)	0	0	0	**(130)**
Disposals	0	0	(105)	0	(378)	(8)	**(491)**
Reclassifications	0	0	0	0	31	0	**31**
Foreign currency translation	68	693	68	1,258	342	0	**2,429**
As at 31 Dec 2010	**77,476**	**18,466**	**10,460**	**41,293**	**14,059**	**90**	**161,844**
As at 1 Jan 2011	**77,476**	**18,466**	**10,460**	**41,293**	**14,059**	**90**	**161,844**
Change in scope of consolidation	15,216	2,732	0	4,475	0	0	**22,423**
Additions	0	0	4,726	0	1,029	8	**5,763**
Additional capitalization	0	0	74	0	1	0	**75**
Disposals	0	0	(6)	(188)	(545)	(98)	**(837)**
Reclassifications	0	0	59	0	(7)	0	**52**
Foreign currency translation	182	305	19	32	(99)	0	**439**
As at 31 Dec 2011	**92,874**	**21,503**	**15,332**	**45,612**	**14,438**	**0**	**189,759**
Accumulated amortization and impairment							
As at 1 Jan 2010	**0**	**0**	**124**	**18,208**	**9,163**	**0**	**27,495**
Change in scope of consolidation	0	0	15	0	32	0	**47**
Amortization	0	0	872	3,080	1,492	0	**5,444**
Additional capitalization	0	0	0	0	74	0	**74**
Disposals	0	0	0	0	(344)	0	**(344)**
Reclassifications	0	0	(9)	49	(38)	0	**2**
Foreign currency translation	0	0	0	1,006	148	0	**1,154**
As at 31 Dec 2010	**0**	**0**	**1,002**	**22,343**	**10,527**	**0**	**33,872**
As at 1 Jan 2011	**0**	**0**	**1,002**	**22,343**	**10,527**	**0**	**33,872**
Change in scope of consolidation	0	0	0	0	0	0	**0**
Amortization	0	0	1,377	3,619	1,482	0	**6,478**
Reversal of impairment loss	0	0	0	(137)	(14)	0	**(151)**
Additional capitalization	0	0	48	0	2	0	**50**
Disposals	0	0	0	(188)	(498)	0	**(686)**
Reclassifications	0	0	10	52	(62)	0	**0**
Foreign currency translation	0	0	13	(154)	(35)	0	**(176)**
As at 31 Dec 2011	**0**	**0**	**2,450**	**25,535**	**11,402**	**0**	**39,387**
Carrying amounts as at 31 Dec 2010	**77,476**	**18,466**	**9,458**	**18,950**	**3,532**	**90**	**127,972**
Carrying amounts as at 31 Dec 2011	**92,874**	**21,503**	**12,882**	**20,077**	**3,036**	**0**	**150,372**

Goodwill

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

EUR thousand	31 Dec 2011	31 Dec 2010
Area EMEA cash-generating unit	43,801	41,841
Business unit Marine Systems cash-generating unit	30,091	30,091
ETI cash-generating unit	5,678	5,544
CIS cash-generating unit	13,304	0
Total	**92,874**	**77,476**

Intangible assets with indefinite useful lives

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

EUR thousand	31 Dec 2011	31 Dec 2010
Area EMEA cash-generating unit		
MBB brand	5,840	5,840
Area North America (excl. ETI) cash-generating unit		
Dealer network	6,283	6,135
OMAHA STANDARD brand	1,714	1,673
American Roll-off brand	533	520
ETI cash-generating unit		
ETI brand	4,401	4,298
CIS cash-generating unit		
INMAN brand	2,732	0
Total	**21,503**	**18,466**

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. Cash flow projections are based on the financial budgets prepared by the management for a period of five years. Due to the long-standing market position of the EUROPEAN UNITS segment, the discount rate used is higher than that of the cash-generating units in the AREA UNITS segment. In the case of businesses acquired a short while ago, the interest rate used is derived from the cost of capital of these businesses. The cash flows generated after this five-year period are extrapolated at a constant rate. The following table shows the discount rates used in comparison with those of the previous year:

	Pre-tax discount rate	
in per cent	2011	2010
Area EMEA cash-generating unit	11.8	10.3
Business unit Marine Systems cash-generating unit	11.3	11.3
Area North America (excl. ETI) cash-generating unit	7.4	6.7
ETI cash-generating unit	11.3	11.3
CIS cash-generating unit	12.7	–

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

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.

Development expenditure

In the 2011 financial year, PALFINGER capitalized development expenditure of EUR 4,726 thousand (previous year: EUR 3,596 thousand) as internally generated intangible assets.

In the 2011 financial year, research and development expenses amounted to EUR 13,246 thousand (previous year: EUR 16,132 thousand), corresponding to 1.6 per cent (previous year: 2.6 per cent) of total revenue.

Brands, customer base and order backlog

In the course of the allocation of the purchase price for the acquisition of INMAN, Ross & Bonnyman, Palfinger Russland GmbH as well as Palfinger Crane Rus LLC, EUR 4,475 thousand were capitalized in order backlog and customer base. The INMAN brand of EUR 2,732 thousand is accounted as an intangible asset with an indefinite useful life.

Other intangible assets

Investments in other intangible assets amounted to EUR 1,029 thousand (previous year: EUR 793 thousand) for concessions, patents and licences.

(27) PROPERTY, PLANT AND EQUIPMENT

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

EUR thousand	Land and buildings	Undeveloped land	Plant and machinery	Other plant, fixtures, fittings and equipment	Prepayments and assets under construction	Total
Acquisition cost						
As at 1 Jan 2010	**135,817**	**2,938**	**120,276**	**41,629**	**3,342**	**304,002**
Change in scope of consolidation	3,893	458	3,184	5,847	2	**13,384**
Additions	6,389	0	3,741	2,922	1,530	**14,582**
Additional capitalization	0	0	99	125	0	**224**
Disposals	(15)	0	(1,176)	(2,997)	(3)	**(4,191)**
Reclassifications	928	0	2,092	247	(2,530)	**737**
Foreign currency translation	2,379	(5)	2,242	400	173	**5,189**
As at 31 Dec 2010	**149,391**	**3,391**	**130,458**	**48,173**	**2,514**	**333,927**
As at 1 Jan 2011	**149,391**	**3,391**	**130,458**	**48,173**	**2,514**	**333,927**
Change in scope of consolidation	951	0	2,846	183	191	**4,171**
Additions	1,577	0	3,430	5,948	7,660	**18,615**
Additional capitalization	0	0	0	0	0	**0**
Government grants	0	0	0	0	0	**0**
Disposals	(275)	0	(2,917)	(3,556)	(159)	**(6,907)**
Reclassifications	757	0	978	777	(2,564)	**(52)**
Reclassifications to held for sale	0	0	0	0	0	**0**
Foreign currency translation	(254)	(13)	(435)	(26)	17	**(711)**
As at 31 Dec 2011	**152,147**	**3,378**	**134,360**	**51,499**	**7,659**	**349,043**
Accumulated depreciation and impairment						
As at 1 Jan 2010	**32,167**	**0**	**57,835**	**22,023**	**0**	**112,025**
Change in scope of consolidation	663	12	1,741	2,578	0	**4,994**
Depreciation	4,522	4	8,091	4,664	0	**17,281**
Additional capitalization	0	0	99	125	0	**224**
Disposals	(4)	0	(1,135)	(1,715)	0	**(2,854)**
Reclassifications	113	0	0	0	0	**113**
Reclassifications to held for sale	0	0	0	1	2	**3**
Foreign currency translation	509	0	1,216	265	0	**1,990**
As at 31 Dec 2010	**37,970**	**16**	**67,847**	**27,941**	**2**	**133,776**
As at 1 Jan 2011	**37,970**	**16**	**67,847**	**27,941**	**2**	**133,776**
Change in scope of consolidation	288	0	1,588	102	0	**1,978**
Depreciation	4,846	8	9,801	6,092	0	**20,747**
Impairment	1,603	0	0	0	0	**1,603**
Reversal of impairment loss	0	0	(1)	(80)	0	**(81)**
Additional capitalization	15	0	2	2	0	**19**
Disposals	(217)	0	(2,284)	(2,616)	0	**(5,117)**
Reclassifications	138	0	(78)	(60)	0	**0**
Foreign currency translation	(343)	1	(247)	(67)	0	**(656)**
As at 31 Dec 2011	**44,300**	**25**	**76,628**	**31,314**	**2**	**152,269**
Carrying amounts as at 31 Dec 2010	**111,421**	**3,375**	**62,611**	**20,232**	**2,512**	**200,151**
Carrying amounts as at 31 Dec 2011	**107,847**	**3,353**	**57,732**	**20,185**	**7,657**	**196,774**

Land and buildings include the real estate values of developed properties amounting to EUR 17,788 thousand (previous year: EUR 17,360 thousand).

Due to the relocation of business departments, an impairment loss on buildings of EUR 1,603 thousand was recognized concerning the EUROPEAN UNITS (EUR 1,178 thousand) and the AREA UNITS (EUR 425 thousand) segments.

