EXTENDING BOUNDARIES

GLOBAL PLAYER ON LAND AND AT SEA.
Integrated Annual Report 2016

PALFINGER

TABLE OF CONTENTS

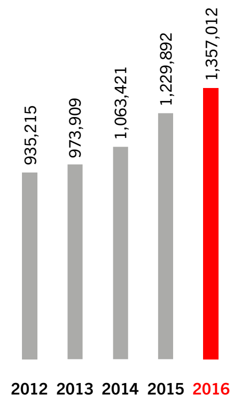
Boundaries not
only mark where
something ends,
but also where
something begins.
The beginning of
something new,
something exciting.
For us boundaries
act as guides,
verification that we
are headed in the
right, new direction.
And that is why we
strive to extend
our boundaries.

KEY FIGURES OF THE PALFINGER GROUP

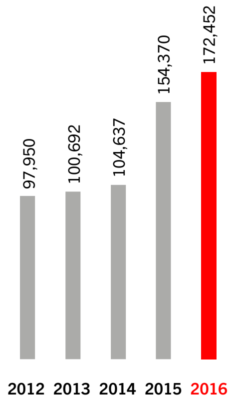
EUR thousand	2012	2013	2014	2015	2016
Income statement					
Revenue	935,215	973,909	1,063,421	1,229,892	1,357,012
EBITDAn[1]	97,950	100,692	104,637	154,370	172,452
EBITDAn margin[1]	10.5%	10.3%	9.8%	12.6%	12.7%
EBITn[1]	68,039	68,957	66,079	113,415	123,747
EBITn margin[1]	7.3%	7.1%	6.2%	9.2%	9.1%
EBITDA	97,950	100,692	104,637	145,330	155,997
EBITDA margin	10.5%	10.3%	9.8%	11.8%	11.5%
EBIT	68,039	68,957	66,079	104,375	106,049
EBIT margin	7.3%	7.1%	6.2%	8.5%	7.8%
Result before income tax	53,310	56,037	54,165	92,974	93,213
Consolidated net result for the period	40,149	38,749	38,162	64,366	61,173
Balance sheet					
Current capital (average)	255,398	268,036	286,513	310,195	356,518
Current capital ratio[2]	27.3%	27.5%	26.9%	25.2%	26.3%[3]
Net working capital (average)	551,257	591,249	705,316	834,911	975,784
Equity ratio	44.8%	45.3%	40.5%	42.1%	37.7%
Net debt	217,565	219,980	356,600	347,913	513,077
Gearing	59.8%	57.9%	78.4%	68.1%	88.5%
Cash flows and investments					
Cash flows from operating activities	55,394	69,236	47,208	110,623	109,579
Free cash flows	(3,103)	28,993	(159,525)	54,704	(68,700)
Net investments	40,799	31,723	175,855	60,440	71,359
Depreciation, amortization and impairment	29,911	31,735	38,558	40,955	49,948
Value creation					
ROCE	10.2%	9.0%	7.4%	9.6%	8.1%
ROE	12.6%	11.7%	10.5%	14.8%	12.7%
EVA	18,863	9,535	6,713	25,880	20,546
WACC	6.8%	7.4%	6.5%	6.5%	6.0%
Human resources					
Annual average payroll[4]	6,175	6,490	8,225[5]	8,978[5]	9,580
Employee turnover	11.4%	10.3%	10.4%[5]	13.6%	13.7%
Staff absences due to industrial accidents (in % of regular working time)	0.20%	0.18%	0.09%[5]	0.12%[5]	0.12%
Training hours per employee[6]	8.5	11.9	9.0[5]	14.4[5]	14.1
Environment[7]					
Index: Energy consumption in relation to revenue	-[7]	100.0%	95.5%	91.0%	94.8%
Index: Greenhouse gas emissions in relation to revenue	-[7]	100.0%	96.9%	93.6%	98.7%
Index: Hazardous waste in relation to revenue	-[7]	100.0%	103.3%	124.8%	157.8%
Share					
Market capitalization	587,401	1,030,810	789,082	994,342	1,075,167
Price as at year end (EUR)	16.44	28.85	20.99	26.45	28.60
Earnings per share in EUR	1.13	1.09	1.04	1.73	1.63
Dividend per share (EUR)	0.38	0.41	0.34	0.57	0.57[8]

1) Figures for 2015 and 2016 were normalized (n) by restructuring costs.
2) Current capital (average) in proportion to revenue of the previous 12 months.
3) The current capital ratio normalized by acquisitions amounts to 26.9%.
4) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
5) Changes occurred due to internal control loops for the purpose of improving data quality.
6) Deviating reporting boundaries due to sites that do not report these indicators.
7) Volume 2013=100%. The change in base year has resulted in a change in the previous years' index values. No data prior to the base year is available.
8) Proposal to the Annual General Meeting.

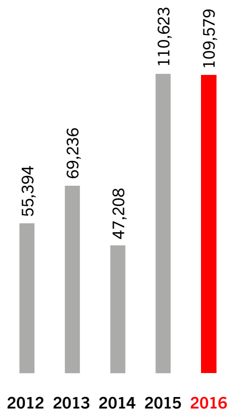
ECONOMY



REVENUE
(EUR thousand)

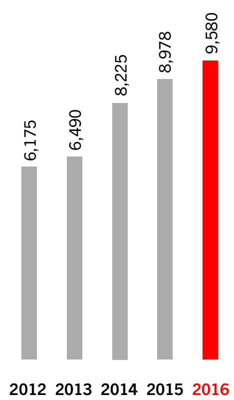


EBITDAn
(EUR thousand)

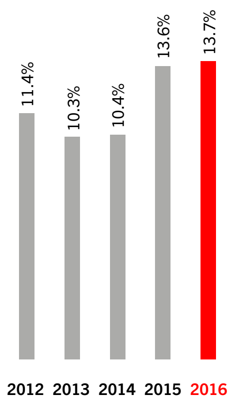


OPERATING CASH FLOWS
(EUR thousand)

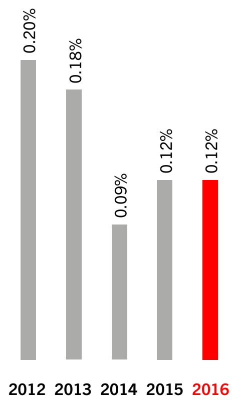
HUMAN RESOURCES



HEADCOUNT
(annual average)

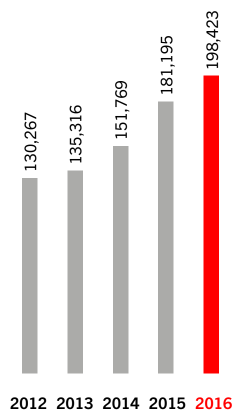


EMPLOYEE TURNOVER
(in per cent)

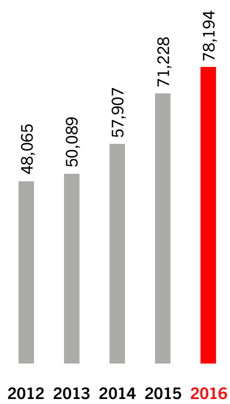


STAFF ABSENCES DUE TO INDUSTRIAL ACCIDENTS
(in per cent)

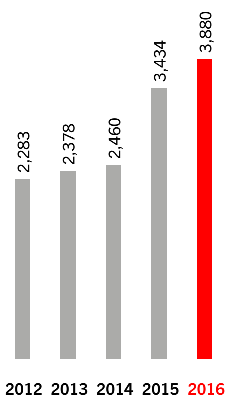
ENVIRONMENT



ENERGY CONSUMPTION
(in MWh)



GREENHOUSE GAS EMISSIONS
(in tonnes of CO_2 equivalents)



HAZARDOUS WASTE
(in tonnes)

ABOUT THIS REPORT

The 2016 financial year was a record year for PALFINGER. The Group carried out its largest acquisition ever, and recorded the highest revenue and earnings in its corporate history – and these are only the highlights. PALFINGER's further development was promoted on many levels to enable the Group to sustain its leading position worldwide in the years to come.

This Integrated Annual Report 2016 is the fourth Integrated Annual Report published by the PALFINGER Group, a report that combines reporting on financial and non-financial performance indicators. It presents economic and legal information and also describes the aspects and results of sustainable management. PALFINGER is convinced that active analysis of the opportunities, risks and effects of its own business operations on the entire value creation chain determines the success of the Company.

The Report is in accordance with the International Financial Reporting Standards (IFRS) as well as the G4 Guidelines of the Global Reporting Initiative (GRI). Moreover, PALFINGER is committed to the UN Global Compact and the OECD Guidelines for Multinational Enterprises. The integrated approach taken by PALFINGER is reflected in the combined presentation of financial and non-financial information, which is thematically bundled in the individual chapters. The consolidated management report contains information relating to PALFINGER as a responsible employer, sustainable products (research and development) and eco-efficiency in production. The principles of fair business are included in the corporate governance report. The detailed GRI and sustainability disclosures comprise additional data pertaining to the relevant sustainability-related aspects as well as the GRI index, including the UNGC guidelines.

To help the reader, the Report contains the following references:

Reference to a GRI indicator

Reference to another passage in the Integrated Annual Report

Reference to detailed information disclosed on the Internet

The complete Report may be downloaded as a PDF file from the Company's website www.palfinger.ag. For reasons of efficiency, environmental protection and varied stakeholder interests, the printed copies do not contain the consolidated financial statements according to IFRS and the detailed GRI and sustainability disclosures.

GRI G4-15
Detailed GRI and sustainability disclosures, page 202
www.palfinger.ag/en/newsroom/annual-reports;
www.palfinger.ag/en/sustainability/publications/communication-on-progress-for-the-un-global-compact

FOREWORD BY THE CEO

DEAR READERS,

In the 2016 financial year, the PALFINGER Group continued its steady growth, and for the sixth time in a row we are proud to report a record year. Given the business environment which we and in particular our customers had to face, we achieved highly satisfactory operating results, the best in our corporate history. Moreover, the acquisition of the Harding Group, the largest acquisition ever made by PALFINGER, was a milestone in the expansion of our marine business.

We increased revenue to a new record level of EUR 1.4 billion, which, in addition to the growth in business achieved in Europe, CIS and North America, was substantially facilitated by the acquisition of the Harding Group. With Harding, the revenue of our previous marine business will double, and we now have a global marine service network. The marine business has thus become PALFINGER's second strong mainstay, a fact that has prompted us to adjust segment reporting, starting with the third quarter.

2016 was also marked by restructuring within the PALFINGER Group. In North America, we have been seeing sound growth for some years; however, results have not kept pace with this growth. Therefore, we have decided to carry out a restructuring programme in order to get back on track quickly. At an operating level, our objective is to again achieve two-digit profitability in the course of 2017. In the marine business, we plan to integrate Harding, tap into synergies and increase profitability. We intend to be prepared for the next growth curve in this area.

We continued our ongoing development programmes: for our corporate culture, to enhance the flexibility of our structures, and specifically to improve our financial and non-financial performance. A central issue is digitalization, which will afford us great opportunities but also pose many changes for our business and our daily work.

With regard to energy efficiency and the reduction of hazardous waste, we failed to meet our own improvement target in 2016. We have already analysed the causes and taken countermeasures. In 2016, we also defined targets for PALFINGER as a responsible employer. PALFINGER is committed to being a pioneer not only in economic terms but also in connection with ecological and social aspects.

On behalf of the entire Management Board, the Palfinger family and all the shareholders, I would like to thank all our employees for their valuable contributions to what has been achieved and for their commitment to the further development of the PALFINGER Group. My special thanks go to Wolfgang Pilz, who resigned from the Management Board in November. He played a key role in making PALFINGER the globally operating group of companies it is today. He was an excellent fellow Board member, and I wish him all the very best for the future.

Herbert Ortner

GRI G4-1

PALFINGER LAND

LOADER CRANES

TIMBER AND RECYCLING CRANES

TELESCOPIC CRANES

MOBILE CRANES

ACCESS PLATFORMS

TAIL LIFTS

HOOKLIFTS

TRUCK MOUNTED FORKLIFTS

PASSENGER LIFTS

BRIDGE INSPECTION UNITS

RAILWAY SYSTEMS

AFTER SALES AND SERVICE

PALFINGER SEA

MARINE CRANES

OFFSHORE CRANES

DAVIT SYSTEMS

BOATS

WINCHES AND OFFSHORE EQUIPMENT

WIND CRANES

ROPE ACCESS

AFTER SALES AND SERVICE

GRI G4-4

VISION

PALFINGER – MOVING BEYOND!

As global market leader, we promise best in class solutions for every challenge, making our customers' lives easier in a sustainable way.

MISSION

PALFINGER creates the most innovative lifting solutions on land and at sea worldwide. Through entrepreneurship, respect and learning our employees set the benchmark in technology, digitalization, quality, safety and service. Sustainability and high flexibility drive us to ensure the responsible and effective use of resources. Together this empowers us to keep our customer promise of LIFETIME EXCELLENCE.

PALFINGER AT A GLANCE

The PALFINGER Group, headquartered in Bergheim near Salzburg, Austria, comprises 95 companies in 31 countries and has a total workforce of 9,970. PALFINGER is regarded as the leader in technology and innovation in its sector.

PALFINGER is the global market leader for loader cranes, timber and recycling cranes, marine cranes, wind cranes, hooklifts and railway systems. The acquisition of the globally operating Harding Group in 2016 also made PALFINGER the world's market leader in maritime lifesaving equipment. Moreover, the Company is a leading specialist in tail lifts and truck mounted forklifts. PALFINGER is committed to providing the best service in the industry.

Production takes place at 39 manufacturing and assembly sites in Europe, North and South America, as well as in Asia. A global sales and service network with more than 200 independent general importers and approx. 5,000 outlets in more than 130 countries on all continents guarantees optimum proximity to customers.

For years, the global PALFINGER Group has recorded continuous growth, also driven by acquisitions. In the 2016 financial year, revenue climbed to a new record value of EUR 1,357.0 million. EBITDAn (normalized by restructuring costs) came to EUR 172.5 million, and EBITn (normalized by restructuring costs) increased to EUR 123.7 million.

For PALFINGER, the pillars of success are a sound financial basis, high quality products and services, and a focus on ecological and social responsibility.

GRI G4-3, G4-5, G4-9

www.palfinger.ag

HIGHLIGHTS

February 2016

SALE OF TREASURY STOCK

Starting on 10 February, PALFINGER launched its treasury stock sale programme, selling all of the Company's treasury stock via the stock exchange. On 21 June 2016, the programme was concluded after all of the shares had been sold.

March 2016

ANNUAL GENERAL MEETING

0.57 € / share

On 9 March 2016, the Annual General Meeting resolved to distribute a dividend of EUR 0.39 per share for the 2015 financial year. Given that an interim dividend of EUR 0.18 was paid out in December 2015, the annual dividend for 2015 was EUR 0.57 per share.

May 2016

ACQUISITION OF SPANISH DEALER – ESTABLISHMENT OF PALFINGER IBERICA

In the second quarter, PALFINGER acquired a majority interest in its longstanding dealer MYCSA on the Iberian Peninsula and has continued the business at six locations.

June 2016

ACQUISITION OF NORWEGIAN HARDING GROUP

HARDING™
Taking safety further

PALFINGER acquired Harding, one of the leading suppliers of lifesaving equipment and lifecycle services for maritime installations and ships. The largest acquisition carried out in the history of PALFINGER will almost double the volume of its marine business.

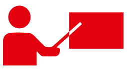
July 2016

CHANGE IN SEGMENT REPORTING

LAND & SEA

The expansion of the marine business led to a change in segment reporting. Starting with the third quarter of 2016, the performance figures of PALFINGER are being broken down into the segments LAND and SEA. The HOLDING unit maps the Group's administration and strategic projects for the future.

September 2016



START OF APPRENTICESHIP PROGRAMME IN CHINA

In cooperation with a local school, PALFINGER initiated an apprenticeship programme for the Chinese joint venture. This training concept is new in China, but has already proven its worth at other international sites.

October 2016

LARGE ORDER FOR WIND CRANES

PALFINGER received an order to deliver 66 cranes for an offshore wind park in the German part of the North Sea.

November 2016

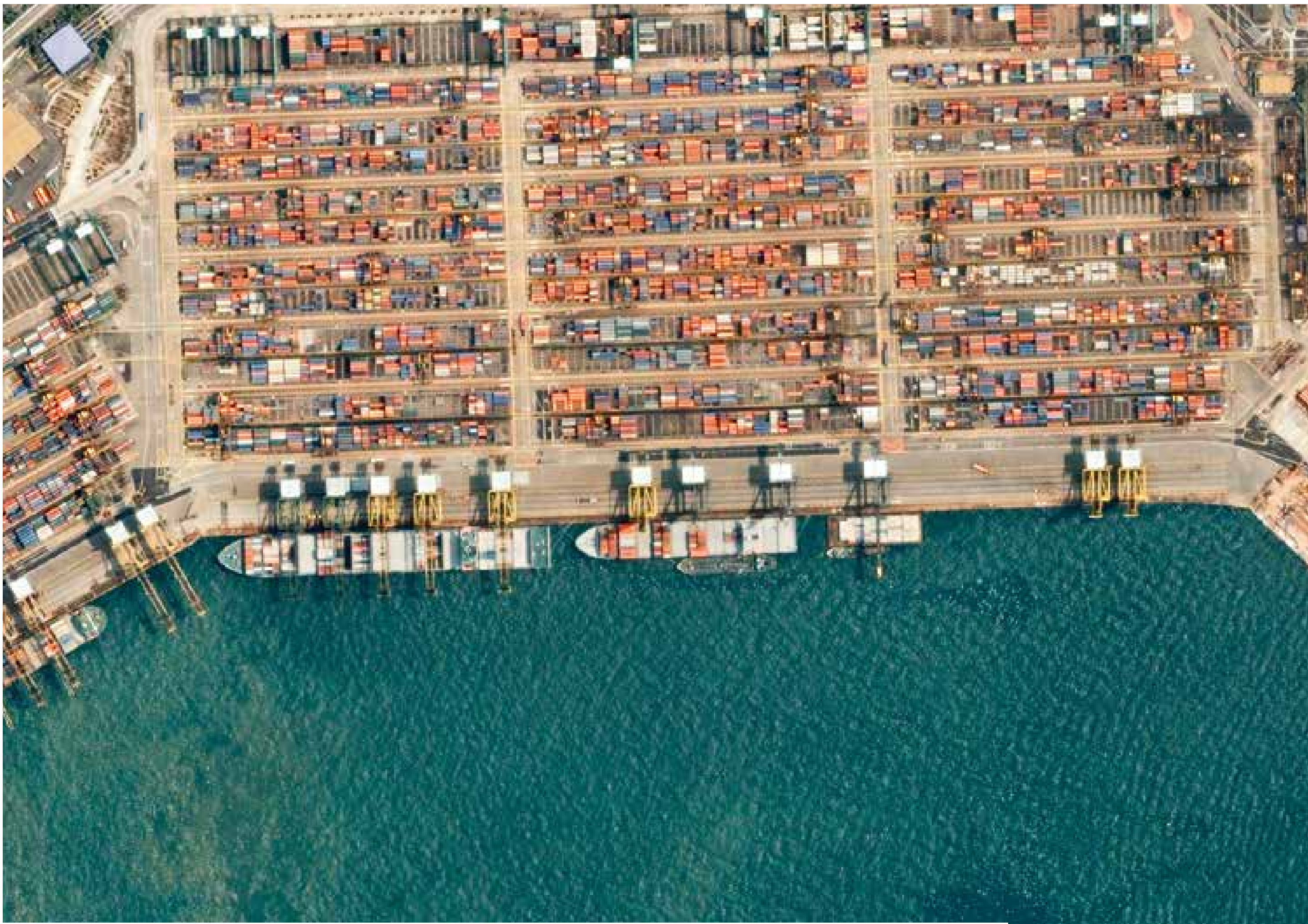
WOLFGANG PILZ RESIGNED FROM THE MANAGEMENT BOARD

Wolfgang Pilz resigned from the Management Board for personal reasons. He contributed to the development and growth of the Company during his 33 years of employment with PALFINGER, 14 thereof as its Chief Marketing Officer.

November 2016

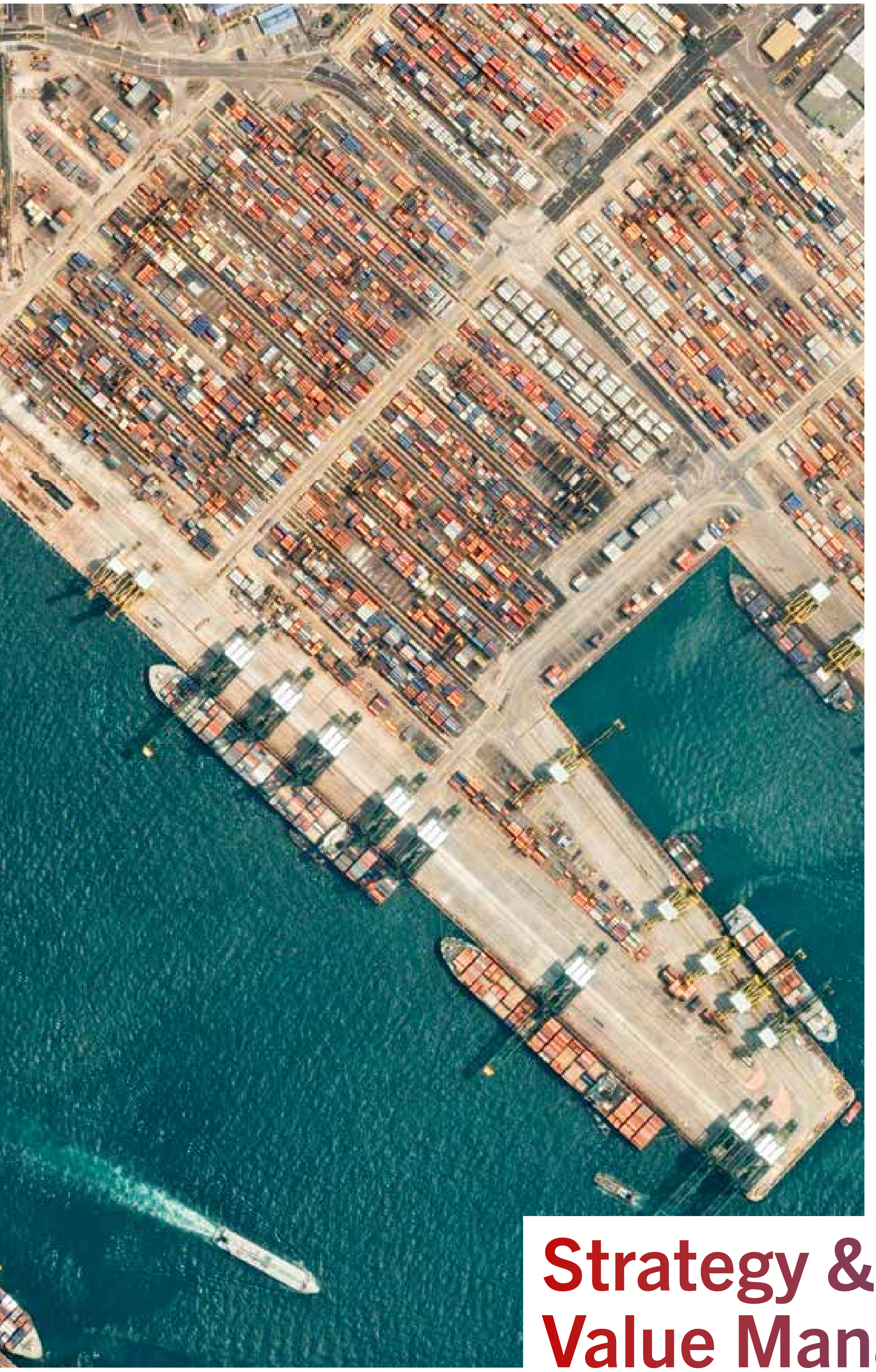
EXPANSION OF SUSTAINABILITY TARGETS

PALFINGER set itself new goals in HR, considering the relevant UN Sustainable Development Goals as well.



Because there are still so many new worlds yet to discover.

Singapore



Strategy & Value Management

- > Local value creation as important success factor
- > Transformation towards digital business models
- > Expansion of marine business

STRATEGY AND VALUE MANAGEMENT

The growth strategy pursued by the PALFINGER Group follows a long-term perspective and has been consistently carried out in accordance with the respective prevailing framework conditions. The three strategic pillars innovation, internationalization and flexibility support the implementation of the objectives in consideration of sustainability aspects. PALFINGER measures its performance by means of economic, ecological and social criteria.

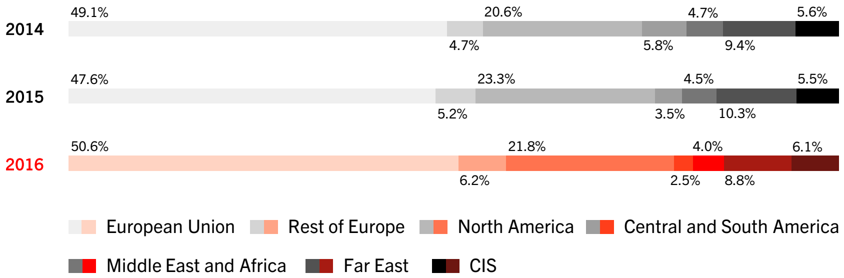
Sustainable, profitable growth is the supreme goal of the PALFINGER Group

PALFINGER has been pursuing sustainable, profitable growth. This means that the business model centres on a long-term, continuous increase in revenue and earnings while maintaining a balanced financing structure. Each and every decision is knowledge-based and made in consideration of long-term aspects relating to cost effectiveness as well as social and environmental impact. Short-to-medium-term goals as well as strategies and development programmes are defined in accordance with the relevant framework conditions and support this long-term orientation.

PALFINGER aims for top-three ranking in all product and customer segments

The objective is for PALFINGER to achieve and/or maintain a leading position in the global markets. PALFINGER aspires to become one of the top three players in all product and customer segments, including in the international marine business. In line with a global balance, one third of the consolidated revenue is to be generated, in the medium term, in each of the three regions EMEA (Europe, Middle East, Africa and Australia), North and South America as well as Asia and Pacific, and CIS.

REVENUE BY REGION
(in per cent)



Growth is based on economic, ecological and social criteria

The development of the Group is based both on organic growth and on acquisitions, brownfield investments and joint ventures. Each expansion step is based on a conscientious due diligence review. Before a decision is made, economic factors such as revenue, profitability, capital lockup and market potential, as well as common strategic goals such as environmental compatibility, corporate culture, the observance of fundamental rights, and the work practices of decision-makers, are considered.
GRI G4-56, G4-HR1

A key factor of success is PALFINGER's focus on local value creation, which ensures the development and manufacture of products aligned with regional customer needs. Moreover, it provides for a natural hedge and increases flexibility along the value creation chain.

In pursuance of its objectives, PALFINGER has defined three strategic pillars: innovation, internationalization and flexibility. The planning and implementation of these pillars are promoted while taking account of significant issues defined on the basis of a materiality analysis.
Materiality analysis, page 30

STRATEGIC OBJECTIVE

SUSTAINABLE, PROFITABLE GROWTH

- Responsible employer
- Sustainable products
- Eco-efficiency in production
- Fair business

STRATEGY TO MEET THE OBJECTIVE

INNOVATION | FLEXIBILITY | INTERNATION-ALIZATION

IMPACT

PRODUCT GROUPS

LAND
Loader Cranes
Timber & Recycling Cranes
Telescopic Cranes
Mobile Cranes
Access Platforms
Tail Lifts
Hooklifts
Truck Mounted Forklifts
Passenger Lifts
Bridge Inspection Units
Railway Systems

SEA
Marine Cranes
Offshore Cranes
Davit Systems
Boats
Winches & Offshore Equipment
Wind Cranes
Rope Access

INDUSTRIES

Construction
Transport & Haulage
Local authorities
Timber Industry & Agriculture
Service
Railway Infrastructure
Recycling & Waste Management
Oil & Gas Industry
Mining
Wind Energy
Marine Industry
Offshore
Shipping Industry
Cruise
Coast Guard
Maintenance

REGIONS

European Union
Rest of Europe
Africa
Near East
Central & South America
North America
Far East
CIS

PRODUCTION SITES

Argentina
Austria (3)
Brazil (2)
Bulgaria (2)
Canada
China (2)
Croatia
France
Germany (3)
Great Britain
India
Italy (2)
Netherlands (2)
Norway
Poland (2)
Romania
Russia (5)
Slovenia
South Korea
USA (5)
Vietnam

PROMISE

LIFETIME EXCELLENCE

EFFICIENCY | RELIABILITY | INNOVATION

INNOVATION, INTERNATIONALIZATION AND FLEXIBILITY WITH A FOCUS ON SUSTAINABILITY ASPECTS

INNOVATION

Innovation supports PALFINGER's commitment to being the industry's technology leader and service champion

All developments at PALFINGER are based on the premise of making all efforts to meet local customers' requirements in the best possible manner. PALFINGER is committed to being the technology leader and service champion among the suppliers of lifting solutions. Therefore, the focus on continual innovations encompasses all products and services, as well as processes and organizational structures.

PALFINGER strives to offer its customers new and enhanced products and services as a result of these efforts. Developments are always made with a view to the users' safety and ease of operation. In the reporting period, the use of the new fall protection mode for loader cranes and an aluminium davit crane series in the marine product portfolio were particularly noteworthy. An essential priority is also digital transformation with new business models, smart products and smart production.

INTERNATIONALIZATION

PALFINGER maintains close proximity to its customers – in terms of value creation, sales and service

PALFINGER's consistent internationalization has made the Group a global player committed to maintaining close proximity to its customers worldwide as well as being the preferred global partner in the lifting industry. The expansion of local value creation, sales and service operations is making PALFINGER increasingly independent of regional economic cycles and enables the Group to take advantage of additional growth opportunities. Against this backdrop, PALFINGER is also striving to complete its product range in all market regions.

On the basis of its acquisitions, joint ventures and partnerships of previous years, PALFINGER consolidated its presence in future markets such as Russia and China in 2016. In the reporting period, organizational units were merged in North and South America in an effort to support additional growth in the best possible manner. The acquisition of the long-standing Spanish dealer MYCSA has reinforced PALFINGER's presence on the Iberian Peninsula, also vis-à-vis its end customers. In the global marine business, a milestone in growth and internationalization was taken in 2016 with the acquisition of Harding, a leading Norwegian lifesaving equipment producer.

FLEXIBILITY

Flexible processes and a flexible organization are core factors of success

Given the volatility of the markets and trends, the enhancement of flexibility has become critical for PALFINGER's success. It enables the Group to maintain and increase profitability. The importance of enhanced flexibility applies to all sites and processes as well as to the organization itself.

Since 2015, great attention has been given to the reduction of current capital in inventories, accounts receivable and accounts payable, as well as on further enhancing flexibility in human resources. Moreover, structural measures were taken in North America in 2016.

STRATEGIC SUSTAINABILITY ASPECTS

In 2015, PALFINGER carried out a multi-level analysis to identify the material aspects of sustainability that were currently of strategic significance for the Company from both an internal as well as an external point of view. In the year under review, the twelve top-ranked issues were again reviewed as to their significance for the Company. The most relevant issues for the success of PALFINGER and its stakeholders continue to be the following:

The material sustainability aspects were analysed from an internal and external point of view

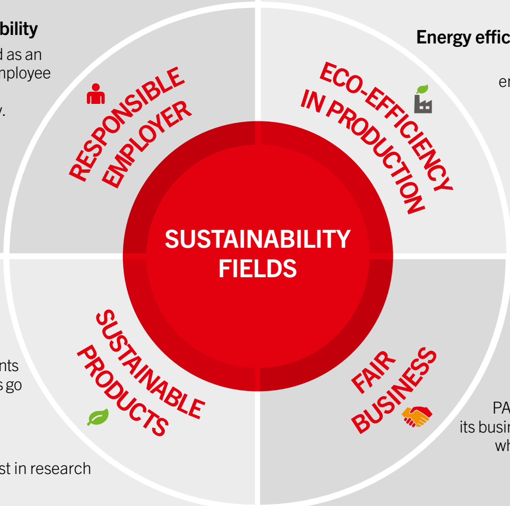
1 **Health and safety of employees**
PALFINGER protects its employees against accidents and promotes their health care.

4 **Attractive employment possibility**
PALFINGER wants to be regarded as an attractive employer that keeps employee turnover low and creates career opportunities within the company.

12 **Training**
PALFINGER will continue to promote the further education and training of its employees.

6 **Raw materials demand and efficiency**
In production, PALFINGER uses raw materials such as steel and aluminium efficiently.

9 **Energy efficiency and climate protection**
PALFINGER strives to optimize energy consumption and transport continuously and to reduce costs and emissions, thus making an active contribution to climate protection.



2 **Product safety**
PALFINGER's products are distinguished by utmost safety. Features designed to avoid accidents during the operation of its products go beyond statutory requirements.

5 **Research and development**
PALFINGER will continue to invest in research and development.

10 **Efficient and environmentally friendly products**
PALFINGER products stand out due to their low need for energy and operating materials when in operation. Measured over their lifecycles they are the most economical solution available.

11 **Durability of products**
Customer satisfaction is accorded highest priority at PALFINGER. The products are of superior quality, reliable, made to last, and low in maintenance.

3 **Viability of the business model**
PALFINGER is committed to keeping its business model viable in the long term, while actively following up on trends.

7 **Compliance with legal and ethical standards**
PALFINGER acts in an ethically correct manner: It complies with legal provisions, pays taxes as required and counteracts corruption.

8 **Correct corporate governance**
The company acts in a correct manner and guarantees the independence of the Supervisory Board, the involvement of shareholders and the transparent remuneration of the top management. The behaviour according to defined corporate values is emphasized.

GRI G4-19

Materiality analysis, page 30; Detailed GRI and sustainability disclosures, page 202

STRATEGIC OBJECTIVES FOR THE PERIOD UNTIL 2018

In 2012, PALFINGER defined its strategic objectives for the period until 2017. Moreover, specific measures for priority issues were elaborated, the gradual implementation of which is intended to ensure the attainment of PALFINGER's goals. In previous years, these objectives and measures were updated and expanded to include 2018. In 2017, comprehensive strategic corporate planning for the period up to 2022 will be completed, once again containing quantitative objectives, including, for example, revenue and profitability targets.

Sustainability programme, page 203

Strategic priority issues are being implemented step by step and progress is visible

The following table presents an overview of the priority issues, the most significant progress achieved in 2016, and the goals until 2018.

	IMPLEMENTATION IN 2016	OBJECTIVES UNTIL 2018
Further growth with focus on BRIC countries	• Strengthening of position on the Russian market through successful integration of the two joint ventures with KAMAZ • Consolidation of Palfinger PM-Holding's market leadership in timber and recycling cranes • Implementation of lean management structures in CIS	• Intensification of cooperation with SANY • Expansion of cooperation with KAMAZ • Completion of product portfolio in the market regions • Continued integration of acquired companies • Integration of social and environmental standards as well as enforcement of Code of Conduct along the entire value creation chain • Progress towards achieving the medium-term objective of a revenue structure with a regional balance
Development of China as second domestic market	• Completion of local product portfolio in China • Development of access platforms for the Chinese market • Full start of operations of hooklift production in Rudong • Start of apprentice training at Sany Palfinger • Development of direct sales on the Chinese market • Establishment of distribution company in Shanghai • Implementation of lean management structures in the Asia and Pacific region	• Development of technologies and products for local customer demands • Market and technology leadership • Enhancement of sales structures in China • Integration of social and environmental standards as well as enforcement of Code of Conduct along the entire value creation chain
Global balance regarding production and sales markets	• Acquisition of the Spanish dealer and establishment of PALFINGER Iberica • Intensification of local value creation in the sales markets • Local R&D units fulfil local customer demands • Synergies through integration of local production capacities	• Further enhancement of customer proximity • Uniform global high-end standard for products and services • Continuation of the group-wide brand project
Strengthening of position in marine business	• Acquisition of Norwegian lifesaving equipment producer Harding • Achieving global market leadership in maritime lifesaving systems • Completion of product portfolio of deck equipment for marine and offshore business • Strengthening the global marine sales and service network • New reporting system with segments LAND and SEA reflecting the expansion of the marine business	• Further strengthening of market position through acquisitions and expansion of product portfolio • Market position as leading supplier of deck equipment and lifting solutions for marine business • Global roll-out of product range, primarily in the core markets Korea, Brazil, China and Russia • Consolidation of global presence through the establishment of additional sales and service sites in core markets
Retention of innovation leadership in all markets	• Continued focus on mechatronics • Preparation of a digitalization strategy • Cooperation with research institutes to develop new manufacturing technologies and materials • Further linking of all R&D units of the PALFINGER Group	• Stronger integration of innovation in the corporate culture • Centres of excellence for R&D priorities • Promotion of innovation-related synergies between business units • Additional investments in smart products, new technologies and processes • Innovations for improved product safety and environmental compatibility
Satisfaction of customer expectations through tailor-made solutions	• Strengthening of business model in many units through integration of service and solution concepts • Development of new products for local markets • Adjustment of existing products to market requirements in CIS, China and South America • Availability of additional equipment options for products in order to offer customized solutions	• Integration of service and solution concepts into all business models • Attraction of more customers through modular construction of products • Closer ties with end customers to develop innovations in line with their needs
Adjustment of production sites and production technologies in Europe	• Expansion of production capacities in Bulgaria • Further development of long-term value creation strategy • Evaluation and introduction of Industry 4.0 technologies • Increase in the level of production automation	• Strengthening of business model in many units through integration of service and solution concepts • Development of new products for local markets • Adjustment of existing products to market requirements in CIS, China and South America • Availability of additional equipment options for products in order to offer customized solutions

	IMPLEMENTATION IN 2016	OBJECTIVES UNTIL 2018
Responsibility for society and the environment to ensure viability	• Further implementation of the PALversity initiative with focus on international mobility, corporate culture and leadership excellence • Setting of target values for staff turnover, fatalities and staff absences • Enhancement of awareness and communication relating to ethics and compliance • Introduction of ISO 50001 in Germany and Slovenia • Implementation of PALFINGER's environmental protection guideline and process improvements • Disclosure of environmental impact via Carbon Disclosure Project (CDP) • Development of product innovations for ecological and social purposes	• Reinforcement and utilization of employee diversity • Introduction of guiding principles in the entire Group • Continuous reduction of staff absences due to industrial accidents • Consistent observance of the globally valid criteria of the Code of Conduct and introduction of such criteria at new sites • Further implementation of PALFINGER's environmental protection guideline and implementation of continuous improvement processes • Annual improvement of energy efficiency and reduction of hazardous waste volumes by 1.8 percentage points each; honing of target values for greenhouse gas emissions on the basis of Science Based Targets • Innovation leadership also in products for ecological and social purposes

GROUP-WIDE DEVELOPMENT PROGRAMMES

PALFINGER attaches great importance to the continuous development of the Group so as to be able to pursue successful operations in the future as well. Group-wide development programmes support this commitment.