Prepayments and assets under construction are reported at cost and represent assets which were under construction as at the balance sheet date, totalling EUR 6,903 thousand (previous year: EUR 2,348 thousand).

As at 31 December 2011, there were no material contractual obligations regarding the acquisition of property, plant and equipment.

In the period under review, no borrowing costs on qualifying assets were capitalized.

(28) INVESTMENT PROPERTY

The following table shows the movement in investment property held by the Group:

EUR thousand	2011	2010
Acquisition cost		
As at 1 Jan	**1,373**	**2,149**
Additions	56	0
Disposals	(613)	0
Reclassifications	0	(767)
Foreign currency translation	0	(9)
As at 31 Dec	**816**	**1,373**
Accumulated depreciation and impairment		
As at 1 Jan	**954**	**1,053**
Depreciation	19	14
Disposals	(561)	0
Reclassifications	0	(113)
As at 31 Dec	**412**	**954**
Carrying amounts as at 31 Dec	**404**	**419**

As at 31 December 2011, the fair value of investment property, determined on the basis of expert opinions prepared internally, amounted to EUR 626 thousand (previous year: EUR 719 thousand).

Rental income from the lease of investment property amounted to EUR 63 thousand (previous year: EUR 65 thousand), and directly attributable operating expenses from the lease of investment property were EUR 21 thousand (previous year: EUR 4 thousand).

(29) INVESTMENTS IN ASSOCIATED COMPANIES

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

EUR thousand	2011	2010
As at 1 Jan	**15,459**	**15,726**
Additions	0	1,026
Share in the net result for the period	4,823	2,446
Dividends	(3,017)	(3,981)
Foreign currency translation	(220)	242
Disposals	(3,985)	0
As at 31 Dec	**13,060**	**15,459**

Income from associated companies is comprised of the following:

EUR thousand	2011	2010
Share in the net result for the period	4,823	2,446
Income from the disposal of associated companies	2,132	0
Income from the revaluation of investments in associated companies due to acquisition	3,969	0
Total	**10,924**	**2,446**

The tables below contain a summarized schedule of the financials for the associated companies 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 the associated companies.

EUR thousand	31 Dec 2011	31 Dec 2010
Non-current assets	8,074	8,173
Current assets	43,300	44,745
Non-current liabilities	1,421	1,443
Current liabilities	21,942	18,363

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Revenue	134,715	101,373
Result after income tax	10,139	5,984

(30) DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes comprise the following:

EUR thousand	31 Dec 2011	31 Dec 2010
Deferred tax assets		
Non-current assets		
Intangible assets – different useful lives	157	83
Intangible assets – tax deductible goodwill	2,669	2,391
Property, plant and equipment – different useful lives	424	123
Non-current financial assets – financial asset write-downs not yet taxed	8,730	7,904
Other non-current assets	27	58
	12,007	**10,559**
Current assets		
Inventories – elimination of intercompany profits, differences in tax measurement of manufacturing costs	2,435	2,008
Trade receivables – differences in tax measurement of impairment losses	589	3,288
Other current assets – severance payments not yet taxed	487	602
	3,511	**5,898**
Non-current liabilities		
Non-current financial liabilities – lease liabilities	17	398
Non-current provisions – different recognition of employee benefits provisions IAS 19	3,860	3,489
of which deferred taxes directly recognized in equity	452	335
Other non-current liabilities	467	313
	4,344	**4,200**
Current liabilities		
Current financial liabilities – lease financing	713	455
Current provisions – different recognition provisions for guarantee expenses	1,970	1,596
Trade payables and other current liabilities	1,269	706
	3,952	**2,757**
	23,814	**23,414**
Deferred tax liabilities		
Non-current assets		
Intangible assets – acquisitions, development expenditure	(16,086)	(13,104)
Property, plant and equipment – different useful lives	(8,147)	(8,001)
	(24,233)	**(21,105)**
Current assets		
Inventories – differences in tax measurement of manufacturing costs	(224)	(171)
Trade receivables – contract manufacturing (POC)	(322)	(420)
Other current assets – differences in tax measurement	(762)	(514)
of which deferred taxes directly recognized in equity	0	(21)
	(1,308)	**(1,105)**
Non-current liabilities		
Non-current financial liabilities – differences in tax measurement	(96)	(226)
Non-current provisions	(142)	(42)
of which deferred taxes directly recognized in equity	(12)	(21)
	(238)	**(268)**
Current liabilities		
Current financial liabilities	(5)	(6)
Current provisions – different recognition provisions for guarantee expenses	(607)	(466)
Trade payables and other current liabilities	(52)	0
	(664)	**(472)**
	(26,443)	**(22,950)**
Deferred tax assets on loss carry forwards	**18,562**	**16,216**
Deferred taxes	**15,933**	**16,680**
thereof		
deferred tax assets	23,219	31,858
deferred tax liabilities	(7,287)	(15,178)

Deferred taxes contain deferred tax assets directly recognized in equity of EUR 139 thousand (previous year: EUR 61 thousand) and deferred tax liabilities directly recognized in equity of –EUR 301 thousand (pervious year: –EUR 232 thousand).

The following table presents deferred taxes broken down by country:

EUR thousand	31 Dec 2011	31 Dec 2010
Austria	5,897	6,151
Belgium	2	1
Brazil	1,538	2,516
Bulgaria	118	160
Canada	797	1,003
China	180	151
Croatia	(22)	(19)
France	3,481	3,664
Germany	4,167	1,965
Great Britain	99	(99)
Italy	13	16
Netherlands	(1,590)	(2,015)
Russia	(980)	0
Singapore	1	8
Slovakia	0	1
Slovenia	898	1,436
USA	1,540	1,741
Vietnam	(206)	0
Total	**15,933**	**16,680**

Tax-loss carry forwards are comprised of the following:

	Non-capitalized loss carry forwards		Capitalized loss carry forwards	
EUR thousand	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Loss carry forwards subject to expiry				
within one year	0	655	0	26
within two years	893	0	47	350
within three years	576	911	338	15
within four years	357	587	0	0
within five years	2,214	365	0	565
in more than five years	12,922	2,348	16,406	18,606
Loss carry forwards not subject to expiry	13,651	19,941	34,021	30,438
Total	**30,613**	**24,807**	**50,812**	**50,000**

Tax-loss carry forwards of EUR 30,613 thousand (previous year: EUR 24,807 thousand) were not recognized as deferred tax assets by the Group, since their effectiveness as definite tax relief within the scope of medium-term planning is not yet sufficiently secured.

For temporary differences associated with investments in subsidiaries, deferred taxes of EUR 4,063 thousand (previous year: EUR 3,341 thousand) were recognized in accordance with IAS 12.44.

(31) NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are comprised of the following:

EUR thousand	31 Dec 2011	31 Dec 2010
Loans	4,970	1,581
Securities	1,068	1,093
Other interests	0	1
Derivative financial instruments	11	119
Total	**6,049**	**2,794**

Securities comprise shares in investment funds and bonds.

(32) OTHER NON-CURRENT ASSETS

Other non-current assets are the following:

EUR thousand	31 Dec 2011	31 Dec 2010
Employer's pension liability insurance contributions	1,895	2,221
Deferred expenses	3	3
Miscellaneous other non-current assets	19	18
Total	**1,917**	**2,242**

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

(33) INVENTORIES

Inventories are shown below:

EUR thousand	31 Dec 2011	31 Dec 2010
Materials and production supplies	76,839	62,645
Work in progress	58,851	42,760
Finished goods and goods for resale	62,092	53,607
Prepayments	796	742
Total	**198,578**	**159,754**

EUR 2,115 thousand (previous year: EUR 1,126 thousand) in inventories were valued at net realizable value.

In the 2011 financial year, a reversal of an impairment in inventories of EUR 478 thousand (previous year: EUR 1,968 thousand) was made and recognized as cost of material.

(34) TRADE RECEIVABLES

Trade receivables are as follows:

EUR thousand	31 Dec 2011	31 Dec 2010
Receivables from contract manufacturing	1,287	1,536
Invoiced receivables	119,588	108,975
Total	**120,875**	**110,511**

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

EUR thousand	31 Dec 2011	31 Dec 2010
Costs incurred for contract manufacturing	597	710
Plus accrued profits	690	826
Receivables from contract manufacturing	**1,287**	**1,536**

Based on experience, allowances for doubtful debts of EUR 5,503 thousand (previous year: EUR 6,972 thousand) were made to take into account insolvency risks. These allowances are the following:

	Specific bad-debt allowances		Standardized bad-debt allowances	
EUR thousand	2011	2010	2011	2010
As at 1 Jan	**3,891**	**4,840**	**3,081**	**2,922**
Change in scope of consolidation	4	0	97	1,013
Allocation	93	1,049	231	568
Use	(232)	(244)	(248)	(181)
Reversal	(470)	(2,067)	(874)	(222)
Reclassifications	25	198	(25)	(199)
Foreign currency translation	(83)	115	13	(820)
As at 31 Dec	**3,228**	**3,891**	**2,275**	**3,081**

(35) OTHER CURRENT ASSETS

Other current assets are shown in the following table:

EUR thousand	31 Dec 2011	31 Dec 2010
Derivative financial instruments	99	359
Receivables relating to social security and other taxes	5,622	4,243
Other receivables	4,596	3,110
Deferred expenses	2,753	2,143
Securities	13	38
Total	**13,083**	**9,893**

(36) CASH AND CASH EQUIVALENTS

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

EUR thousand	31 Dec 2011	31 Dec 2010
Cash in hand	98	431
Cash at banks	15,039	15,434
Total	**15,137**	**15,865**

As at 31 December 2011, there were no restraints on the disposal over funds.

(37) SHARE CAPITAL

The Company's share capital is divided into 35,730,000 (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.

The movements in shares outstanding are shown below:

Shares	2011	2010
As at 1 Jan	**35,402,000**	**35,402,000**
Buyback of own shares	(40,840)	0
As at 31 Dec	**35,361,160**	**35,402,000**

(38) 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 fair values of the options granted within the framework of the stock option programme are recognized as employee benefits expenses over the vesting period. The reserve according to IFRS 2 reflects accumulated employee benefits expenses up to 31 December 2011. When the stock options expire, they will be set off against retained earnings.

The reserve according to IFRS 2 is as follows:

EUR thousand	2011	2010
As at 1 Jan	**99**	**39**
Allocation	59	60
Reversal	(6)	0
As at 31 Dec	**152**	**99**

Stock options are illustrated in the following table:

Number of stock options	2011	2010
As at 1 Jan	**300,000**	**250,000**
Options granted	0	50,000
Options lapsed	30,000	0
As at 31 Dec	**270,000**	**300,000**

(39) TREASURY STOCK

As at 31 December 2011, holdings of treasury stock amounted to 368,840 shares (previous year: 328,000 shares).

At 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, the Management Board was authorized 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.

(40) 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 2011 financial year, the weighted average number of shares outstanding amounted to 35,400,683 shares (previous year: 35,402,000 shares).

On the basis of the consolidated net result for the period, to the amount of EUR 41,955 thousand (previous year: EUR 24,225 thousand), undiluted earnings per share were EUR 1.19 (previous year: EUR 0.68). Due to the low dilutive effect of the stock option programme, diluted earnings per share were identical with undiluted earnings per share.

Dividend per share

At the Annual General Meeting on 8 March 2012, it will be proposed that a dividend of EUR 0.38 per share or EUR 13,437 thousand be distributed (previous year: EUR 0.22 per share or EUR 7,788 thousand).

(41) VALUATION RESERVES ACCORDING TO IAS 39

As in the pervious year, the valuation reserves according to IAS 39 only contain cash flow hedging reserves. Changes in the cash flow hedging reserve are presented in the statement of comprehensive income.

(42) NON-CURRENT FINANCIAL LIABILITIES

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 2011 this value amounted to 4.2 per cent (previous year: 4.9 per cent).

(43) NON-CURRENT PROVISIONS

The following table shows non-current provisions:

EUR thousand	31 Dec 2011	31 Dec 2010
Pension provisions	5,835	6,402
Provisions for severance payments	11,653	11,136
Anniversary bonus provisions	3,265	3,084
Other non-current provisions	26,704	20,015
Total	**47,457**	**40,637**

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.

EUR thousand	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Net present value of defined benefit obligation	5,835	6,402	5,772	5,160	4,675
Fair value of plan assets	0	0	0	(68)	(61)
Pension provisions	**5,835**	**6,402**	**5,772**	**5,092**	**4,614**

EUR thousand	2011	2010
Net present value of defined benefit obligation as at 1 Jan	**6,402**	**5,772**
Change in scope of consolidation	9	0
Current service cost	84	122
Interest cost	285	296
Actuarial gains (–)/losses (+)	(194)	575
Benefits paid	(751)	(364)
Net present value of defined benefit obligation as at 31 Dec	**5,835**	**6,402**

Experience adjustments of pension provisions amount to EUR 30 thousand (2010: EUR 41 thousand; 2009: EUR 44 thousand; 2008: EUR 77 thousand; 2007: EUR 78 thousand).

Net pension cost resulting from defined benefit plans is comprised as follows:

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Employee benefits expenses		
Current service cost	(84)	(122)
Interest expense		
Interest cost	(285)	(296)
Net pension cost	**(369)**	**(418)**

Valuation was based on the following parameters:
- Age of retirement: 65 years (previous year: 65 years)
- Interest rate: 4.75 per cent p.a. (previous year: 4.5 per cent p.a.)
- Pension increase: 1.5 per cent p.a. (previous year: 1.5 per cent p.a.)

The calculation of pension provisions was performed as at 31 December 2011 using actuarial principles and taking into account the calculation rules under IAS 19. The obligations are valued 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 AVÖ-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".

Provision 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.

EUR thousand	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
Net present value of defined benefit obligation	11,653	11,136	9,438	11,000	13,081

EUR thousand	2011	2010
Net present value of defined benefit obligation as at 1 Jan	**11,136**	**9,438**
Current service cost	649	567
Interest cost	488	479
Actuarial gains (–)/losses (+)	405	1,185
Benefits paid	(1,025)	(533)
Net present value of defined benefit obligation as at 31 Dec	**11,653**	**11,136**

Experience adjustments of provisions for severance payments amount to EUR 836 thousand (2010: –EUR 58 thousand; 2009: EUR 953 thousand; 2008: –EUR 601 thousand; 2007: EUR 647 thousand).

Net cost for severance payments resulting from defined benefit plans is comprised as follows:

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Employee benefits expenses		
Current service cost	(649)	(567)
Interest expense		
Interest cost	(488)	(479)
Net cost for severance payments	**(1,137)**	**(1,046)**

Valuation was based on the following parameters:
- Interest rate: 4.75 per cent p.a. (previous year: 4.5 per cent p.a.)
- Salary increases: 3.0 per cent p.a. (previous year: 3.0 per cent p.a.)
- Staff turnover discount: 2.0 per cent p.a. (previous year: 2.0 per cent p.a.)

Changes in the interest rate are based on the re-evaluation necessitated by the changed economic environment.

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.

Anniversary bonus provisions

Provisions for anniversary bonuses derived from collective bargaining and/or company agreements were calculated using the same parameters as for the provision for severance payments.

The following table shows the movements in anniversary bonus provisions:

EUR thousand	2011	2010
As at 1 Jan	**3,084**	**2,493**
Allocation	192	481
Interest cost	136	128
Use	(147)	(18)
As at 31 Dec	**3,265**	**3,084**

Other non-current provisions

The changes in other non-current provisions are shown in the following table:

EUR thousand	2011	2010
As at 1 Jan	**20,015**	**4,262**
Acquisitions	2,479	18,550
Allocation	2,241	0
Interest cost	1,962	537
Use	0	(220)
Reversal	0	(3,318)
Foreign currency translation	7	204
As at 31 Dec	**26,704**	**20,015**

Other provisions contain EUR 21,049 thousand of purchase price portions from previous years not yet fallen due. This portion of the purchase price depends on the net profit of the business acquired and will become due and payable in 2016. No changes in measurement were made compared to the previous year.

A purchase price obligation of EUR 2,479 thousand not yet fallen due relates to 2011; it is determined by the future revenue generated by the unit. This purchase price share will probably become due and payable by 2014.

The reversal made in the 2010 financial year primarily results from the reversal of the provision for the portion of the purchase price for the acquisition of Omaha Standard, Inc., USA, that has not yet fallen due.

(44) OTHER NON-CURRENT LIABILITIES

Other non-current liabilities primarily relate to foreign taxes and liabilities to employees as well as deferred income.

(45) CURRENT PROVISIONS

The movements in current provisions are shown in the following:

	Provision for guarantee and warranty expenses		Other current provisions	
EUR thousand	2011	2010	2011	2010
As at 1 Jan	**10,614**	**11,904**	**1,054**	**1,022**
Change in scope of consolidation	125	765	80	18
Allocation	2,759	3,233	491	444
Use	(2,193)	(4,812)	(599)	(284)
Reversal	(22)	(391)	(135)	(306)
Reclassifications	0	920	(95)	(211)
Foreign currency translation	13	(1,005)	194	371
As at 31 Dec	**11,296**	**10,614**	**990**	**1,054**

(46) TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other current liabilities are broken down as follows:

EUR thousand	31 Dec 2011	31 Dec 2010
Trade payables	62,417	55,945
Liabilities to associated companies	335	634
Advances received on orders	7,903	5,153
Liabilities on accepted bills of exchange	2	4
Liabilities to employees	18,139	14,635
Liabilities relating to social security and other taxes	11,794	9,902
Other liabilities	6,410	3,639
Deferred income	803	354
Total	**107,803**	**90,266**

Liabilities to employees, amounting to EUR 18,139 thousand (previous year: EUR 14,635 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 6,410 thousand (previous year: EUR 3,639 thousand), relate to purchase price liabilities from acquisitions (EUR 2,900 thousand) as well as debtors with credit balances and miscellaneous other liabilities.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(47) REVENUE

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
European Union	540,622	419,220
Rest of Europe	58,605	27,390
North America	141,178	105,051
Central and South America	51,218	51,009
Far East	26,936	19,055
Oceania	11,051	11,893
Africa	8,620	7,799
Middle and Near East	7,447	10,376
Total	**845,677**	**651,793**

The classification by geographical area is governed by the customer's registered office.