Restructuring measures were initiated with a focus on operating profitability

In 2016, PALFINGER initiated specific restructuring measures in North America and in the marine business. In North America, the management was reinforced, the cost structure was streamlined and programmes aimed at increasing productivity were developed. The product series of truck mounted forklifts is being completely revised; the product portfolio was reviewed and a particular focus for North America was defined. The restructuring measures taken in the marine business have to be seen in light of the difficult situation of some customer industries, on the one hand, and, on the other hand, the reorganization of this area became necessary as a result of the numerous acquisitions made in recent years and the related fast growth, in consideration of synergies and profitability. These measures are expected to be concluded in the first half of 2017. The earnings ratios EBITDA and EBIT have been normalized by restructuring costs to give a transparent presentation of operating profitability.

Adaptation of reporting structures, page 60

CURRENT CAPITAL

In recent years, the PALFINGER Group recorded strong international growth, resulting in greater debt and a higher lockup of current capital. Through active management of current capital, an excessive increase was counteracted.

The group-wide "Current Capital 25%" project reduces capital lockup

In 2015, PALFINGER initiated the group-wide "Current Capital 25%" project, which aims to reduce the ratio of current capital lockup to revenue to 25 per cent and keep it at that level in the long-term. In the course of its gradual implementation, potential process optimizations were identified in the business units in Austria, Germany, Norway, North America and Brazil. The measures derived from these are intended to reduce the duration of capital lockup and increase liquidity and profitability, the focus being on optimizing inventories, for example by reducing workshop inventory levels, as well as on managing accounts payable and accounts receivable. The measures initiated are starting to bring about first successes, but the increase in the current capital ratio as a result of the acquisitions made has not been fully compensated.

Key figures of the PALFINGER Group, front cover; Development of key financials, financial position and balance-sheet structure, page 56

Furthermore, an e-learning initiative was launched in 2016 to raise awareness for the effects of everyday decisions on capital employed. The aim of the initiative is to teach specific know-how and communicate best-practice examples as well as to achieve a different way of thinking in this respect.

DIGITALIZATION

In recent years, PALFINGER made extensive preparations with regard to its processes, products and potential partners so as to be able to benefit from the opportunities of increasing digitalization. With the establishment of a focused organizational unit dealing with digitalization in 2016, PALFINGER took another major step in this direction.

Digitalization brings changes in products, services and the Company itself

The main focus is on smart products and services, as well as on the interconnection of products and systems. PALFINGER has identified great potential in new functions and applications in connection with digitalization as well as machine learning. In this regard, PALFINGER is focusing not only on technological effects but also on modern markets, lifestyles and working environments. This is intended to empower the entire Group to undergo a transformation towards more digital services and business models. The interaction with customers and users will change in the process, as will the operational business processes and the skills required by employees.

PALFINGER regards this intensive involvement with digitalization as a strategic factor of success, which will support a further increase in the flexibility and profitability of the decentrally structured Group.
Research and development, page 82

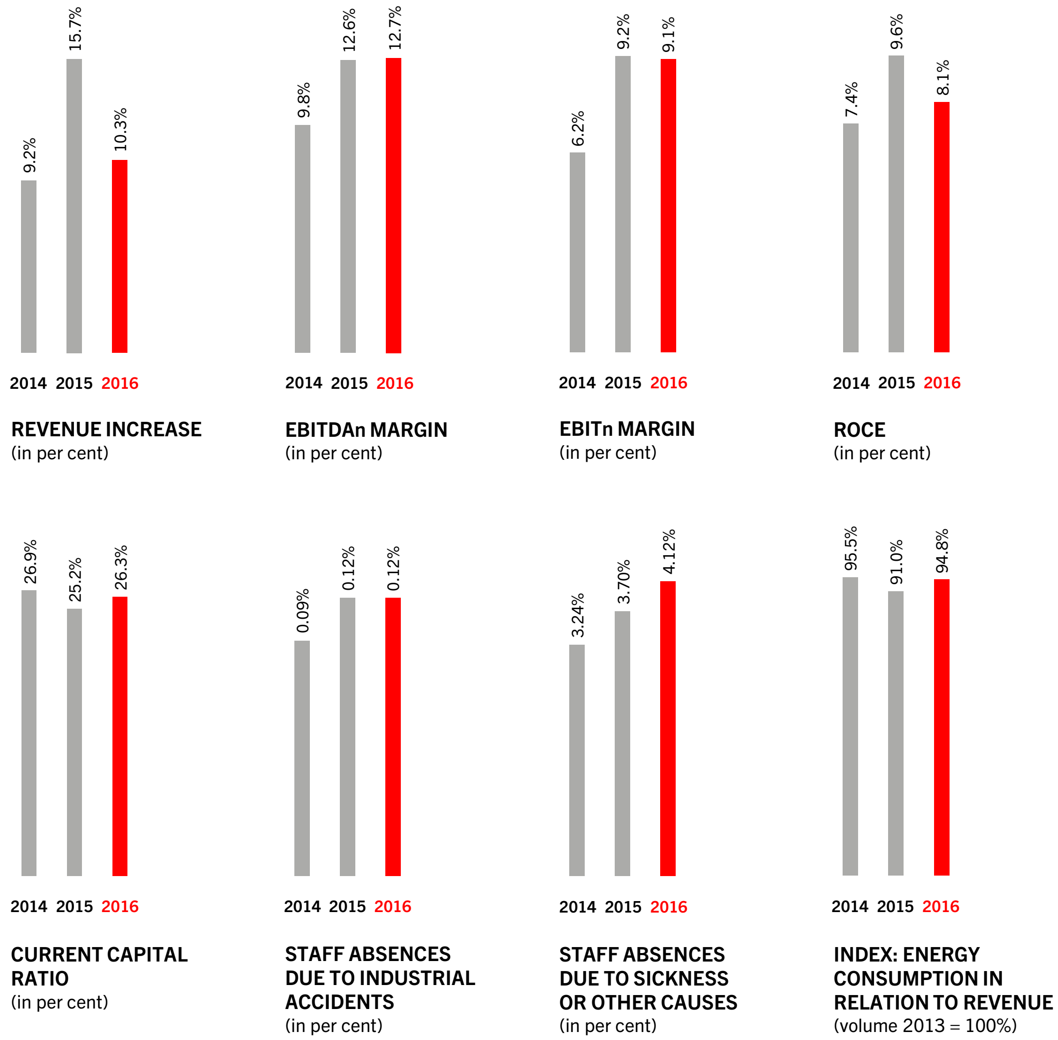
VALUE MANAGEMENT

Economic and sustainability criteria provide information on the increase in corporate value

PALFINGER regularly measures its group development progress and value enhancement by means of economic indicators and sustainability criteria, which were adapted and supplemented in 2016 and now encompass the following:

- Revenue increase
- EBITDAn margin
- EBITn margin and EBIT margin
- Current capital ratio
- Return on capital employed (ROCE)
- Staff absences due to industrial accidents
- Staff absences due to sick leave and other causes
- Energy consumption in relation to revenue

What is relevant for PALFINGER is the long-term development of these ratios, as the Group's focus is not on scoring short-term success but rather on achieving sustainable, profitable growth. Since the difficult year 2009, the PALFINGER Group has shown a consistently positive record of the economic indicators. Following the high revenue increases of previous years, revenue rose again in 2016 by 10.3 per cent. The EBITDAn margin (normalized by restructuring costs) increased to 12.7 per cent. The (normalized) EBITn margin amounted to 9.1 per cent, and the EBIT margin came to 7.8 per cent. The current capital ratio, which measures the capital lockup, increased as a result of the expansion of business to 26.9 per cent. For the sake of comparability with the previous year's figures, this indicator has been adjusted. ROCE came to 8.1 per cent, which was lower than in the previous year as a result of the restructuring measures taken. The ongoing initiatives and development programmes are designed to further improve these indicators.



Integrated sustainability management makes substantial contributions to value management by reducing costs and risks. Two examples of this concern aspects that can result in measurable cost reductions or increases: the health of PALFINGER's employees and energy efficiency.

In previous years, staff absences due to industrial accidents had been reduced through the management of occupational safety. In 2016 this indicator remained constant at 0.12 per cent (previous year: 0.12 per cent). In comparison with the previous year, no cost savings were achieved. Staff absences due to sick leave and other causes amounted to 4.12 per cent (previous year: 3.70 per cent) of the regular working time in the 2016 financial year. This negative change in absences of only 0.42 percentage points translated into additional expenses of approx. EUR 2.7 million.

In the reporting period, energy efficiency decreased as well, after many years of increasing efficiency. The index of energy consumption in relation to revenue went up by 3.8 percentage points. As a result of geographical differences in energy prices and site-dependent energy efficiency rates, there were still positive effects in electricity and gas of approx. EUR 90,000.

GRI G4-EC8
Sustainability management, page 31

VALUE CREATION

The global production footprint takes the entire value creation chain into account

PALFINGER looks at value creation not only within the Group but also along the entire value creation chain. To this end, opportunities and risks are analysed under a holistic approach, also taking into consideration the upstream and downstream stages of value creation – from the purchase of raw material to the use of the products by the end customers. This approach allows PALFINGER to view its entire global production footprint in its value creation strategy.

GRI G4-12, G4-20, G4-21

Sustainability among suppliers, page 48; Responsible employer, page 74; Safe and efficient products, page 83; Eco-efficiency in production, page 87

For several years, Industry 4.0 and digitalization in value creation have been on PALFINGER's agenda. After the probing phase in 2015, the issues with the greatest potential were evaluated in 2016 and the relevant projects incorporated in the organization. One focus was placed on the collection of machine data that is used for interconnecting machines and preventative maintenance.

To ensure the continuous optimization and stabilization of manufacturing processes, PALFINGER made further investments in its machinery in 2016. PALFINGER now uses more waste-optimizing laser cutting machines and state-of-the art machining centres. At the Eastern European sites, the level of automation was raised, leading to higher process stability and quality. A new powder coating plant allows for an enhanced surface hardness and at the same time produces lower emissions and causes less environmental pollution.

Local value creation

The strategy of establishing local production in the individual market regions has numerous benefits for PALFINGER: It makes the development and production of country-specific models easier, the transport of components and products is reduced, and local pricing becomes possible because there is no transactional exchange rate exposure.

Local value creation has been continuously expanded to create a global value creation footprint

Local value creation has been continuously expanded to create a global value creation footprint and has developed very well. PALFINGER is committed to achieving a uniform quality level throughout the Group. This global value creation footprint will allow for the production of identical products in various plants. The global levelling of capacities brings about an improved utilization of existing resources. Process costs are reduced as every process is only defined once, and a benchmarking of production plants is achieved. Thanks to this footprint, exchange rate fluctuations can be taken into account in every decision concerning the production programme.

In China, the entire value creation for this market was concentrated at the production site Rudong (CN) in 2016. Since then, utilization has continuously increased – as a result of the higher market shares for the existing products, additional product launches and manufacturing for other PALFINGER market regions in Asia and external customers.

Plants in Russia will be interconnected, thus balancing peaks in utilization

In Russia, the capacity utilization of PALFINGER's plants is generally good, although demand varied greatly from site to site in 2016. In the future, all plants will be interconnected, enabling PALFINGER to produce its products and components at various sites, which will increase revenue in 2017 as well. The cylinder joint venture with KAMAZ produces cylinders in Neftekamsk (RU) for the products of KAMAZ and PALFINGER – another milestone in the process of decoupling from the European market.

In South America, the weak economy also affected PALFINGER. In 2016, the most relevant factors in this connection were the adjustment of resources, the start of production for other market regions, and local sourcing due to foreign currency effects.

In North America, PALFINGER recorded highly positive developments: The product areas tail lifts, access platforms and loader cranes benefited from the adjustment of production and services in line with market requirements. In truck bodies, however, as a result of decreasing sales, production capacities for standard bodies were not fully utilized. In special bodies, PALFINGER's highly customized solutions have been highly successful.

Shift of repetitive operations

Repetitive operations increasingly shifted to Eastern European sites

In line with the strategic objective of shifting repetitive operations to low-wage countries in Europe, additional processes along the value creation chain were moved primarily to Eastern European sites in 2016. At the same time, capacities have been brought into line with future needs: In Cherven Brjag (BG), the construction of another 8,000m^2 of production space is almost completed; this will facilitate the insourcing of steel components and production of other components. In Maribor (SI), the construction of a paint shop for large components, with a focus on the painting of marine equipment, was started. The manufacture of cylinders for tail lifts was moved from Germany to the Bulgarian site in Tenevo (BG).

Innovation processes

Innovations are developed centrally and implemented jointly at the individual sites

The structure of the centres of excellence in Europe contributes strongly to increasing productivity and delivery reliability at production sites worldwide. Many of the innovations in products and processes are developed centrally and implemented jointly at the individual plants. Networking between the development departments, on the one hand, and manufacturing, logistics and purchasing, on the other hand, has been intensified so that the needs and available means of all stakeholders can be taken into account at an early stage in the development process. This has resulted in higher quality at reduced costs.

Contract manufacturing and lean production

Contract manufacturing increases flexibility

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

The PALFINGER Production System (PPS) as the internal implementation of lean production is being developed regularly and contributes to the continuous improvement of value creation as well. For this purpose, value streams are analysed and the identified potential is realized in a targeted manner with the aid of lean tools and holistic management instruments such as shop floor management. In 2016, special training programmes were developed in support of these efforts.

RAW MATERIALS

METAL RECYCLING

MINING OF ORES

RAW MATERIAL PRODUCTION, PRIMARILY STEEL AND ALUMINIUM

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

PURCHASED PARTS

GENERAL

- Increase on safety of end products
- Lower weight of purchased parts
- Respect of human rights concerning employees in production
- Occupational health and safety of employees in production

HYDRAULIC OILS AND LUBRICANTS

- Biodegradability

HYDRAULIC COMPONENTS, DIN AND STANDARD PARTS, ELECTRONICS AND CABLES

- No hazardous substances (chrome VI, PVC, etc.)

MECHANICAL COMPONENTS (ROPE WINCHES, GEARBOXES, ETC.)

- Coating with water-soluble paints

ENGINES AND PUMPS

- Engine efficiency, rotational speed control

ENERGY PROCUREMENT

ENERGY SOURCES (ELECTRICITY, HEAT, FUEL)

- Share of renewable energy sources
- Security of supply
- Exclusion of nuclear power

TRANSPORT TO PLANTS

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

PLANTS

FOR PRODUCTION AND ASSEMBLY

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

OPERATING SUPPLIES

PAINTS

- Water solubility
- No heavy metals and chromate
- Ecological substitution products

OTHER OPERATING SUPPLIES

- Cooling agents, lubricants, welding gases and wires, chemicals for electroplating

PALFINGER AG

SUPPORTING ACTIVITIES

EMPLOYEES

- Occupational health and safety
- Respect of human rights
- Training and education
- Diversity initiative "PALversity"
- Occupational health management "PALfit"
- Involvement of employees
- Fair remuneration and support in hardship cases

BUILDINGS (WORKSHOPS, WAREHOUSES, OFFICES, ETC.)

- Energy efficiency of compressed air, ventilation, heating, cooling, lighting

TRANSPORT AT

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

MANUFACTURING PLANTS

CUTTING (LASER, PLASMA)

BENDING

CHIPPING (LATHING, MILLING, DRILLING)

WELDING

ELECTROPLATING

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

WASTE, MATERIAL OUTPUT

- Safe storage at PALFINGER

Responsible employer | Eco-efficiency in production | Sustainable products | Fair business

GRI G4-12, G4-20, G4-21

FLEET & BUSINESS TRIPS
- Mobility mix
- Alternative engines and fuel savings

RESEARCH AND DEVELOPMENT
- Safety innovations
- Ecodesign

GOVERNANCE
- Business ethics and prevention of corruption

& BETWEEN PLANTS
- Alternative engine systems
- Safety: accident prevention

ASSEMBLY PLANTS

PAINTING

MOUNTING

FILLING, TESTING, WASHING

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

- Separate collection

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

DEALERS

MANUFACTURE OF TRUCK BODIES
- Reduction of truck bodies' weight

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

SECOND-HAND MARKET

END CUSTOMERS

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

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

END OF LIFE
- Separability
- Recyclability

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

WASTE MANAGEMENT COMPANIES
- Ecologically optimized disposal

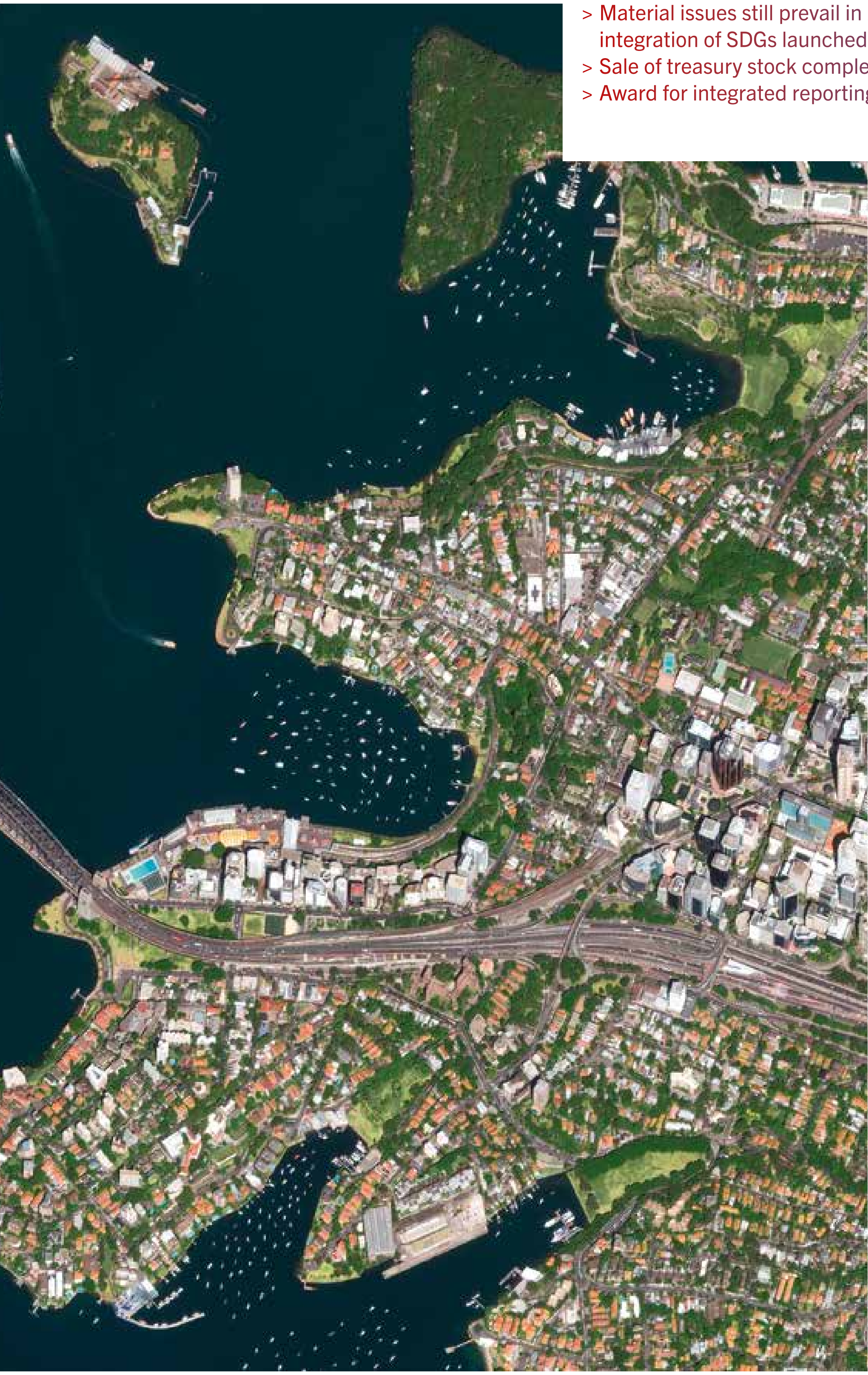
RECYCLING OF WASTE MATERIALS

LANDFILL

Sydney, Australia

Separations are often overcome upon second glance.

Stakeholder & Investor Relations



> Material issues still prevail in 2017, integration of SDGs launched
> Sale of treasury stock completed
> Award for integrated reporting

STAKEHOLDER & INVESTOR RELATIONS

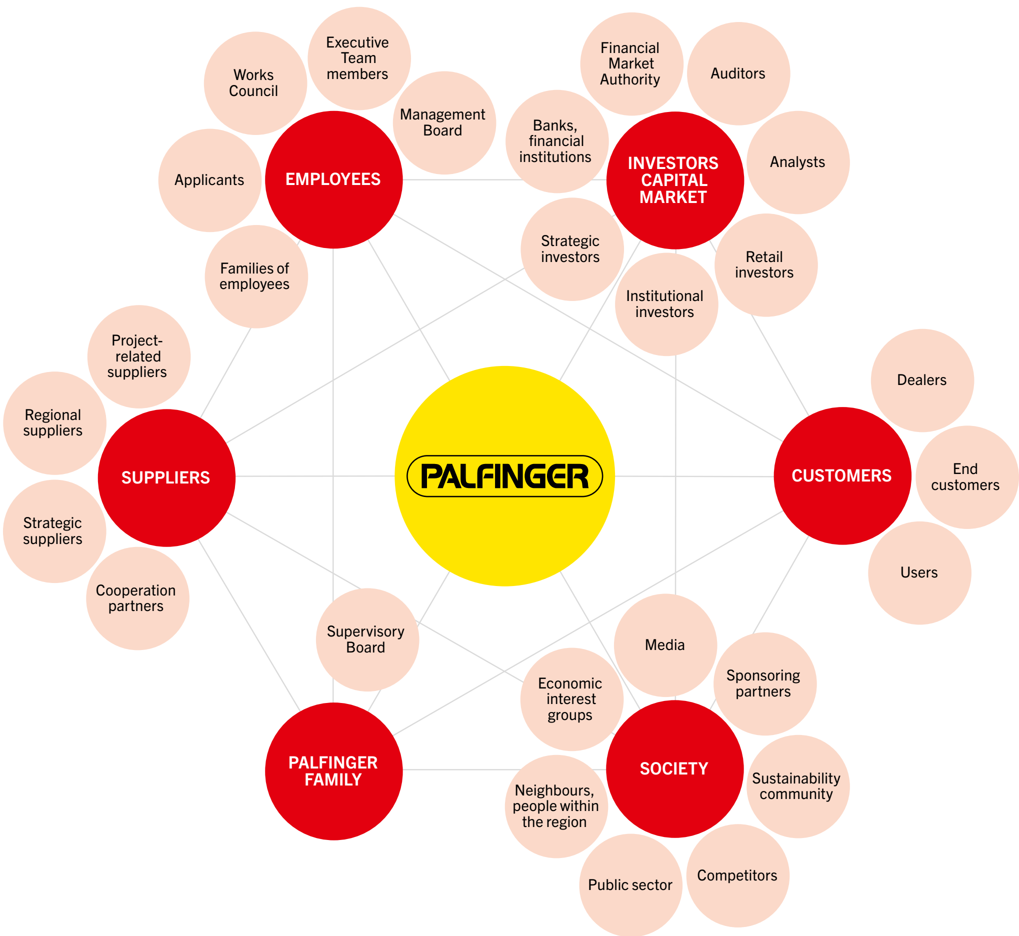
PALFINGER takes into account the consequences of its operations along the entire value creation chain and engages its stakeholders. The relevant aspects have been grouped into the following issues: responsible employer, eco-efficiency in production, sustainable products and fair business. PALFINGER also maintains transparent communications in the capital market.

STAKEHOLDER MANAGEMENT

PALFINGER defines its stakeholders as those legal entities or individuals who are in any way affected by its corporate activities and/or whose decisions have an impact on PALFINGER. Individual interests and claims are addressed in as well-balanced a manner as possible. For this purpose, PALFINGER regularly carries out stakeholder surveys, most recently in the summer of 2015. The next comprehensive survey is scheduled for 2017 within the scope of the materiality analysis. The most relevant stakeholders, PALFINGER's communications with stakeholders, and stakeholder engagement are described briefly in the following.

GRI G4-24, G4-25, G4-26, G4-27, G4-37

Materiality analysis, page 30



DESCRIPTION OF STAKEHOLDERS

Human resources and Works Councils

PALFINGER's operations take into account the relevant stakeholders and their interests

The core success factor of PALFINGER is its staff of well-trained and highly motivated employees. As a consequence, PALFINGER strives to offer existing as well as potential employees attractive jobs. PALFINGER's corporate culture is conducive to a high level of self-responsibility and provides its employees with broad opportunities to contribute their own ideas. A large array of further training programmes are offered and utilized. Means of communications include, apart from the regular appraisal interviews, the Intranet, the corporate blog and the staff magazine – PALFINGER Internal Newsletter (PIN) – which is now published three times a year in fourteen languages, and, since 2015, the internal social media network Yammer. Since 2014, the PALversity initiative has promoted group-wide development in dealing with diversity and differences. Friends and family of PALFINGER's employees are also integrated into this initiative, for instance on the occasion of family days. Continuous exchange with the Works Council takes place in various forms, depending on the respective site. Particularly at sites where there is good cooperation and partnership, the positive effects are felt by employees and PALFINGER alike.

Responsible employer, page 74

Suppliers and partners

PALFINGER maintains long-term relations with its suppliers so as to ensure competitiveness even in a volatile market environment and increase cooperation in the development of components. Supply contracts, which include ecological and social issues as well as corruption prevention, have been entered into with around 200 strategic suppliers. PALFINGER carries out audits to verify compliance with these agreements. This helps reduce any reputational risks and default risks that might be caused, for instance, by suppliers' failure to comply with environmental requirements. Every two years, an international supplier meeting is held. On these occasions, the current economic situation and the planned developments of the PALFINGER Group are presented. This targeted integration measure and the related critical discourse have contributed to the positive feedback and have been enhancing awareness, for example for the importance of ecological and social responsibility.

Suppliers, page 46

Customers and dealers

PALFINGER's products are distributed through independent dealers and the Group's own distribution companies. Together with the service centres, this forms a comprehensive network for the end customers. Dealers are a prime link to the Group's end customers and, apart from the latter, are PALFINGER's most important customer group. Every year, an international dealer conference is held in order to ensure the dealers' engagement with PALFINGER's business. The dealers are also involved in the continuous internal improvement process and group-wide standards. Every year, PALFINGER holds comprehensive dealer surveys in selected product areas and the results are incorporated into the measures taken. In 2016, a total of 17 customer surveys were carried out with dealers, subdealers and workshops in different countries.

GRI G4-PR5

Investors

Since its IPO in 1999, PALFINGER has attached great importance to maintaining continuous and transparent communications with its investors. PALFINGER's Management Board and Investor Relations team attend investors' conferences and, moreover, speak personally with individual stakeholders, also at trade events.

Investor relations, page 35

Local environments

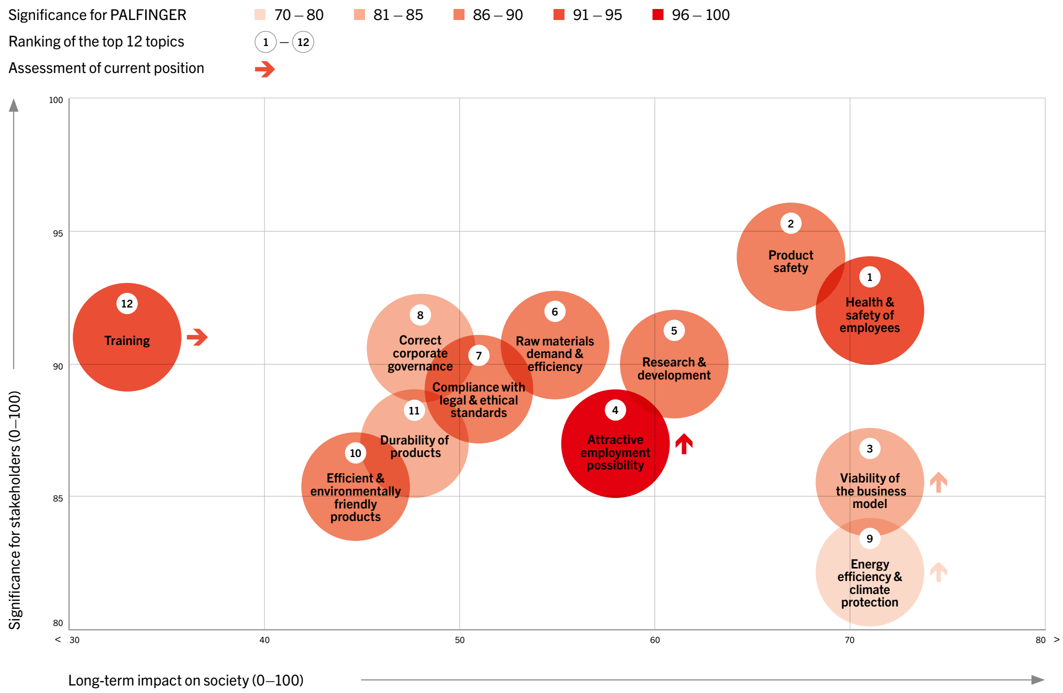
PALFINGER wants to be recognized as a reliable partner and attractive employer in the individual regions. In a first step, an adequate sales network is built up in the individual market regions; the second step is local value creation, meaning that an increasing amount of business is given to local suppliers and partners. Dialogue with these partners is transparent, situational and takes place on an equal footing. Local decision-makers communicate directly; communication measures also include local media relations and participation in and/or the hosting of events.

MATERIALITY ANALYSIS

The material issues were defined in a multi-stage process and evaluated according to the guidelines of GRI, SASB and IIRC

In the materiality analysis carried out in 2015, PALFINGER, in a multi-stage process, analysed the material economic, social, ecological and ethical aspects that are of strategic importance to the Company from both the internal and external points of view. The most important issues and aspects according to the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) were evaluated.

In 2016, the twelve most material sustainability issues were once again reviewed and ranked as to their significance for the Company in the strategic sustainability workshops. As a result, four issues were identified to have shifted towards greater significance and/or a higher impact, namely the viability of the business model, energy efficiency & climate protection, attractive employment possibility, and training. Apart from the change in significance of four issues, there were no major changes in the overall ranking of the most relevant aspects .The top-ranked issues with the highest impact are still the health and safety of employees as well as product safety.



The diagram shows the material sustainability issues surveyed, ranked as to their significance for the Company (colour), for stakeholders (y-axis), and their long-term impact on society (x-axis), as well as the changes in 2016. Future stakeholder communications and measures will build on this analysis.

In the period under review, PALFINGER also addressed the United Nations' Sustainable Development Goals (SDGs) of the 2030 Agenda for sustainable development. The Agenda contains 17 global Sustainable Development Goals (SDGs), which were adopted by the UN General Assembly in September 2015. Within the scope of its initial analysis, PALFINGER ranked its top 12 issues with regard to these SDGs and identified effects on 14 SDGs. PALFINGER has the greatest impact on the following four Goals: Goal 4 – Quality education, Goal 8 – Decent work and economic growth, Goal 9 – Industry, innovation and infrastructure, and Goal 12 – Responsible consumption and production. These Goals will be taken into account in the upcoming strategic corporate planning process in 2017.

The UN Sustainable Development Goals are taken into account in PALFINGER's strategic corporate planning

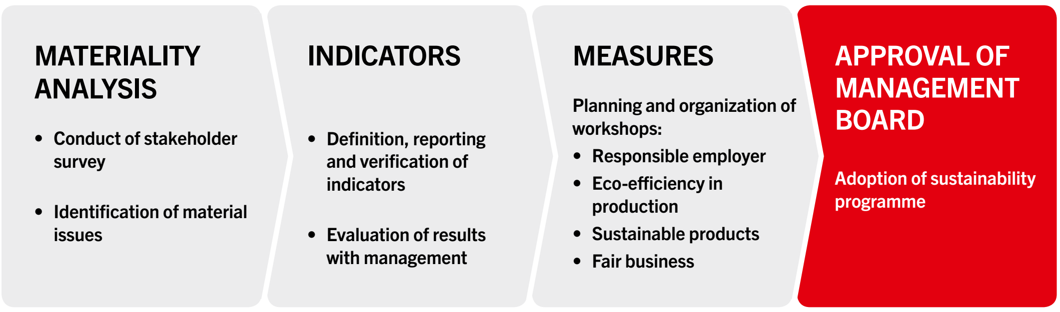
GRI G4-18, G4-19, G4-22, G4-23
Value creation, page 22; Detailed GRI and sustainability disclosures, page 202

SUSTAINABILITY MANAGEMENT

Sustainability is integrated into PALFINGER's mission statement and strategy, and the management is committed to its group-wide professional implementation. Sustainability management falls within the responsibility of the CEO. The sustainability manager is part of the Corporate Communications and Investor Relations team and reports indirectly to the Management Board. She is also in charge of stakeholder communications.

Commitment to sustainability and its professional implementation is integrated into the entire PALFINGER Group

The Management Board cooperated with other executives in preparing the strategy, policies and values of the Company at its regular Executive Team meetings. The results of the materiality analysis, which form the basis for sustainability reporting and the workshops, as well as the sustainability programme are adopted by the Management Board every year.



The internal sustainability reporting structures and systems, as well as the sustainability indicators, are in line with the results of the materiality analysis and have been integrated into financial reporting. The data is collected in a common software-supported system, thus reflecting that these structures, systems and indicators have also been integrated into the internal processes. On a quarterly basis, the top management is informed on these developments, which are reflected in the sustainability programme. The aim is to raise the quality of information and decision-making tools for businesses and stakeholders alike and, in the long-term, to establish a holistic incentive system at PALFINGER.