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Revenue invoiced	832,352	634,590
Revenue from contract manufacturing	13,325	17,203
Total	**845,677**	**651,793**

(48) CHANGES IN INVENTORIES AND OWN WORK CAPITALIZED

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Changes in inventories	15,642	(3,329)
Own work capitalized		
Capitalized development expenses	4,726	3,596
Other own work capitalized	517	75
Total	**20,885**	**342**

Changes in inventories consist of changes in inventories of finished goods and work in progress compared to 2010.

(49) OTHER OPERATING INCOME

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Income from the disposal of intangible assets and property, plant and equipment	437	189
Income from the reversal of impairment loss on intangible assets and property, plant and equipment	231	0
Income from the reversal of provisions	0	3,309
Income from charges for services	3,066	3,536
Exchange rate differences	1,895	2,368
Government research grants	1,149	745
Rental income	467	361
Insurance income	191	862
Miscellaneous other operating income	2,912	2,897
Total	**10,348**	**14,267**

(50) MATERIALS AND EXTERNAL SERVICES

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Cost of materials	(432,965)	(321,800)
Cost of external services	(25,762)	(15,484)
Total	**(458,727)**	**(337,284)**

For details on the impairment loss on inventories reported under cost of materials see Note (33) Inventories.

(51) EMPLOYEE BENEFITS EXPENSES

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Wages and salaries	(167,840)	(138,083)
Expenses for severance payments	(1,544)	(1,436)
Pension expenses	(1,885)	(1,526)
Expenses for statutory social security contributions and other pay-related contributions	(35,699)	(29,477)
Other employee benefits	(9,890)	(8,200)
Total	**(216,858)**	**(178,722)**

Expenses for severance payments include payments made to external severance pay funds for employees, totalling EUR 422 thousand (previous year: EUR 318 thousand).

EUR 53 thousand (previous year: EUR 60 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 2011 financial year.

(52) DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Depreciation and amortization	(27,244)	(22,739)
Impairment	(1,603)	0
Total	**(28,847)**	**(22,739)**

The development of depreciation, amortization and impairment is discussed in detail in Note (26) Intangible assets and Note (27) Property, plant and equipment.

(53) OTHER OPERATING EXPENSES

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Taxes other than those on income	(3,229)	(2,242)
Losses on the disposal of intangible assets and property, plant and equipment	(152)	(109)
Losses on bad debt and impairment losses	40	1,341
Temporary workers and other third-party services	(15,508)	(12,743)
Outgoing freight costs	(13,101)	(10,364)
Guarantees and warranties	(12,371)	(8,561)
Travel and communications	(11,666)	(9,852)
Trade fairs, distribution and marketing	(9,995)	(6,477)
Rentals and leases	(8,988)	(8,196)
Consultancy services	(8,329)	(8,940)
Repairs and maintenance	(6,978)	(5,616)
Vehicle fleet	(4,061)	(3,181)
Commissions	(3,788)	(2,357)
Currency translation differences	(3,182)	(2,731)
Insurance	(2,785)	(2,573)
Licences	(2,382)	(2,008)
Office supplies and computer expendables	(987)	(1,076)
Bank charges	(631)	(562)
Miscellaneous other operating expenses	(7,392)	(6,708)
Total	**(115,485)**	**(92,955)**

Fees charged by the auditor

For services provided in the 2011 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 2011	Jan–Dec 2010
Audit of the consolidated financial statements and related certification services (including reviews)	(789)	(701)
of which Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	(182)	(174)
Tax advice	(120)	(39)
Other services	0	(67)
Total	**(909)**	**(807)**

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(54) NET INTEREST RESULT AND OTHER FINANCIAL RESULT

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

Jan–Dec 2010		Financial instruments acc. to IAS 39				Financial instruments acc. to IAS 39			
EUR thousand	Total	Loans and receivables	At amortized cost	Available for sale	Held for trading	Other non-current provisions	Non-current provisions acc. to IAS 19	Finance leases	Other
Interest income	518	456	28	0	0	0	0	0	34
Interest expenses	(10,896)	0	(9,358)	0	0	(537)	(903)	(98)	0
Interest result	**(10,378)**	**456**	**(9,330)**	**0**	**0**	**(537)**	**(903)**	**(98)**	**34**
Income from the disposal of financial assets	45	0	0	45	0	0	0	0	0
Loss from the disposal of financial assets	(21)	0	(9)	(12)	0	0	0	0	0
Write-ups of financial assets	11	0	0	11	0	0	0	0	0
Exchange rate differences	3,028	3,231	0	0	272	0	0	(475)	0
Net result	**3,063**	**3,231**	**(9)**	**44**	**272**	**0**	**0**	**(475)**	**0**
Net financial result	**(7,315)**	**3,687**	**(9,339)**	**44**	**272**	**(537)**	**(903)**	**(573)**	**34**

Jan–Dec 2011		Financial instruments acc. to IAS 39				Financial instruments acc. to IAS 39			
EUR thousand	Total	Loans and receivables	At amortized cost	Available for sale	Held for trading	Other non-current provisions	Non-current provisions acc. to IAS 19	Finance leases	Other
Interest income	500	500	0	0	0	0	0	0	0
Interest expenses	(11,169)	0	(8,211)	0	0	(1,962)	(909)	(87)	0
Interest result	**(10,669)**	**500**	**(8,211)**	**0**	**0**	**(1,962)**	**(909)**	**(87)**	**0**
Income from the disposal of financial assets	47	0	0	47	0	0	0	0	0
Write-ups of financial assets	1	0	0	1	0	0	0	0	0
Impairment of financial assets	(18)	0	0	(18)	0	0	0	0	0
Exchange rate differences	(278)	237	(118)	0	(273)	0	0	(124)	0
Net result	**(248)**	**237**	**(118)**	**30**	**(273)**	**0**	**0**	**(124)**	**0**
Net financial result	**(10,917)**	**737**	**(8,329)**	**30**	**(273)**	**(1,962)**	**(909)**	**(211)**	**0**

(55) 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 2011	Jan–Dec 2010
Effective tax expense (–)/income (+)	(9,686)	(6,312)
thereof from previous years	809	176
Deferred tax expense (–)/income (+)	52	3,756
thereof from the recognition of tax-loss carry forwards from previous years	5,038	3,103
thereof due to tax rate changes	68	(38)
thereof from the adjustment of tax-loss carry forwards	(1,923)	0
Total	**(9,634)**	**(2,556)**

An income tax rate of 25 per cent was employed for the calculation of tax deferrals for companies based in Austria, and respective local rates were applied for companies located abroad.

The Group's effective tax rate in relation to the result before income tax was 16.9 per cent (previous year: 8.6 per cent).

EUR thousand	Jan–Dec 2011	Jan–Dec 2010
Result before income tax	57,000	29,833
Income tax expense	(9,634)	(2,556)
Effective tax rate	**16.9%**	**8.6%**

Calculation of the effective tax rate

The difference between the book income tax expense (result before tax multiplied by the national tax rate of 25 per cent) and the effective income tax expense in the 2011 financial year, as shown in the consolidated income statement, is calculated as follows:

EUR thousand	31 Dec 2011	31 Dec 2010
Result before income tax	**57,000**	**29,833**
Tax rate payable by the Group	25.0%	25.0%
Book income tax expense	**14,250**	**7,458**
Adjustment to foreign tax rates	(419)	(1,631)
Tax-reducing factors		
Research and education allowances	(289)	(314)
Tax rate changes	(124)	(177)
Tax-free income from investments	(2,731)	(859)
Other income not subject to tax	(142)	(753)
Utilization of previously unrecognized tax losses	(5,038)	(3,103)
Income tax from previous years	(60)	(303)
Valuation of investment	(1,296)	0
	(9,680)	**(5,509)**
Tax-increasing factors		
Tax rate changes	56	214
Non-capitalized loss carry forwards	1,810	1,565
Impairment of loss carry forwards	1,923	0
Non-tax-deductible expenses	534	302
Minimum taxes	39	29
Income tax from previous years	869	127
Valuation of investment	252	0
	5,483	**2,237**
Income tax expense	**9,634**	**2,556**