RESPONSIBLE EMPLOYER

Measures	Status	Goal
PALFINGER has set the goal of employee turnover below 10 per cent and staff absences due to industrial accidents below 0.11 per cent starting in 2016.		
Occupational health and safety		
Uniform global definition of accidents and uniform reporting	◒	2017
Expansion of PALfit	◒	2017
First aid training	●	2016
"Healthy leadership"	◒	2017
Crisis intervention team	○	2017
Attractive employment possibility		
Establishment of an employer branding strategy	◒	2017
Personnel marketing	◒	2017
On-boarding process	◒	2017
Training and education		
Continuation of the HR review	●	2016
Coaching for executives	◒	2017
Expansion of HR development	◒	2017
Diversity and equal opportunity		
PALversity project "Corporate Culture"	●	2016
PALversity project "Recruiting"	◒	2017
PALversity project "International Mobility"	●	2016
PALversity project "Working Conditions"	◒	2018
PALversity project "Talent Management"	◒	2018
Communication with employees		
New intranet	◒	2017
Focus on corporate culture, vision & mission	○	2017

SUSTAINABLE PRODUCTS

Measures	Status	Goal
Product safety		
Safety system	●	2016
Research and development		
Introduction of the P-profile	●	2016
Mounting Competence Center (MCC)	●	2016
Efficient and environmentally friendly products		
Lifecycle approach	○	2017
Product information		
Review of dealer standards	◒	2018
New website: environmentally friendly and safe products	◒	2017

ECO-EFFICIENCY IN PRODUCTION

Measures	Status	Goal
PALFINGER has set itself the goal of improving energy efficiency and reducing hazardous waste by 1.8 percentage points every year starting in 2014.		
Energy efficiency and climate protection		
Continuation of lighthouse projects for energy efficiency	◒	2017
Best-practice pool of energy efficiency	⊘	2017
Energy audits	●	2016
Introduction of ISO 50001	●	2016
Certified environmental management systems at additional sites	◒	2017
Paint shops and powder coating plants	◒	2017
Modernization and expansion of plants	◒	2017
Greenfield investment marine business	○	2018
Energy efficiency Russia	○	2017
E-mobility	○	2017
Waste and hazardous substances		
Waste optimization project	●	2016
Environmentally friendly transport		
Transport optimization	●	2016

FAIR BUSINESS

Measures	Status	Goal
Viability of the business model		
Digitalization	○	2017
Marine business as second mainstay	○	2017
Compliance with legal and ethical standards		
Strengthening corporate ethics	●	2016
Training in corporate ethics for new employees	◒	2017
Corporate audit	○	2017
Regional procurement		
Regional procurement	◒	2017

SUSTAINABILITY MANAGEMENT

Measures	Status	Goal
Sustainability management		
Group conference for environmental and health officers	◒	2017
Targeted stakeholder communication	◒	2017
Carbon Disclosure Project	●	2016
Sustainable Development Goals & Science Based Targets	○	2017

○ New ◒ In preparation ● Completed ⊘ Cancelled/Deferred

GRI G4-34, G4-35, G4-36, G4-48

Materiality analysis, page 30; Corporate governance report, page 96; Detailed GRI and sustainability disclosures, page 202

MONETARY FLOWS TO STAKEHOLDERS

The stakeholders make a valuable contribution to PALFINGER's success. Employees, suppliers, owners, public authorities and banks also participate in the Group's income. Income comprises, first and foremost, revenue, but also income from other services, from leases and from the sale of assets, as well as interest income. This directly generated economic value rose from EUR 1,235 million in 2015 to EUR 1,362 million in the 2016 financial year. The impact of the economic success differed from one stakeholder to another.

In 2016, payments to suppliers accounted for the largest monetary flow, coming to EUR 845 million. They included remuneration for various services and supplies such as raw materials, parts and components, plants, operating supplies and energy.

The Company's second-largest monetary flow, in the amount of EUR 360 million, is composed of the wages and salaries paid to employees. Primarily due to the expansion of PALFINGER's production and the acquisition of new companies, an increase of 14.5 per cent was recorded.

PALFINGER pursues a consistent dividend and interest policy, which provides that approximately one third of the annual profit is to be distributed. In the 2016 financial year, payments to investors came to EUR 34.0 million (previous year: EUR 36.6 million). This decline is primarily attributable to the interim dividend paid out in 2015.

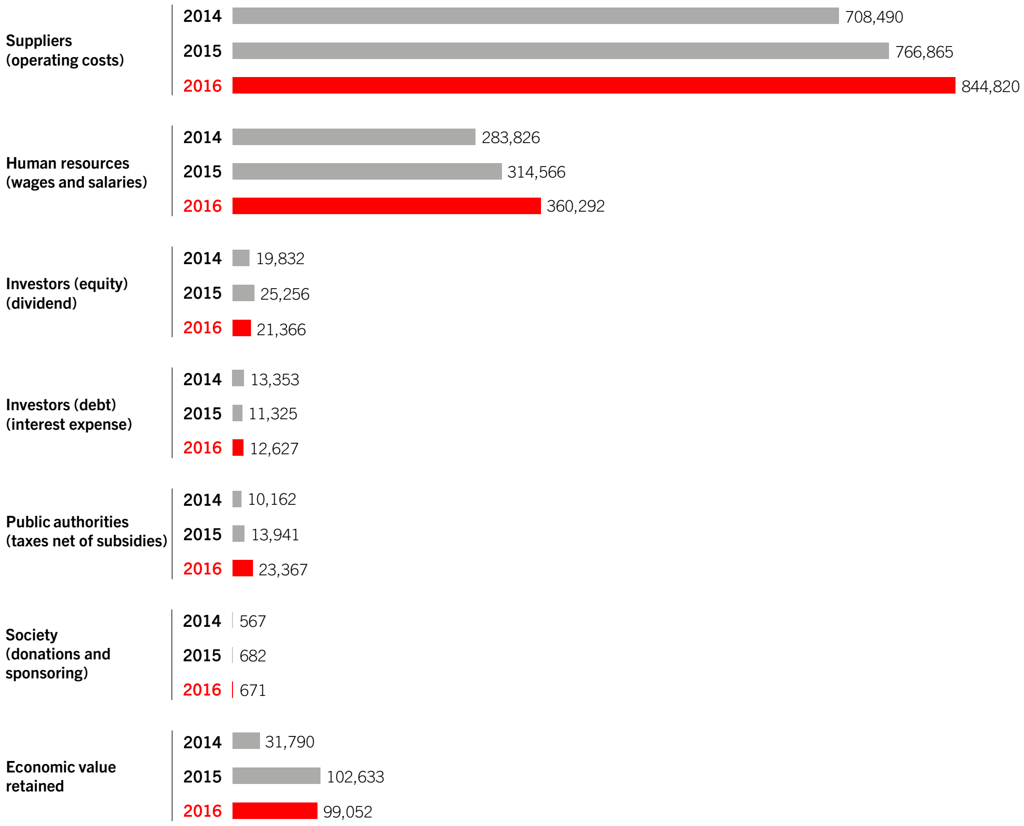
To PALFINGER, making fair tax payments is part of its social responsibility

In 2016, payments to public authorities increased by approx. 68 per cent and comprise taxes other than those on income, for example property tax, and income-based taxes such as corporation tax, net of investment or research and development grants. In the period under review, the tax expense increased to EUR 25.6 million (previous year: EUR 16.3 million), whereas subsidies decreased to EUR 2.3 million (previous year: EUR 2.4 million). To PALFINGER, making fair tax payments is a matter of social responsibility; no profits are shifted to countries with lower income tax rates, e.g. through specific pricing policies for intra-company services and deliveries. The Group has a standardized transfer pricing model in line with the OECD Transfer Pricing Guidelines and hence also with market prices. PALFINGER does not use any special-purpose entities to avoid tax payments. A major portion of the Company's tax payments is made in Austria, where a large percentage of PALFINGER's value added is also created. The value creation chain and the logistic processes are of overriding importance, meaning that even though subsidies are a welcome support, they do not influence investment decisions or decisions in favour of a particular site.

Investments in public welfare slightly decreased in 2016. In total, expenses for donations and sponsoring came to EUR 671 thousand in the 2016 financial year (previous year: EUR 682 thousand).

In total, these monetary flows account for a monetary value paid out in the amount of EUR 1,263 million. The difference between income and monetary flows to stakeholders represents the monetary value retained, which decreased by approx. 2 per cent as compared with the previous year and is reported in the chart below. It should be noted that the economic value retained does not contain any amounts relating to companies recognized at equity, as these do not constitute monetary flows.

MONETARY FLOWS TO STAKEHOLDERS[1] (EUR thousand)
Direct economic value generated and distributed



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

GRI G4-EC1, G4-EC4

INVESTOR RELATIONS

Ongoing dialogue and transparent communications are a backbone of PALFINGER's investor relations. Every year, PALFINGER's Management Board and Investor Relations team attend numerous road shows and investors' conferences in Austria and abroad and hold conference calls, thereby making themselves available for personal communication with the investment community. By participating regularly in investors' and product fairs, shareholders' events as well as stock exchange days, PALFINGER has also fostered relations with its retail shareholders. For many years, PALFINGER has paid particular attention to the need for information on the part of sustainability-oriented investors. In 2016, PALFINGER also attended sustainability meetings in the German-speaking countries, such as the German CSR Forum in Ludwigsburg, a working group dealing with the Sustainable Development Goals, the Austrian CSR-Day organized by respACT, the Austrian business council for sustainable development, in Vienna, as well as "Zukunftslabor 2016 für nachhaltige Produktion und nachhaltigen Konsum" (Future Lab 2016 for Sustainable Production and Sustainable Consumption) in Linz.

Transparent communications with investors also include retail shareholders and sustainability-oriented investors

THE PALFINGER SHARES

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

In the period under review, the price of PALFINGER shares was marked by great volatility. Starting out from EUR 26.45 at the end of 2015, the share price dropped to EUR 22.71, its lowest value of the year, on 29 February, and reached its peak of EUR 28.99 on 10 November. At year end (30 December 2016), the shares closed at EUR 28.60, i.e. 8.1 per cent above the previous year's level.

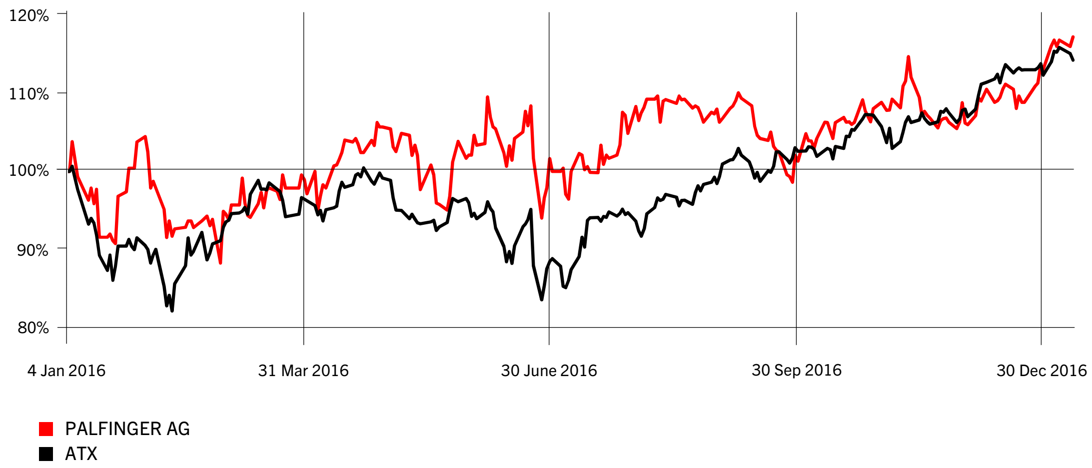
Shareholder information as at 31 December 2016

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

EUR	2014	2015	2016
Low	17.02	20.07	22.71
High	33.90	28.06	28.99
Average price	25.55	25.33	26.17
Price at year end	20.99	26.45	28.60
Earnings per share[1)]	1.04	1.73	1.63
Operating cash flow per share[1)]	1.29[2)]	2.97	2.94
Dividend per share	0.34	0.57	0.57[3)]
Dividend yield in relation to the average share price	1.3%	2.3%	2.2%
Market capitalization as at year end (EUR million)	789.08	994.34	1,075.17

1) Calculated using the weighted average number of shares outstanding.
2) Change in figure for 2014 due to incorrect number of shares used in calculation.
3) Proposal to the Annual General Meeting.

SHARE PRICE DEVELOPMENT IN 2016



RESEARCH REPORTS

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

RATINGS

Good ratings and awards confirm the sustainability of the PALFINGER Group

Investors embracing sustainability regard PALFINGER as a best-in-class investment opportunity, which has been confirmed by a number of sustainability impact assessments. PALFINGER is not subject to any ethical exclusion criteria, given that, for example, none of the manufactured products are weapons used by the defence industry or nuclear products. In the marine sector, however, boats are produced for the coast guard, and PALFINGER's container handling equipment or truck mounted forklifts are used in the transport of relief supplies.

VÖNIX

In the rating for the VÖNIX sustainability index, PALFINGER, for the second year in a row, received an A– rating as a sustainable business in 2016. The Company was specifically praised for having explicit principles and strategies concerning sustainability management, stakeholder orientation and corporate ethics.

Oekom

In Oekom's latest corporate rating of 2016, PALFINGER was again rated B–, corresponding to prime status. The agency was particularly appreciative of the Company's environmentally relevant product measures as well as measures in the field of health and safety.

Carbon Disclosure Project (CDP)

In 2016, PALFINGER participated for the first time in the environmental performance assessment of the Carbon Disclosure Project. Once a year, the CDP collects environmental data such as detrimental greenhouse gas emissions on behalf of investors. PALFINGER obtained a CDP climate scoring level B and a status of "Sector Leader in the DACH Region" in the "Industrials" sector, which puts PALFINGER among the top 13 per cent of this industry in Germany, Austria and Switzerland. The Company was also elected the "Best Newcomer (Austria)".

Green Brand Austria 2016/2017

At the beginning of 2016, PALFINGER underwent a re-evaluation process of GREEN BRANDS and was able to confirm its ranking of 2014/2015. The right to bear the GREEN BRAND Austria 2016/2017 seal honours ecological and social commitment.

GRI G4-15

Awards, page 39

DIVIDENDS

The Management Board will propose a dividend of EUR 0.57 per share for the 2016 financial year

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 2016 amounted to EUR 287.1 million; the Management Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.57 per share.

SALE OF TREASURY STOCK

From 10 February to 21 June 2016, PALFINGER AG carried out a treasury stock sale programme. As earlier stock option programmes had expired and treasury stock could previously not be used for acquisitions, the Management Board decided to sell treasury stock. In 2016, all 282,756 own shares were sold at an average price of EUR 27.02 per share (previous year: 806 shares at EUR 26.97 per share).

GRI G4-13

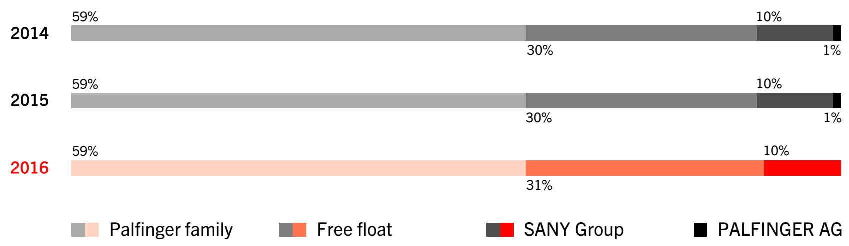
OWNERSHIP STRUCTURE

The Palfinger family is a stable core shareholder; the Chinese partner SANY holds 10 per cent of the shares

The Palfinger family, which either directly or indirectly owns approx. 59 per cent of the shares in PALFINGER AG, is PALFINGER's stable core shareholder. The cross shareholding between PALFINGER and SANY gave the SANY Group a participation of approx. 10 per cent. As at 31 December 2016, PALFINGER AG held no own shares (previous year: just under 1 per cent). Approximately 31 per cent of the shares (previous year: approx. 30 per cent) are in free float. According to the information available to PALFINGER AG, a significant portion of the free float is held by retail shareholders; the majority is held by institutional investors, primarily from continental Europe.

GRI G4-7

SHAREHOLDER STRUCTURE



COMMITMENT

Social commitment is at the top of the agenda and includes memberships, cooperation and the Code of Conduct

PALFINGER assumes an active role in shaping standards and guidelines regarding products, becomes involved through its memberships in various associations, and cooperates with local educational organizations and institutes. As a Climate Alliance enterprise, PALFINGER is committed to playing an active role in protecting the environment. Through its Code of Conduct, PALFINGER embraces and supports the UN Global Compact and thus undertakes to adhere to the UNGC's core values in the areas of human rights, labour conditions, the environment and anti-corruption. Within the scope of its global operations, PALFINGER has initiated training programmes, also in cooperation with local institutions.

For many years, PALFINGER has been a partner of AMREF and ICEP – the Institute of Cooperation for Development Projects – as well as the latter's corporAID initiative. Moreover, PALFINGER is a member of the Austrian sustainability network respACT. PALFINGER has been a member of the Cercle Investor Relations Austria (C.I.R.A.) since 2000, and Hannes Roither, Spokesperson of PALFINGER AG, has held a seat at the C.I.R.A. Board since 2001.

PALFINGER's commitment is, for example, reflected in its donations and sponsoring activities. These are mostly of a financial nature, and amounted to EUR 671,358 in 2016.

GRI G4-15, G4-16
www.palfinger.ag/en/sustainability/sustainability-management/commitment

SPONSORING

Long-term commitment is also relevant in sponsoring

PALFINGER uses sponsoring to enhance brand awareness, staff motivation and customer relationship management. For many years, PALFINGER has maintained partnerships with the athletes Jochen Hahn (four-time European champion in truck racing), Heinz Ollesch (multiple winner of the competition "Germany's Strongest Man"), the ice hockey team EC Red Bull Salzburg (six-time Austrian champion) and Thomas Geierspichler (Paralympic gold medallist in wheelchair marathon and multiple world champion and European champion in wheelchair marathon). When it comes to the sponsoring of sports, culture and charities, PALFINGER attaches great importance to continuity and long-term commitment.

DONATIONS

At PALFINGER, donations are defined as voluntary contributions for the common good for which no compensation is received, such as the support of children or young people. Plant managers receive a certain budget for donations, which have to be made locally and 100 per cent of which have to be received by those in need. In individual cases, PALFINGER makes donations in kind, for example in 2015 to the refugee camp in Wals, Austria.

When it comes to donations, PALFINGER monitors the successful deployment of funds

Social sponsorship programmes include "PALFINGER for Africa", supporting the non-profit organization AMREF since 1992. AMREF has committed itself to the objective of improving medical care for the poorest and most disadvantaged people in Africa in the long-term. AMREF develops health projects in close cooperation with African communities. For more than ten years, PALFINGER has been a partner of the Salzburg children's cancer charity "Kinderkrebshilfe Salzburg". This organization strives to improve the situation for children suffering from cancer and for their families. One particular highlight is the annual traditional sports car outing for and with young cancer patients, which took place for the 13th time in 2016. PALFINGER provides organizational and financial support for this event.

Donations are direct aid given to the intended target groups, and administrative and organizational expenses should be low but efficient. To PALFINGER, commitment means that the successful deployment of funds is monitored. PALFINGER wants its employees to take pride in its social commitment. No donations have been or will be made to political parties, party-affiliated or other political organizations.

GRI G4-EC1, G4-SO6
Monetary flows to stakeholders, page 33

AWARDS

International awards for product innovations, cost effectiveness and communications recognize PALFINGER's achievements

PALFINGER's achievements to the benefit of its stakeholders are recognized time and again in the form of Austrian and international awards. In 2016, PALFINGER's latest innovation in occupational health and safety, the fall protection for the loader crane, won the first innovation prize awarded by the German Municipal Vehicles and Equipment Industry Association (VAK).

Research and development, page 82

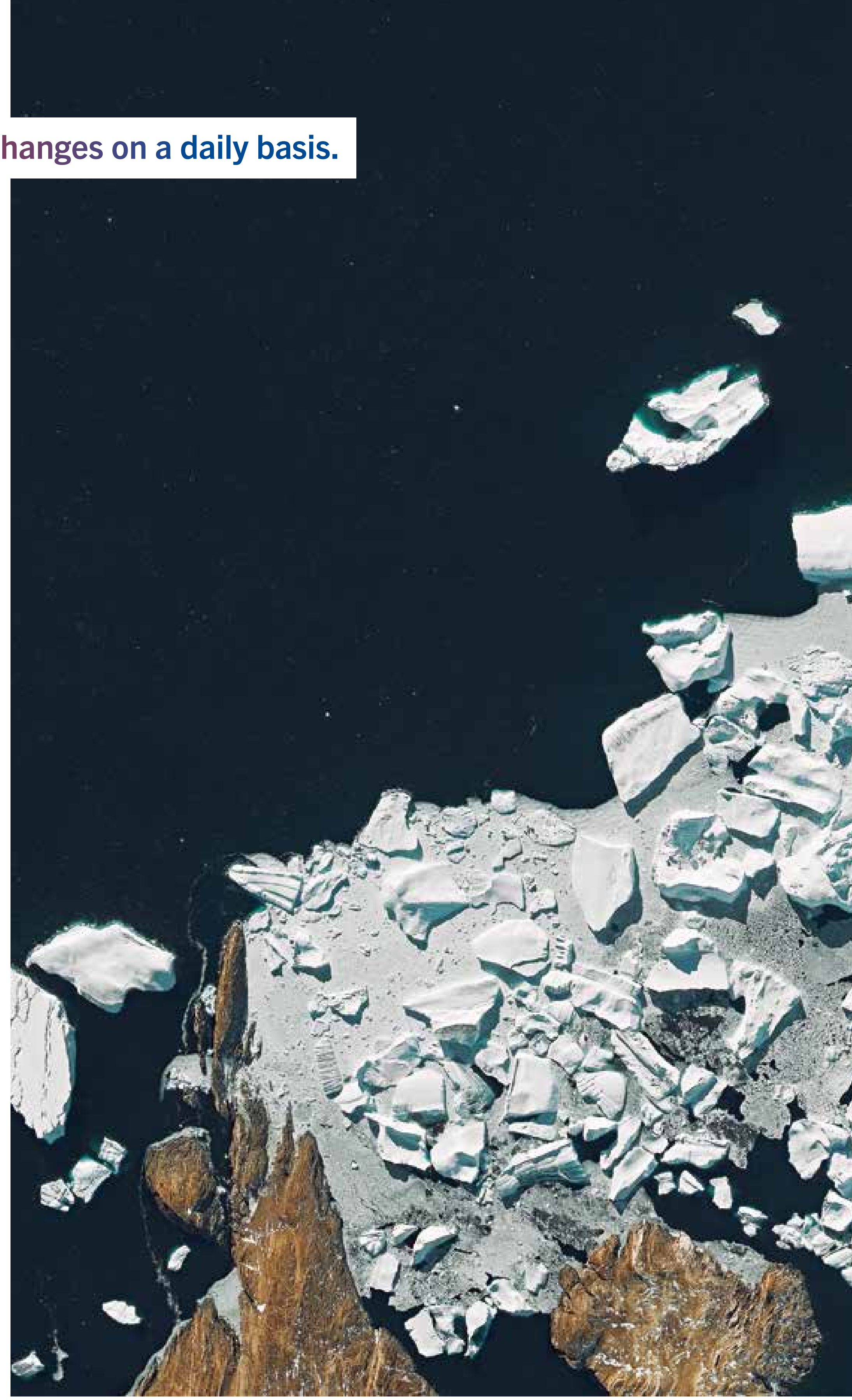
PALFINGER emerged as the "Best Brand" in the category "Truck Loader Crane Providers" from a reader survey regarding the best commercial vehicles in the category. The results of this survey, which was carried out for the 20th time by the German publishing house EuroTransportMedia, are regarded as a reliable benchmark for industry leaders.

In November 2016, PALFINGER won first place in the "Big Player" category in this year's "Austria's Leading Companies (ALC)" award, placing it among the most successful companies in Salzburg.

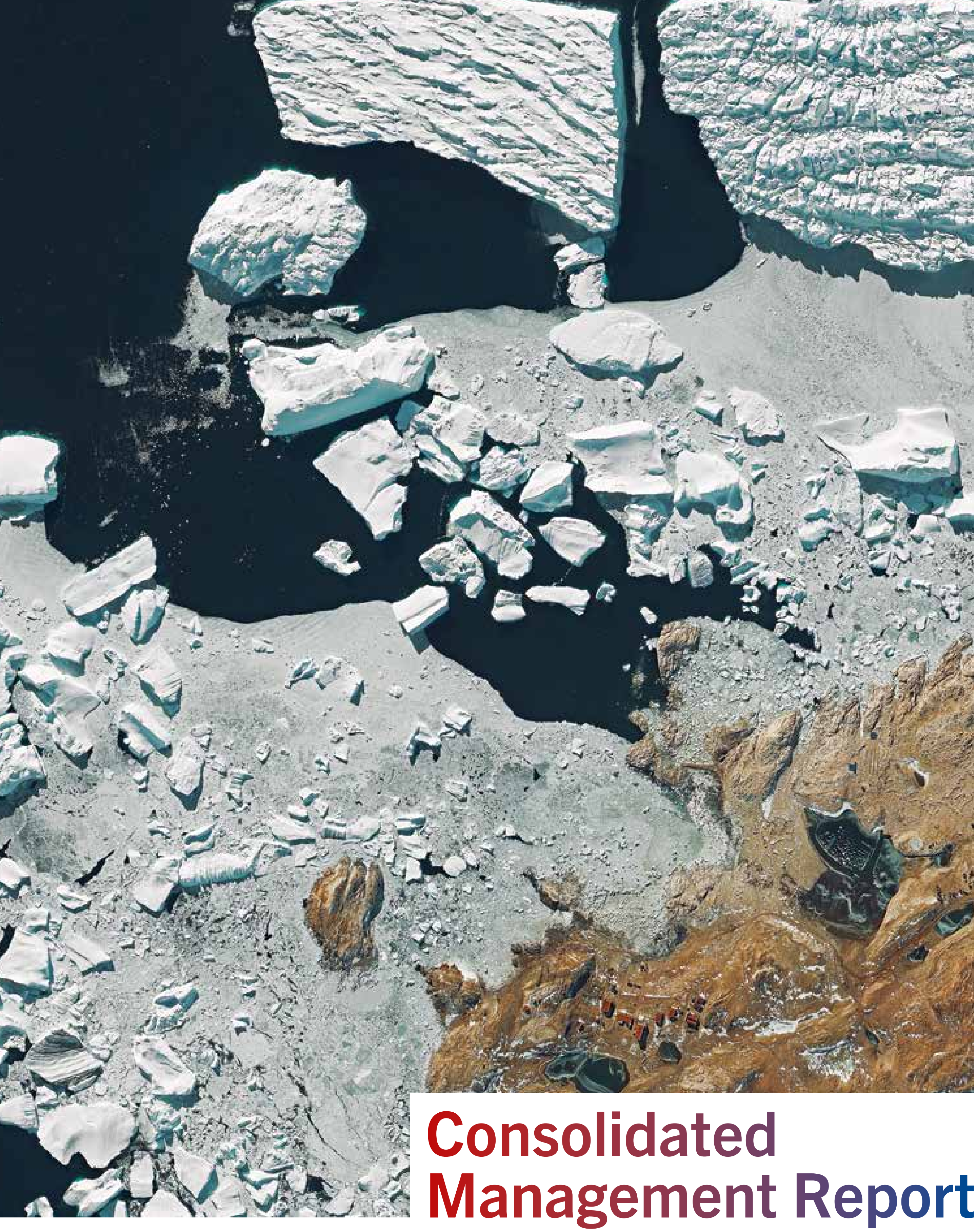
PALFINGER's Annual Reports have repeatedly won numerous national and international awards. In 2016, PALFINGER won first place in the Austrian Sustainability Reporting Award (ASRA) in the category "Integrated Reports" for the third time in a row. Moreover, the Integrated Annual Report 2015 received the Austrian Public Reporting Award (APRA) and came in third place in the total ranking of all publicly listed companies in Austria. Internationally, PALFINGER's Annual Reports have won one Silver and two Gold Awards at the ARC Awards in New York.

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

Borders undergo changes on a daily basis.



Prydz Bay, Antarctic



Consolidated Management Report

> New records in revenue and earnings
> Satisfactory growth of core business in Europe
> Acquisition of Harding makes PALFINGER MARINE world market leader in maritime lifesaving systems

CONSOLIDATED MANAGEMENT REPORT

MARKET REVIEW

The PALFINGER Group operates globally. With its various product groups, it appeals to a variety of customer industries in the individual regions. Developments in these regions and industries are as relevant to PALFINGER as good cooperation with its suppliers and its network of dealers and service providers.

PALFINGER provides reporting broken down into the management-relevant segments LAND and SEA as well as the HOLDING unit. The LAND segment comprises business with lifting solutions for use on commercial vehicles (trucks and railways). The SEA segment encompasses all operations in connection with ships, offshore facilities and wind energy plants, as well as rope access.

REGIONS AND INDUSTRIES BY SEGMENT

LAND Segment

EMEA

The EMEA region saw an increasing trend towards one-stop-shop solutions for products and services

With its wide range of product groups, PALFINGER supplies various sectors in the EMEA region, the most important customer industries being construction and related trades, transport logistics, railway infrastructure, forestry, recycling and waste management as well as building maintenance.

In 2016, the internationalization of the customer segments was continued, and procurement processes were increasingly centralized. As a result, an increasing number of PALFINGER products are in use – and require servicing – in countries other than the ones in which they were purchased. With increasing frequency, customers have been asking for full-service agreements instead of maintenance agreements. The trend towards one-stop-shop solutions is also observable when it comes to the products themselves. Industry solutions in which PALFINGER develops optimized overall vehicle concepts based on a network of partnering truck manufacturers and truck body builders are gaining importance over individual products.

Regulations such as weight limits, access restrictions, exhaust emission standards, occupational health and safety regulations, and safety standards, as well as technological progress in the truck industry regularly pose new challenges for PALFINGER. In the years to come, digitalization and related topics, such as self-driving cars, will change product development and business models with lasting effect.

In EMEA, PALFINGER capitalizes on the high quality, precision and reliability of its products, which are easy to operate even though, or because, they are increasingly high-tech. The vehicle concepts are revised on a regular basis to optimize performance and weight. Another significant factor of success is the tight service network and, in particular, the high standards of the companies it comprises.

THE AMERICAS

The construction industry in North America recorded growth, but there is uncertainty regarding its further development

In North America, PALFINGER supplies customers in more than 20 different market segments, most importantly construction and construction materials, telecommunications and utilities, forestry, railway, oil and gas, local authorities, mining, rental companies and truck body manufacturers. In addition, industries such as wind energy, waste management and transport logistics are of relevance for some product groups.

In 2016, the construction industry in North America recorded further growth, with low inflation and interest rates as well as growing consumer confidence having a positive effect as well. On the other hand, the strong US dollar and the low price level put a strain on some industries, and the weak economies in Latin America and Canada added to the uncertainty. President Donald Trump has announced upcoming investments in the American infrastructure; these will have a significant bearing on economic developments in the upcoming years.

PALFINGER has a strong brand name in North America and it stands for quality and reliability. This was achieved through the success factors of customized product solutions, high technical standards and outstanding service.

In South America, PALFINGER's core industries are the rental business, the construction sector and energy suppliers. Recently, PALFINGER started supplying products to agricultural businesses in Brazil.

The further contraction of the market in Brazil by around 40 per cent affected economic performance

In 2016, the Brazilian market shrank further, by around 40 per cent. This has made it increasingly difficult to keep the price level stable, and PALFINGER now plans to launch less expensive product series. Partnerships with agricultural cooperatives and customer-specific product solutions, in particular for energy suppliers, proved successful for PALFINGER.

In South America, too, PALFINGER stands for prime quality and service. The customers appreciate the comprehensive distribution network in Brazil, which includes repair shops and mobile services.

CIS

In Russia/CIS, PALFINGER's customers are mainly to be found in construction, the oil and gas industry, transport logistics, forestry and scrap metal recycling.

In Russia, local businesses benefited from import substitution

In the reporting period, the Russian economy stabilized in most of these customer industries, which seem to have adjusted to the new circumstances. Demand for local products was satisfactory. On the one hand, they are significantly less expensive, and on the other hand, purchasing imported products became even more difficult in 2016.

In the timber industry, smaller-sized companies suffered the most from the difficult conditions. The scrap metal industry was affected by the lower consumption of iron and steel. This was reflected in the weaker demand for cranes used in this industry. In addition, the waste management industry was reorganized in 2016, which caused a temporary drop in demand.

Local value creation remained the most crucial factor for PALFINGER's success in the CIS region. INMAN recorded particularly good capacity utilization in 2016.

ASIA AND PACIFIC

PALFINGER's most important customer industries in Asia are construction, construction materials, transport, mining, oil, and public entities. Energy suppliers as well as the waste management and paper industries are also among PALFINGER's customers.

In Asia, economic growth was sluggish, and competition increased

In 2016, the slowdown in economic growth in China and other Asian countries affected all industries in which PALFINGER customers can be found, since many infrastructure projects were stopped or postponed. Exploration projects were also impacted by the low oil price. In contrast, the necessary maintenance of the infrastructure, as well as the change in chassis types, harbour great economic potential for PALFINGER.

Economic performance in India was positive, particularly in the railway business and in waste management, partly due to government policy. The tax system was simplified, which was beneficial to business transactions. In addition, delayed infrastructure projects will be resumed once the economy has revived.

PALFINGER was faced with increasing competition in Asia in 2016, both from international trade rivals and from emerging local companies. The Chinese market in particular proved to be highly price-sensitive. The quality, safety and reliability of PALFINGER's products give the Company a competitive edge, as does compliance with product standards and regulations.

SEA Segment

In most of the various core customer segments in the marine business, global structures are in place

The SEA segment comprises PALFINGER's entire former business area Marine. In 2016, this business was dominated by the acquisition of the Harding Group, which will almost double the segment's business volume. In addition, the core customer segments were rearranged in this context. PALFINGER addresses highly diverse groups of customers, primarily in the following industries: offshore, shipping, cruises, navy and coast guard as well as wind energy. To a major extent, this business is characterized by global structures.

The customers' specific needs call for customized solutions and systems. Simple, hydraulic solutions are being increasingly ousted by complex, smart, electromechanical solutions.

The weak economy and the oil price affected many customer industries in this segment

The offshore industry (oil and gas, offshore vessels) continued to suffer in 2016, as the oil price was low and caused larger investments to be discontinued or, at least, delayed. No improvement of this situation is expected for 2017.

Performance in the shipping industry industry (bulkers, tankers, container ships, ferries, workboats and service boats, fishing and fish farming) matched the sluggish global economy in 2016. For instance, the number of newly registered cargo vessels decreased by three quarters compared to the previous year. The only area with noteworthy operations was fishing and fish farming, primarily in Norway, Chile, the northwest coast of the USA and Japan.

In contrast, the cruise industry (cruises, ferries) recorded high growth rates, and the relevant shipyards will be utilized to full capacity for years. The navy and coast guard sector (police, special forces, fire brigade, coast guard and harbour police; offshore patrol vessels) abounded with offers and calls for tenders, most of them from North America and the Middle East. In Asia and Pacific, territorial disputes also heightened demand.

Following several challenging years, an upward trend was recorded in the offshore wind sector (wind farms and supply boats, crew transfer boats). PALFINGER benefited from all the market development work it had done in previous years and has an excellent position. The market for wind energy continues to be dominated by Northern Europe; growth was noticeable primarily in China and North America.

Project delays also caused difficulties for suppliers

Given that numerous projects in the offshore and shipping sectors were postponed or cancelled, many suppliers had problems with their capacity utilization. This brought down market prices and resulted in financial difficulties for several of PALFINGER's competitors.

The acquisition of Harding in 2016 was a major step towards making PALFINGER an integrated supplier of deck equipment. Both the comprehensive product portfolio – ranging from cranes, winches and handling equipment to lifesaving equipment – and the global service network of the PALFINGER Group have proven their worth. With service centres in 16 harbours worldwide, PALFINGER is able to provide straightforward, fast and efficient service.

GRI G4-8

CUSTOMERS AND DEALER NETWORK

The dealers form a comprehensive network for end customers and are involved in PALFINGER's developments

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

In 2016, PALFINGER acquired the majority of the shares in an important Spanish dealer. The sales and service business in Spain and Portugal is being continued by PALFINGER Iberica at six locations. The market has been slow to develop since the financial and real estate crisis. However, PALFINGER expects to see a strongly growing market for cranes in the years to come.

In the marine sector, the acquisition of the Harding Group represented significant expansion. Its service network covers 16 countries worldwide and generates a substantial percentage of Harding's revenue. In light of strict safety regulations, lifecycle services play an important role for the entire marine business of PALFINGER.
GRI G4-8

PALFINGER AND ITS COMPETITORS

PALFINGER profits from trust in the quality of its products and in its corporate stability

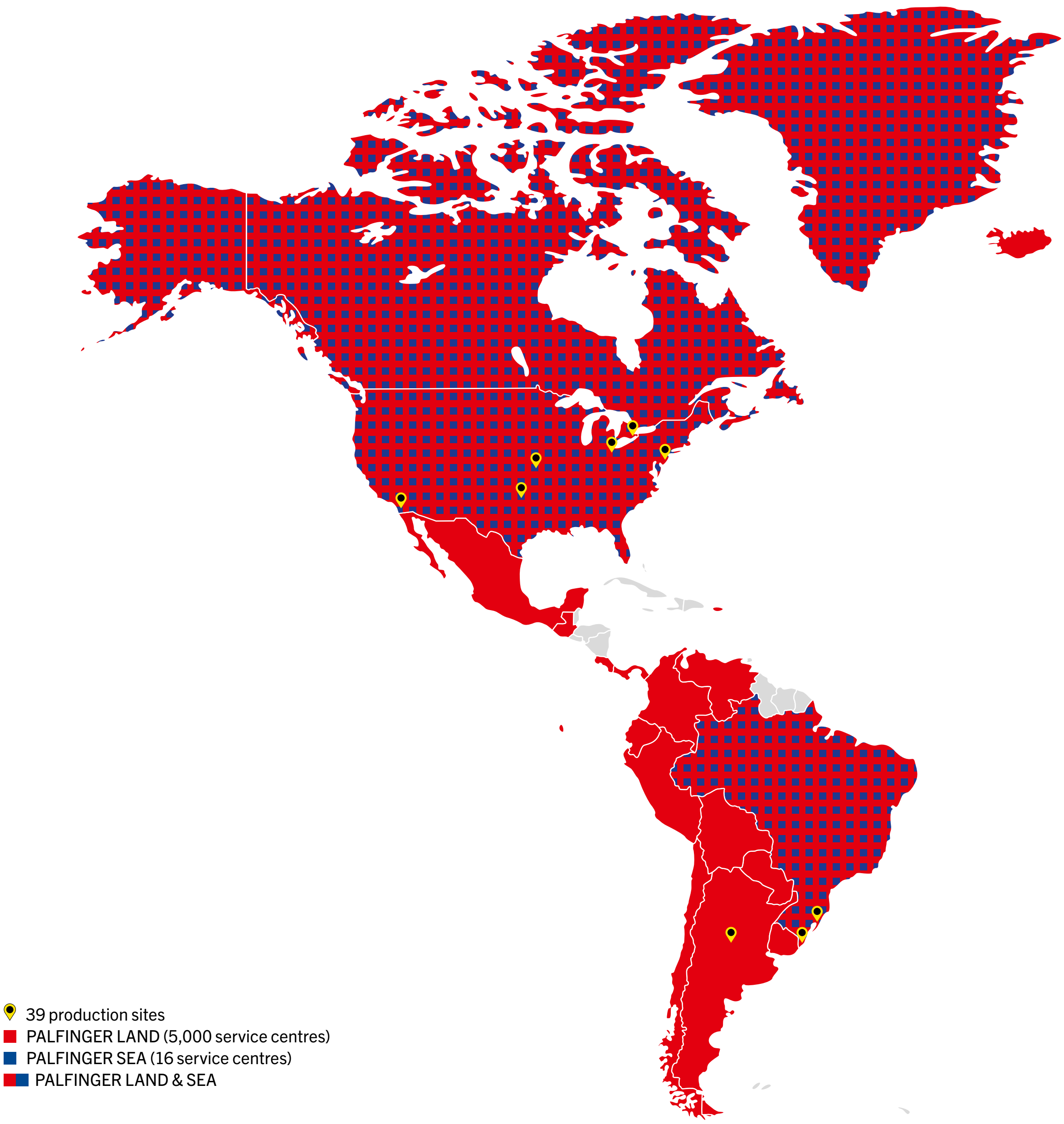
PALFINGER is represented in different product groups and regions whose markets are characterized by diverse competitive environments. From a global point of view, there were no major changes in these environments in 2016.

PALFINGER is the global market leader for loader cranes, timber and recycling cranes, and hooklifts. The most important competitors in these product groups are HIAB, a company of the Finnish Cargotec Group, and, for loader cranes, also the Italian company Fassi. Both companies operate mainly in Europe and North America. In China, PALFINGER competes with local companies as well as with HIAB.

The market in South America, particularly in Brazil, continued to shrink in 2016. Nevertheless, PALFINGER succeeded in maintaining and/or expanding its market shares. Some competitors were forced to accept significant cutbacks due to financial difficulties. At the same time, the fragile situation is making it more difficult for new international competitors to enter the market.

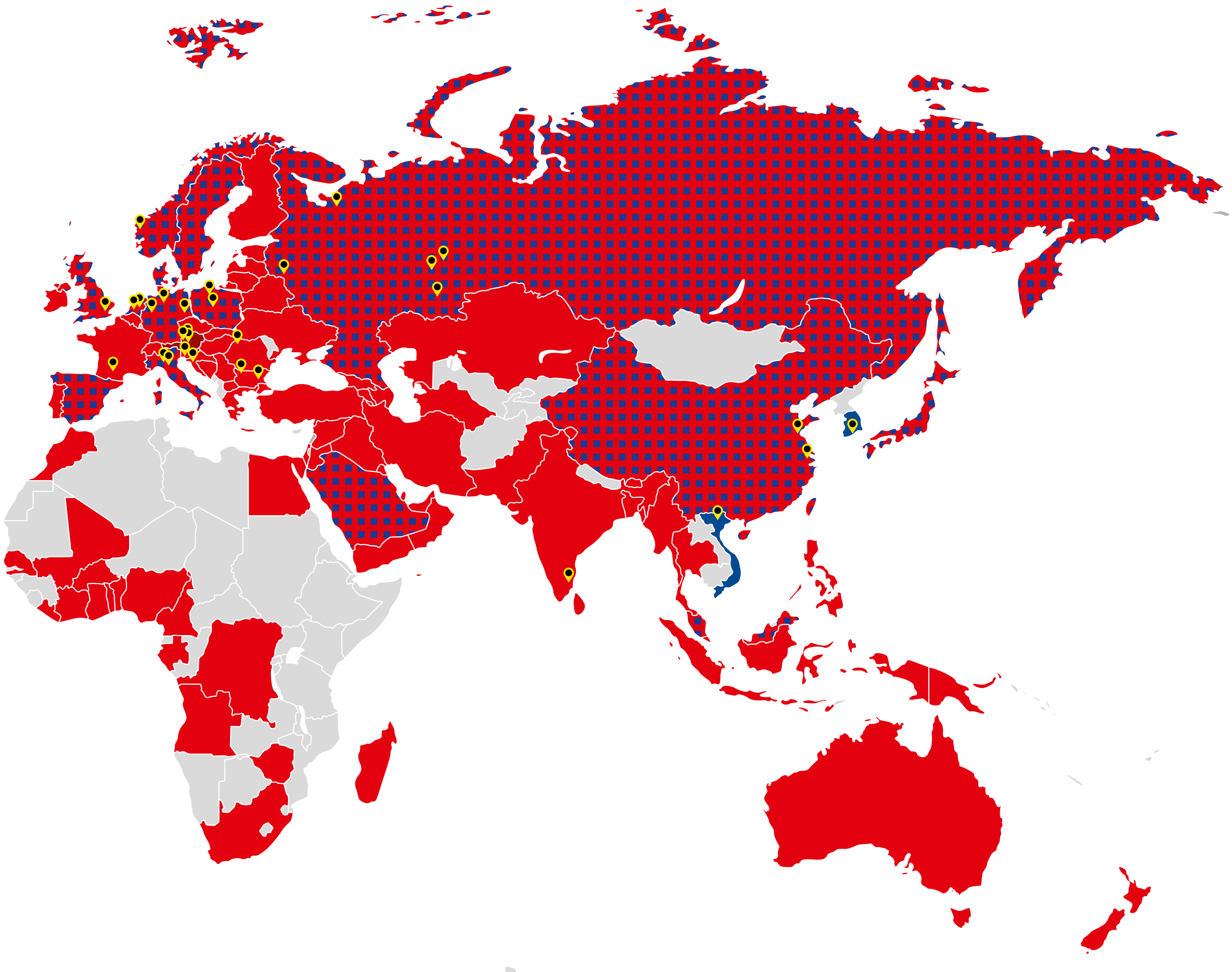
In Russia/CIS, PALFINGER managed to considerably expand its position in the markets for the main product groups. Strong demand for domestic products confirmed PALFINGER's strategy of local value creation.

In the SEA segment, PALFINGER benefits from the trust that customers place in the brand and from the Group's financial stability. Given the difficult market situation, some competitors are already experiencing financial difficulties. In the crane business, NOV, Rolls Royce Marine, TTS and MacGregor, a company of the Finnish Cargotec Group, are among PALFINGER's main competitors. When it comes to winches and lifesaving equipment, PALFINGER competes with a few established providers and numerous smaller brands.



SUPPLIERS

PALFINGER's success and its flexibility are based on close cooperation with suppliers. Therefore, the Company has defined around 200 strategic suppliers and has entered into delivery and quality assurance contracts with them with respect to cost effectiveness, products, the environment and social matters. The main purchasing flows are in raw materials (steel, aluminium), building parts and components (hydraulics, electronics, plastics), facilities (buildings, machinery), operating supplies, energy and outsourced manufacturing.
GRI G4-12, G4-13, G4-21, G4-SO10



Procurement factors, markets and strategies

As a rule, PALFINGER maintains long-term agreements with its strategic suppliers; these agreements provide for variable annual purchase quantities, which enables PALFINGER to keep up with the expected demand and respond quickly to volatile market conditions.

Raw materials form the lion's share of procurement costs, accounting for about 18 per cent. Given that the market for raw materials is subject to strong fluctuations in terms of availability and price, flexibility in procurement is of particular importance. PALFINGER succeeded in lowering average costs in 2016 and, at the same time, also in improving the reliability of supplier delivery.

The use of advanced technologies and innovation, primarily in the fields of hydraulics, electronics and high-tension steel, is vital for PALFINGER's market success. Procurement of the necessary parts and components focuses on the EU market, with suppliers in Slovenia, Bulgaria, Romania, Croatia and China gaining in importance as pricing pressure continues. The growing trend towards digitalization and the ensuing increase in the number of electronic components make procurement more complex. In order not to lose any flexibility, PALFINGER increasingly uses electronic interfaces to connect with its suppliers.

Global sourcing means utilizing local procurement markets all over the world

All in all, PALFINGER is committed to procuring locally; this increases flexibility, shortens transport distances and helps stimulate the local economies. A special global sourcing department focuses on utilizing the potential of new procurement markets for PALFINGER. Recently, PALFINGER has expanded its portfolio of suppliers primarily in Asia, first and foremost in China. All new suppliers must observe quality and sustainability standards, for instance human rights and the prevention of corruption. Compliance with sustainability standards is reviewed in the course of the initial quality audit. For example, less than one per cent of all parts and components required to meet demand in Europe, were bought in local markets outside Europe.
GRI G4-EC9; G4-EN32, G4-LA14, G4-HR10, G4-SO9

PALFINGER maintains long-term relationships with its suppliers in order to continuously enhance quality and thus also competitiveness. Every two years an international supplier meeting is held to improve the suppliers' involvement in PALFINGER's activities. The next supplier meeting is scheduled to take place in 2017. Moreover, strategically important suppliers are regularly subjected to risk analyses – in some cases annually – with the aim of identifying changes in economic stability at an early stage. If necessary, the suppliers are supported in their optimization efforts.

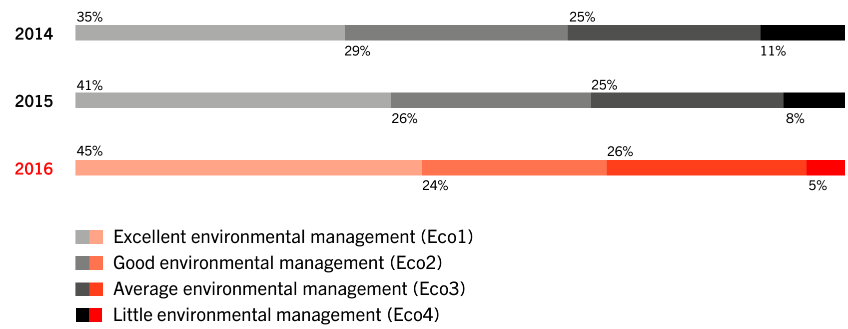
Sustainability among suppliers

Suppliers are assessed quarterly, also with a view to ecological and social awareness

PALFINGER carries out surveys among all strategic partners and other environmentally relevant suppliers, such as paint shops, disposal contractors, cleaning and linen rental companies, regarding their environmental management systems, and analyses the results using an evaluation scale (Eco1 through Eco4). The environmental management pursued by the suppliers also has an impact on their ranking in the quarterly supplier assessment, since PALFINGER believes that ecological and social awareness as well as corruption prevention augment the quality of supplier relations.

According to their own evaluations, the environmental management pursued by the suppliers has improved continuously in recent years. In 2016, 69 per cent (previous year: 67 per cent) of the suppliers already had an excellent or good environmental system in place (Eco1 and Eco2), and the percentage of suppliers with an excellent environmental system had increased to 45 per cent. The response rate in 2016 was the same as in the previous year: 96 per cent. These positive trends confirm the success of the awareness-raising measures taken by PALFINGER along the value creation chain.

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



Just under half of the 200 strategic suppliers were audited by PALFINGER in 2016. Ecological, ethical and social aspects, human rights and the prevention of corruption are integral parts of all quality and process audits. The sustainability aspects covered by the audit checklist are based on the PALFINGER Code of Conduct for all strategic suppliers. In addition, the checklist is also used to verify the suppliers' own assessments of their environmental management systems.

Around 200 strategic suppliers: just under half of them were audited by PALFINGER in 2016

In recent years, PALFINGER auditors who perform supplier audits have received training on environmental aspects and human rights. No specific training courses were held in the reporting period; further exchange on sustainability aspects is planned for 2017.

The sustainability audits did not lead to any complaints requiring mandatory improvement measures. No severe infringements that would have resulted in a termination of the contract with the supplier were identified.
GRI G4-12, G4-13, G4-21, G4-EN33, G4-LA15, G4-HR2, G4-HR11, G4-SO10

PERFORMANCE BY SEGMENT

PALFINGER divides its business into the segments LAND and SEA as well as the HOLDING unit. In the LAND segment, satisfactory growth rates were recorded primarily due to the core business in Europe, and the acquisitions and joint ventures of recent years showed success in Russia and Asia. In the SEA segment, the biggest acquisition in the Company's history led to a significant expansion of business.

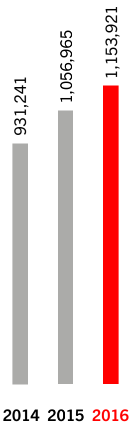
In June 2016, PALFINGER closed the biggest transaction in its corporate history, the acquisition of the Norwegian Harding Group. This enormous growth step for PALFINGER's marine business resulted in a change in segment reporting starting from the third quarter of 2016. The LAND segment now comprises business with lifting solutions for use on commercial vehicles (trucks and railways). The SEA segment encompasses all operations in connection with ships, offshore facilities or wind energy plants. The HOLDING unit, as a cost centre, maps the Group's administrative expenses and strategic projects for the future. Due to the initiation of substantial restructuring measures, PALFINGER now presents restructuring costs separately, also at segment level.
GRI G4-8
Adaptation of reporting structures, page 60

Segment reporting was adjusted in 2016: LAND segment, SEA segment and HOLDING unit

Segments 2016	LAND	SEA	HOLDING	Consolidation	PALFINGER Group
Revenue (EUR million)	1,153.9	203.1			1,357.0
Revenue in %	85.0%	15.0%			
EBITDAn (EUR million)[1)]	175.6	11.5	(14.6)		172.5
EBITDAn in %	15.2%	5.6%			12.7%
EBITn (EUR million)[1)]	138.4	2.9	(17.5)	(0.1)	123.7
EBITn in %	12.0%	1.4%			9.1%
EBITDA (EUR million)	166.1	6.6	(16.7)		156.0
EBITDA in %	14.4%	3.2%			11.5%
EBIT (EUR million)	128.9	(3.2)	(19.6)	(0.1)	106.0
EBIT in %	11.2%	(1.6)%			7.8%

1) Figures were normalized (n) by restructuring costs.

LAND SEGMENT



DEVELOPMENT OF REVENUE LAND SEGMENT
(EUR thousand)

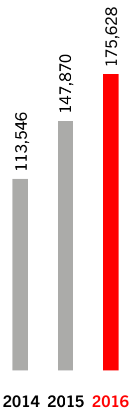
The LAND segment comprises the business regions EMEA, the Americas, CIS, as well as Asia and Pacific. This includes all land-based product areas of PALFINGER in these markets: loader cranes, timber and recycling cranes, telescopic cranes, mobile cranes, access platforms, tail lifts, hooklifts, truck mounted forklifts, passenger lifts, bridge inspection units and railway systems.

Business development in 2016

In the 2016 financial year, the LAND segment generated EUR 1,153.9 million in revenue, corresponding to a 9.2 per cent increase compared to the previous year's figure of EUR 1,057.0 million. The growth achieved was primarily due to the good performance in Europe, but also resulted from the majority acquisition of PALFINGER's Spanish dealer. In addition, business performance was highly satisfactory in Asia and CIS. In the reporting period, the LAND segment accounted for 85.0 per cent (previous year: 85.9 per cent) of the Group's consolidated revenue.

The segment EBITDAn (normalized by restructuring costs) saw a significant increase of 18.8 per cent, from EUR 147.9 million to EUR 175.6 million. The EBITDAn margin rose from 14.0 per cent to 15.2 per cent in 2016. Factors contributing to this increase included the acquisition of the Spanish distribution partner MYCSA and the improved product mix in Europe compared to the previous year. The segment's EBITn increased from EUR 113.7 million to EUR 138.4 million, raising the EBITn margin to 12.0 per cent after 10.8 per cent in the previous year. Restructuring costs accrued primarily in the region North America for the phase-out of non-profitable products and business divisions and amounted to EUR 9.5 million in the reporting period compared to EUR 6.7 million in the previous year. The segment also recorded an extraordinarily high increase in EBIT from EUR 106.9 million to EUR 128.9 million.

Given that incoming orders continued to show positive development in 2016, this segment is expected to record further growth in 2017.



DEVELOPMENT OF EBITDAn LAND SEGMENT
(EUR thousand)

EUR thousand	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Revenue	248,770	272,995	251,006	284,194	280,434	306,965	273,837	292,685
Segment EBITDAn[1)]	32,741	39,530	37,666	37,933	44,103	51,576	39,291	40,658
Segment EBITn[1)]	24,596	31,055	28,923	29,100	35,029	42,378	29,941	31,008
Segment EBITDA	31,596	38,044	35,300	36,206	43,222	48,352	37,681	36,880
Segment EBIT	23,451	29,569	26,557	27,367	34,148	39,154	28,332	27,234

1) Figures for 2015 and 2016 were normalized (n) by restructuring costs.

Operational highlights

The satisfactory development in the LAND segment was sustained mainly by the persistently strong demand in the EMEA region – particularly in the core markets and for the core product, loader cranes. All other product areas also made positive contributions to earnings; the Railway Systems unit, the Timber and Recycling Cranes units and the distribution company in Germany continued to stand out with their excellent performances.

In the LAND segment, demand was strong in the core markets of the EMEA region and for the core product, loader cranes

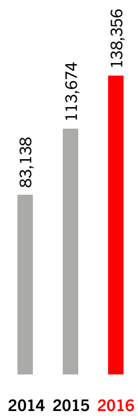
In the second half of 2016, the announcement that Great Britain was leaving the European Union was reflected in a decline in business in this market, which, however, only accounts for less than 5 per cent of consolidated revenue. In Southern Europe, following years of waiting, the emerging upward trend was confirmed. The acquisition of the Spanish distribution partner and establishment of the new company PALFINGER Iberica has already had positive effects. PALFINGER considers itself well-positioned for the anticipated economic upturn in Spain.

In North America, 2016 was marked by strong demand, but profitability was not satisfactory. Therefore, PALFINGER initiated a restructuring programme at the beginning of 2016, which is being implemented in a targeted manner and is scheduled to be completed by mid-2017. Priorities of this programme include not only an increase in profitability but also the adaptation of the product portfolio. The first results have been the local development of new products such as an A-frame timber and recycling crane, as well as a wallboard crane.

In South America, market conditions remained difficult. PALFINGER managed to maintain its position in the declining market by adapting its resources and its product portfolio to the situation. It remains to be seen whether 2017 will bring first signs of a reversal of this macroeconomic trend.

In Russia/CIS, PALFINGER continued to benefit from local value creation: PALFINGER managed to compensate locally for the economic sanctions imposed by the European Union and the active import substitution adopted by the Russian government in response, on the one hand, as well as for the low oil price and related weakness of the ruble, on the other hand. Both demand and earnings were highly satisfactory. The two joint ventures with KAMAZ went into operation in 2016 and have shown positive development ever since. Through the Palfinger PM Holding, PALFINGER launched a local timber crane featuring European technology on the market in 2016, which was also well received.

In the Asia and Pacific region, PALFINGER's business continued to be marked primarily by the cooperation with SANY, which continued to be highly positive. In the course of 2016, the entire value creation, including the assembly of hooklifts, was bundled at the Rudong site. PALFINGER expects significant growth in 2017, primarily in China, Japan, India and the South East Asian markets. In terms of products, PALFINGER developed hooklifts and stiffboom cranes, as well as a self-propelled scissor lift platform, all of which adapted to local requirements.

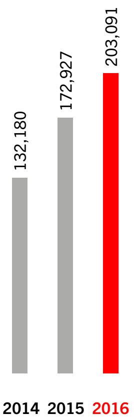


DEVELOPMENT OF EBITn LAND SEGMENT
(EUR thousand)

Segment share in consolidated net result for the period	**2014**	**2015**	**2016**	in % of Group
External revenue (EUR thousand)	931,241	1,056,965	1,153,921	85.0%
EBITDAn (EUR thousand)[1]	113,546	147,870	175,628	101.8%
EBITDA (EUR thousand)	113,546	141,146	166,135	106.5%
Depreciation, amortization and impairment (EUR thousand)	30,407	34,202	37,267	74.6%
EBITn (EUR thousand)[1)]	83,138	113,674	138,356	111.8%
EBIT (EUR thousand)	83,138	106,944	128,868	121.5%
Segment assets (EUR thousand)	893,221	959,232	1,034,433	67.3%
Segment liabilities (EUR thousand)	318,025	343,539	402,564	42.1%
Investments in intangible assets and property, plant and equipment (EUR thousand)	48,496	50,401	61,495	81.0%
EBITn margin[1)]	8.9%	10.8%	12.0%	
EBIT margin	8.9%	10.1%	11.2%	
Annual average payroll[2)]	6,669	7,578	7,810	
Employee turnover	11.0%	14.1%	13.8%	
Staff absences due to industrial accidents (in % of regular working time)	0.10%	0.14%	0.13%	
Training hours per employee[3)]	7.7	14.0	14.3	
Index: Energy consumption in relation to revenue[4)]	95.7%	91.1%	95.2%	
Index: Greenhouse gas emissions in relation to revenue[4)]	95.1%	92.6%	98.0%	
Index: Hazardous waste in relation to revenue[4)]	104.0%	125.3%	152.1%	

1) Figures for 2015 and 2016 were normalized (n) by restructuring costs.
2) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
3) Deviating reporting boundaries due to sites that do not report these indicators.
4) Volume 2013 = 100%

Strategy and value management, page 14; Significant changes within the PALFINGER Group, page 60



DEVELOPMENT OF REVENUE SEA SEGMENT
(EUR thousand)

SEA SEGMENT

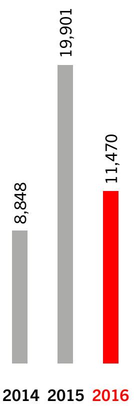
The SEA segment comprises PALFINGER's maritime product groups: marine cranes, offshore cranes, davit systems, boats, winches and offshore equipment, wind cranes, service, as well as rope access. In order to guarantee the best possible use of synergies in development, production and distribution, the product groups were subsumed into four global product divisions in 2016: Cranes, Winches and Handling Equipment, and Lifesaving Equipment as well as rope access.

Business development in 2016

Revenue generated by the SEA segment rose to EUR 203.1 million in the 2016 financial year. This 17.4 per cent increase from the previous year's revenue of EUR 172.9 million was primarily due to the business volume of the Harding Group. Since its initial consolidation effective 30 June 2016, the Harding Group has added EUR 45.4 million to PALFINGER's revenue. In 2016, the SEA segment accounted for 15.0 per cent (previous year: 14.1 per cent) of consolidated revenue.

The segment's EBITDAn (normalized by restructuring costs) declined from EUR 19.9 million in the previous year to EUR 11.5 million in the reporting period. The EBITDAn margin recorded in the SEA segment in the reporting period came to 5.6 per cent, as compared to 11.5 per cent in 2015. This decline reflects the difficult environment, but also the integration of Harding. The EBITn generated by this segment amounted to EUR 2.9 million after EUR 15.7 million in the 2015 financial year; the EBITn margin decreased from 9.1 per cent to 1.4 per cent. The restructuring costs incurred in this segment included primarily acquisition and integration costs incurred in connection with the Harding and TTS projects and amounted to EUR 6.1 million, as compared to EUR 0.7 million in 2015. The segment's EBIT dropped from the previous year's figure of EUR 15.0 million to –EUR 3.2 million in the reporting period.

Incoming orders in this segment reflected the challenging market environment in 2016. From today's point of view, no recovery is expected in the near future.



DEVELOPMENT OF EBITDAn SEA SEGMENT
(EUR thousand)

EUR thousand	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Revenue	43,537	40,895	41,721	46,774	38,329	39,843	57,197	67,722
Segment EBITDAn[1)]	4,914	5,930	3,232	5,825	2,804	2,417	2,367	3,882
Segment EBITn[1)]	3,877	4,780	2,226	4,791	1,751	1,359	110	(303)
Segment EBITDA	4,786	5,729	3,121	5,598	2,116	2,203	1,069	1,204
Segment EBIT	3,749	4,578	2,116	4,564	1,064	1,144	(2,090)	(3,328)

1) Figures for 2015 and 2016 were normalized (n) by restructuring costs.

Operational highlights

Core customers in most of the product groups in the SEA segment depend on the oil price. Therefore, the low oil price dampened investment propensity considerably in many core customer industries in 2016. Following another price slump in the first half of 2016, signs of stabilization became evident in the second half. PALFINGER recorded a substantial decline in demand in the product division Cranes, with the only positive impact coming from the nascent upturn in the wind industry.

With the acquisition of the globally operating Harding Group effective 30 June 2016, PALFINGER expanded its marine business by adding new products in the field of lifesaving equipment. In addition, PALFINGER now added a global service network to the Group. Service is a major factor for success in the marine business, not least because there are strict regulatory provisions. This acquisition represented an enormous growth step at an appropriate time as well as an important strategic development for PALFINGER.

The SEA segment was affected by its dependence on the oil price; growth resulted from the acquisition of Harding

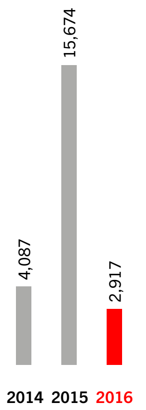
Faced with the challenges of a difficult economic environment and the integration of the Harding Group, PALFINGER initiated comprehensive restructuring measures for this segment in the reporting period. The consolidation of business activities and locations will also help PALFINGER utilize all the potential synergies between the established marine unit and the Harding Group.

In the fourth quarter, PALFINGER once again was awarded a large-scale contract: 66 cranes will be delivered for an offshore wind park in the German part of the North Sea by the end of 2017. Moreover, a Turkish shipyard ordered ship equipment, ranging from winches to three marine cranes, for a Danish end customer.

Strategy and value management, page 14; Significant changes within the PALFINGER Group, page 60

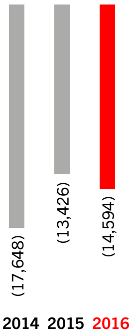
Segment share in consolidated net result for the period	**2014**	**2015**	**2016**	in % of Group
External revenue (EUR thousand)	132,180	172,927	203,091	15.0%
EBITDAn (EUR thousand)[1]	8,848	19,901	11,470	6.6%
EBITDA (EUR thousand)	8,848	19,234	6,592	6.2%
Depreciation, amortization and impairment (EUR thousand)	4,761	4,227	9,802	19.6%
EBITn (EUR thousand)[1)]	4,087	15,674	2,917	2.8%
EBIT (EUR thousand)	4,087	15,007	(3,210)	(3.0)%
Segment assets (EUR thousand)	169,745	205,836	463,898	30.2%
Segment liabilities (EUR thousand)	80,466	105,604	205,715	21.5%
Investments in intangible assets and property, plant and equipment (EUR thousand)	10,325	7,445	10,853	14.3%
EBITn margin[1)]	3.1%	9.1%	1.4%	
EBIT margin	3.1%	8.7%	(1.6)%	
Annual average payroll[2)]	1,092	1,155	1,510	
Employee turnover	7.8%	10.3%	13.8%	
Staff absences due to industrial accidents (in % of regular working time)	0.07%	0.02%	0.08%	
Training hours per employee[3)]	16.1	17.1	12.5	
Index: Energy consumption in relation to revenue[4)]	84.8%	77.6%	90.9%	
Index: Greenhouse gas emissions in relation to revenue[4)]	153.7%	119.2%	127.8%	
Index: Hazardous waste in relation to revenue[4)]	84.9%	110.0%	329.6%	

1) Figures for 2015 and 2016 were normalized (n) by restructuring costs.
2) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
3) Deviating reporting boundaries due to sites that do not report these indicators.
4) Volume 2013 = 100%



DEVELOPMENT OF EBITn SEA SEGMENT
(EUR thousand)

HOLDING UNIT



DEVELOPMENT OF EBITDAn HOLDING UNIT
(EUR thousand)

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

Business development in 2016

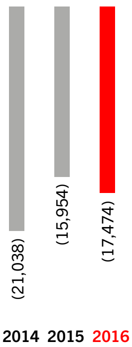
In the 2016 financial year, the unit recorded EBITDAn (EBITDA normalized by restructuring costs) of –EUR 14.6 million, as compared to –EUR 13.4 million in the previous year. The higher costs were primarily caused by the acquisitions made and/or planned. At –EUR 17.5 million, the unit's EBITn was lower than the previous year's figure of –EUR 16.0 million. The restructuring costs allocated to this unit came to EUR 2.1 million, as compared to EUR 1.6 million in 2015, and primarily pertain to acquisition and integration costs. The unit's EBIT declined from –EUR 17.6 million in the previous year to –EUR 19.6 million in the reporting period.

EUR thousand	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Unit EBITDAn[1)]	(2,778)	(3,080)	(3,802)	(3,766)	(4,033)	(3,615)	(3,816)	(3,130)
Unit EBITn[1)]	(3,360)	(3,676)	(4,415)	(4,503)	(4,740)	(4,327)	(4,544)	(3,863)
Unit EBITDA	(3,167)	(3,521)	(4,186)	(4,197)	(4,303)	(4,794)	(4,125)	(3,457)
Unit EBIT	(3,748)	(4,117)	(4,799)	(4,933)	(5,009)	(5,507)	(4,853)	(4,189)

1) Figures for 2015 and 2016 were normalized (n) by restructuring costs.

Significant changes within the PALFINGER Group, page 60

In addition to the acquisitions made, the intended acquisition of the TSS Group was a large project in 2016. In July 2016, PALFINGER lodged a takeover bid for all shares in TSS Group ASA, a company listed on the Oslo stock exchange. However, the minimum acceptance threshold of 90 per cent was not reached by the end of the acceptance period, and for this reason the takeover was not executed.



DEVELOPMENT OF EBITn HOLDING UNIT
(EUR thousand)

Share in consolidated net result for the period	2014	2015	2016	in % of Group
EBITDAn (EUR thousand)[1]	(17,648)	(13,426)	(14,594)	(8.5)%
EBITDA (EUR thousand)	(17,648)	(15,071)	(16,679)	(10.7)%
EBITn (EUR thousand)[1)]	(21,038)	(15,954)	(17,474)	(14.1)%
EBIT (EUR thousand)	(21,038)	(17,597)	(19,558)	(18.4)%
Annual average payroll[2)]	258	245	261	
Employee turnover	5.2%	13.6%	11.9%	
Staff absences due to industrial accidents (in % of regular working time)	0.00%	0.00%	0.01%	
Training hours per employee[3)]	18.0	13.7	13.7	
Index: Energy consumption in relation to revenue[4)]	0.0%	100.0%	79.9%	
Index: Greenhouse gas emissions in relation to revenue[4)]	0.0%	100.0%	81.8%	
Index: Hazardous waste in relation to revenue[5)]	0.0%	0.0%	0.0%	

1) Figures for 2015 and 2016 were normalized (n) by restructuring costs.
2) Consolidated group companies excluding equity shareholdings, as well as excluding temporary workers.
3) Deviating reporting boundaries due to sites that do not report these indicators.
4) Headquarters included in the calculation of the index starting from 2015.
5) No hazardous waste in the HOLDING unit.

PERFORMANCE OF THE PALFINGER GROUP

The 2016 financial year was the sixth record year in a row for the PALFINGER Group. Revenue increased by 10.3 per cent; operating profitability was at the same level as in the previous year. Even though restructuring measures lowered earnings, PALFINGER achieved a satisfactory performance and record earnings. Therefore, the Management Board proposes to distribute a dividend of EUR 0.57.

BUSINESS DEVELOPMENT IN 2016

The PALFINGER Group continued its growth in the 2016 financial year and, for the sixth year in a row, raised revenue to a new record high. The main factor contributing to this success was the acquisition of the Harding Group, which almost doubled PALFINGER's marine business. The focus on the restructuring measures initiated in 2016 and other targeted strategic projects also facilitated satisfactory earnings: Even though the international economic trend was marked by ups and downs, the profitability of business operations remained at a high level.

At EUR 1,357.0 million, revenue of the PALFINGER Group reached its highest level to date. Compared with the previous year's figure of EUR 1,229.9 million, this corresponds to an increase of 10.3 per cent. EBITDAn (EBITDA normalized by restructuring costs) rose by 11.7 per cent, from EUR 154.4 million to EUR 172.5 million. This brought the EBITDAn margin to 12.7 per cent, as compared to 12.6 per cent in the 2015 financial year.

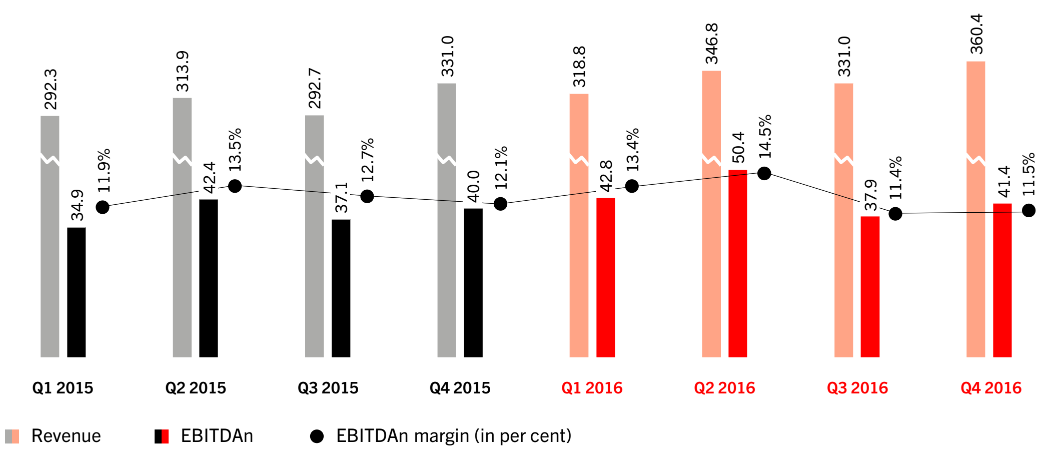
Adaptation of reporting structures, page 60

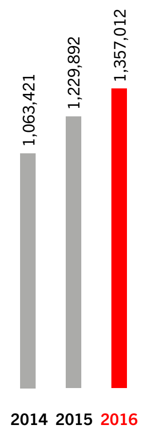
In the reporting period, PALFINGER recorded particularly strong growth in the crane business in the European core markets; this was also reflected in earnings. Performance in the other product divisions in Europe was positive as well. In all other regions, business development was heterogeneous, reflecting the market environment. The acquisitions made in 2016 contributed significantly to the business expansion achieved. The level of incoming orders as at the end of 2016 was satisfactory.

Performance by segment, page 49; Significant changes within the PALFINGER Group, page 60

The performance over the individual quarters shows the continuous rise in revenue and earnings in the past two years. The second half of the year is always influenced by the fact that there are fewer working days due to the two weeks of company holidays (at the European sites) in August and the Christmas holidays.

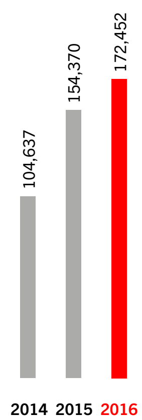
DEVELOPMENT OF REVENUE AND EBITDAn
(EUR million)



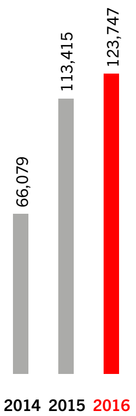


DEVELOPMENT OF REVENUE
(EUR thousand)

PALFINGER recorded further growth and posted new record figures in the 2016 financial year



DEVELOPMENT OF EBITDAn
(EUR thousand)



DEVELOPMENT OF EBITn
(EUR thousand)

DEVELOPMENT OF KEY FINANCIALS, FINANCIAL POSITION AND BALANCE-SHEET STRUCTURE

Earnings

In the 2016 financial year, revenue increased by 10.3 per cent to EUR 1,357.0 million (previous year: EUR 1,229.9 million). In terms of regions, the European Union remained PALFINGER's most important sales market, accounting for 50.6 per cent of revenue (previous year: 47.6 per cent). North America contributed 21.8 per cent (previous year: 23.3 per cent) to the Group's revenue, while 8.8 per cent (previous year: 10.3 per cent) was generated in the Far East. In the CIS region, PALFINGER managed to increase revenue generated in the reporting period to 6.1 per cent (previous year: 5.5 per cent) of consolidated revenue. In contrast, the contribution of Central and South America to consolidated revenue dropped to 2.5 per cent (previous year: 3.5 per cent) due to the shrinking market. Overall, changes in foreign exchange rates had a negative impact on revenue development, in the total amount of EUR 8.2 million, the main causes being the depreciation of the Russian ruble against the euro and the fall in value of the British pound after the Brexit vote. The companies acquired in 2016, PALFINGER Iberica and the Harding Group, made a substantial contribution to the growth in business achieved, generating some EUR 74 million in revenue.