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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	Measured acc. to IAS 39						
						At fair value				
				At amortized cost		Recognized in other comprehensive income		Recognized in the income statement		
EUR thousand	Carrying amount 31 Dec 2011	No financial instrument/ recognition acc. to IAS 27	At amortized cost	Loans and receivables	At amortized cost	Available for sale	Hedging derivatives	Held for trading/ other derivatives	Carrying amounts of financial instruments 31 Dec 2011	Fair value of financial instruments 31 Dec 2011
Non-current assets										
Non-current financial assets	6,049	0	0	4,970	0	1,068	0	11	6,049	6,049
thereof										
Level 2 fair value					0	1,068	0	11		
Current assets										
Trade receivables	120,875	1,287	0	119,588	0	0	0	0	119,588	119,588
Other current assets	13,083	8,375	0	4,596	0	13	99	0	4,708	4,708
thereof										
Level 2 fair value						13	99	0		
Cash and cash equivalents	15,137	0	0	15,137	0	0	0	0	15,137	15,137
Non-current liabilities										
Liabilities from puttable non-controlling interests	16,045	11,880	0	0	0	0	0	4,165	4,165	4,165
thereof										
Level 3 fair value								4,165		
Non-current financial liabilities	86,328	0	5,587	0	80,390	0	351	0	86,328	88,301
Non-current provisions	47,457	26,408	0	0	0	0	0	21,049	21,049	21,049
thereof										
Level 3 fair value								21,049		
Other non-current liabilities	3,917	3,750	0	0	167	0	0	0	167	167
Current liabilities										
Current financial liabilities	102,783	0	2,088	0	100,057	0	633	5	102,783	102,783
thereof										
Level 2 fair value						0	633	5		
Trade payables and other current liabilities	107,803	38,639	0	0	69,164	0	0	0	69,164	69,164

			Measured acc. to IAS 17	Measured acc. to IAS 39						
						At fair value				
				At amortized cost		Recognized in other comprehensive income		Recognized in the income statement		
EUR thousand	Carrying amount 31 Dec 2010	No financial instrument/ recognition acc. to IAS 27	At amortized cost	Loans and receivables	At amortized cost	Available for sale	Hedging derivatives	Held for trading/ other derivatives	Carrying amounts of financial instruments 31 Dec 2010	Fair value of financial instruments 31 Dec 2010
Non-current assets										
Non-current financial assets	2,794	0	0	1,581	1	1,093	0	119	2,794	2,794
thereof										
Level 2 fair value					1	1,093	0	119		
Current assets										
Trade receivables	110,511	1,536	0	108,975	0	0	0	0	108,975	108,975
Other current assets	9,893	6,386	0	3,110	0	38	0	359	3,507	3,507
thereof										
Level 2 fair value						38	0	359		
Cash and cash equivalents	15,865	0	0	15,865	0	0	0	0	15,865	15,865
Non-current liabilities										
Liabilities from puttable non-controlling interests	11,469	11,469	0	0	0	0	0	0	0	0
Non-current financial liabilities	123,562	0	7,315	0	116,247	0	0	0	123,562	125,045
Non-current provisions	40,637	21,550	0	0	0	0	0	19,087	19,087	19,087
thereof										
Level 3 fair value								19,087		
Other non-current liabilities	4,461	4,461	0	0	0	0	0	0	0	0
Current liabilities										
Current financial liabilities	55,947	0	0	0	55,196	0	661	90	55,947	55,947
thereof										
Level 2 fair value							661	90		
Trade payables and other current liabilities	90,266	30,044	0	0	60,222	0	0	0	60,222	60,222

Level 1 fair values are based on quoted prices at the reporting date. Level 2 fair values are derived from observable market data. Level 3 fair values are measured internally using acknowledged calculation models on the basis of market interest rates of identical assets with the same duration and implicit volatilities.

In the 2011 financial year, income from the disposal of securities amounted to EUR 47 thousand (previous year: EUR 24 thousand).

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 is the risk arising from the necessity to have sufficient funds available at any time in order to meet obligations when they come due.

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 necessary transparency in order to be able 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.

In order to extend the maturities of the financial liabilities, the acquisitions carried out and the loans maturing in 2011 were also refinanced through long-term loans. These facilities have a maturity of approximately five years.

Another component to ensure liquidity was to maintain long-term credit lines with PALFINGER's banking partners. The existing financing agreements were 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 2010	< 1 year	1–5 years	> 5 years
Financial liabilities	**192,958**	**61,905**	**124,712**	**6,341**
Trade payables and other liabilities				
Trade payables	56,108	55,945	163	0
Other liabilities	4,277	4,277	0	0
	60,385	**60,222**	**163**	**0**
Total	**253,343**	**122,127**	**124,875**	**6,341**

EUR thousand	31 Dec 2011	< 1 year	1–5 years	> 5 years
Financial liabilities	**199,629**	**107,308**	**92,321**	**0**
Trade payables and other liabilities				
Trade payables	62,584	62,417	167	0
Other liabilities	6,747	6,747	0	0
	69,331	**69,164**	**167**	**0**
Total	**268,960**	**176,472**	**92,488**	**0**

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 internal solvency analyses – and taking out adequate insurance. Credit risk is limited to the amounts reported in their balance sheets.

A standardized specific bad-debt allowance was recognized for all receivables overdue.

The following is a breakdown of trade receivables overdue:

EUR thousand	31 Dec 2011	31 Dec 2010
Receivables not yet due	**88,680**	**83,951**
Receivables impaired		
Overdue for less than 30 days	20,485	15,602
Overdue for more than 30 days but less than 60 days	5,701	5,035
Overdue for more than 60 days but less than 90 days	2,681	1,210
Overdue for more than 90 days but less than 120 days	630	651
Overdue for more than 120 days	2,698	4,062
	32,195	**26,560**
Total	**120,875**	**110,511**

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 investment grade 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 foreign exchange exposure is hedged using adequate hedging instruments. Foreign exchange cash flows from operations are hedged by means of foreign exchange forwards (cash flow hedges).

The supply of finished products and components from Europe to North America creates a risk position in US dollars 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.

The Group's foreign exchange positions and hedges are constantly monitored, analyzed with regard to the risk sensitivity of the Group and subjected to stress testing. In accordance with the requirements of IFRS 7, PALFINGER calculated the effects of changes in the main foreign exchange rates relevant for the Group on PALFINGER's equity. The effects calculated primarily result from changes in the fair values of PALFINGER's hedging instruments. A 10-per cent increase in value of the US dollar as at 31 December 2011 would have decreased equity (presentation of the cash flow hedge) by an additional EUR 1,458 thousand (previous year: EUR 730 thousand); a 10-per cent decrease in value would have increased equity by EUR 1,193 thousand (previous year: EUR 629 thousand).

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.

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 61.2 million (previous year: EUR 38.5 million) and by interest rate caps of EUR 50.0 million (previous year: EUR 50.0 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 600.2 thousand (previous year: EUR 601 thousand).

HEDGING

HEDGING FOR FUTURE CASH FLOWS (CASH FLOW HEDGE)

The revenue generated in North America is invoiced in US dollars. The resulting foreign exchange exposure is hedged through forward exchange forwards.

The sale of US dollars in foreign exchange forwards constitutes a hedge against the income from operations in US dollars. 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.

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 transaction currency		Mark-to-market valuation	
EUR thousand	Currency	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Forward foreign exchange contracts	USD	17,000	9,000	(454)	17
Interest rate swaps		61,220	38,500	(431)	(678)
Total				**(885)**	**(661)**

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 are 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 derivative financial instruments are recognized in the income statement.

The interest rate caps indicated below put an upper limit on floating-interest payments. If the market interest rate exceeds a level of 6 per cent, PALFINGER receives a payment from its counterparty, thus limiting interest expenses. The cap is designed as protection in a worst-case scenario of inflation.

		Nominal amount in transaction currency		Mark-to-market valuation	
EUR thousand	Currency	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Currency swaps					
	USD	0	20,000	0	255
	GBP	0	1,980	0	14
	RUB	35,000	0	(5)	0
Interest rate caps		50,000	50,000	11	119
Total				**6**	**388**

Valuation gains/losses from derivatives held for trading amount to –EUR 273 thousand (previous year: EUR 272 thousand) and are reported under exchange rate differences in the net financial result.

The differences in the measurement of interest rate caps are reported under interest expenses.

OTHER DISCLOSURES

DISCLOSURES OF BUSINESS TRANSACTIONS WITH RELATED PARTIES

At PALFINGER, related parties are broken down into associated companies, key management and other related parties. The associated companies 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 and with enterprises controlling associated companies are carried out for the provision of goods and services. Transactions carried out with the key management and other related parties result from the delivery of goods and provision of consultancy services.

Transactions with related parties are carried out in observance of the arm's length principle.

	Associated companies		Key management		Other related parties	
EUR thousand	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Receivables	6,075	5,814	0	0	1,125	125
Liabilities	335	634	100	21	849	854
Provisions	0	0	0	0	21,049	19,087
Revenue	62,161	39,778	0	0	546	3,017
Other operating income	145	39	0	0	329	85
External services	(154)	0	(310)	(124)	(2,353)	(1,793)
Materials	(2,795)	(4,528)	0	0	0	(5)
Interest income	141	14	0	0	0	30

Receivables from associated companies include trade receivables of EUR 2,805 thousand (previous year: EUR 4,991 thousand).

All (previous year: EUR 631 thousand) of the liabilities due to associated companies of EUR 335 thousand (previous year: EUR 634 thousand) resulted from the provision of goods and services.

The provisions regarding other related parties of EUR 21,049 thousand (previous year: EUR 19,087 thousand) primarily resulted from the portion of the purchase price for the acquisition of the Palfinger Marine Group that had not yet fallen due.