Abbreviated consolidated income statement

EUR million	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2016
Revenue	1,063.4	1,229.9	1,357.0
EBITDAn[1]	104.6	154.4	172.5
EBITDAn margin[1]	9.8%	12.6%	12.7%
EBITn[1]	66.1	113.4	123.7
EBITn margin[1]	6.2%	9.2%	9.1%
EBITDA	104.6	145.3	156.0
EBITDA margin	9.8%	11.8%	11.5%
EBIT	66.1	104.4	106.0
EBIT margin	6.2%	8.5%	7.8%
Consolidated net result for the period	38.2	64.4	61.2
Earnings per share (EUR)	1.04	1.73	1.63
Dividend per share (EUR)	0.34	0.57	0.57[2]

1) Figures for 2015 and 2016 were normalized (n) by restructuring costs.
2) Proposal to the Annual General Meeting.

Consolidated financial statements, Notes to the consolidated income statement, page 139

As a consequence of the growth achieved, the cost of sales rose from EUR 930.7 million to EUR 1,023.0 million, while the cost of materials in relation to revenue was reduced by 1.0 percentage points. Personnel costs rose by 14.5 per cent to EUR 142.7 million, achieving more or less the same level in relation to revenue as in the previous year. PALFINGER's gross profit saw a year-on-year increase from EUR 299.2 million to EUR 334.0 million, and the gross profit margin was 24.6 per cent (previous year: 24.3 per cent).

Structural costs, engendered by the areas of research and development, sales, and administration, rose from EUR 202.6 million to EUR 237.4 million. This increase was brought about primarily by the acquisitions made and the creation of employee benefits provisions at the Holding unit. Compared to the previous year, structural costs increased by 1.0 per cent in relation to revenue.

The significant improvement in earnings reported by the LAND segment also facilitated an extraordinarily strong increase at group level: Normalized EBITDA (EBITDAn) went up by 11.7 per cent, from EUR 154.4 million in the previous year to EUR 172.5 million, resulting in an EBITDAn margin of 12.7 per cent after 12.6 per cent in the same period of 2015. Normalized EBIT (EBITn) increased from EUR 113.4 million to EUR 123.7 million, and the EBITn margin decreased slightly from 9.2 per cent in the previous year to 9.1 per cent. That means that, expressed in absolute figures, PALFINGER was able to improve its operating profitability – normalized by restructuring costs – in the reporting period.

Earnings normalized by restructuring costs show an extraordinarily strong increase in EBITDAn and EBITn

At PALFINGER, restructuring costs are defined as the costs of business model adjustments, site relocations and closures, significant capacity adjustments, M&A and integration costs, costs for one-off payments for termination of dealer relationships, as well as an impairment of intangible assets relating to reorganizations. In the reporting period, these restructuring costs came to EUR 17.7 million (previous year: EUR 9.0 million), and were incurred primarily in connection with the corresponding initiatives taken in North America and in the marine business.

EBIT thus increased by 1.6 per cent, from EUR 104.4 million to EUR 106.0 million, which marks a new record figure. In contrast, the EBIT margin decreased from 8.5 per cent in 2015 to 7.8 per cent in 2016.

EBIT amounted to EUR 106.0 million; the EBIT margin was 7.8 per cent

Tax expense increased primarily due to the expansion of business, coming to EUR 23.9 million in the reporting period as compared to EUR 21.4 million in 2015. The consolidated net result for the 2016 financial year was EUR 61.2 million, 5.0 per cent lower than the previous year's figure of EUR 64.4 million. Earnings per share came to EUR 1.63, as compared to EUR 1.73 in 2015.

In line with PALFINGER's dividend policy, the Management Board is going to propose to the Annual General Meeting that a dividend of EUR 0.57 be distributed for the 2016 financial year. For the 2015 financial year, an interim dividend of EUR 0.18 per share and a final dividend of EUR 0.39 per share were paid.

A dividend of EUR 0.57 per share will be proposed

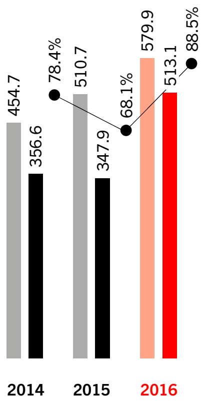
Dividend, page 37

Assets

Abbreviated consolidated balance sheet

EUR million	31 Dec 2014	31 Dec 2015	31 Dec 2016
Non-current assets	668.7	708.9	921.7
Current assets	453.8	503.5	614.7
Total assets	**1,122.4**	**1,212.4**	**1,536.3**
Equity	454.7	510.7	579.9
Non-current liabilities	408.7	395.5	525.8
Current liabilities	259.0	306.2	430.6
Total equity and liabilities	**1,122.4**	**1,212.4**	**1,536.3**

Consolidated financial statements, Notes to the consolidated balance sheet, page 148



EQUITY AND NET DEBT
(EUR million)

Primarily in connection with the acquisitions made, total assets increased by 26.7 per cent from EUR 1,212.4 million as at 31 December 2015 to EUR 1,536.3 million as at 31 December 2016.

Non-current assets rose from EUR 708.9 million to EUR 921.7 million, mainly through the acquisition of Harding and PALFINGER Iberica. The expansion of business also led to an increase in current assets from EUR 503.5 million to EUR 614.7 million.

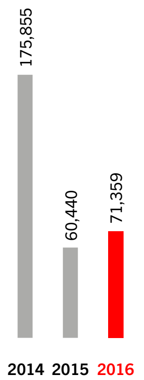
Average current capital in proportion to revenue rose from 25.2 per cent in 2015 to 26.3 per cent in the reporting period. The continued measures to reduce inventories, accounts receivable and accounts payable compensated the increase caused by the large-scale acquisitions only to a certain extent.

Equity rose by 13.6 per cent from EUR 510.7 million as at 31 December 2015 to EUR 579.9 million. This increase was primarily due to the excellent result in 2016 and was lowered by dividend payments. The equity ratio decreased from 42.1 per cent in 2015 to 37.7 per cent.

Non-current liabilities increased from EUR 395.5 million to EUR 525.8 million, while current liabilities rose from EUR 306.2 million to EUR 430.6 million. The primary reason for these changes was the capital required for the acquisition of the Harding Group. 92.6 per cent of PALFINGER's total capital employed has been secured on a long-term basis.

The purchase prices paid for MYCSA and Harding increased net debt from EUR 347.9 million to EUR 513.1 million. This resulted in a year-on-year increase in the gearing ratio from 68.1 per cent to 88.5 per cent as at 31 December 2016.

Net investments, in the amount of EUR 71.4 million (previous year: EUR 60.4 million), comprised primarily the enlargement of production capacities and replacement investments during the reporting period.



NET INVESTMENT
(EUR thousand)

Financial position

EUR million	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2016
Cash flows from operating activities	47.2	110.6	109.6
Cash flows from investing activities	(217.4)	(64.6)	(187.7)
	(170.2)	**46.0**	**(78.1)**
Adjusted interest on borrowings after tax	10.7	8.7	9.4
Free cash flows	**(159.5)**	**54.7**	**(68.7)**

In the reporting period, cash flows from operating activities came to EUR 109.6 million, which is approximately the same level as in 2015 (previous year: EUR 110.6 million). The slight improvement in the earnings situation, higher depreciation/amortization due to investments made and a slower inventory build-up had an increasing effect. On the other hand, performance was affected primarily by the decrease in accounts payable and the higher income tax expense. As a consequence of the purchase price payments for the acquisitions, cash outflows from investing activities rose from –EUR 64.6 million to –EUR 187.7 million in the reporting period. As a result, free cash flows amounted to –EUR 68.7 million, as compared to EUR 54.7 million in the same period of the previous year.

Due to the acquisitions made and the necessary restructuring measures, value creation indicators showed a slightly negative development: Return on equity dropped from 14.8 per cent as at the end of 2015 to 12.7 per cent as at 31 December 2016; return on capital employed also fell short of the previous year's figure, coming to 8.1 per cent as compared to 9.6 per cent in 2015. As debt capital rose, weighted average cost of capital (WACC) was lower than in the previous year, coming to 6.0 per cent (2015: 6.5 per cent). These developments brought down the economic value added from EUR 25.9 million to EUR 20.5 million.

Cash flows from operating activities were at the previous year's level; free cash flows were negative at –EUR 68.7 million

EUR million	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2016
EBIT	66.1	104.4	106.0
Adjusted income tax expense	(13.6)	(24.3)	(27.3)
NOPLAT	**52.5**	**80.1**	**78.7**
Inventories	225.1	250.8	272.6
Trade receivables	161.5	173.4	217.6
Trade payables	(79.0)	(93.3)	(112.3)
Advances received on orders	(21.1)	(20.8)	(21.4)
Current capital	**286.5**	**310.2**	**356.5**
Other current receivables and assets	23.5	27.5	33.0
Income tax receivables	3.1	2.9	3.5
Current provisions	(12.6)	(14.1)	(17.1)
Current liabilities	(47.2)	(63.4)	(91.3)
Income tax liabilities	(5.0)	(7.2)	(8.7)
Net working capital[1)]	**248.3**	**256.0**	**275.9**
Non-current operating assets	530.8	655.9	783.0
Non-current provisions	(38.4)	(42.0)	(46.3)
Deferred tax liabilities	(6.3)	(7.6)	(16.5)
Liabilities from puttable non-controlling interests	(20.4)	(16.0)	(5.9)
Other non-current liabilities	(8.8)	(11.3)	(14.4)
Capital employed[2)]	**705.3**	**834.9**	**975.8**
ROCE	**7.4%**	**9.6%**	**8.1%**

1) Annual average; calculation was adjusted in 2016.
2) Annual average.

SIGNIFICANT CHANGES WITHIN THE PALFINGER GROUP

Integration of distribution activities in Spain

An important Spanish dealer was acquired: PALFINGER Iberica is now represented at six locations

In May, PALFINGER concluded the acquisition of the majority of the shares in its Spanish dealer MYCSA. The newly established company PALFINGER Iberica employs around 80 staff members at six locations and focuses on the sale and servicing of loader cranes, timber and recycling cranes, hooklifts, access platforms and products from the marine sector. On 9 May 2016, Palfinger EMEA GmbH acquired 75 per cent of the shares in the Spanish company Palfinger Iberica Maquinaria SL together with three other companies in mainland Spain, Gran Canaria and Portugal.

Spain was among PALFINGER's most important markets until 2008. However, following the financial crisis and the real estate crisis, the market collapsed, and so far signs of recovery have been few and far between. PALFINGER expects market growth to pick up again in the years to come and considers itself well prepared with PALFINGER Iberica.

Expansion of the marine business

The acquisition of the Harding Group made PALFINGER the world market leader in maritime lifesaving systems

On 30 May 2016, Palfinger Marine GmbH signed a contract governing the acquisition of 100 per cent of the shares in the Norwegian Harding Group, which operates a total of 23 group companies worldwide. The closing of this transaction on 30 June marked a milestone for PALFINGER's global marine business.

Harding is one of the leading suppliers of lifesaving equipment and lifecycle services for maritime installations and ships. The Norwegian company operates in 16 countries worldwide, and in 2015, with a staff of approximately 700, recorded revenue of EUR 140 million, roughly half of which was generated from services. Product-wise, the Harding is a leading supplier of lifeboats. Together with Harding, PALFINGER is able to offer its customers one-stop-shop solutions with premium-quality packages of products and services, already anticipating an emerging trend in this industry.

The acquisition is the largest in the history of the PALFINGER Group and has made it the world market leader in maritime lifesaving systems. The marine business has become a strong second mainstay for PALFINGER. As a result of the Harding acquisition, PALFINGER will double its annual marine business volume to over EUR 300 million. The service segment will gain in importance immensely, reducing dependence on investment projects in the oil and gas industry.

Strategy and value management, page 14

Adaptation of reporting structures

The new segmentation and normalized earnings ratios make internal and external reporting transparent

As a consequence of the acquisition of the Harding Group, the contribution made by the marine business to consolidated revenue surged to around 15 per cent in the 2016 financial year. This led to a change in segment reporting: Starting with the third quarter of 2016, PALFINGER has broken down its performance figures into the segments LAND and SEA as well as the HOLDING unit. This reflects organizational and management structures and also provides more transparency regarding future business development.

On the earnings side, PALFINGER is placing more emphasis on the EBITDA ratio. For the purpose of transparency, EBITDA and EBIT have been normalized by restructuring costs. The management focuses on operating profitability so that primarily the EBITDA and EBIT ratios normalized by restructuring costs and the respective margins are used for reporting, showing investments in restructuring, acquisitions, integration and the adjustment of the business model, as well as actual operating profitability. This also increases the comparability of PALFINGER with competitors, as this manner of reporting has become customary in the industry both in Europe and North America.

GRI G4-13
Performance by segment, page 49

FURTHER CHANGES UNDER COMPANY LAW WITHIN THE PALFINGER GROUP

In March 2016, Palfinger Japan K.K. was established as a wholly-owned subsidiary of Palfinger Asia Pacific (Singapore).

As of March 2016, the uniform use of "Palfinger Marine" as a part of the corporate name was implemented through the Group. As a consequence, Palfinger Ned-Deck B.V. was renamed Palfinger Marine Netherlands B.V. and Palfinger Ned-Deck Vietnam Co. Ltd. became Palfinger Marine Vietnam Co., Ltd. The name of Palfinger Dreggen Poland sp.z.o.o. was changed to Palfinger Marine Poland sp.z.o.o., and Palfinger Dreggen Korea Ltd. is now called Palfinger Marine Korea Ltd.

Effective 16 March 2016, Norwegian Deck Machinery AS and Palfinger Dreggen AS were merged, and the absorbing company was then renamed Palfinger Marine Norway AS.

In April, the Russian company Konvek OOO was merged into its fellow subsidiary Velmash-S OOO.

In September 2016, Palfinger Marine Netherlands B.V. acquired another 20 per cent of the shares in Palfinger Boats B.V. and became the sole owner of this company. Palfinger Marine do Brasil Ltda. acquired another 39 per cent of the shares in Palfinger Koch Montagens Industriais Ltda. The company was renamed Palfinger Marine Montagens Industriais do Brasil Ltda. and changed its corporate seat.

For the sake of uniformity, Ratcliff Palfinger Ltd. became Palfinger Tail Lifts Ltd. in July 2016 and MBB Palfinger GmbH, Germany, was renamed Palfinger Tail Lifts GmbH in September.

At the end of November, Composite Works LLC, USA, was liquidated. The company's assets were transferred to its sole shareholder, Equipment Technology LLC, USA.

In November, the PALFINGER Group acquired 20 per cent of the shares in Sky Steel Systems LLC, Dubai. The transaction was closed in January 2017. In addition, a call option for another 29 per cent was agreed upon.

In the course of the integration of the Harding companies, the following company names were changed in December 2016: Harding Safety UK Ltd. was renamed Palfinger Marine UK Ltd., Harding Safety Germany GmbH became Palfinger Marine Germany GmbH and Harding Safety Netherlands B.V. is now called Palfinger Marine Europe B.V.

In December 2016, PALFINGER acquired the remaining 30 per cent of the shares in the Megarme companies (part of which had been held by trustees), making PALFINGER the sole owner of these companies.

INFORMATION ACCORDING TO SEC. 243A OF THE BUSINESS CODE

As at 31 December 2016, the issued share capital of PALFINGER AG was EUR 37,593,258, divided into 37,593,258 no-par-value bearer shares. Each PALFINGER share entitles its holder to one vote.

As at 31 December 2016, PALFINGER AG did not hold any 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. There are no PALFINGER shares with special rights of control.

As at 31 December 2016, the Palfinger family directly or indirectly held approx. 59 per cent of the shares in PALFINGER AG. Around 10 per cent of the shares (3,726,516) were held by the Chinese SANY Group via the German company SANY Germany GmbH. Around 31 per cent of the PALFINGER shares were in free float.

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

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

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

No agreement on compensation in the event of a public takeover bid has been entered into between PALFINGER AG and the members of the Management Board and the Supervisory Board.
GRI G4-7, G4-LA2

CORPORATE GOVERNANCE

The corporate governance report prepared by PALFINGER AG for the 2016 financial year is also available on its corporate website.
Corporate governance report, page 96
www.palfinger.ag/en/investor-relations/corporate-governance

TREASURY

The treasury department coordinates and manages financial risks and their reporting. It is also in charge of centrally controlling liquidity for the whole Group. PALFINGER's paramount principle is to ensure sufficient liquidity at all times in order to meet payment obligations and ensure the Company's continued growth.

Liquidity is centrally controlled for the whole Group by the treasury department

Cash inflows from operating activities form the most important source of funding for PALFINGER. Within the Group, the principle of internal funding applies. Under PALFINGER's in-house banking scheme, the financing needs of subsidiaries are – to the extent possible – covered by internal loans. Excess liquid funds of group companies are used to reduce the need for external financing and thus also the net interest expense. By balancing group-internal transactions via clearing accounts, external bank transactions and banking charges are reduced. Through the central control of group financing, the Group's credit standing may be used to fund group companies and to guarantee the necessary liquidity in a cost-efficient way.

The responsibilities of the group treasury department also include the effective management of foreign exchange and interest rate risks, and central control of global insurance solutions, for instance property insurance, third-party liability insurance, transport insurance, etc.

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

Cash and liquidity management

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

Due to the expansion of the business volume and in order to ensure the continuous solvency of the PALFINGER Group to an even higher extent, additional liquidity reserves were created and expiring financing lines and loan agreements were extended. The purchase price and the financial liabilities taken over in the course of the acquisition of the Norwegian Harding Group as at 30 June 2016 were financed through a syndicated loan.

Liquidity reserves ensure solvency as business grows

In December 2014, PALFINGER AG, or rather a number of selected Austrian and German subsidiaries of the PALFINGER Group, entered into a factoring agreement. Under this factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 60 million. The receivables sold in connection with the existing factoring agreement amounted to EUR 37.9 million (previous year: EUR 34.9 million) as at the balance sheet date (31 December 2016) and were fully derecognized in accordance with the rules of IAS 39 due to the transfer of control.

RISK REPORT

Risk management makes it possible to identify opportunities and risks at an early stage

PALFINGER is aware of the fact that a functioning system for managing opportunities and risks plays an important role in maintaining and enhancing 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 respond swiftly to changing framework conditions.

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

The direct responsibility for risk management lies with the management of each operating unit. Corporate Risk Management reports directly to the Management Board, which bears overall responsibility.

Risk management system

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

Corporate Risk Management monitors adherence to the relevant statutory parameters and the Group's internal guidelines. In addition, this group-level department supports the early identification of risks that might impair the continued existence of the Company.

Short-term risk issues are covered by monthly reporting on the part of the controlling department and by periodic meetings of the steering committees of the business divisions.

Risk issues

PALFINGER divides the risk areas into four main categories

The risk exposure of the PALFINGER Group is strongly influenced by developments in the market. Europe's weak economic growth, higher risks in China and the low oil price continue to have a detrimental impact on the order books. The integration of the acquired companies is a demanding process and presents PALFINGER with the challenge of bringing together different business regions and cultures. The establishment and expansion of new business units harbours the risk of increasing complexity. PALFINGER tries to avoid economic, ecological, social and ethical risks. A key success factor for PALFINGER is therefore the ability to make quick adjustments and decisions on the basis of solid data.

Under the group-wide risk management system, the risk areas are divided into four main categories:

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

EXTERNAL RISKS

Economic developments

Current geopolitical and economic developments in PALFINGER's core markets still expose the Group to uncertainty. Economic growth in Europe remained at a low level. Recent events such as the Brexit vote as well as the diminishing probability of the TTIP free trade agreement being successfully concluded may have an additional negative impact. For major trading partners such as China, Russia and Brazil, weak economic data are still expected for the future.

In Russia, PALFINGER managed to cushion the negative effects of the sanctions through local value creation; however, the marked cool down of economic growth reduced the investment volume, e.g. in the industrial sector and the construction industry, and hence the sales market. The picture is similar in the markets in Africa, the Middle East and South America, where political uncertainty as well as falling oil prices have had a negative impact on orders. A further escalation of the conflict in the Middle East would increase the risk of negative consequences for existing and potential markets.

The USA has lately seen a downturn in the economy following the positive development of recent years. The recovery seems to have hit a ceiling, and growth rates were significantly lowered, which might affect the investment propensity of PALFINGER's customers and decrease incoming orders accordingly.

PALFINGER sees numerous long-term opportunities in the BRIC countries despite the economic cool down in these markets. This region, led by the sales market of China, opens up future potential even though growth has been slower than originally expected. Cooperation with SANY has the purpose of fostering the development of the Chinese market and strengthening PALFINGER's position vis-a-vis its Chinese competitors.

PALFINGER has responded to the current developments regarding global opportunities and risks by showing utmost flexibility, which is why the controlling department pays great attention to consistently pursuing the strategic objectives by means of medium-term and short-term control tools. Short-term adjustments and decisions are made on the basis of regular forecasts. All information provided by market participants – customers and suppliers – is integrated into this planning process in order to ensure that the stock of data is as valid as possible.

Risks due to energy supply and climate change

Energy costs make up only a relatively small percentage of PALFINGER's total costs. Rising energy prices and severe weather could increase energy costs disproportionately. In the medium term, a more intensive climate policy could increase the costs of fossil energy and electricity or lead to the introduction of additional CO_2 taxes at some of PALFINGER's sites within the EU. In order to minimize this risk and the impact on the environment, measures aimed at enhancing energy efficiency as well as audits in connection with the EU's Energy Efficiency Directive have been implemented in recent years.

As steel and aluminium have a high energy intensity and are essential materials used by PALFINGER, higher fuel and energy taxes would push up procurement costs. Continuous improvements regarding an efficient use of material and waste cuttings savings in production as well as efforts to achieve weight optimization and use alternative materials for products are aimed at countering this risk.

PALFINGER's product portfolio also includes wind cranes, recycling cranes and hooklifts. Alternative energy production and recycling are subsidized industries. Any change in climate protection and funding policies may lead to PALFINGER suffering losses in revenue. Due to the Company's broad product portfolio and internationalization, the risk of local subsidy fluctuations has been minimized.
GRI G4-EC2

Regional acceptance

PALFINGER acknowledges its responsibility for sustainable economic success, for social issues along the value creation chain and for the ecological effects of its business operations. This is reflected in the implementation of the Code of Conduct, in particular fair taxation of profits, regular dialogue with employees' representatives, the fight against and prevention of corruption, adequate pay, and social commitment in the regions. PALFINGER's social licence to operate is thus to be upheld and risks of recruiting and acceptance are to be minimized. PALFINGER also operates in regions where, according to the Corruption Perceptions Index, there is a higher risk of unethical practices. Also in this regard, the implementation of the Code of Conduct ensures proper corporate governance.

STRATEGIC RISKS

Strategy

The strategic pillars of innovation, internationalization and flexibility were further developed in the 2016 financial year. Following the major acquisitions over previous years, PALFINGER will place its focus on the integration of the acquired companies in the future. The general consolidation of the market calls for the realization of synergies so as to be able to counter the risk of receding margins. This harbours the risk of additional costs for further integration measures.

Product portfolio
The continuation of the current integration projects in the respective product areas is of crucial importance for the successful development of the Group. Additional synergy potentials are being identified and utilized. With the expansion of its marine business, PALFINGER has firmly established itself in a new customer segment with promising potential for the future. This focus, however, also results in the risk that due to a prolonged period of low oil prices, investments in this sector will be further postponed and hence revenue targets will not be achieved. Moreover, project business, specifically in Railway Systems and the business area Marine, entails project-related risks and/or concentration risks.

Organization and culture
In connection with global growth, products have to be adjusted to different local customer needs, which has recently led to an increase in fixed costs. In order to be able to act more efficiently and flexibly, PALFINGER also critically reviews organization structures that have developed over time. The primary focus is on a group-wide initiative to optimize current capital and standardize/optimize business processes in order to realize planned synergies and potentials. Moreover, initiatives aimed at the integration of the new companies are being continually implemented. Lengthy decision-making processes can delay the implementation of measures, as a result of which gains in efficiency may be realized later or just in part.

The expansion of the PALFINGER Group, for example in the BRIC countries, involves linguistic and cultural challenges. In this connection, open-mindedness and the willingness to recognize, understand and accept other work approaches are indispensable prerequisites at all levels.
Attractive jobs for employees with individual responsibility, page 75

INTERNAL RISKS RELATED TO VALUE CREATION
Development
PALFINGER is faced with the challenge of maintaining its technology leadership within its industry and of adjusting new products to the needs of the different markets. End consumers are increasingly taking account of total operating costs, which gives increasing significance to lower energy costs during utilization and/or hybrid or electrical solutions. Customized solutions offered by PALFINGER’s competitors may generate a market advantage for them, while resulting in a loss of market shares for PALFINGER. The megatrends digitalization and mobility, first and foremost, are being closely monitored as to their opportunities and risks.

Close cooperation between the development and distribution departments and a strong regional approach of the development projects are in place to ensure that PALFINGER further expands its innovation leadership.

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, with a focus on the interplay with the downstream value creation levels of procurement and production, and on complexity management.

Patents protect important innovations. All confidential information within the Company is protected against unauthorized access.

Procurement

As regards risk minimization, the focus in procurement has shifted towards multi-sourcing. PALFINGER continues to pay attention to creating at least one additional procurement option, particularly in the case of strategically significant materials and components.

In the year under review, quality and price continued to be of major importance in the field of procurement. Suppliers are actively supported to help them perform even better in the future and to counter the risk of supply shortages. PALFINGER has implemented special supplier selection procedures as well as systems of risk management and supplier management in order to monitor its suppliers' performances.
Sustainability among suppliers, page 46

Production

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

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

There are risks relating to breakdowns such as interruptions of energy supply, technical failure, fire, explosions and other possible disruptions. The Group has taken out adequate insurance cover for losses caused by such interruptions of operations.
Detailed GRI and sustainability disclosures, page 202

Sales and services

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

Whenever distribution channels change, market shares may be lost. European dealers oftentimes have no definite provisions for their business succession. In order to counter these risks, cooperation with dealers is being further intensified.

Customers and dealers network, page 45

INTERNAL RISKS RELATED TO SUPPORTING PROCESSES

Finance and accounting

As a result of the strained economic environment, it is essential for PALFINGER to have a flexible capital structure. A downturn of the situation could make it harder to procure capital on the financial market. Therefore the ability to finance growth projects from the Group's own resources is a competitive advantage.

Due to current economic developments in Europe, South America and Asia, the risk of bad-debt losses has to be reckoned with. The goal pursued by the accounts receivable management of PALFINGER is to reduce credit risks in advance. Terms of payment are agreed upon on the basis of economic information about the buyers. The risk of losses on doubtful receivables is further limited by means of bad-debt insurance cover.

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

Liquidity risk

Group-wide, system-supported cash reporting guarantees the transparency required to be able to control funds in an efficient manner. Thanks to medium-to-long-term planning, potential finance requirements can be coordinated with the partners at an early stage.

Working capital financing is the responsibility of the treasury department. The intra-group financial transfer is made through cash pooling and central clearing. Cash flows from operating activities are used to cover intra-group financing needs. Excess liquid funds are used to reduce financial liabilities. Approved long-term credit lines make up PALFINGER's liquidity reserve. On an average, these unutilized financing reserves exceed 20 per cent of the Company's net debt.

Treasury, page 63

Long-term financing is facilitated through bilateral bank loans, a syndicated loan taken out with a number of international as well as local core banks, and through issuing promissory note loans. The determination of credit limits and the amount of refinancing costs depend on the banks' assessment of PALFINGER's future perspective. Therefore, PALFINGER maintains close contacts with its banking partners.

Exchange rate risk

PALFINGER is exposed to exchange rate risks through sales, purchases and financial liabilities in other currencies than the euro. The high degree of local value creation at PALFINGER sites limits this currency risk within the Group. In addition, 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, which further reduces exchange rate risk.

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

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

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

Interest rate risk

The group treasury department controls the interest rate risk for the entire PALFINGER Group. The need for more financing has increased the impact that fluctuations 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. The exposure to floating rates is limited through the use of derivate financial instruments (interest rate swaps), which convert the floating rate into a fixed rate.

Risks relating to balance sheet preparation

General risks

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

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

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

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

Business-related risks

Due to the deterioration of the market environment, there is the risk that individual intangible assets will have to be adjusted to the changed valuations (impairment) or that investments may not amortize as planned.

As a consequence of the two joint ventures with SANY and the 10 per cent cross-participation in SANY-Lifting-Business, PALFINGER had EUR 152.7 million in investments in these companies, reported at equity, at the balance sheet date 31 December 2016, including goodwill of EUR 93.1 million. Whether these shares relating to SANY will have to be impaired depends on the development of the Chinese economy, the success of the internationalization strategy and the economic development of the sales markets of the Palfinger Sany joint venture. The need for impairment of the shares will be influenced primarily by the performance of the construction industry in China. The progressing urbanization of the Chinese population, the necessary infrastructure projects resulting therefrom, the increase in wage costs and the increased economic effectiveness of the automation of numerous lifting, loading and unloading operations will play a vital role in this connection. In the international markets, there are various political and macroeconomic risks that might have an impact on whether or not the shares relating to the partnership with SANY will have to be impaired.
(4) and (31) Investments in companies at equity , pages 137 and 157

The advancing internationalization and the growing volatility on the currency markets have increased the foreign exchange risk to which the PALFINGER Group is exposed. PALFINGER pursues a consistent hedging strategy and attempts to protect itself against these currency risks to the greatest possible extent. When hedging transactions, future cash flows have to be assessed, which harbours uncertainties. For the purposes of cash flow hedge accounting, a high probability of the respective future cash flows actually occurring is assumed.

Human resources
PALFINGER regards its employees as the major factor in successfully achieving its objectives. Special planning, as well as frequent staff reviews and training programmes, ensure that there are well-trained staff to fill open executive positions. In connection with the persisting volatility of the markets, the development of flexible working time models remains an important issue, with a clear priority on recruiting and retaining top-quality staff. Local and demographic conditions may limit the availability of skilled labour for the value creation sites. Apprentice training programmes, the continuous development of executives as well as flexible working time models are intended to increase PALFINGER's attractiveness as an employer.

PALFINGER's growth projects in Asia require that well-qualified staff from the core plants be mobile. In order to accomplish this successfully, appropriate secondment programmes, also offering post-return orientation, are in place.
Responsible employer, page 74

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

Moreover, the risk of fraudulent activities and manipulation through IT attacks by third parties (hacking attempts, e-mail fraud and phishing mails) is rising. Therefore, additional awareness-raising measures (seminars, newsletters, etc.) have been promoted, and the internal control system and the supporting IT systems have been continuously developed.

SUMMARY
In summary, the risks to which the PALFINGER Group is exposed are manageable and can be controlled by adequate measures. Therefore, from today's point of view, the continued existence of the Group is definitely ensured.
GRI G4-2, G4-14, G4-EC8

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

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

CONTROL ENVIRONMENT

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

RISK EVALUATION

The risk report contains the identification of risks, the definitions of the individual risks and their evaluations.
Risk report, page 64

CONTROLS

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

INFORMATION AND COMMUNICATION

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

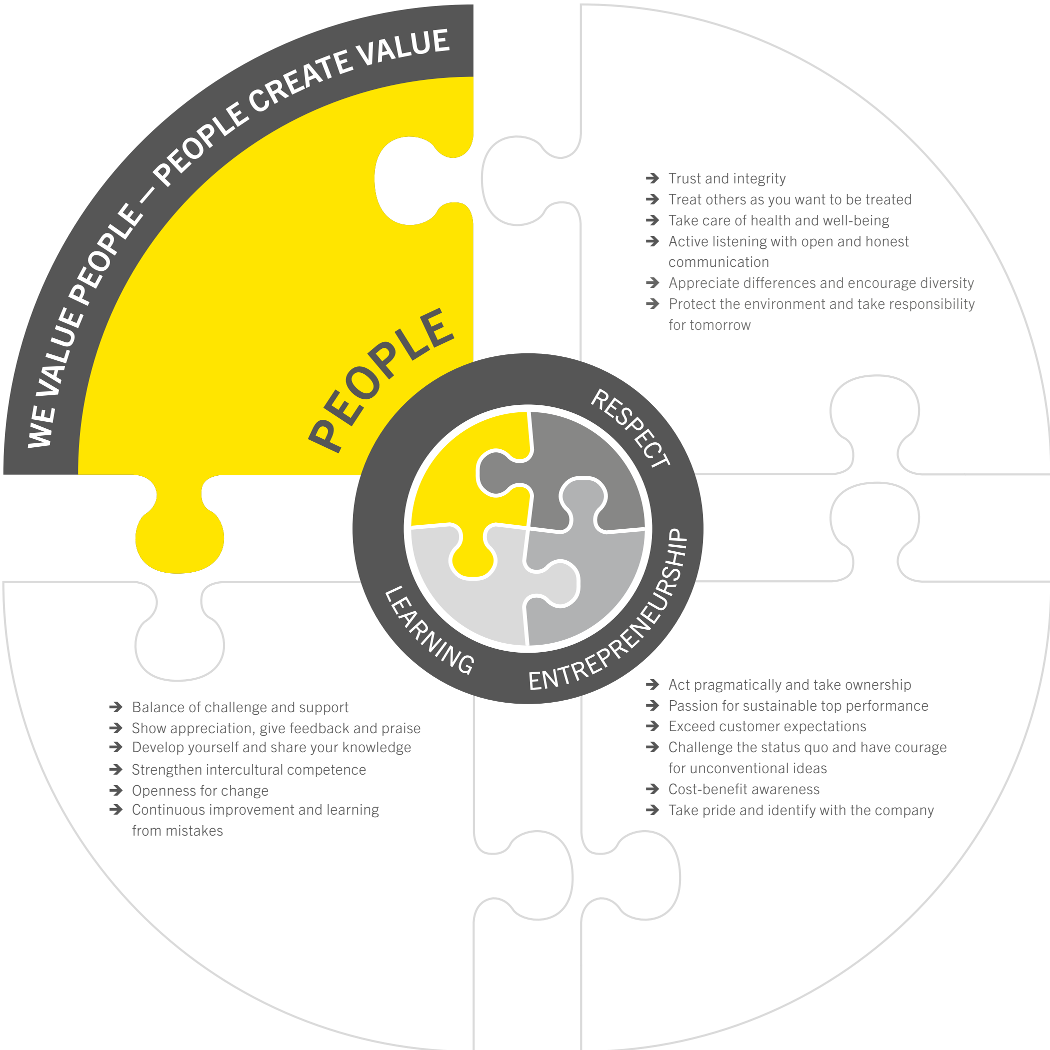
AUDITS AND CONTROLS

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

The adequacy of the internal control system of PALFINGER AG has been agreed with the Audit Committee of the Supervisory Board. Continuous efforts are being made to enhance the effectiveness, efficiency and precision of the entire system. Internal control is monitored through regular reports presented to the Audit Committee and through checks made by Corporate Risk Management, which closely cooperates with the responsible Management Board members and managing directors.

RESPONSIBLE EMPLOYER

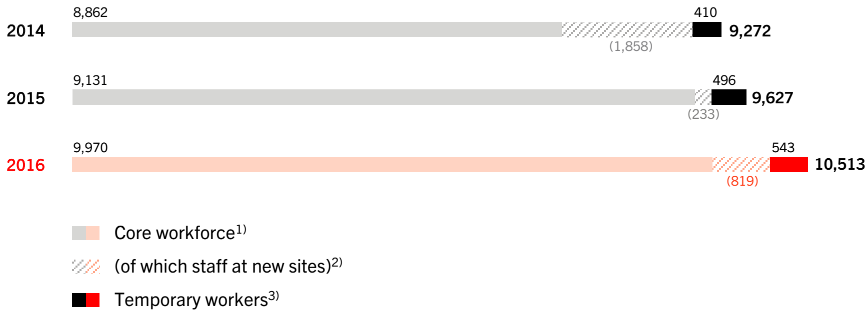
9,970 staff members from 71 nations work for the PALFINGER Group worldwide. Their motivation, qualifications, health and safety are prerequisites for the Group's success. PALFINGER is committed to the advancement of its corporate culture as well as to open communication. In the 2016 financial year, a new vision and mission for the Group were developed and targets for staff turnover and staff absences due to industrial accidents were defined.



Employment trend

In the 2016 financial year, the number of people employed by the PALFINGER Group continued to rise. The acquisition of the Harding Group alone added around 700 staff members to the payroll. As at 31 December 2016, the PALFINGER Group employed a total of 9,970 staff members in its fully consolidated group companies, which corresponds to an increase of 9.2 per cent or 839 people compared to the previous year.