OTHER LIABILITIES AND RISKS

OPERATING LEASES

Liabilities for the use of assets not recognized in the balance sheet (production facilities, fixtures, fittings and equipment) will presumably amount to EUR 2,357 thousand (previous year: EUR 2,118 thousand) for the 2012 financial year and EUR 4,704 thousand (previous year: EUR 5,698 thousand) for the following four years.

FINANCE LEASES

The carrying amounts of property, plant and equipment leased under finance lease agreements amounted to EUR 10,739 thousand (previous year: EUR 10,772 thousand) as at the balance sheet date. The property, plant and equipment leased are buildings and equipment as well as a company aircraft. The carrying amounts of property, plant and equipment leased under finance lease agreements are shown below:

EUR thousand	31 Dec 2011	31 Dec 2010
Land and buildings	4,419	4,567
Other plant, fixtures, fittings and equipment	6,320	6,205
Total	**10,739**	**10,772**

The pertaining lease liabilities are carried under non-current or current financial liabilities in accordance with their durations.

	Minimum lease payments		Present value of finance lease liabilities	
EUR thousand	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Up to one year	2,145	793	2,088	716
Between one and five years	5,717	3,117	5,587	2,932
More than five years	0	4,392	0	4,383
Total	**7,862**	**8,302**	**7,675**	**8,031**
Minus any future finance costs	(187)	(271)		
Present value of finance lease liabilities	**7,675**	**8,031**		

KEY EVENTS AFTER THE BALANCE SHEET DATE

After the end of the 2011 financial year, there have been no material post-reporting events that would require disclosure.

DISCLOSURES CONCERNING GOVERNING BODIES AND EMPLOYEES

EMPLOYEES

The average number of employees in the Group (including the Management Board) during the financial year was 5,600 (previous year: 4,671). At the balance sheet date there were 6,043 Group employees (previous year: 5,045).

SUPERVISORY BOARD

In the 2011 financial year, the following individuals were either appointed, or delegated by the Works Council, to serve on the Supervisory Board:

- Alexander Doujak, Chairman[1]
- Alexander Exner (up to 30 March 2011)[2]
- Hubert Palfinger jun., Deputy Chairman[3][4]
- Hannes Palfinger (since 30 March 2011)
- Hubert Palfinger (up to 30 March 2011)[3]
- Wolfgang Anzengruber
- Peter Pessenlehner[4]
- Heinrich Dieter Kiener (since 30 March 2011)
- Gerhard Gruber (Works Council)
- Johann Mair (Works Council)[4]
- Alois Weiss (Works Council)

1) Member of the Audit, Nomination and Remuneration Committees, since 13 December 2010.

2) Member of the Audit, Nomination and Remuneration Committees, up to 13 December 2010.

3) Member of the Nomination and Remuneration Committees.

4) 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

Total remuneration of the Management Board in the 2011 financial year, including ancillary costs, was EUR 2,352 thousand (previous year: EUR 2,028 thousand) and is broken down as follows:

	Fixed salary		Stock option programme		Performance-related remuneration	
EUR thousand	Jan–Dec 2011	Jan–Dec 2010	Jan–Dec 2011	Jan–Dec 2010	Jan–Dec 2011	Jan–Dec 2010
Herbert Ortner	490	339	15	15	305	325
Christoph Kaml	246	171	18	14	225	238
Wolfgang Pilz	306	237	9	9	225	257
Martin Zehnder	280	174	9	9	224	240
Total	**1,322**	**921**	**51**	**47**	**979**	**1,060**

In addition, a bonus agreement was concluded with the members of the Management Board for achieving a long-term increase in corporate value; these bonuses will be paid out in 2016 provided that the agreed benchmarks are achieved. In the 2011 financial year, provisions of EUR 1,757 thousand were recognized in the income statement.

For benefits payable after termination of employment, EUR 209 thousand (previous year: EUR 20 thousand) were reported in the 2011 financial year.

Individual contracts regarding pension commitments were concluded with Alexander Exner and Wolfgang Pilz.

ADDITIONAL INFORMATION ACCORDING TO SEC. 245A OF THE BUSINESS CODE

At PALFINGER AG, expenses for severance and pension payments for members of the Management Board and other executives amounted to EUR 245 thousand (previous year: EUR 74 thousand), for the remaining employees to EUR 620 thousand (previous year: EUR 860 thousand).

Salzburg, 24 January 2012

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 2011 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 2011 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 2011 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 2011 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, 24 January 2012

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 to 31 December 2011. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2011, and a summary of significant accounting and valuation policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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 in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 basis for our audit opinion.

OPINION

Our audit did not give rise to any objections.

Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and its financial performance and its cash flows for the financial year from 1 January to 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU.

REPORT ON THE CONSOLIDATED MANAGEMENT REPORT

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the Group. Furthermore, the auditor’s report needs to include a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the information disclosed according to sec. 243a UGB is correct. In our opinion, the consolidated management report for the Group is consistent with the consolidated financial statements. The information according to sec. 243a UGB is correct.

Salzburg, 24 January 2012

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Anna Flotzinger m.p.
Certified public accountant

Christoph Fröhlich m.p.
Certified public accountant

REPORT OF THE SUPERVISORY BOARD

In 2011, the PALFINGER Group managed to further expand its global market position thanks to numerous initiatives that were taken and implemented in a targeted manner. The members of the Supervisory Board would like to express their thanks and recognition to the members of the Management Board and in particular all staff members of the PALFINGER Group for their outstanding commitment and achievements in the 2011 financial year.

In the 2011 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 22 February, 6 June, 26 September and 15 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.

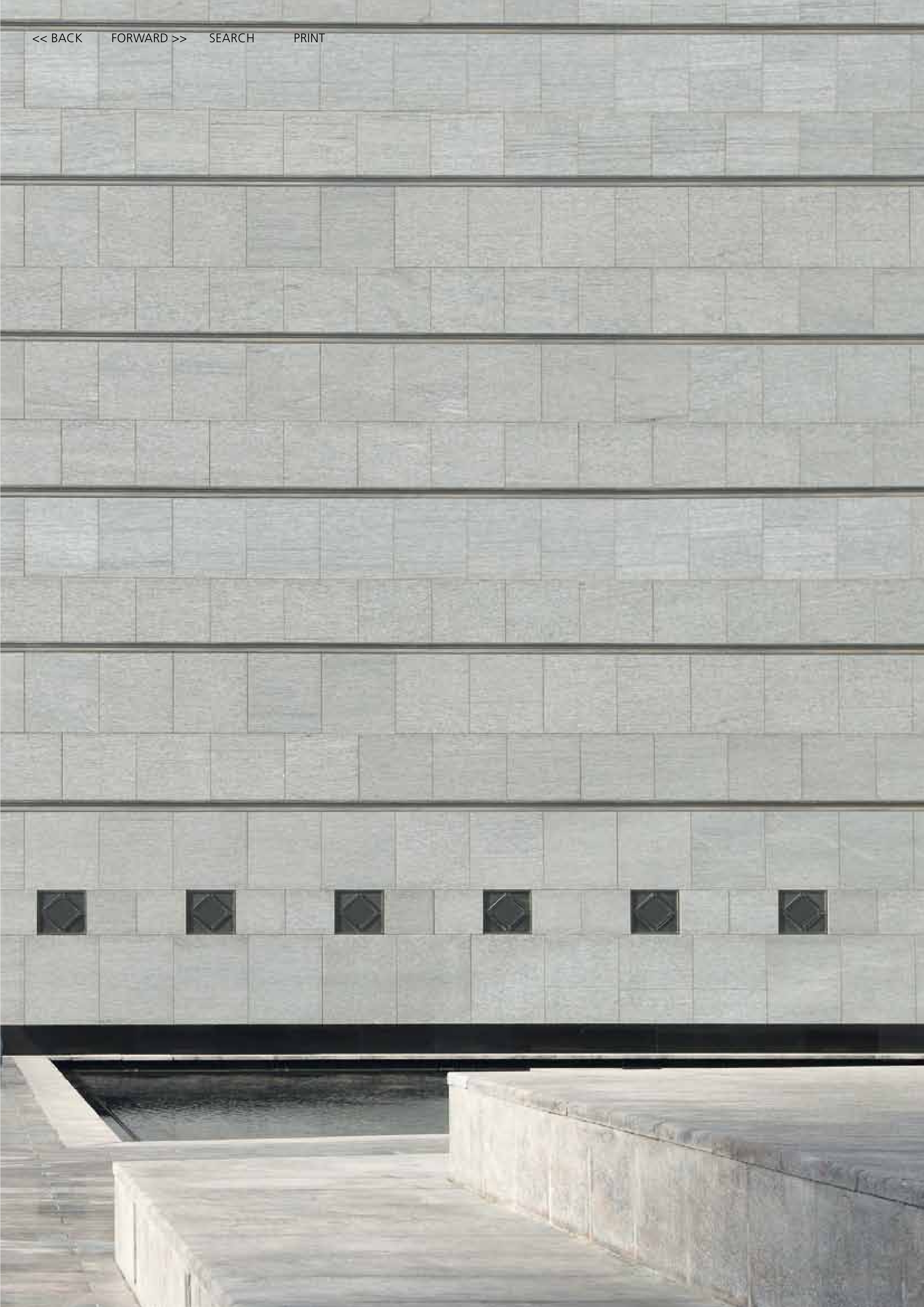
Besides current developments, the Supervisory Board focused primarily on strategy in the individual areas and business units and with regard to acquisition projects and major investment decisions. The Audit Committee, the Nomination Committee and the Remuneration Committee met at regular intervals during the reporting year. The strategic orientation and further development of the Group were the focus of discussions.