EMPLOYMENT TREND



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

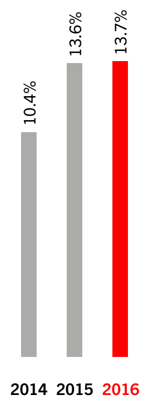
On an annual average, 9,580 staff members were employed by PALFINGER; 10.9 per cent of them were women. In addition, 509 temporary workers (annual average) were employed to cover capacity bottlenecks. The Group employed 1,038 administrative staff members. As the reporting boundaries were defined more precisely and internal control loops were improved, minor changes of individual figures from the previous years had to be made in the area "responsible employer".

GRI G4-10
Diversity and equal opportunity, page 81

EMPLOYEE TURNOVER

Group-wide employee turnover increased by 0.1 percentage points compared to the previous year, coming to 13.7 per cent in the 2016 reporting period (previous year: 13.6 per cent). In 2016, 1,185 staff members (previous year: 1,238) left PALFINGER during the year. This figure includes all staff leaving including staff retirements as compared to the total staff employed, temporary workers excluded. The turnover rate among women was higher than the overall rate within the PALFINGER Group, coming to 13.9 per cent, which corresponds to 153 staff members. In 2016, a maximum of 10 per cent was defined as the future annual target for employee turnover.

GRI G4-LA1
Detailed GRI and sustainability disclosures, page 202



EMPLOYEE TURNOVER
(in per cent)

Attractive jobs for employees with individual responsibility

PALFINGER endeavours to offer attractive jobs to its existing and potential workforce, based on its core values of respect, entrepreneurship and learning. Currently, the PALFINGER Group employs people from 71 different nations. The objective is to have a corporate culture characterized by respect in dealing with diversity and differences.

Employer branding boosts the motivation and loyalty of PALFINGER's staff and is an essential component in attracting new employees. In the reporting period, the employer branding strategy was established through regional workshops and an increasing use of social media. The objective is to implement a group-wide employer branding strategy that enhances PALFINGER's attractivness as an employer at all locations worldwide.

The on-boarding process for new employees was further optimized in 2016, for instance in North America. In 2017, additional initiatives are to follow in other regions in order to enhance the integration of new staff members.

ADVANCEMENT OF CORPORATE CULTURE

Corporate culture grows with PALFINGER's expansion and change

Continuing the development of its corporate culture is of great importance to PALFINGER. This is considerably supported by the group-wide PALversity project, which was initiated in 2014. It aims at making diversity an integral part of PALFINGER's corporate culture.

Diversity within the PALFINGER Group has increased as a result of the internationalization strategy pursued and the numerous acquisitions made. As a consequence, awareness and behaviour within the Group are influenced by different languages, cultures, traditions, attitudes and educational standards. The following mission statement was defined for the PALversity initiative:

"We want to approach the diversity within our Group and among our customers with an open mind and see differences as sources of inspiration. In this way, we will be able to avail ourselves of new opportunities and create additional benefits for our customers, employees, suppliers and shareholders. Our values of entrepreneurial spirit, respect and learning will help us fulfil this mission."

With its five priorities – corporate culture, recruiting, international mobility, working conditions and talent management – PALversity promotes constructive dealing with diversity and differences at PALFINGER.
Diversity and equal opportunity, page 81

International mobility enables the exchange of personal experience

The exchange of personal experience has proven particularly valuable. Hence, priority is given to direct communication among employees from different regions and areas. Under the PALversity project, employees from all units join forces and together develop specific measures for the individual priorities.

In 2016, PALFINGER, with the involvement of employees from all over the world, updated its vision and its mission, and developed leadership principles for executives. A brochure on corporate culture, as well as regional workshops, will support communication and the establishment of PALFINGER's corporate values throughout the Group.

In the reporting period, an employee survey was carried out in all units of the LAND segment worldwide. At 73 per cent, the response rate was very high. The results are now being implemented in improvement measures specific to the individual locations and divisions. In 2017, following the integration of the Harding Group, the survey will be continued in all units of the SEA segment.

FREEDOM OF ASSEMBLY

The PALFINGER values promote exchange between employees across all levels

PALFINGER supports communications across all levels and the internal organization of bodies for the representation of employees and works councils and rejects any kind of restriction of the freedom of assembly. In accordance with its corporate values, PALFINGER attaches great importance to enabling active exchange at all times and to treating the articulated needs of its staff members with respect. As a matter of principle, freedom of assembly and employee representation are legal options at all sites, provided that this freedom is permitted by law in the country concerned.

Freedom of assembly and the legal right to appoint employee representatives are also guaranteed at PALFINGER's locations in Asia. Communication hierarchies are still flat at these comparatively small sites. The low employee turnover rates at the Company's Asian sites give evidence of the fact that remuneration terms and other labour conditions are well accepted.
GRI G4-HR4

WORKING HOURS AND REMUNERATION

Flexible working time schemes and variable remuneration components enhance corporate success and employee motivation

PALFINGER attaches importance to flexible working time schemes in order to maintain a high level of entrepreneurial flexibility. Flexitime and bandwidths provide for high productivity despite fluctuations in demanded quantities. PALFINGER is thus in a position to offer its employees a comparatively high degree of job security, even when demand is low.

In 2016, the number of overtime hours worked decreased from 82 hours to 71 hours per employee and year. This reduction was caused primarily by the decline in the marine business, where, given its highly project-related nature, overtime is frequent. At the Asian sites, PALFINGER also introduced flexible working hours in the reporting period and increased the headcount in the units with good capacity utilization, which resulted in less overtime. The average residual leave increased compared to the previous year, from 55 to 61 hours per staff member as at 31 December 2016.

In part, PALFINGER's remuneration system contains variable remuneration components, thus creating an attractive incentive for employees to earn more than the base salary. Such arrangements are linked with the performance of the Company and with the fulfilment of the employees' individual performance targets.

Working conditions, in particular as they relate to health and the environment, are also a priority under the PALversity initiative. 55 per cent of all PALFINGER employees are governed by collective bargaining agreements.

PALFINGER pays wages that are higher than the respective regional remuneration levels. Moreover, at many sites PALFINGER provides specific voluntary social benefits and initiatives, which vary according to local needs.

GRI G4-11

APPRAISAL INTERVIEWS

Appraisal interviews with superiors are implemented in the different regions

Appraisal interviews with superiors take place for staff employed in the indirectly productive sector of production, in R&D departments and in product management, as well as in the specialized areas of sales, service and marketing and in general administration. In 2016, these regular interviews with mutual feedback were also implemented in CIS and in Asia. In the reporting period, 35 per cent (previous year: 47 per cent) of the Group's employees in the indirectly productive sector were invited to such an interview at least once. So far, employees in the directly productive sector of PALFINGER have not yet been included in the survey for this key indicator.

GRI G4-26, G4-LA11

WORKPLACE COMMUNITY

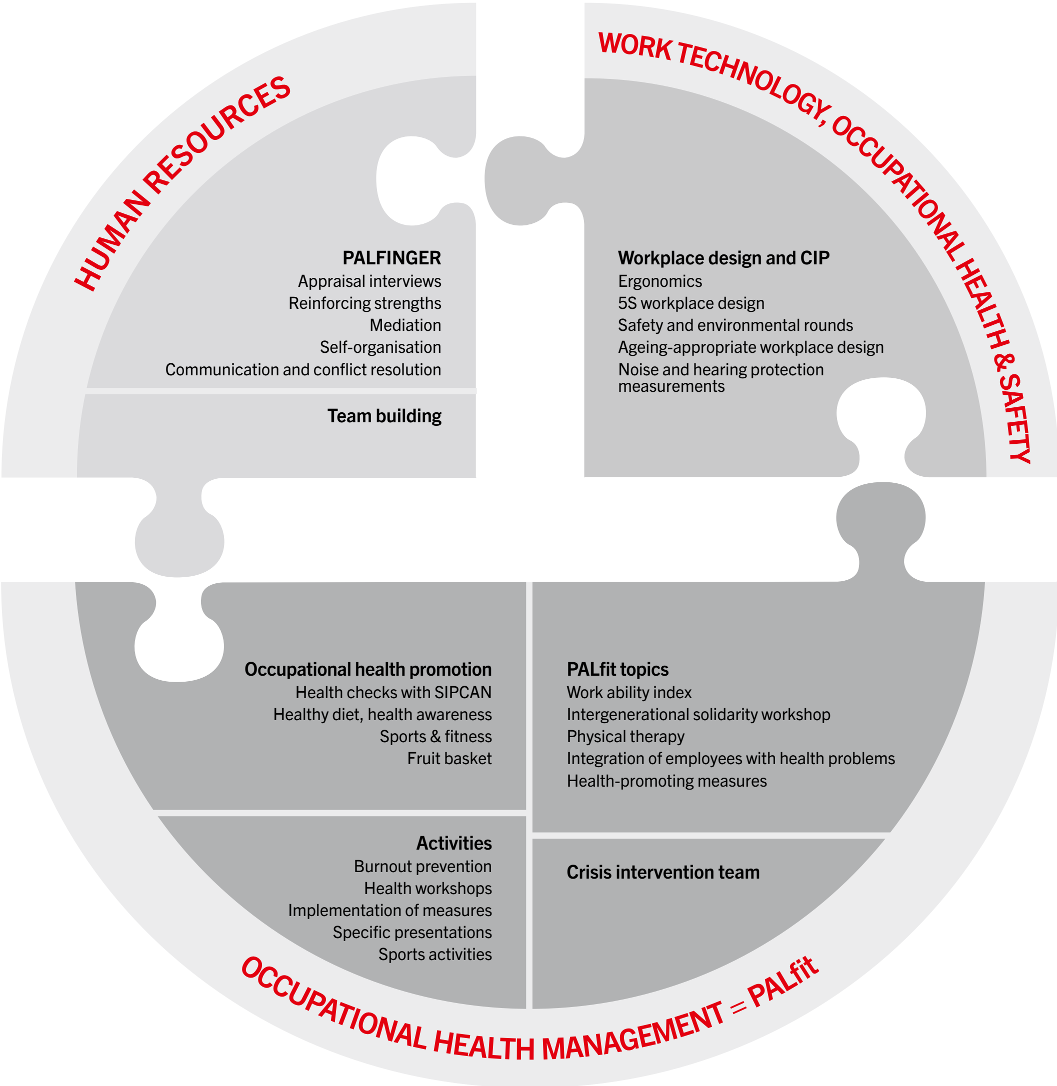
Activities outside the workplace enhance the staff's feeling of belonging and identification with PALFINGER

Numerous PALFINGER sites worldwide offer activities to enhance the social environment for the staff at the workplace. This includes informal events, cross-location projects and training courses, as well as sports activities, barbecues or family days. In the CIS region, a great number of initiatives, for instance the big sports festival for the CIS area in July, were launched in 2016 in order to enhance the staff's feeling of belonging and identification with PALFINGER. In Brazil, the PALFINGER Employees Association created a separate space for meetings, sports and socializing. Another initiative is called "Breakfast with the Management".

GRI G4-26

Health and safety

Occupational health management



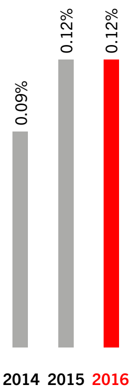
In cooperation with the works councils, formal activities with a view to work technology, occupational health and safety and the Group's occupational health management are implemented globally, with different priorities and intensities.

GRI G4-LA8

www.fit2work.at

OCCUPATIONAL SAFETY AND ACCIDENT PREVENTION

PALFINGER's accident prevention efforts have proven effective and have resulted in low staff absences due to industrial accidents. In the 2016 financial year, this indicator remained stable at 0.12 per cent of regular working time (previous year: 0.12 per cent). After ten years without any fatal accidents, PALFINGER recorded one fatality in 2016. In Russia, a worker lost her life as a result of an error she made in operating a production machine. One Russian authority has already confirmed the cause of the accident, but the final assessment by all competent authorities has not yet been completed. PALFINGER has contacted the deceased's family and is providing the best possible support. In the reporting period, PALFINGER also defined the clear target of zero staff accidents and the goal of lowering the rate of staff absences due to industrial accidents to less than 0.11 per cent in 2017.



STAFF ABSENCES DUE TO INDUSTRIAL ACCIDENTS
(in per cent)

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

GRI G4-LA6

Detailed GRI and sustainability disclosures, page 202

HEALTH AND STAFF ABSENCES

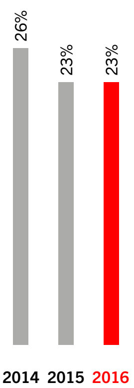
At PALFINGER, staff absence time due to sick leave and other causes has increased slightly in recent years. In the 2016 reporting period, group-wide staff absence time rose to 4.12 per cent (previous year: 3.70 per cent). Percentages and trends vary from region to region. As a general rule, staff absences of between 3 and 4 per cent are not uncommon in the field of manufacturing and represent a comparatively good figure.

PALFINGER is committed to consistently low staff absences through its health promoting measures and the design of the working environment. Well-balanced employees are important to the PALFINGER management team.

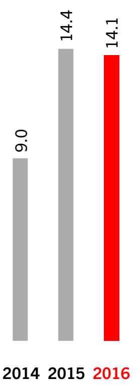
Occupational health management is firmly in place at PALFINGER, for instance in the form of the PALfit health initiative. It includes development programmes – including programmes for personal development – and voluntary social benefits in combination with initiatives to increase job security and occupational medicine. Since 2012, PALfit has been gradually introduced, promoted and developed at sites outside Austria as well. At PALFINGER, one way of managing occupational health and safety aspects is OHSAS 18001 certification. In 2016, 23 per cent of all staff members worked at locations with such a certification.

GRI G4-LA6

Detailed GRI and sustainability disclosures, page 202



OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM OHSAS 18001
(in per cent of employees)



TRAINING HOURS PER EMPLOYEE

Skilled labour

With respect to (further) training, levels differ in the individual countries in which PALINGER operates. In all cases, PALFINGER meets at least the respective national standards and in some cases takes measures that exceed such standards by far. The objective is to enhance the qualifications of staff in all countries; to this end, the (further) training measures at some of the sites will continue to be expanded.

In 2016, the PALFINGER College was expanded in Austria and preparations were made for its expansion in North America. The further gradual international roll-out of this programme is planned. PALFINGER has launched several new initiatives, in particular at the Asian sites, including both internal and external training. In 2016, training hours per employee were marginally lower than in 2015.

GRI G4-LA9
Detailed GRI and sustainability disclosures, page 202

APPRENTICES

In the 2016 financial year, 60 apprentices were trained in Austria, primarily mechanical engineers, production/process engineers, mechatronic engineers, construction engineers and industrial business management assistants, out of which 44 graduated with distinction from the part-time vocational school for apprentices; several top rankings were achieved in the "Lehrlingsaward Oberösterreich" (Apprentice Award of Upper Austria). The "Lehre mit Matura" (apprenticeship and upper secondary school leaving certificate) scheme had 22 participants. In Austria, PALFINGER was awarded the "excellent apprentice training company" ("ausgezeichneter Lehrbetrieb") certificate in 2016.

At its international locations, PALFINGER uses specific programmes to train skilled labour. In Bulgaria, Slovenia, Brazil and the USA, for example, government-certified training programmes are carried out in cooperation with local technical colleges where, as in the successful Austrian system of apprentice training, theoretical know-how is taught at school while, at the same time, practical training lasting several months is provided at a PALFINGER plant. In Germany, the technical training of apprentices was expanded, so that now skilled workers are being trained at almost all sites. PALFINGER also cooperates with educational institutions in Russia, and has launched an apprenticeship programme at the Sany Palfinger joint venture in China, in cooperation with a local school and with technical support from Austria.

PALFINGER also supports further training through numerous in-house initiatives

In 2016, 178 employees (previous year: 191 employees) worldwide participated in PALFINGER apprenticeships or similar programmes.

MANAGEMENT

The PALFINGER Global Leadership Programme serves as an internal staff development tool to prepare employees with potential management skills for future top management positions. The current programme started in November 2016 and has 13 participants from seven different nations.

Another important pillar of executive training is the Company Leadership Programme; the current courses started in February 2016. Priority topics include leadership (self-leadership and leadership of employees and teams) and communication as a management tool. 21 per cent of the attendees of this course are women.

The Business Excellence management course is held for the fourth time, from November 2016 to June 2017, giving attendees from various divisions an opportunity to expand their business administration skills through practice-oriented training. 15 per cent of the participants are women.

A team-leading programme, tailored to local needs, is offered in some countries in order to allow for an early identification and development of potential junior managers. This programme focuses on topics such as leadership in combination with personality, communication, conflict management and organization.

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

360-degree feedback interviews support top management

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

In 2016, 66 employees went on international secondments (as long-term expatriates or to work on medium-term projects), facilitating a comprehensive transfer of know-how between headquarters and local companies as well as among local companies.

GRI G4-LA10

Diversity and equal opportunity

Diversity is being increasingly integrated into PALFINGER's corporate culture

PALFINGER is a long-standing family business with global operations. Today, 9,970 staff members from 71 different nations work at PALFINGER. Maintaining global operations not only harbours great potential but also entails huge challenges.

In order to guarantee future viability, the PALFINGER Group, under the auspices of its CEO Herbert Ortner, launched the group-wide PALversity initiative in 2014. PALFINGER regards the further enhancement of its worldwide approach to dealing with diversity and differences as one of the prerequisites for ensuring efficient entrepreneurship. PALversity was defined as a group-wide project of high relevance with the objective of integrating the topic of diversity into PALFINGER's corporate culture.

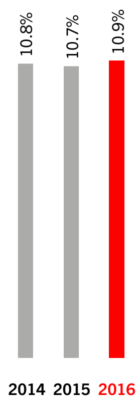
Advancement of corporate culture, page 76

PALFINGER records data on diversity in terms of gender and generations. Information on how employees with disabilities are integrated is available in the detailed GRI and sustainability disclosures.

Detailed GRI and sustainability disclosures, page 202

GENDER

As is typical for the industry, the percentage of women within the PALFINGER Group is low. Overall, the number of women employed has grown slightly to 10.9 per cent (previous year: 10.7 per cent). Depending on the site, however, it varies greatly: At manufacturing sites, the majority of employees, primarily in production-related jobs, are men. At administration and distribution sites, on the other hand, the contingent of women is higher, 12.0 per cent (previous year: 11.4 per cent) of the total staff.

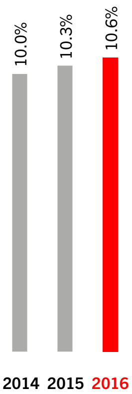


PERCENTAGE OF WOMEN
(in per cent)

The percentage of women in management was substantially increased in 2016 and is now 18.0 per cent (previous year: 16.5 per cent). Employees in management positions include all members of the Management Board, the heads of business areas, business units and corporate functions as well as all employees in disciplinary management positions. However, in 2016 there was still not a single woman on the Management Board or on the Supervisory Board. In recent years, most of the training programmes for management included women; in the reporting period, 26 of the 176 participants in the global programmes for apprentices and trainees were women. A total of 46 participants attended executive training courses, 7 of whom were women. PALFINGER intends to increase the number of female executives taking part in these PALFINGER training programmes in the future.

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

GRI G4-LA12



SHARE OF EMPLOYEES OVER 56
(in per cent)

GENERATIONS

In recent years, the average age structure within the PALFINGER Group has changed, primarily in connection with the new sites. In 2016, the number of employees aged 56 and older increased by 0.3 percentage points. Details on regional developments are available in the detailed GRI and sustainability disclosures.

Detailed GRI and sustainability disclosures, page 202

PALFINGER has a group-wide generation management system in place to ensure that upcoming retirements are taken into account and that know-how is retained within the Company. The regular Human Resource Review for management positions shows which positions will have to be filled in the near future and how to ensure that the transitions are as smooth as possible. All of these positions are included in a monitor.

GRI G4-10; G4-LA12

RESEARCH AND DEVELOPMENT

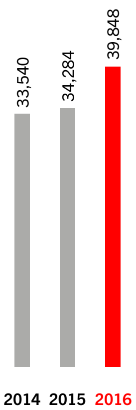
In the field of research and development (R&D), PALFINGER maintains global structures with a centre in Austria. Innovation makes PALFINGER's products more user friendly, safe and efficient, but R&D activities also focus on processes and the organization itself. Digitalization is the priority topic for the future, and PALFINGER wants to lead the way when it comes to these developments.

LIFETIME EXCELLENCE is the promise of the PALFINGER brand

The PALFINGER brand stands for innovative, reliable and efficient lifting solutions with measurable benefits throughout their lifecycles. The promise of the PALFINGER brand puts this into words succinctly: LIFETIME EXCELLENCE. In order to maintain and expand its leadership in the fields of technology and service, PALFINGER is boosting research and development for products, systems and processes. All R&D activities are performed in a targeted manner with long-term orientation.

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

In 2016, PALFINGER invested EUR 39.8 million in research and development (previous year: EUR 34.2 million), i.e. 2.9 per cent of its total revenue.



RESEARCH AND DEVELOPMENT
(EUR thousand)

Mechatronics and digitalization

Mechatronics remained a major topic for PALFINGER's product development in the 2016 financial year. One of the priorities was to design, develop and serialize new, future-oriented integrated control systems for various applications and product segments, which enable new functions. In addition, the requirements and interfaces for a new modular platform strategy were specified with a view to digitalization.

Intelligent, networked systems cater to the new needs of customers better than individual products

Customers are increasingly demanding intelligent and networked systems instead of individual products. PALFINGER regards digitalization as the major change to take place in the years to come and wants to be a pioneer in these developments. To this end, the Company has intensively focused on topics of relevance in this connection. In 2016, the position of a group-wide officer was created in order to facilitate the targeted establishment of the necessary organizational structures.

In cooperation with partners, PALFINGER is already testing potential applications of digital technologies and analysing the related increases in efficiency in various process landscapes.

Group-wide development programmes, page 19

Patents

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

Safe and efficient products

Economic, ecological and social aspects are of relevance for innovation

Research, development and innovation also increase the sustainability of PALFINGER's business model. Attention is paid not only to the economic advantages for customers and users; ecological and social aspects are important factors as well. As a result, PALFINGER develops top-quality, reliable solutions that also guarantee a high level of safety for the user.

Continuously lowering service costs while at the same time extending the longevity of its products remains one of PALFINGER's first priorities. Innovation is encouraged primarily in the areas of energy efficiency during product use, alternative motors and reduction of operating supplies.

GRI G4-EN7, G4-EN27
Value creation, page 22; Eco-efficiency in production, page 87; Detailed GRI and sustainability disclosures, page 202

PRODUCT SAFETY AND ACCIDENT PREVENTION

Numerous innovations focus on user safety in order to prevent accidents, including those that might be caused by improper use of the products. The year 2016 saw a number of enhancements in the field of access platforms. The new PALCOVER system, which fully covers loaded open containers, was launched on the hook-loader market.

Continuous product innovation is also beneficial to health and safety

PALFINGER's products meet all mandatory safety standards, with PALFINGER orienting itself on European standards, also at its international locations. As a consequence, local minimum standards are not only met but in many cases exceeded, particularly in Asian, Arab and African countries. All of PALFINGER's products are assessed as to their health and safety impacts, and enhancements are made. An overview of the relevant safety standards can be found in the detailed GRI and sustainability disclosures.

GRI G4-PR1
Detailed GRI and sustainability disclosures, page 202

Whenever accidents involving products come to the attention of PALFINGER, they are analysed to facilitate further enhancements

In the reporting period, there were no convictions for non-compliance with safety regulations. Regardless of who is at fault, PALFINGER investigates all incidents with PALFINGER products causing personal damage that come to the attention of the Company. As this also includes damage resulting from faulty operation, i.e. cases in which no legal steps are taken, a good network and safety awareness in the respective countries are vital in order for PALFINGER to be able to find out about these incidents. All accident-relevant information is analysed internally, enabling PALFINGER to further increase product safety – even beyond statutory requirements.

GRI G4-PR2

The number of reported accidents resulting in injuries of varying severity while using PALFINGER products rose in the reporting period; 10 people were injured. Unfortunately one fatal accident was reported.

Accidents with PALFINGER products	2014	2015	2016
Reported accidents with fatalities[1)]	2	8	1
Reported accidents with injuries of varying severity[1)]	3	7	10
Penalties imposed by court on grounds of accidents	0	0	0
Pending complaints (under negotiation) on grounds of accidents with products (as at 31 Dec)	4	4	4
Convictions	0	0	0

1) Irrespective of fault.

PALFINGER does not develop any solutions specifically for the military and defence industries. The Company's standard products are nevertheless in demand from the military and in civil defence applications. As a consequence of the expansion of the marine business, PALFINGER is producing an increasing number of products that are also used for military applications. In 2016, PALFINGER presented an 11-metre speedboat, designed, for example, for use by coast guards, at the international High Speed Boat Operations Forum (HSBO) in Sweden. For several reporting periods, revenue from the sale of products used for military purposes has remained constant in proportion to total revenue. The marine segment Navy & Coast Guard caused an increase in total revenue to 11.1 million in 2016, corresponding to 0.8 per cent of the Group's revenue. PALFINGER observes all embargos imposed by the EU or the international community.

MAJOR INNOVATIONS IN 2016

PALFINGER won an award for its unique fall protection mode for loader cranes

PALFINGER is the only manufacturer to offer fall protection for loader cranes. When working at height, there are often no stationary safety measures such as scaffolding or safety eyebolts available. In cases like these, the FPM (fall protection mode) can be utilized. The worker wears a belt harness that attaches him or her to the fall arrester, which is mounted on the crane while the crane is at a standstill. The fall protection mode was developed in 2015 in cooperation with experts from Austria, Germany, Switzerland, and South Tyrol, and is currently used in these countries only. It is available for SH and TEC 7 cranes.
Awards, page 39

PALFINGER introduced a total of eight new solid crane models to the market in 2016, and now offers the entire SOLID range from 5 to 12 metric tonnes. The new cranes boast a higher lifting power at the same deadweight. In addition, all models are equipped with a linkage system between the main boom and the knuckle boom, which expands the range of applications.

New jumbo class and smart class access platforms were added to the product portfolio

In the field of access platforms, PALINGER added various models to its jumbo class NX, including the P 750 platform. It is the fourth and so far biggest model of the next-generation access platforms in this class. At 75 metres, the P 750 is the access platform with the highest working height in this class. The lateral reach of 39 metres allows plenty of room for manoeuvring without having to move the truck. It is highly flexible, as is typical for the jumbo class NX access platforms.

The new smart class P 90 T access platform is particularly small and manoeuvrable, allowing the truck to drive through small alleyways and low underpasses. In operational mode, its deployment width is only 1.61 metres. Nevertheless, the P 90 T has a maximum working height of 8.80 metres, while the maximum load capacity of the basket is 120 kilograms. The permissible total weight is a mere 2,200 kilograms.

The new 20-tonnes capacity ISOTIP hookloader is designed for loading and tipping standard roller containers (DIN 30722) and ISO containers with one and the same vehicle. This is made possible by its CHU (Container Handling Unit) frame and rear roller bearings. Typical applications include logistics, transports from plants to harbour, bulk transports, power generators, tanks and relocations.

Customized special solutions for the railway systems sector were developed

In the field of railway systems, PALFINGER developed the PA 1650 access platform as special equipment for the infrastructure unit (Infrabel) of the Belgian railways (SNCB). The platform is used for maintenance as well as for laying electrical overhead contact wires, i.e. the railway power system. The platform, with a total length of around 9 metres and a width of 1.9 metres, is composed of a fixed 4.5-metre-long component and a moveable part, as well as two scissor lifts, which have been integrated into the moveable part. The fixed part of the platform is mounted on the roof of the vehicle and enables access from the vehicle. The access platform is fully equipped with a floor heating system to keep it clear of snow and ice in winter.

PALFINGER developed a hydraulic height-adjustable side seat for timber and recycling cranes. The new side seat can be lowered to a suitable access level directly above the entry platform at the base. This means that the driver no longer needs to climb a ladder to reach the seat, as the seat comes down to the driver. From there, operators can conveniently and, more importantly, safely take their place at the control stand and hydraulically move up to the desired working position. The new side seat also offers a seating position that is 30 cm higher, therefore ensuring an even better overview. In addition, the slewing radius, which is particularly important for container setups, has been significantly improved by the new design.

An innovative product simplifies repair work at wind turbine rotor blades

In the marine business, Palfinger Blade Access (PBA) was developed specifically for repairing wind turbine rotor blades both onshore and offshore. It combines a nacelle crane with a workman's basket that holds two. The crane lifts the workman's basket to the working zone, where it is attached to the rotor blade. This enables the technicians to perform their inspection and repair work along the contours in a safe and efficient manner.

The new PB 950 A workboat is designed to perform multi-purpose towing operations like towing oil booms. The boat has a bollard pull of 3 tonnes and is davit launchable. The aluminium workboat is equipped with high-end components that make it robust and minimize downtime. In addition to other advantages of this tugboat, it has a large, flat aft deck that can be equipped according to the needs of the client.
Detailed GRI and sustainability disclosures, page 202

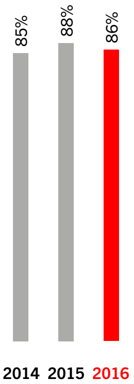
COOPERATION

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

Hackathons support the development of innovative ideas

In light of the increasing importance of digitalization, PALFINGER, in cooperation with the Vienna University of Technology and the Vienna University of Economics and Business, organized a hackathon in 2016. On the occasion of the World Market Leaders in Austria conference, the teams presented their business model innovations for PALFINGER and the best idea was awarded a prize. PALFINGER is planning a similar development event for 2017.

QUALITY MANAGEMENT



QUALITY MANAGEMENT SYSTEM ISO 9001*
(in per cent of employees)
*As well as other similar quality management standards

PALFINGER strives to continuously extend its quality leadership among international competitors. To this end, regular investments are made in analyses and tests, as well as in human resources. The success of these efforts is directly reflected in the lower number of warranty cases.

In 2016, PALFINGER managed to further reduce warranty costs despite the growing complexity of the applications. The financial damage incurred by the Group was also further reduced compared to the previous year, due to the enhanced quality of the analyses and the integration of the suppliers. This proves the worth of the continuous advancement of management systems. As at 31 December 2016, 86 per cent (previous year: 88 per cent) of the staff worked at sites with ISO 9001 certification or with a comparable quality management system. This decline can, however, be traced back to two newly integrated sites and the entailing diluting effect caused by a higher headcount. Without this diluting effect, the certified sites would comprise 92 per cent. Process quality is improved continuously through audits performed by the departments of quality management and process management in close cooperation.

In recent years, these audits focused on developments in mechatronics and the subsequent production, service and procurement processes. The organization’s level of maturity was significantly augmented in all areas, which was also reflected in warranty figures. In 2016, the main priorities were software engineering and consistent efficiency in the development of new products: the prototype and initial sample inspection process. The potential identified in these audits will remain a quality management topic in 2017.

In addition, the different management systems used in the former marine unit and the Harding Group have to be consolidated or the two systems have to be jointly optimized.

The increasing use of digital technologies in PALFINGER products will hugely impact the further development of quality management, in particular in connection with the respective legal requirements and customer needs.
Detailed GRI and sustainability disclosures, page 202

MANUFACTURING FOR THIRD PARTIES

External customers benefit from reliability in delivery, quality and pricing at PALFINGER

PALFINGER also provides its production capacities and production know-how to external customers. PALFINGER’s strength lies in manufacturing complex painted components with high quality standards, also making use of production sites in low-wage countries. This facilitated the generation of revenue of more than EUR 12 million in 2016, corresponding to an increase of around 70 per cent compared to the previous year. In 2017, the steel components factory in Bulgaria will increasingly use its expanded capacities to manufacture for third parties. As a consequence, revenue from third-party manufacturing will grow further.

The main challenge when offering such services is to motivate large industrial customers to change their supplier. The added value provided to external customers by PALFINGER is the combination of reliability in delivery, quality and pricing. Once PALFINGER has gained new customers, their satisfaction and loyalty is reflected in higher revenue from them. For PALFINGER, manufacturing for third parties generates additional revenue and higher utilization on the one hand, while, on the other hand, the comparison with competitors on the free market contributes substantially to the internal enhancement of processes.

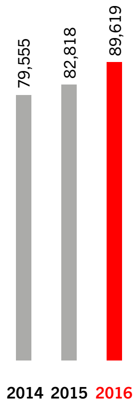
ECO-EFFICIENCY IN PRODUCTION

PALFINGER is aware of the fact that its operations as a producing company have a large impact on the environment. The targets of enhancing energy efficiency and hazardous waste volumes by 1.8 percentage points were not met in 2016, but will be renewed for 2017. In addition, an environmental protection guideline will establish uniform standards throughout the Group.

Efficient use of raw materials

At PALFINGER, raw materials account for approx. 9 per cent of total costs, which is why their efficient use is essential for the Company's economic success. The lion's share of PALFINGER's products is made of steel; aluminium is used primarily for tail lifts. In 2016, 89,619 tonnes of steel and 2,256 tonnes of aluminium were used in manufacturing PALFINGER products, corresponding to annual increases of 8 per cent and 27 per cent, respectively.

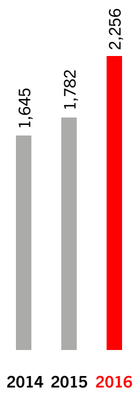
GRI G4-EN1



STEEL CONSUMPTION
(in tonnes)

One of the reasons why steel and aluminium account for such a high percentage of total costs is the fact that their production requires a great deal of energy. Added to this are the costs for CO_2 certificates trading concerning the greenhouse gas emissions caused. However, in 2016 these costs were still negligible. The efficient use of raw materials is important from an ecological and economic point of view, given that the energy consumed for producing steel and the emissions generated during the process exceed the energy used and emissions caused directly at PALFINGER by far.

GRI G4-EN4



ALUMINIUM CONSUMPTION
(in tonnes)

PALFINGER makes every effort to continuously optimize its waste cuttings and rejects in order to reduce the amount of steel and aluminium scrap. Waste cuttings are produced exclusively at production plants, and the scope remaining for further improvement is very small. The development of the waste cuttings rate is described in the detailed GRI and sustainability disclosures.

GRI G4-EN23

Detailed GRI and sustainability disclosures, page 202

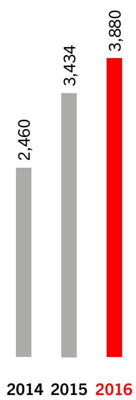
Hazardous waste

Hazardous waste is produced primarily at production plants with paint shops and/or electroplating facilities

At PALFINGER manufacturing plants, primarily the following hazardous waste is produced: waste from paint shops, electroplating sludge, hydraulic oil, as well as lubricants and coolants. The volume of hazardous waste has increased in recent years, which was in part due to the expansion of production, including for manufacturing for third parties. At the Lazuri (RO) site, which has been operating its own electroplating facilities since 2013, more than 80 per cent of the coating processes are carried out for external customers.

On the other hand, PALFINGER also increased the degree of value added: Components that used to be coated by suppliers are now increasingly processed by PALFINGER. As a consequence, the hazardous waste quantities showed a disproportionally high increase compared to the Group's revenue. In terms of environmental impact, however, this development is at least neutral, as these processes now no longer take place at the suppliers' locations. In the best-case scenario this results in an improvement, as PALFINGER is able to guarantee that exemplary environmental standards are observed.

The sites that generate the largest quantities of hazardous waste are Maribor (SI), Lazuri (RO), Lengau (AT), Arkhangelsk (RU)), Velikiye Luki (RU) and Tenevo (BG). These plants produce a total of 84 per cent of the waste generated by the Group. Most of these sites operate paint shops, Lazuri and Tenevo are production sites with electroplating plants. In 2016, total hazardous waste recorded by PALFINGER amounted to 3,880 tonnes (previous year: 3,434 tonnes). The total weight of hazardous waste generated at the four aforementioned sites with paint shops was around 2,400 tonnes, and at the two sites with electroplating plants it was around 850 tonnes.



HAZARDOUS WASTE
(in tonnes)

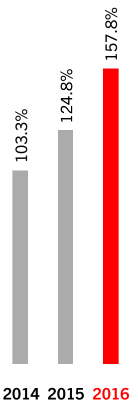
The higher level of value added and stricter quality requirements resulted in a year-on-year increase in electroplating sludge volumes by around 150 tonnes in 2016. This resulted in a considerable deterioration of the index of hazardous waste generated at sites with electroplating processes.

At the other four sites recording high volumes of hazardous waste, the waste is primarily generated by painting processes. In the reporting period, both the absolute quantities of hazardous waste as well as the intensity of hazardous waste produced in relation to the production quantities increased. This was primarily caused by the fact that additional plants started operations at these sites and/or by inefficiencies of the existing plants and processes.

The target of reducing hazardous waste by 1.8 percentage points every year was not met in 2016

In Asia, North America and South America, only small quantities of hazardous waste are produced. In South America the index increased; in North America its development was declining. In China, the processes generating hazardous waste were outsourced to the joint venture in Rudong, which is not covered by reporting. As a consequence, only assembly operations are performed at PALFINGER's Nantong site, where the new plant of the joint venture has been rented for this purpose. Detailed figures on regional developments can be found in the detailed GRI and sustainability disclosures.