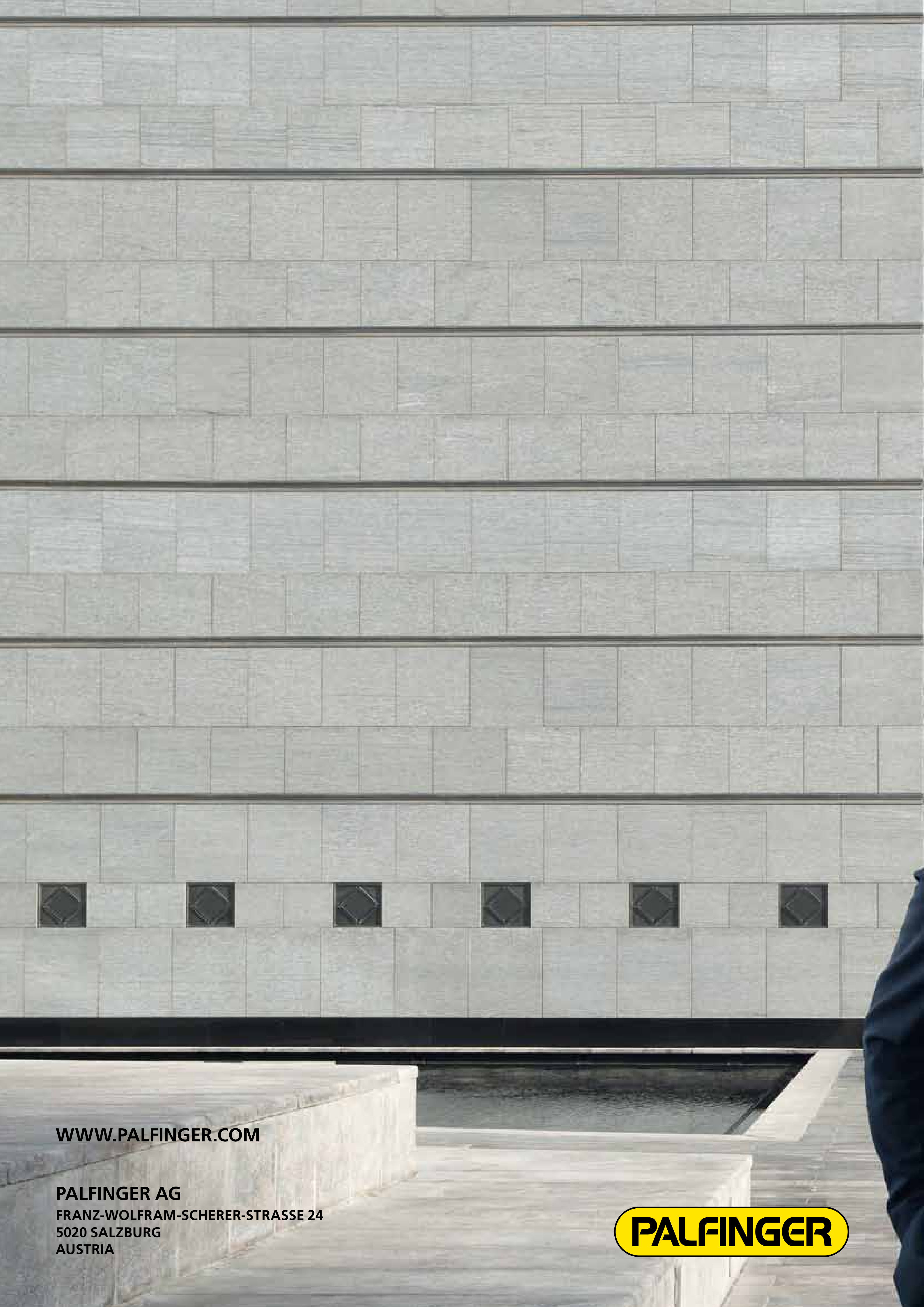
PALFINGER AG's financial statements for the year ended 31 December 2011 and the management report including the Company's accounting records were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg. The audit revealed that the accounting records, the financial statements and the 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 2011. 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 2011 and the management report for the 2011 financial year, thereby adopting the 2011 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 2011 financial year.

Salzburg, 3 February 2012

Alexander Doujak m.p.
Chairman of the Supervisory Board





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PALFINGER AG

FRANZ-WOLFRAM-SCHERER-STRASSE 24
5020 SALZBURG
AUSTRIA

GREAT POTENTIAL FOR CLEAR-CUT GROWTH WORLDWIDE

THE WORLD OF PALFINGER

GORAN STARCEVIC
PLANT MANAGER
OF PALFINGER BULGARIA

COMPANIES OF THE PALFINGER GROUP

PALFINGER AG
Austria, Salzburg

- 100 % Palfinger Marine- und Beteiligungs-GmbH — Austria, Salzburg

AREA EMEA

- 100 % Ratcliff Palfinger Ltd. — Great Britain, Welwyn Garden City
- 80% Guima Palfinger S.A.S. — France, Caussade — 20% Group Vincent
  - 100% Guima France S.A.S. — France, Caussade
  - 40% Nimet Srl — Romania, Lazuri — 60% Samy Numan
- 100% Palfinger Produktionstechnik Bulgaria EOOD — Bulgaria, Cherven Brjag
- 100% Palfinger Proizvodnja d.o.o. — Slovenia, Maribor
- 100% Palfinger Proizvodna Tehnologija Hrvatska d.o.o. — Croatia, Delnice
- Palfinger Europe GmbH — Austria, Salzburg
  - 65% EPSILON Kran GmbH — Austria, Salzburg — 35% Steindl Krantechnik GmbH et al.
  - 45% STEPA Farmkran Gesellschaft m.b.H — Austria, Elsbethen — 55% Steindl Krantechnik GmbH
  - 100% Palfinger GmbH — Germany, Ainring
  - 100% Palfinger Platforms GmbH — Germany, Krefeld
  - 100% MBB Palfinger GmbH — Germany, Ganderkesee
    - 100% MBB Inter S.A.S. — France, Silly en Gouffern
    - 100 % MBB Interlift N.V. — Belgium, Erembodegem
    - 100% MBB Hubfix s.r.o. — Slovakia, Bratislava
    - 100% Interlift, Inc. — USA, Cerritos
  - 100% Palfinger Gru Idrauliche S.r.l. — Italy, Bolzano
  - 49% Palfinger France S.A. — France, Étoile sur Rhône — 51% Group Vincent
    - 99.99% Palfinger Service S.A.S. — France, Saint Michel — 0.01% Group Vincent
      - 100% A.C.I. SARL — France, Artiques près Bordeaux
    - 39.97% Sand SARL — France, Valleroy — 60.03% Family Sand
    - 33.34% Mesle Equipement S.A.S. — France, Malestroit — 66.66% RHF SARL und O. Billon
    - 60% Nord Benne SARL — France, Loos Cedex — 40% Family Parmentier
      - 100% Parthemat S.A.S. — France, Loos Cedex
        - 100% JCB Poids Lourds S.A.S. — France, Lievin

OTHER AREAS

- 100% Palfinger, Inc. — Canada, Niagara Falls
- 100% Palfinger USA, Inc. — USA, Tiffin
  - 100% Omaha Standard, Inc. — USA, Council Bluffs
  - 100% Palfleet Truck Equipment, Co. — USA, Birmingham
  - 80% Equipment Technology, LLC — USA, Oklahoma — 20% Fam. Neuberger & Glenn Smith
  - 56.75% Composite Works, LLC — USA, Oklahoma — 43.25% Custom Composites, LLC et al.
- 99.14% Madal Palfinger S.A. — Brazil, Caxias do Sul — 0.86% small shareholders
  - 100% Palfinger Argentina S.A. — Argentina, Buenos Aires
- 100% Palfinger Asia Pacific Pte. Ltd. — Singapore, Singapore
  - 100% Palfinger (Shenzhen) Ltd. — China, Shenzhen
  - 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
  - 31% Palfinger Russland GmbH — Austria, Salzburg — 20% Kraftinvest Beteiligung GmbH
  - 100% Palfinger Crane Rus LLC — Russia, St. Petersburg
- 49% Palfinger Russland GmbH