Detailed GRI and sustainability disclosures, page 202



INDEX: HAZARDOUS WASTE IN RELATION TO REVENUE
(volume 2013 = 100%)

The negative trend recorded at sites with large paint shops and electroplating plants had a negative impact on the development of the index of hazardous waste produced by the PALFINGER Group as a whole. Therefore, the target of annually reducing hazardous waste by 1.8 percentage points in relation to revenue was missed by a wide margin. Measures to reverse this trend have been planned.

GRI G4-EN23

As an alternative to solvent-based paints, water-soluble paints may now be used for nearly all product applications, except for those in the marine business; however, they usually generate extra costs. Since 2014, PALFINGER's calls for tenders relating to paint shops have included the requirement of meeting ecological minimum standards. The plants are examined to determine whether they are designed for the use of solvent-free paints and, if necessary, adaptation measures are taken. The PALFINGER sites in Europe with large paint shops use only solvent-free paints. In the marine sector, only solvent-based paints are used due to marine-specific requirements. In the CIS area, the use of water-soluble paints would involve a high quality risk given the low temperatures recorded in winter. In Caxias do Sul, Brazil, economic reasons make it impossible for the time being to buy water-soluble paints locally. The US plants use solvent-based paints as well. All in all, the proportion of solvent-free paints purchased remained constant at 95 per cent in 2016.

For an overview of ecological standards for PALFINGER's electroplating plants and paint shops, please refer to the detailed GRI and sustainability disclosures, where you will also find additional information on hazardous waste broken down by region as well as on the use of water-soluble paints.

Detailed GRI and sustainability disclosures, page 202

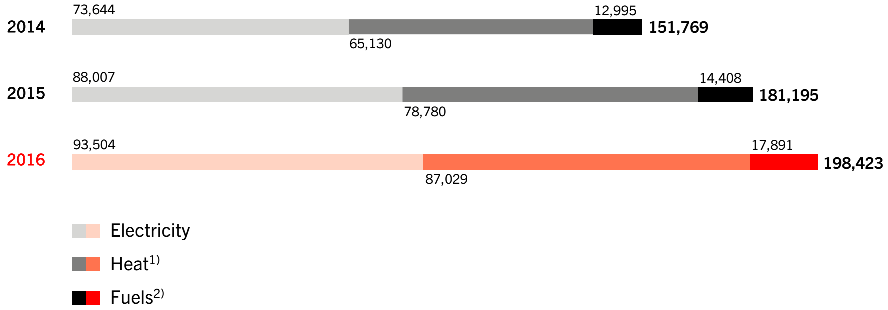
Energy efficiency

PALFINGER does not operate an energy-intensive business; energy consumption is highest at paint shops and electroplating plants

As a metal-processing business, PALFINGER is not an energy-intensive enterprise. In 2016, the energy costs of the PALFINGER Group remained constant at EUR 6.7 million (previous year: EUR 6.7 million). Total energy consumption rose to 198 million kWh (previous year: 181 million kWh), with consumption being highest in Europe. As planned, consumption of the coal-fired power station at the site in Velikiye Luki (RU) was included in reporting in the 2016 financial year, with retrospective effect for 2015. As a consequence, the figures for 2015 were adjusted retrospectively. A detailed list of the figures for energy efficiency and consumption, broken down by energy source and region, is available in the detailed GRI and sustainability disclosures.

GRI G4-EN3
Detailed GRI and sustainability disclosures, page 202

ENERGY CONSUMPTION BY ENERGY SOURCE
(in MWh)



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

In terms of processes, the paint shops and electroplating plants account for the largest share of energy consumed by PALFINGER. The largest paint shops can be found at the sites in Lengau (AT), Maribor (SI) and Council Bluffs (USA). In Lengau, a modern powder coating plant started operations in 2016. The existing paint shops in Europe are continuously being optimized, thereby improving energy efficiency. Since 2016, PALFINGER has been using new paints with fewer additives. This has brought down the volume of required process energy, as post-combustion of the exhaust air can be performed at lower temperatures. At Maribor, energy efficiency was enhanced by the improved stand-by operation on work-free days, but also negatively affected by the slight decline in quantities. PALFINGER plans to replace the existing paint shop at this plant with a new, more efficient one in 2017. Energy efficiency of the paint shop in Council Bluffs (USA) declined in 2016 due to lower capacity utilization and/or quantities.

The second energy-intensive production process at PALFINGER is electroplating, which is performed at plants in Lazuri (RO) and Tenevo (BG). The Lazuri site has been part of the PALFINGER Group since 2013 and has been integrated in the Group's environmental reporting since 2014. Since then, components that used to be processed by suppliers have been coated at this site, increasingly also for external customers. In the reporting period, production was once again expanded at Lazuri, making it the site with the highest electricity consumption within the PALFINGER Group. As a result of the plant expansion carried out in recent years, the Lazuri site now accommodates a total of nine chrome plating lines for the coating of aluminium components. In spite of the new lines, which are operated on the basis of the more energy-efficient continuous chrome plating procedure, the site's energy efficiency deteriorated. This was due to the addition of process steps in order to meet the customers' higher quality demands as well as to a higher level of value added compared to the previous year. At the second site where electroplating is used for coating, in Tenevo (BG), optimization measures resulted in a more efficient use of electricity.

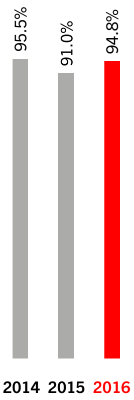
Apart from paint shops and electroplating plants, PALFINGER does not use any energy-intensive processes. Compressed air plants, cutting processes (laser and plasma cutting machines), welding processes, and the filling and testing of the products require comparatively moderate amounts of energy. Therefore, at the majority of PALFINGER's locations, the lion's share of energy is used for climate control at the plant floors, such as ventilation and heating. At these sites, energy efficiency does not depend on the capacity utilization of production or on efficient processes, but rather, for the most part, on the weather conditions. As a consequence, since the acquisition of the sites in Russia, energy consumption at PALFINGER has been increasingly influenced by the low temperatures in this region during the winter months.

At the Velikiye Luki (RU) site, heating requirements rose by around 40 per cent compared to the previous year due to the extremely low temperatures in early 2016. As a consequence, this site was the second-largest energy consumer at PALFINGER, accounting for over one tenth of the Group's total energy consumption. In line with this significant rise in energy consumption, energy efficiency in relation to revenue also decreased by around 17 percentage points as compared to the previous year. Therefore, PALFINGER is considering the installation of a new heating system at the Velikiye Luki site, also taking into account the low energy costs in Russia. A decision to renew the paint shop at that site in 2017 has already been taken.

2016 also saw the start of full operations at the new Russian site in Ishimbay, Jurmati. It replaces the former location in nearby Salavat, which had reported poor energy values. The new plant in Ishimbay meets modern European efficiency standards.

The target of improving energy efficiency by 1.8 percentage points every year was not met in 2016

In the EMEA region, which has the highest energy requirements, PALFINGER accomplished numerous improvements in the reporting period. In Maribor (SI) and at the sites in Germany, energy management systems according to ISO 50001 were set up. In Austria, the building control system was expanded, facilitating better analyses of consumption data. Moreover, several modernization measures were implemented.



INDEX: ENERGY CONSUMPTION IN RELATION TO REVENUE
(volume 2013 = 100%)

Nevertheless, the slight improvements in the EMEA region were not sufficient to compensate the negative trends observed in Russia and the USA. The energy efficiency index illustrates the changes in energy consumption in proportion to revenue across the years. Following years of positive development, energy efficiency within the PALFINGER Group decreased considerably in 2016. In relation to revenue, energy consumption was 3.8 percentage points higher than in 2015, missing the objective of enhancing energy efficiency by 1.8 percentage points every year by a wide margin. Measures planned to counteract this trend include process enhancements at paint shops and electroplating plants, optimization based on energy audits and energy management systems, as well as an analysis to determine whether infrastructure in Russia should be renewed.
GRI G4-EN5, G4-EN6

At PALFINGER, transport is outsourced to logistics companies. This includes the delivery of raw materials and components to PALFINGER, transport between the PALFINGER plants and transport of the products to the customers. The transport mix is dominated by trucks and ships. In the EMEA region, 2016 brought the optimization of transports by truck on selected routes, resulting in an improvement of the vehicles' capacity utilization by around 30 per cent in some cases and/or the reduction of transports. Plans for 2017 also include the increasing conversion of the PALFINGER fleet to electrically-powered cars. The Austrian sites in Bergheim, Köstendorf and Lengau have already installed the necessary charging stations.
GRI G4-EN4

The production of steel and aluminium, the two raw materials most frequently used at PALFINGER, requires high levels of energy and CO_2. The amount of energy needed to produce steel, and the greenhouse gases emitted in that process, are considerable. It is assumed that around 1,708 million kWh were needed to produce the steel and aluminium quantities purchased by PALFINGER in 2016, meaning that the energy requirements for the production of the raw materials was just under nine times higher than the energy requirements for production at PALFINGER. This makes initiatives for an efficient use of raw materials even more important for PALFINGER.
Efficient use of raw materials, page 87

Energy is also consumed when the products are used. Information on the optimization of energy consumption during product use can be found in the research and development chapter.
Safe and efficient products, page 83

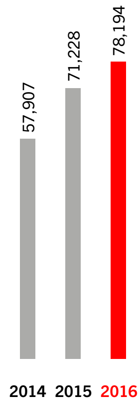
Climate protection

PALFINGER participated in the survey for the Carbon Disclosure Project (CDP) in 2016, where it received a "B" score and won several awards, which included being named front-runner in the "Best Newcomer (Austria)" category and "Sector Leader DACH Region" for the assessment and management of environmental impacts.

Ratings, page 36

The Carbon Disclosure Project named PALFINGER "Best Newcomer (Austria)" and "Sector Leader DACH Region"

PALFINGER thoroughly analyses all climate-relevant emissions that are caused by its own energy consumption. All emissions from natural gas, diesel, petrol, kerosene, LPG, butane, propane and coal produced at PALFINGER plants are included in the calculations. Indirect emissions from the consumption of electricity and district heating (Scope 2) as well as Scope 3 emissions from upstream operations of energy suppliers are also taken into account. All in all, PALFINGER thus produced approx. 78,194 tonnes of CO_2 equivalents in 2016 (previous year: 71,228 tonnes). Again, CO_2 emissions of the coal-fired power station at the site in Velikiye Luki (RU) were included in the reporting in the 2016 financial year, and with retrospective effect also for 2015, as planned.



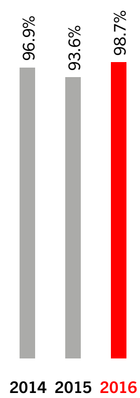
GREENHOUSE GAS EMISSIONS
(in tonnes of CO_2 equivalents)

In general, the development of the climate-relevant emissions has been similar to that of energy consumption throughout. In 2016, however, emissions rose more strongly than total energy consumption. This was mainly due to the harsh winter months at the beginning of 2016 at the Velikiye Luki (RU) site as described in the chapter on energy efficiency. The full-scale operation of the coal-fired power plant resulted in an extraordinarily high increase in CO_2 emissions, given that the burning of coal has a much higher impact on the climate as natural gas – the source of energy usually used within the Group. In 2016, the coal-fired power plant emitted 5,754 tonnes of CO_2, accounting for just under 8 per cent of the total corporate carbon footprint of the PALFINGER Group. The decision on whether to install a more efficient heating system fuelled by gas – an environmentally-friendlier energy source – at this Russian site will be made in 2017.

Energy efficiency, page 88

PALFINGER's greenhouse gas index deteriorated not only in Russia, but also in North and South America and in the Far East in connection with a decline in energy efficiency. This masked the constant development of the greenhouse gas index in Europe – the region with the highest energy consumption within the PALFINGER Group. In proportion to revenue, greenhouse gas emissions increased by 5.1 percentage points as compared to the previous year. Details on the specific greenhouse gas emissions broken down by region can be found in the detailed GRI and sustainability disclosures.

Detailed GRI and sustainability disclosures, page 202



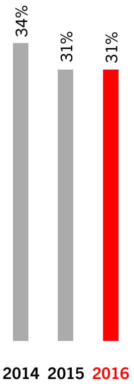
INDEX: GREENHOUSE GAS EMISSIONS IN RELATION TO REVENUE
(volume 2013 = 100%)

The greenhouse gas emissions caused by the energy consumption at the PALFINGER plants only account for a small part of total emissions with an impact on climate. As in the comprehensive energy balance, emissions in the upstream supply chain have a much stronger impact, in particular when it comes to steel. PALFINGER buys primarily steel and aluminium from Europe, and the resulting Scope 3 greenhouse gases may be estimated to be approx. 480,000 tonnes of CO_2 equivalents. They are thus just under seven times as high as the climate-relevant emissions caused by the energy consumption at PALFINGER's sites.

PALFINGER assumes that the CO_2 emissions caused when using PALFINGER products are also multiple times higher than those emissions caused by the PALFINGER plants. However, given the broad product range and the various uses of the individual products, no quantitative estimate of impacts on climate during product use can be made.

GRI G4-EN15, G4-EN16, G4-EN17, G4-EN18

Environmental and energy management



ENVIRONMENTAL MANAGEMENT SYSTEM ISO 14001
(in per cent of employees)

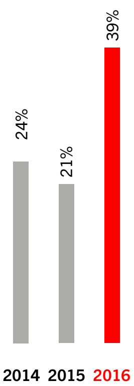
In 2015, the PALFINGER environmental protection guideline, defining group-wide uniform standards for comprehensive environmental management systems at all manufacturing, assembly and distribution sites, came into force. The guideline governs the following areas: energy, waste, water, environmental law, emergency preparedness and response, and training and communication relating to environmental protection. Basically, it lays down minimum standards on the basis of ISO 14001. The guideline stipulates that every site must have a staff member who is primarily responsible for environmental management and the continuous process of improving environmental performance. This process includes the regular recording of environmental key figures, the assessment of the environmental performance, the preparation of a local environmental programme and the monitoring of compliance with the measures defined in that programme. Responsibility for the processes lies with the Group's sustainability management department, while responsibility for compliance with the group guideline lies with the risk management department. In addition, group-wide compliance with the guideline is ensured by several control loops: checks of data and accounts by the Group's sustainability management, plausibility checks together with the area management, and internal and external audits.

In 2016, in accordance with the guideline, the water risk filter was once again applied. This tool is used to identify PALFINGER locations in areas where either the availability or quality of water is critical. Even though PALFINGER does not perform any water-intensive processes, these locations are called upon to take measures ensuring the efficient use of water.

The PALFINGER environmental protection guideline defines group-wide uniform standards

The production sites defined environmental measures on the basis of the guideline and reported them to the Group's sustainability management. This helps control the implementation of the group-wide environmental targets – for instance, the annual improvement of energy efficiency and the reduction of hazardous waste.

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



ENERGY MANAGEMENT SYSTEM ISO 50001
(in per cent of employees)

Sites with environmental management systems according to ISO 14001 and energy management systems according to ISO 50001 go beyond meeting the minimum standards provided by the PALFINGER environmental protection guideline. The Group's management welcomes the introduction of certified management systems, but the decision still lies within the discretion of the respective site managers. 2016 saw the first ISO 50001 certification of the two PALFINGER sites in Maribor (SI), and all sites in Germany. This enlarged the percentage of sites working with certified environmental and energy management systems considerably.

As at the end of 2016, a total of 31 per cent of PALFINGER's employees were working at sites with certified environmental management systems in place and 39 per cent at sites with certified energy management systems.

GRI G4-DMA

Detailed GRI and sustainability disclosures, page 202

A group conference for environmental officers will be held in 2017

In 2016, also under the environmental protection guideline, the environmental officers were appointed at all manufacturing and assembly locations. Therefore, the planned group conference for environmental officers will take place in the first half of 2017. On that occasion, the local officers will exchange their best practices and develop a common approach.

OUTLOOK

PALFINGER plans to continue its growth and intends to reach this goal primarily by completing its product portfolio in all regions and by further expanding its marine business. Restructuing measures in North America and in the marine business, which will be completed in 2017, are expected to contribute to a gradual increase in profitability from the second half of the year onwards.

In 2016, PALFINGER took several steps to ensure its continued long-term growth in the future. The 2017 financial year will be characterized primarily by the continuation of the respective initiatives and strategic projects. The three pillars of innovation, internationalization and flexibility facilitated the growth achieved in recent years and PALFINGER will therefore continue to pursue this long-term strategy.

The three strategic pillars form the basis for the PALFINGER Group's growth

In the marine business, the focus for 2017 will be on integrating and restructuring the entire unit in preparation for an upcoming upward trend. In addition, further acquisitions are planned in order to complete the product range and make PALFINGER a global leader in all marine product groups. The restructuring measures are scheduled to be completed by mid-2017 in North America as well. Provided that the market situation continues to be favourable, PALFINGER aims to achieve a double-digit EBITn margin. In Asia and CIS, market development remains a priority. Moreover, the group-wide development programmes support the Group's flexibility in a volatile environment and continue to be of great importance with a view to the planned further growth. This includes the focus on current capital reduction as well as on rendering the value creation chain more flexible and advancing the corporate culture.

Further acquisitions are to complete the product range

In order to better integrate the international staff into the Group, PALFINGER also plans to expand regional initiatives and to continue the employee survey. In the course of a comprehensive materiality analysis, PALFINGER will update the most important topics from the point of view of all stakeholders in 2017.

PALFINGER will continue to promote its social and environmental standards along the entire value creation chain. PALFINGER's quantified targets include the improvement of energy efficiency and the reduction of hazardous waste by 1.8 percenage points each. Staff absences due to industrial accidents and staff turnover are to be reduced to under 0.11 per cent and under 10 per cent, respectively.

PALFINGER has also quantified targets regarding its responsibiliy for its staff and the environment

Digitalization will remain a priority. PALFINGER sees numerous opportunities, but has also identified new requirements to be met by business models. Further initiatives, cooperations and first results are planned for 2017 following the set-up of the necessary organization and the launch of initial projects.

The comprehensive corporate strategic planning for the period until 2022 will be completed in 2017. It will also comprise first-time target ranges for earnings and sustainability goals. Starting from the 2017 financial year, the integrated annual reports will be prepared on the basis of the new GRI standard.

The conditions predicted for 2017 harbour a great deal of political and economic uncertainty. Nevertheless, the management considers further revenue growth to be realistic in light of the satisfactory level of incoming orders in the fourth quarter of 2016 and in early 2017.

The restructuring measures will impact negatively on earnings at the beginning of the 2017 financial year, but are expected to be completed and start showing success in the first half of the year. PALFINGER is aiming to reach a double-digit EBITn margin (normalized by restructuring costs) in 2017.

Provided that revenue continues to grow, PALFINGER expects a double-digit EBITn margin for 2017

Cadaqués, Spain

There are some limits we willingly respect.

Corporate Governance Report

> Focus on internally communicating the Code of Conduct
> No compliance violations in 2016, no lawsuits were initiated or pending
> Fair business along the value creation chain

CORPORATE GOVERNANCE REPORT

INFORMATION ACCORDING TO SEC. 243B OF THE BUSINESS CODE

PALFINGER is committed to compliance with the Austrian Code of Corporate Governance

PALFINGER is committed to the standards of the Austrian Code of Corporate Governance (www.corporategovernance.at) and complies with nearly all rules of the Code. In accordance with legal provisions, this commitment is annually evaluated by an external auditor. The evaluation result confirms that corporate governance is genuinely put into practice at PALFINGER. The audited questionnaire is made available to all interested parties on PALFINGER’s corporate website (www.palfinger.ag).

www.palfinger.ag/en/investor-relations/corporate-governance

GOVERNING BODIES OF THE COMPANY AND METHOD OF OPERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD PURSUANT TO SEC. 243B PARA.2 OF THE BUSINESS CODE

According to the Austrian Companies Act (AktG), the Management Board of PALFINGER AG manages the Company under its own responsibility in such a manner as is in the best interest of the Company, taking into consideration the interests of all stakeholders. Loyalty towards one’s colleagues, an open mind, a regular exchange of information and fast decision-making processes are among the Company’s supreme principles. The Supervisory Board supervises the management and assists the Management Board in significant decisions. Open communication between the Management Board and the Supervisory Board and also within the respective Boards has a longstanding tradition at PALFINGER. At its meetings held in 2016, the Supervisory Board primarily discussed the ongoing business operations, the effects of the challenging economic environment, measures to cut costs and capital employed, projects of integration, acquisition and expansion (in particular various corporate acquisitions), risk management and the internal control system, sustainability issues, as well as perspectives for 2017.

At present, no special sustainability criteria are used when selecting members of the Supervisory Board and the Management Board. The Palfinger family, as the principal owner, as well as the Supervisory Board members delegated by the Works Council ensure that sustainability aspects are taken into account by the Supervisory Board and the Management Board. Currently no independent assessment of sustainability governance or a remuneration system based on such criteria is in place.

GRI G4-34, G4-35, G4-36
Sustainability management, page 31

The percentage of women in executive positions is to be increased in the medium-term

Currently there are no women on either the Supervisory Board or the Management Board or in any other top management positions at PALFINGER. At the levels below that, the percentage of women in executive positions is low and/or for the most part limited to administrative positions. PALFINGER intends to change this situation in the medium-term. To this end, PALFINGER has continued the Company’s presence at job fairs and has specifically addressed prospective women applicants of high potential. When new executive positions are created or existing ones become vacant, PALFINGER makes an effort to encourage more women to apply for such positions. However, one obstacle in this regard is that technical training is a prerequisite for the majority of executive positions at PALFINGER.

The proportion of women engineers is extremely low, which is often why no women apply for a position in the Company. PALFINGER has stepped up its efforts to raise the percentage of women in (junior) management in order to better meet the basic ideas of diversity. The group-wide PALversity initiative was initiated to raise awareness of the benefits of diversity within the Group in order to foster this concept more strongly and capitalize on it to a greater extent.

GRI G4-LA12
Responsible employer, page 74

MANAGEMENT BOARD

Until 8 November 2016, the Management Board of PALFINGER AG had four members; since Wolfgang Pilz resigned from the Board, it has been made up of three members. Herbert Ortner has been the CEO since June 2008.

Name	First appointment	End of term
Herbert Ortner (CEO)	1 February 2003	31 December 2018
Christoph Kaml (CFO)	1 January 2009	31 December 2018
Wolfgang Pilz (CMO)	1 February 2003	8 November 2016
Martin Zehnder (COO)	1 January 2008	31 December 2018

Herbert Ortner

CEO – CHIEF EXECUTIVE OFFICER

Born in 1968, Herbert Ortner was the 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 product areas railway systems, tail lifts, truck mounted forklifts and access platforms as well as the further expansion of the service business. As CEO he has been in charge of procurement, legal affairs, personnel, communications, investor relations, sustainability management and marketing since June 2008.

Herbert Ortner is a member of the Supervisory Boards of ENGEL Austria GmbH and ENGEL Holding GmbH.

Christoph Kaml

CFO – CHIEF FINANCIAL OFFICER

Born in 1974, Christoph Kaml started his career with Gemini Consulting. Before joining PALFINGER AG in 2004, he was the holder of a general commercial power of attorney at an M&A consulting company in Switzerland. In 2006, he switched from PALFINGER Corporate Development to the management of the business area North America domiciled in Niagara Falls, Canada, where he was in charge of finances, strategy and business development. Since January 2009, Kaml has been PALFINGER AG's Chief Financial Officer. From August 2012 to June 2015, he was based in China in order to oversee and intensify the cooperation with SANY.

Christoph Kaml is Chairman of the Supervisory Board of Putzmeister Holding GmbH.

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 the 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 as well as product management and digitalization.

Wolfgang Pilz

CMO – CHIEF MARKETING OFFICER (UNTIL 8 NOVEMBER 2016)

Born in 1959, Wolfgang Pilz started working at PALFINGER in 1984. In February 2003, he became Chief Marketing Officer and in this position was responsible for the sale of PALFINGER products. On 8 November 2016, he resigned from the Management Board for personal reasons. He is still associated with the PALFINGER Group as a consultant.

SUPERVISORY BOARD

As at 31 December 2016, the Supervisory Board of PALFINGER AG consisted of six members elected by the Annual General Meeting and three members delegated by the Works Council. Hubert Palfinger jun. is Chairman of the Supervisory Board; Gerhard Rauch and Hannes Palfinger are Deputy Chairmen.

Report of the Supervisory Board, page 244

Name	First appointment	End of term
Hubert Palfinger jun. (Chairman since 10 December 2013) born in 1969	13 April 2005	AGM 2020
Gerhard Rauch (1st Deputy Chairman since 6 June 2016) born in 1963	9 March 2016	AGM 2021
Hannes Palfinger (2nd Deputy Chairman since 10 December 2013) born in 1973	30 March 2011	AGM 2021
Dawei Duan born in 1972	9 March 2016	AGM 2021
Heinrich Dieter Kiener born in 1956	30 March 2011	AGM 2021
Peter Pessenlehner born in 1970	31 March 2010	AGM 2018
Jian Qi born in 1960	12 March 2014	9 March 2016
Johannes Kücher[1] born in 1963	6 February 2015	
Alois Weiss[1] born in 1962	13 February 2006	
Gerhard Gruber[1] born in 1960	15 May 2006	

1) Delegated by the Works Council.

The elections to the Supervisory Board held at the Annual General Meeting of 9 March 2016 resulted in the following changes: The terms of office of Hannes Palfinger and Heinrich Dieter Kiener as members of the Supervisory Board expired in 2016. Both were re-elected by the Annual General Meeting. Jian Qi resigned from the Board effective as of the end of the 2016 AGM. Dawei Duan and Gerhard Rauch were elected as new Supervisory Board members.

Hubert Palfinger jun.

CHAIRMAN OF THE SUPERVISORY BOARD

After spending 15 years with various companies of the PALFINGER Group, Hubert Palfinger jun. took over the management of Industrieholding GmbH in 2004. He has held a seat on the Supervisory Board of PALFINGER AG since 2005 and served as Deputy Chairman of the Supervisory Board from September 2008 until his appointment as Chairman in 2013.

In addition, Hubert Palfinger jun. is a member of the Supervisory Board of Salzburger Flughafen GmbH and Managing Director of IC International Consulting GmbH.

Gerhard Rauch
1ST DEPUTY CHAIRMAN
As Managing Partner of Walser GmbH, Gerhard Rauch has long-standing experience in truck body manufacturing and vehicle construction and has cooperated with PALFINGER in this field for decades. In addition, Gerhard Rauch is co-owner of Rauch Fruchtsäfte GmbH & Co OG. At the Annual General Meeting of PALFINGER AG on 9 March 2016, he was elected to the Supervisory Board, and at the Board meeting of 6 June 2016 he was elected First Deputy Chairman.

Hannes Palfinger
2ND DEPUTY CHAIRMAN
After taking his degree in business economics and pursuing a career as an athlete, Hannes Palfinger spent three years working for PricewaterhouseCoopers in Vienna as an assistant auditor. He has been affiliated with PALFINGER through numerous traineeships at the Company. From 2007 to 2010, Hannes Palfinger held an executive position at Palfinger systems GmbH. Hannes Palfinger is Managing Director of Clear Consult GmbH and of Audiodata Lautsprecher GmbH. He has held a seat on the Supervisory Board of PALFINGER AG since 2011 and became Deputy Chairman in 2013.

Further positions held by members of the Supervisory Board

Dawei Duan
Director, Senior Vice President of the SANY Group

Heinrich Dieter Kiener
Managing Director of Stieglbrauerei
Member of the Supervisory Board of Schoellerbank
Member of the Board of the Federation of Austrian Industries (IV) as well as the Salzburg regional group
Member of the Board of Austrian Breweries (Verband der Brauereien Österreichs)
Member of the Board of the "Industry" sector of the Salzburg Economic Chamber

Peter Pessenlehner
Partner of PwC Österreich GmbH Wirtschaftsprüfungsgesellschaft

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 10 per cent.

In accordance with Rule No. 58 of the Austrian Code of Corporate Governance, it is noted that Gerhard Gruber was unable to participate in five meetings of the Supervisory Board for health reasons. Dawei Duan participated in only one meeting of the Board by video conferencing.

COMMITTEES OF THE SUPERVISORY BOARD

Audit Committee

The powers of decision vested in the Audit Committee are in compliance with the provisions of the Companies Act. In 2016, the Audit Committee held three meetings dealing with the 2015 financial statements, the internal control system, risk management, IFRS and accounting issues, and internal audits as well as with PALFINGER's cooperation with the auditor.
Members: Peter Pessenlehner (financial expert; Chairman since 6 June 2016), Hubert Palfinger jun. (Chairman until 5 June 2016), Gerhard Rauch (since 6 June 2016), Hannes Palfinger, Johannes Kücher

Nomination Committee

The Nomination Committee met regularly in 2016 and discussed, in particular, the cooperation within and working methods of the Management Board. One of the major topics was the resignation of Wolfgang Pilz in November and the new assignment of his responsibilities.
Members: Hubert Palfinger jun. (Chairman), Gerhard Rauch (since 6 June 2016), Hannes Palfinger

Remuneration Committee

At its regular meetings held in 2016, the Remuneration Committee dealt with the remuneration of Management Board members and conducted feedback interviews with the members of the Management Board.
Members: Hubert Palfinger jun. (Chairman), Gerhard Rauch (since 6 June 2016), Hannes Palfinger

AUDITOR

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, was proposed as the auditor of the 2016 financial statements and consolidated financial statements of PALFINGER AG and appointed by the Annual General Meeting on 9 March 2016.

REMUNERATION REPORT

Performance-related remuneration of Management Board members is based on agreed targets and financial ratios

The remuneration system in place for Management Board members includes fixed elements and performance-related payments and is adequate given the size and complexity of the Company. Performance-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 2016, the variable pay of Management Board members amounted, on average, to approx. 44 per cent of their annual remuneration. For detailed information on remuneration, please refer to the notes to the consolidated financial statements of this Report.

Consolidated financial statements, Disclosures concerning governing bodies and employees, page 187

The members of the Supervisory Board are remunerated as resolved upon at the Annual General Meeting

In accordance with the resolution taken at the Annual General Meeting on 9 March 2016, the members of the Supervisory Board are now entitled to the following remuneration:

The members of the Supervisory Board (shareholder representatives) elected at the Annual General Meeting receive an attendance fee of EUR 2,500 for each Supervisory Board meeting attended in person. In addition, they receive an annual fee for the 2016 financial year and the following years (unless decided otherwise at a future Annual General Meeting) as follows:

For the Chairman of the Supervisory Board	EUR 45,000
For the Deputy Chairman of the Supervisory Board	EUR 20,000
For each member of the Supervisory Board	EUR 7,000
For each member of a Supervisory Board committee	EUR 2,000

To the extent that members of the Supervisory Board and/or a committee have not held their seat during an entire financial year, their remuneration will be pro-rated (on a monthly basis).

Starting with the 2017 financial year (base: January 2016), the specified amounts of the attendance fee and the fixed remuneration will be adjusted in line with the Consumer Price Index 2010 published by Statistics Austria.

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.

FAIR BUSINESS

CORPORATE ETHICS AND CORRUPTION PREVENTION

To PALFINGER, human rights violations and corruption are intolerable from a moral point of view. They are in contradiction to the corporate values and harmful to the economy, and consequently also to PALFINGER. Whenever any irregularities are suspected, action is taken immediately. PALFINGER has implemented a multi-layered process to prevent or, if necessary, reveal any violations.

GRI G4-57

Group guidelines and Code of Conduct

The Code of Conduct is binding for employees, dealers and partners of PALFINGER

PALFINGER's Code of Conduct supplements the group guidelines, which define the essential business processes along the value creation chain. This Code covers various issues, including the observance and monitoring of human rights aspects and the prevention of child labour, forced labour and compulsory labour, also in the supply chain. Furthermore, an internal guideline on "Rules of Conduct for the Prevention of Corruption and Anti-Competitive Behaviour" is in place.

Since 2010, agreements with employees, dealers, suppliers and cooperation partners have contained binding references to the PALFINGER Code of Conduct, which is also available on the Company's website. In the 2016 reporting period, the process of communicating the Code of Conduct was intensified by an online video. According to the results presented, no child labour, forced labour or compulsory labour was used at any PALFINGER sites in 2016.

In the event of any severe violations of the Code of Conduct, the rules of behaviour or other group guidelines, the internal auditing department consults with the Management Board on the procedure for analysing these violations. If necessary, external experts are consulted. Depending on the result of this analysis, a decision is made on the further steps to be taken.

GRI G4-56, G4-HR5, G4-HR6
Risk report, Control environment, page 73
www.palfinger.ag/en/Pages/code-of-conduct

Four-eyes principle and separation of functions

The four-eyes principle applies with respect to authorized signatures within the scope of business activities with third parties and for internal approvals, whenever such signatures have the effect of constituting rights and/or obligations. This means that pursuant to the applicable group guideline, two signatures of competent authorized persons of the respective local unit are required. Detailed signing regulations, taking into account local processes and reasonable value limits, are regularly reviewed and, whenever necessary, adjusted.

PALFINGER attaches great importance to the separation of functions, even in smaller units, meaning that one person may not hold several critical functions at the same time. This principle is designed to reduce errors as well as the probability of corruption, but first and foremost to protect employees. It is not possible, for example, for one and the same employee to be authorized to create an order and also be able to post an invoice.

In 2016, PALFINGER was confronted with several phishing and fraud attempts via e-mail, which, however, did not cause any damage. The incidents were reported to the responsible authorities and also communicated internally to increase awareness among employees.

Information on the guidelines and corporate ethics

The Group's risk management department regularly publishes a risk management newsletter, reporting to PALFINGER's management any relevant news, in particular recommendations on how to avoid or reveal corruption by third parties. The group guidelines are communicated to the entire management team and then to the local management concerned via standardized processes.

PALFINGER's values and its anti-corruption policy are explained at on-boarding seminars for new employees

New employees receive a welcome package and attend an on-boarding seminar, both of which emphasize PALFINGER's values and its anti-corruption policy. The legal department provides all employees in the finance and HR departments as well as all management teams with information material regarding compliance at PALFINGER. Moreover, training programmes were held in the reporting period at the Group's headquarters as well as in the CIS region to raise awareness in this regard.

Internal audits and risk management

The responsible internal audit and/or risk management departments regularly carry out audits of the companies of the PALFINGER Group and engage employees in intensive discussions on ethics and corruption in the workshops held. Out of the 95 fully consolidated companies of the Group, four had to undergo an audit in 2016.

The Integrity Line can be reached via the Company's website

Via the Company's Integrity Line, possible violations of laws and guidelines that concern companies of the PALFINGER Group may be reported anonymously. The Integrity Line can be reached via the Company's website; reports are received by the corporate risk management department. In the period under review, no allegations reported proved to be of substance.

GRI G4-58

COMPLIANCE VIOLATIONS

Any compliance violations are reported to the central legal department. In 2016, as in previous years, no major cases of corruption were reported or discovered at PALFINGER. Similarly, no penalties were imposed for any violations of legal provisions. No lawsuits are pending on grounds of anti-competitive conduct or environmental violations.

GRI G4-EN29, G4-SO3, G4-SO4, G4-SO5, G4-SO7, G4-SO8

CODE OF CORPORATE GOVERNANCE

PALFINGER satisfies the requirements of the mandatory L-rules (legal requirements) and adheres to almost all C-rules (comply or explain) of the Austrian Code of Corporate Governance as amended in January 2015. The following C-rules are not observed:

Rules No. 39 and No. 53 (Independence of the Supervisory Board and independence of committee members)

PALFINGER AG does not fully comply with Rule No. 53. No criteria for independence have been established. Rather, PALFINGER AG publishes personal profiles and qualification profiles of the members of the Supervisory Board and circumstances that might limit their independence on its website. On the basis of this information, any shareholder as well as the public at large can gain insight into the qualifications of the members of the Supervisory Board and assess their suitability for this Board.

The performance of the Supervisory Board members has contributed to the success of PALFINGER AG in recent years. The well-balanced composition of the Supervisory Board and the prudent selection of the individual members according to their professional and personal characteristics as well as their knowledge of the Company and of the entire sector have been of importance in this respect. For all of these reasons, it is not considered necessary to establish criteria for the independence of Supervisory Board members.

This also applies to the committee members (Rule No. 39).