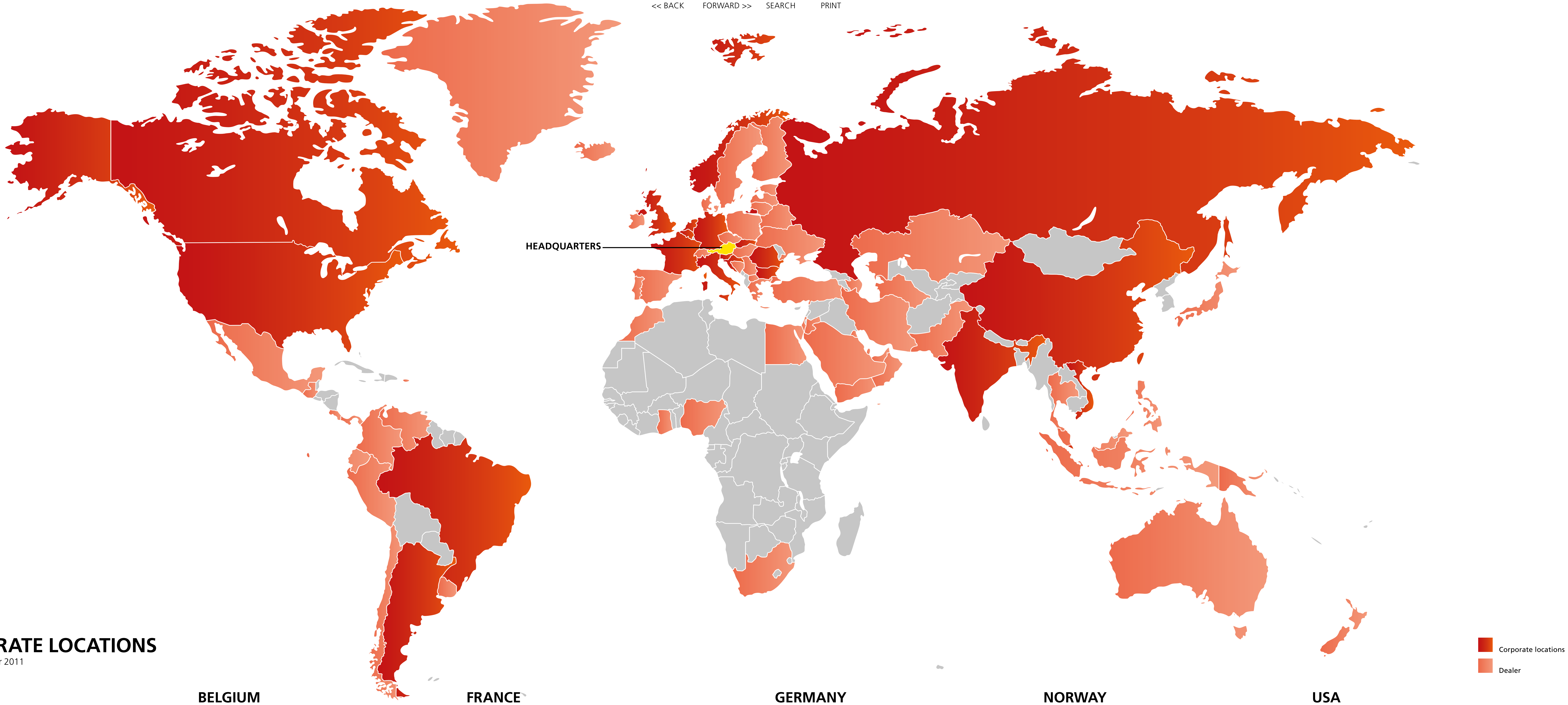
BUSINESS UNIT MARINE SYSTEMS

- 75% Ned-Deck Marine B.V. — Netherlands, Barneveld — 25% O.R.J. Duijn Beheer B.V. et al.
  - 100% Fast RSQ B.V. — Netherlands, Barneveld
  - 100% Ned-Deck Marine Vietnam Co. Ltd. — Vietnam, Hanoi
  - 100% NDM Romania S.r.l. — Romania, Cluj-Napoca
- 100% Palfinger Marine d.o.o., Maribor — Slovenia, Maribor
- 60% Palfinger Marine Pte. Ltd. — Singapore, Singapore — 40% Ascendon Engineering Pte. Ltd.
- 100% Palfinger Marine Services AS — Norway, Rosendal

- 100 % Palfinger European Units GmbH — Austria, Salzburg
- 100 % Palfinger Area Units GmbH — Austria, Salzburg
  - 100 % Palfinger North America GmbH — Austria, Salzburg
  - 100 % Palfinger South America GmbH — Austria, Salzburg

As at 31 December 2011

- fully consolidated (red)
- at equity (grey)



CORPORATE LOCATIONS

As at 31 December 2011

AUSTRIA

PALFINGER AG
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg

Palfinger Area Units GmbH
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg

Palfinger North America GmbH
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg

Palfinger South America GmbH
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg

Palfinger European Units GmbH
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg

EPSILON Kran GmbH
- Christophorusstrasse 30, 5061 Elsbethen/Glasenbach
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg

Palfinger Russland 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 Marine- und Beteiligungs-GmbH
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Moosmühlstrasse 1, 5203 Köstendorf
- Vogelweiderstrasse 40a, 5020 Salzburg

STEPA Farmkran Gesellschaft m.b.H.
- Christophorusstrasse 28, 5061 Elsbethen/Glasenbach

ARGENTINA

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

BULGARIA

Palfinger Produktionstechnik Bulgaria EOOD
- 5980 Cherven Brijag
- 8672 Tenevo

CANADA

Palfinger, Inc.
- 7942 Dorchester Road, Niagara Falls, Ontario L2E 6V6

CHINA

Palfinger (Shenzhen) Ltd.
- Block 5, Northern Yongfa Technological Park, District B, Chuandong Industrial Park, Dao Yan Chuan Chaoyang Road, Song Gang Street, Bao An District, Shenzhen

CROATIA

Palfinger Proizvodna Tehnologija Hrvatska d.o.o.
- Lučička Cesta 1, 51300 Delnice
- Ind. Zona R-27, 51223 Skrljevo

FRANCE

A.C.I. SARL
- Avenue Descartes, 33370 Artigues près Bordeaux

Guima France S.A.S.
- 29A, Avenue des Tourondes, 82300 Caussade

Guima Palfinger S.A.S.
- 29A, Avenue des Tourondes, 82300 Caussade

JCB Poids Lourds S.A.S.
- ZI de l'Alouette – BP 12, 62801 Lievin

MBB Inter S.A.S.
- Rue de l'Eglise, 61310 Silly en Gouffern

Mesle Equipement S.A.S.
- Za de la Longueraie, 56140 Saint Abraham

Nord Benne SARL
- Avenue Kuhlmann – BP 106, 59373 Loos Cedex

Palfinger France S.A.
- ZA Les Basseaux – BP 73, 26802 Étoile sur Rhône Cedex

Palfinger Service S.A.S.
- Avenue Condorcet, 91240 Saint Michel/Orge

Parthemat S.A.S.
- Avenue Kuhlmann – BP 106, 59373 Loos Cedex

Sand SARL
- ZAC des 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
- Brachwitzer Strasse 20, 06118 Halle/Saale
- Färberstrasse 2, 85276 Pfaffenhofen a. d. Ilm
- Bullerdeich 59, 20537 Hamburg

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

NETHERLANDS

Fast RSQ B.V.
- Ambachtsweg 10, 3771 MG Barneveld

Ned-Deck Marine B.V.
- Ambachtsweg 10, 3771 MG Barneveld

NORWAY

Palfinger Marine Services AS
- Skålegato 50, Box 134, 5486 Rosendal

ROMANIA

NDM Romania S.r.l.
- Str Unirii Nr. 1, Ap. 27j, Cluj-Napoca

Nimet Srl
- 137121, Lazuri, Comisani

RUSSIA

PALFINGER AG (office)
- Ulitza Marata, 47–49, Litera A, Office 501, 191002, St. Petersburg

Palfinger Crane Rus LLC
- Parkovaya Ulitza, 7, 196084, St. Petersburg

INMAN ZAO
- 2 Pervootkryvateley Baschkirskoy Nefti, 453210, Ishimbay, Respublika Bashkortostan

SINGAPORE

Palfinger Asia Pacific Pte. Ltd.
- 16 Tuas Avenue 6, Singapore 639303

Palfinger Marine Pte. Ltd.
- 79 Joo Koon Circle, Singapore 629107

SLOVAKIA

MBB Hubfix s.r.o.
- Tovarenska 14, 81571 Bratislava

SLOVENIA

Palfinger Marine d.o.o., Maribor
- Špelina Ulica 22, 2000 Maribor

Palfinger Proizvodnja d.o.o.
- Jaskova 18, 2001 Maribor

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

Interlift, Inc.
- 15939 Piuma Avenue, Cerritos, CA 90703,California

Omaha Standard, Inc.
- 3501 South 11th Street, Council Bluffs, IA 51501, Iowa
- 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey

Palfinger USA, Inc.
- 4151 West State Route 18, Tiffin, OH 44883, Ohio

Palfleet Truck Equipment, Co.
- 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
- 6700 Powerline Road, Fort Lauderdale, FL 75247, Florida
- 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

VIETNAM

Ned-Deck Marine Vietnam Co. Ltd.
- 7 Phan Huy Chu, Hoan Kiem, Hanoi
- Road D2, Area D, IZ Pho Noi A, Hung Yen

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