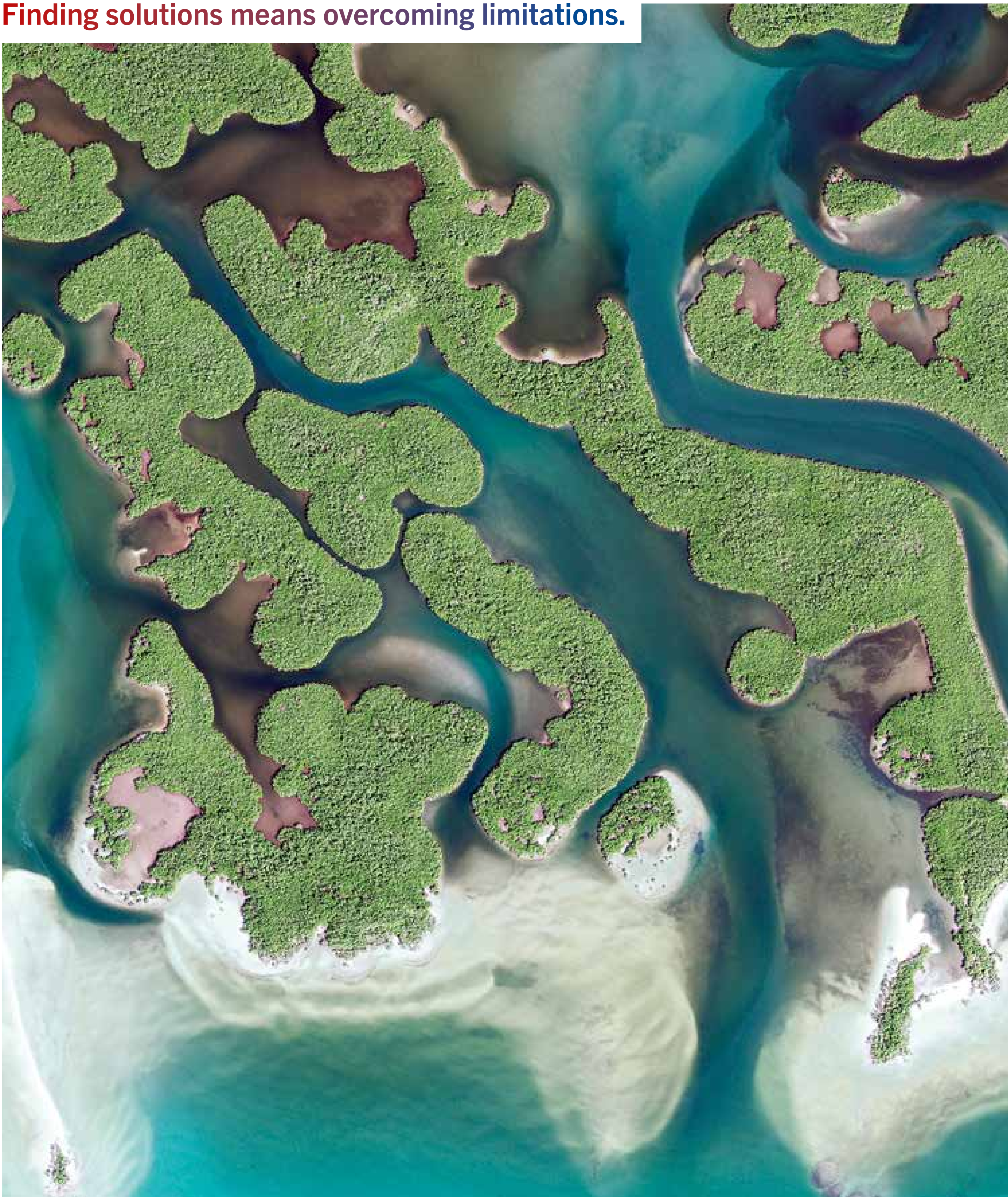
Bergheim, 30 January 2017

Herbert Ortner m.p.

Christoph Kaml m.p. Martin Zehnder m.p.

Consolidated financial statements, Business transactions with related parties, page 186
www.palfinger.ag/en/investor-relations/corporate-governance

Finding solutions means overcoming limitations.



Service

Everglades,
USA

DEFINITION OF PERFORMANCE INDICATORS

ECONOMY

Capital employed	reflects capital investment and is calculated as • intangible assets • plus property, plant and equipment, shareholdings and net current assets
Current capital	Current capital is composed of inventories and trade receivables on the assets side and trade payables and advances received on the liabilities side.
EBIT **EBITn**	(Earnings before interest and taxes) PALFINGER makes a distinction between EBIT according to IFRS and EBITn – EBIT normalized by restructuring costs.
EBITDA **EBITDAn**	(Earnings before interest, taxes, depreciation and amortization) PALFINGER calculates EBITDAn – EBITDA normalized by restructuring costs.
Earnings per share	is the ratio of the consolidated net result for the period to the weighted average number of shares outstanding.
EVA	(Economic value added) indicates the Company's economic profit: • ROCE minus WACC • multiplied by average capital employed
Free cash flows	is the net amount of cash available to service internal or external borrowing: • cash flows generated from operations • plus interest on borrowings • minus tax shield on interest on borrowings
Gearing ratio	is a measure relating to the Company's debt: • ratio of net debt and equity in per cent
Net debt	is calculated as • non-current and current financial liabilities minus • long-term and short-term securities • long-term loans • cash and cash equivalents
NOPLAT	(Net operating profit less adjusted taxes) is composed of • EBIT • minus taxes on EBIT
Restructuring costs	PALFINGER defines restructuring costs as the costs of business model adjustments, site relocations/closures, significant capacity adjustments, M&A and integration costs, costs for one-off payments for termination of dealer relationships, as well as the impairment of intangible assets relating to reorganizations.

ROCE	(Return on capital employed) shows the rate of return generated on capital invested in the Company: • ratio of NOPLAT to • average capital employed (from reporting date of previous year to reporting date of current year) in per cent
ROE	(Return on equity) is a measure of the Company's profitability that presents earnings in relation to equity employed: • ratio of after-tax earnings and • average equity as a percentage
WACC	(Weighted average cost of capital) is a measure of the average cost of capital employed (debt and equity)
Working capital	is the net surplus of current assets over current liabilities

HUMAN RESOURCES

Full-time equivalent	A full-time equivalent is an employee's total hours worked as stipulated in his/her employment contract divided by the number of hours worked in a full-time schedule.
Employee turnover	Employee turnover is defined as the ratio of the number of employees that have left the Company during a certain year to the average annual headcount. It is expressed as a percentage.
Staff absences due to industrial accidents	Staff absences due to accidents are measured in hours and put in relation to the regular working time and full-time equivalents of the Company's employees.
Staff absences due to sickness and other causes	Staff absences due to sickness and other causes (doctors' appointments, voluntary service, etc.) are measured in hours and put in relation to the regular working time and full-time equivalents of the Company's employees. Sick leaves that are no longer covered by the Company itself but by government benefits are not included in this count.
Hours of further training	Any kind of further vocational education or training that is not directly provided at the employee's place of work but is carried out internally or externally. The hours of further training are expressed as a percentage of full-time equivalents of the Company's employees.
Percentage of women in management	The number of women employees with disciplinary management responsibilities divided by the total number of managers.

ENVIRONMENT

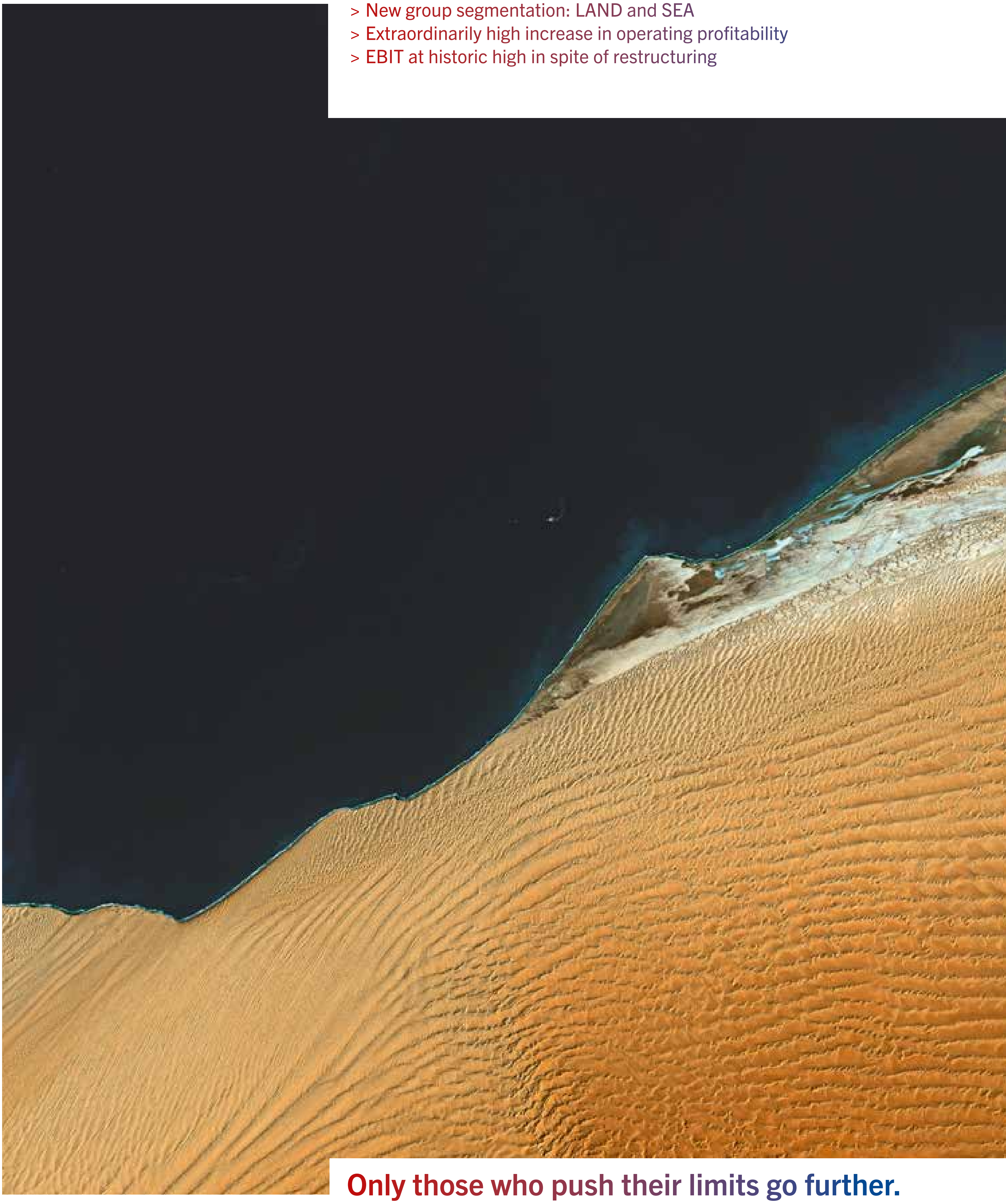
Index: Energy consumption in relation to revenue	This index shows the efficiency of the energy input in relation to revenue. It takes into account electricity, fuel (petrol, diesel and kerosene) and heating energy (fuel oil, natural gas, LPG, propane, butane, district heating and coal). The energy input is determined in relation to the local revenue of the individual site (volume 2013 = 100 per cent). In calculating group-wide indices, the various production sites are weighted by the volume of energy consumed in the year under review. The index is not adjusted for inflation.
Index: Hazardous waste in relation to revenue	This index shows the intensity of hazardous waste produced in relation to revenue. The volume of hazardous waste is determined in relation to the local revenue of the individual site (volume 2013 = 100 per cent). In calculating group-wide indices, the various production sites are weighted by the volume of waste produced in the year under review. The index is not adjusted for inflation.

INDEX

IFC = inside front cover
OBC = outside back cover

Consolidated Financial Statement

> New group segmentation: LAND and SEA
> Extraordinarily high increase in operating profitability
> EBIT at historic high in spite of restructuring



Only those who push their limits go further.

Kuiseb, Namibia

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	Jan–Dec 2015	Jan–Dec 2016
Revenue	15	1,229,892	1,357,012
Cost of sales	17, 23, 24, 25	(930,735)	(1,023,024)
Gross profit		**299,157**	**333,988**
Other operating income	16	16,920	13,058
Research and development costs	18, 24, 25	(24,221)	(26,662)
Distribution costs	19, 24, 25	(83,889)	(97,368)
Administrative costs	20, 24, 25	(94,498)	(113,396)
Other operating expenses	21	(17,056)	(10,745)
Income from companies reported at equity	22	7,962	7,174
Earnings before interest and taxes – EBIT		**104,375**	**106,049**
Interest income	26	1,730	2,387
Interest expenses for financial liabilities	26	(10,882)	(11,824)
Other interest expenses	26	(1,553)	(2,187)
Exchange rate differences	26	(732)	(1,884)
Other financial result	26	36	672
Net financial result		**(11,401)**	**(12,836)**
Result before income tax		**92,974**	**93,213**
Income tax expense	27, 68	(21,393)	(23,931)
Result after income tax		**71,581**	**69,282**
attributable to			
shareholders of PALFINGER AG (consolidated net result for the period)		**64,366**	**61,173**
non-controlling interests		**7,215**	**8,109**
EUR			
Earnings per share (undiluted and diluted)	44	1.73	1.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan–Dec 2015	Jan–Dec 2016
Result after income tax		**71,581**	**69,282**
Amounts that will not be reclassified to the income statement in future periods			
Re-measurements acc. to IAS 19	51	(465)	(2,308)
Deferred taxes thereon		(7)	622
Amounts that may be reclassified to the income statement in future periods			
Unrealized profits (+)/losses (–) from foreign currency translation of foreign subsidiaries		(3,119)	20,432
Unrealized profits (+)/losses (–) from foreign currency translation of companies reported at equity	31	8,150	(5,666)
Unrealized profits (+)/losses (–) from foreign currency translation of long-term loans to foreign subsidiaries (acc. to IAS 21.15)		4,018	5,700
Deferred taxes thereon		(1,450)	(483)
Effective taxes thereon		501	(953)
Profits (+)/losses (–) from cash flow hedge	46		
Changes in unrealized profits (+)/losses (–)		(11,612)	(1,532)
Deferred taxes thereon		1,904	(592)
Effective taxes thereon		778	822
Realized profits (–)/losses (+)		5,901	5,701
Deferred taxes thereon		(304)	(579)
Effective taxes thereon		(1,171)	(846)
Other comprehensive income after income tax		**3,124**	**20,318**
Total comprehensive income		**74,705**	**89,600**
attributable to			
shareholders of PALFINGER AG		**66,723**	**79,673**
non-controlling interests		**7,982**	**9,927**

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31 Dec 2015	31 Dec 2016
Non-current assets			
Intangible assets	1, 2, 3, 28, 59	214,415	380,612
Property, plant and equipment	2, 29, 60	268,782	312,314
Investment property	30, 61	348	328
Investments in companies reported at equity	4, 22, 31	175,675	171,871
Other non-current assets	34	2,866	5,715
Deferred tax assets	8, 32, 68	14,784	18,128
Non-current financial assets	13, 33, 55, 65	32,003	32,706
		708,873	**921,674**
Current assets			
Inventories	7, 35, 62	262,519	282,702
Trade receivables	5, 36, 55, 63, 65	183,581	251,672
Other current receivables and assets	38	29,040	35,152
Income tax receivables	68	2,723	4,195
Current financial assets	13, 37, 55, 65	4,077	5,137
Cash and cash equivalents	39, 55, 65	21,551	33,922
		503,491	**612,780**
Non-current assets held for sale	29	0	1,893
		503,491	**614,673**
Total assets		**1,212,364**	**1,536,347**
Equity			
Share capital	40	37,593	37,593
Additional paid-in capital	41	82,141	86,844
Treasury stock	42	(1,543)	0
Retained earnings	44, 45, 46	378,193	418,180
Foreign currency translation reserve	43	(5,372)	11,851
Total equity of the shareholders of PALFINGER AG		**491,012**	**554,468**
Non-controlling interests	47	19,646	25,452
Total equity		**510,658**	**579,920**
Non-current liabilities			
Liabilities from puttable non-controlling interests	11, 45, 48, 55, 64, 65	0	3,004
Non-current financial liabilities	49, 55, 65	331,472	431,918
Non-current purchase price liabilities from acquisitions	12, 50, 55, 65	8,715	15,364
Non-current provisions	9, 51, 66, 67	43,114	49,576
Deferred tax liabilities	32, 68	9,648	23,295
Other non-current liabilities	52	2,569	2,621
		395,518	**525,778**
Current liabilities			
Liabilities from puttable non-controlling interests	11, 45, 48, 55, 64, 65	8,701	0
Current financial liabilities	55, 65	74,070	152,804
Current provisions	10, 53, 67	15,302	18,973
Income tax liabilities	27, 68	9,472	7,924
Trade payables and other current liabilities	54, 55, 65	198,643	250,948
		306,188	**430,649**
Total equity and liabilities		**1,212,364**	**1,536,347**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to the shareholders of PALFINGER AG	
EUR thousand	**Note**	**Share capital**	**Additional paid-in capital**
As at 1 Jan 2015		**37,593**	**82,056**
Total comprehensive income			
Result after income tax		0	0
Other comprehensive income after income tax			
Unrealized profits (+)/losses (–) from foreign currency translation	43	0	0
Re-measurements acc. to IAS 19	51	0	0
Profits (+)/losses (–) from cash flow hedge	46	0	0
		0	**0**
		0	**0**
Transactions with shareholders			
Dividends	45	0	0
Reclassification non-controlling interests	45, 48, 64	0	0
Addition non-controlling interests		0	0
Acquisition non-controlling interests		0	0
Other changes	42	0	85
		0	**85**
As at 31 Dec 2015		**37,593**	**82,141**
As at 1 Jan 2016		**37,593**	**82,141**
Total comprehensive income			
Result after income tax		0	0
Other comprehensive income after income tax			
Unrealized profits (+)/losses (–) from foreign currency translation	43	0	0
Re-measurements acc. to IAS 19	51	0	0
Profits (+)/losses (–) from cash flow hedge	46	0	0
		0	**0**
		0	**0**
Transactions with shareholders			
Dividends	45	0	0
Reclassification non-controlling interests	45, 48, 64	0	0
Addition non-controlling interests		0	0
Acquisition non-controlling interests		0	0
Sale of own shares		0	4,573
Other changes	42	0	130
		0	**4,703**
As at 31 Dec 2016		**37,593**	**86,844**

	Retained earnings				Equity attributable to the shareholders of PALFINGER AG		
Treasury stock	Other retained earnings	Re-measurements acc. to IAS 19	Valuation reserve acc. to IAS 39	Foreign currency translation reserve	Total	Non-controlling interests	Equity
(1,593)	**354,275**	**(8,066)**	**(13,837)**	**(12,631)**	**437,797**	**16,853**	**454,650**
0	64,366	0	0	0	64,366	7,215	71,581
0	0	0	0	7,259	7,259	841	8,100
0	0	(398)	0	0	(398)	(74)	(472)
0	0	0	(4,504)	0	(4,504)	0	(4,504)
0	**0**	**(398)**	**(4,504)**	**7,259**	**2,357**	**767**	**3,124**
0	**64,366**	**(398)**	**(4,504)**	**7,259**	**66,723**	**7,982**	**74,705**
0	(19,398)	0	0	0	(19,398)	(5,858)	(25,256)
0	1,999	0	0	0	1,999	(2,651)	(652)
0	(51)	0	0	0	(51)	3,466	3,415
0	3,804	0	0	0	3,804	(135)	3,669
50	3	0	0	0	138	(11)	127
50	**(13,643)**	**0**	**0**	**0**	**(13,508)**	**(5,189)**	**(18,697)**
(1,543)	**404,998**	**(8,464)**	**(18,341)**	**(5,372)**	**491,012**	**19,646**	**510,658**
(1,543)	**404,998**	**(8,464)**	**(18,341)**	**(5,372)**	**491,012**	**19,646**	**510,658**
0	61,173	0	0	0	61,173	8,109	69,282
0	0	0	0	17,223	17,223	1,807	19,030
0	0	(1,697)	0	0	(1,697)	11	(1,686)
0	0	0	2,974	0	2,974	0	2,974
0	**0**	**(1,697)**	**2,974**	**17,223**	**18,500**	**1,818**	**20,318**
0	**61,173**	**(1,697)**	**2,974**	**17,223**	**79,673**	**9,927**	**89,600**
0	(14,551)	0	0	0	(14,551)	(6,816)	(21,367)
0	(4,476)	0	0	0	(4,476)	474	(4,002)
0	0	0	0	0	0	3,480	3,480
0	(3,561)	0	0	0	(3,561)	(1,264)	(4,825)
1,543	0	0	0	0	6,116	0	6,116
0	125	0	0	0	255	5	260
1,543	**(22,463)**	**0**	**0**	**0**	**(16,217)**	**(4,121)**	**(20,338)**
0	**443,708**	**(10,161)**	**(15,367)**	**11,851**	**554,468**	**25,452**	**579,920**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan–Dec 2015	Jan–Dec 2016
Result before income tax		**92,974**	**93,213**
Write-downs and impairments (+)/write-ups (–) of non-current assets		40,959	49,950
Gains (–)/losses (+) on the disposal of non-current assets	16, 21	(622)	50
Interest income (–)/interest expenses (+)	26	10,705	11,624
Income from companies reported at equity	31	(7,962)	(7,174)
Expenses for stock option programme	41	2	0
Change in liability from puttable non-controlling interests	48	0	(642)
Other non-cash income (–)/expenses (+)		27	378
Increase (–)/decrease (+) of assets		(44,071)	2,587
Increase (+)/decrease (–) of provisions		2,704	5,080
Increase (+)/decrease (–) of liabilities		29,892	(8,758)
Cash flows generated from operations		**124,608**	**146,308**
Interest received		1,246	1,976
Interest paid		(10,935)	(12,135)
Dividends received from companies reported at equity	31	3,968	3,565
Income tax paid		(8,264)	(30,135)
Cash flows from operating activities		**110,623**	**109,579**
Cash receipts from the sale of intangible assets and property, plant and equipment		3,109	1,761
Cash payments for the acquisition of intangible assets and property, plant and equipment		(57,691)	(73,668)
Cash payments for the acquisition of subsidiaries net of cash acquired[1)]		(8,224)	(114,109)
Cash payments for investments in companies reported at equity[1)]	31	(1,317)	(1,700)
Cash receipts from the disposal of subsidiaries net of cash disposed of[1)]		(21)	0
Prepayments for the acquisition of subsidiaries	56	0	(2,663)
Cash receipts from the sale of securities		40	34
Cash payments for the acquisition of securities		0	(24)
Cash receipts from other assets		836	4,466
Cash payments for other assets		(1,369)	(1,761)
Cash flows from investing activities		**(64,637)**	**(187,664)**
Dividends to shareholders of PALFINGER AG	45	(19,398)	(14,551)
Dividends to non-controlling shareholders	47	(5,725)	(6,815)
Cash payments for the acquisition of non-controlling interests[1)]	47	(11,723)	(4,164)
Cash receipts from the sale of own shares		22	7,640
Cash receipts from non-controlling shareholders		0	256
Cash receipts from the exercise of options under the stock option programme	41	139	0
Loans for the aquisition of interests		36,350	100,000
Repayment of loans for acquisitions		(20,342)	(14,762)
Long-term refinancing of redemptions and maturing short-term loans		50,000	20,000
Repayment of maturing/terminated loans		(60,000)	(94,295)
Bridge financing loans for the acquisition of interests		0	90,000
Repayment of maturing/terminated promissory note loans		(4,500)	0
Cash payments for/cash receipts from other financial liabilities	49, 50, 51	(8,759)	5,701
Cash flows from financing activities		**(43,936)**	**89,010**
Total cash flows		**2,050**	**10,925**

1) see Scope of Consolidation

EUR thousand		2015	2016
Funds as at 1 Jan	**39**	**20,757**	**21,551**
Effects of foreign exchange differences		(1,256)	1,446
Total cash flows		2,050	10,925
Funds as at 31 Dec	**39**	**21,551**	**33,922**

OPERATING SEGMENTS

As a consequence of the acquisition of the Harding Group with effect of the end of June 2016, PALFINGER's marine business reached a significant size and thus also gained material strategic importance. In addition, the continued expansion of marine operations (organically as well as through acquisitions), with the objective of establishing a second mainstay for the PALFINGER Group (in addition to land-related products), is a vital part of the strategy of PALFINGER AG. This was the main impetus for PALFINGER to review its internal organizational structure and management. As a result, since July 2016, the PALFINGER Group has been managed and organized in line with the application-related LAND and SEA segments instead of the previous regional EUROPEAN UNITS and AREA UNITS segments.

Accordingly, PALFINGER adjusted its internal and external segment reporting starting with the third quarter of 2016. Segment reporting is broken down into the two operating segments "LAND" and "SEA". Reporting on the new "HOLDING" unit covers group functions that are bundled at headquarters, as well as strategic project costs incurred by this unit.

The new segmentation also provides greater transparency, given that it follows both the Group's strategy of building up the marine business as a strong second mainstay and the new organizational and management structures, and separates the different customer industries, business models and industry risks from each other.

LAND SEGMENT

The LAND segment comprises business with lifting, loading and handling equipment for use on commercial vehicles (trucks and railways). The LAND segment comprises the following cash-generating units:

- Business area EMEA
- Business area Americas (excl. ETI)
- ETI[1)]
- Business area Asia and Pacific
- Business area CIS

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

The LAND segment comprises the business units Loader Cranes, Timber and Recycling Cranes, Tail Lifts, Access Platforms, Hooklifts, Truck Mounted Forklifts, Railway Systems, Production and the distribution companies.

The LAND segment already encompasses a diversified product portfolio. The strategy pursued in this segment is to maintain market and technology leadership and, in areas which are still being built up and are therefore less developed, to introduce customers to PALFINGER's products and further consolidate the Group's distribution and service structure.

SEA SEGMENT

The SEA segment encompasses all operations in connection with ships, offshore facilities or wind energy plants. This segment comprises the business area Marine cash-generating unit, which is composed of PALFINGER's maritime product groups: marine cranes, offshore cranes, davit systems, boats, winches and offshore equipment, wind cranes, service as well as rope access professionals. The SEA segment comprises all activities carried out under the PALFINGER MARINE brand. The marine business is to a very large extent characterized by global structures.

The global marine business of the PALFINGER Group has been marked by enormous growth since operations were launched in 2010. In line with the increased focus placed on the marine business, PALFINGER also adapted its strategy. The SEA segment, with its extraordinarily strong, growing service business, is to become the Group's second mainstay. Services have gained strongly in importance since the acquisition of the Harding Group. The strategic aim pursued by PALFINGER in the SEA segment is to rank among the top three companies in the marine market and to establish PALFINGER as an integrated marine deck equipment provider with its own service locations around the world. In the future, PALFINGER aims to be a one-stop shop for all maritime customer industries worldwide, supplying them with competitive and diversified products and services.

HOLDING UNIT

The HOLDING unit maps the Group's expenses for group-wide functions for the Group's administration and costs for strategic future projects incurred through the holding company. No revenue is reported in the HOLDING unit.

Amounts stated

EBIT and EBITn (EBIT normalized by restructuring costs) are reported as segment results. Given the restructuring measures launched in 2016 in the region North America and in the marine business, EBIT has been normalized by restructuring costs (EBITn) to transparently reflect the focus on operating profitability. The Management Board now controls the segments on the basis of both financial indicators, EBIT and EBITn.

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

In principle, the amounts stated for the purposes of segment reporting are in line with the accounting and valuation-methods applied to the IFRS consolidated financial statements. The only exemption is EBITn, which has been normalized by restructuring costs in line with the new internal reporting. The reconciliation statement can be found on page 121.

Transfer pricing

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

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

Services are divided into different groups and then either charged on a cost basis (final account, cost contribution arrangement, lump sum payment) or using the mark-up method. Whether a profit mark-up may be charged depends on on how exactly the service may be allocated and on whether the service is a recurring routine function.

Unallocated amounts

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

EUR thousand	LAND Jan–Dec 2015	SEA Jan–Dec 2015	HOLDING Jan–Dec 2015	Consolidation Jan–Dec 2015	Unallocated amounts Jan–Dec 2015	Total Jan–Dec 2015
External revenue	1,056,965	172,927	0	0	0	1,229,892
Intra-group revenue	16,658	4,147	0	(20,805)	0	0
Total revenue	**1,073,623**	**177,074**	**0**	**(20,805)**	**0**	**1,229,892**
Depreciation, amortization and impairment	(34,202)	(4,227)	(2,526)	0	0	(40,955)
thereof						
impairment	0	0	0	0	0	0
Income from companies reported at equity	7,962	0	0	0	0	7,962
EBIT	106,944	15,007	(17,597)	21	0	104,375
Restructuring costs	6,730	667	1,643	0	0	9,040
EBITn	113,674	15,674	(15,954)	21	0	113,415
Segment assets	959,232	205,836	208,015	(235,854)	75,135	1,212,364
thereof						
investments in companies reported at equity	175,675	0	0	0	0	175,675
current capital assets	349,527	84,190	0	0	(9,440)	424,277
Segment liabilities	343,539	105,604	63,755	(235,854)	424,661	701,705
thereof						
current capital liabilities	80,954	29,292	0	0	3,836	114,082
Investments in intangible assets and property, plant and equipment	50,401	7,445	3,162	0	0	61,008

EUR thousand	LAND Jan–Dec 2016	SEA Jan–Dec 2016	HOLDING Jan–Dec 2016	Consolidation Jan–Dec 2016	Unallocated amounts Jan–Dec 2016	Total Jan–Dec 2016
External revenue	1,153,921	203,091	0	0	0	1,357,012
Intra-group revenue	11,649	5,387	0	(17,036)	0	0
Total revenue	**1,165,570**	**208,478**	**0**	**(17,036)**	**0**	**1,357,012**
Depreciation, amortization and impairment	(37,267)	(9,802)	(2,879)	0	0	(49,948)
thereof						
impairment	0	(1,269)	0	0	0	(1,269)
Income from companies reported at equity	7,174	0	0	0	0	7,174
EBIT	128,868	(3,210)	(19,558)	(51)	0	106,049
Restructuring costs	9,487	6,126	2,085	0	0	17,698
EBITn	138,355	2,917	(17,474)	(51)	0	123,747
Segment assets	1,034,433	463,898	286,637	(342,590)	93,969	1,536,347
thereof						
investments in companies reported at equity	171,871	0	0	0	0	171,871
current capital assets	373,447	125,676	0	0	(8,886)	490,237
Segment liabilities	402,564	205,715	74,796	(342,590)	615,942	956,427
thereof						
current capital liabilities	87,356	40,750	0	0	5,614	133,720
Investments in intangible assets and property, plant and equipment	61,495	10,853	3,562	0	0	75,910

The reconciliation of EBIT to EBITn was as follows:

	2015			2016		
EUR thousand	**LAND**	**SEA**	**HOLDING**	**LAND**	**SEA**	**HOLDING**
EBIT	106,944	15,007	(17,597)	128,868	(3,210)	(19,558)
Restructuring costs						
Business model adjustments	2,215	0	0	6,264	0	0
Relocation/closure of sites, significant capacity adjustments	1,445	0	0	443	2,490	0
M&A and integration costs (and related projects)	1,712	667	1,643	2,296	3,637	2,084
Costs for one-off payments for termination of dealer relationships	1,358	0	0	484	0	0
EBITn	**113,674**	**15,674**	**(15,954)**	**138,355**	**2,917**	**(17,474)**

The following table shows revenue broken down by product group:

EUR thousand	**Jan–Dec 2015**	**Jan–Dec 2016**
Loader cranes	703,572	805,390
Hydraulic systems	526,320	551,622
Total	**1,229,892**	**1,357,012**

The hydraulic systems product group comprises, among other things, the products tail lifts, access platforms, hooklifts, truck mounted forklifts and railway systems as well as marine products such as boats, offshore equipment and winches, and the related service business.

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

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

INFORMATION ON GEOGRAPHICAL AREAS

Non-current assets can be broken down as follows:

EUR thousand	31 Dec 2015	31 Dec 2016
Intangible assets		
Austria	52,562	56,540
Germany	36,644	37,288
United Arab Emirates	25,047	25,426
North America	21,804	21,386
Russia	20,753	25,476
Norway	18,994	170,195
France	16,880	16,736
Other foreign countries	10,030	16,384
Romania	6,950	6,780
Netherlands	4,751	4,401
	214,415	**380,612**
Property, plant and equipment		
Austria	69,958	74,362
North America	53,002	53,901
Bulgaria	27,545	33,504
Other foreign countries	21,723	39,257
Germany	20,832	23,260
Slovenia	20,126	20,900
Russia	15,667	21,498
Romania	13,196	16,301
Brazil	9,643	12,103
Korea	6,866	6,722
Canada	6,124	5,924
France	4,099	4,583
	268,782	**312,315**
Investment property		
Germany	348	328
	348	**328**
Other non-current assets		
Austria	935	816
France	900	903
Other foreign countries	471	478
Brazil	372	387
Slovenia	0	2,663
Germany	103	95
India	64	64
USA	0	260
Russia	21	49
	2,866	**5,715**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL REMARKS

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

The consolidated financial statements of PALFINGER AG for the year ended 31 December 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). As these consolidated financial statements meet the criteria laid down in sec. 245a of the (Austrian) Business Code (UGB), the Company is not obliged to prepare financial statements in accordance with the provisions of the Code. All additional requirements according to sec. 245a para. 1 of the Business Code were complied with.

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

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

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

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

The consolidated financial statements and the separate financial statements of the companies included were published in accordance with statutory requirements. The consolidated financial statements of PALFINGER AG for the year ended 31 December 2016 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, Austria. The consolidated financial statements for the year ended 31 December 2016 were released for submission to the Supervisory Board on 30 January 2017 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 2016.

CONSOLIDATION PRINCIPLES

Scope of Consolidation

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

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

The 10 per cent interest in SANY Automobile Hoisting Machinery Co., Ltd. is included in the consolidated financial statements at equity as an associated company. The significant influence results from rights granted to PALFINGER by way of contract such as, for instance, the right to participate in material decision-making processes, including the determination of the dividend amount, veto rights on individual major decisions, the provision of technical know-how, and representation in the supervisory body.

The scope of consolidation, including PALFINGER AG as the parent company, is disclosed in the statement of investments on pages 194 to 198.

LIMITATIONS IN CONNECTION WITH INTERESTS IN SUBSIDIARIES

PALFINGER granted a pre-emptive right to Mr. Palfinger sen. in the event of the sale of Palfinger systems units GmbH or of all shares held by PALFINGER in the Megarme companies. Moreover, Mr. Palfinger sen. was granted an option to acquire 19 per cent (of the total net assets of the Megarme companies) of the interests held by PALFINGER in the Megarme companies on the basis of their fair value. This option could have been exercised no later than on 31 December 2016, which was not the case.

NEWLY FOUNDED COMPANIES

In March 2016, Palfinger Japan K.K. was established as a wholly-owned subsidiary of Palfinger Asia Pacific Pte. Ltd..

REORGANIZATIONS

These reorganizations did not have any impact on the scope of consolidation:
Effective 16 March 2016, Norwegian Deck Machinery AS was merged into Palfinger Dreggen AS, which was then renamed Palfinger Marine Norway AS.

In April, the Russian company Konvek OOO was merged into its fellow subsidiary Velmash-S OOO.

At the end of November, Composite Works LLC, USA, was liquidated. The company’s assets were transferred to its sole shareholder, Equipment Technology LLC, USA.

ACQUISITIONS IN 2016

MYCSA Group

On 22 December 2015, with a view to taking over the Spanish PALFINGER dealer, a contract for the acquisition of 75 per cent of the shares in certain companies of the MYCSA Group was signed. PALFINGER holds a call option for the purchase of the remaining 25 per cent of the shares, which may be exercised in 2021. The exercise price is based on the future earnings before interest and taxes. The transaction was closed on 9 May 2016.

In the course of this transaction, the new subsidiary, PALFINGER Iberica, was founded. It has taken over substantial parts of MYCSA and operates them under the umbrella of the PALFINGER Group. PALFINGER Iberica employs-around 80 staff members at six locations and focuses on the sale and servicing of loader cranes, timber and recycling cranes, hooklifts, access platforms and marine products.

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

EUR thousand	**2016**
Purchase price paid in cash	5,200
Contingent consideration not yet fallen due	5,534
Pro-rata net assets of non-controlling interests *	3,481
Subtotal	**14,215**
Net assets	(12,011)
Goodwill	**2,203**

* The shareholding in Palfinger comércio e aluguer de máquinas S.A. is only 60 per cent, corresponding to an effective share of 45 per cent in net assets.

The goodwill associated with the acquisition primarily reflects the potential arising from market expansion in Spain and Portugal, and from staff know-how.

The goodwill generated cannot be used for tax purposes.

The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for calculating the fair values, in particular relating to the customer base, have been analysed in detail. See Note (50) for details on the contingent consideration not yet fallen due.

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

EUR thousand	Fair value
Non-current assets	
Intangible assets	5,684
Property, plant and equipment	127
Deferred tax assets	128
Other non-current assets	1
	5,940
Current assets	
Inventories	5,857
Trade receivables	8,092
Other current receivables and assets	32
Income tax receivables	3
Cash and cash equivalents	1,487
	15,471
Non-current liabilities	
Deferred tax liabilities	1,139
	1,139
Current liabilities	
Current financial liabilities	746
Current provisions	159
Income tax liabilities	151
Trade payables and other current liabilities	7,205
	8,261
Net assets	**12,011**

The trade receivables taken over have a gross value of EUR 8,857 thousand. The impairment loss for probable bad debt is EUR 765 thousand.

Net cash flows from the acquisition were as follows:

EUR thousand	2016
Cash flows from operating activities	
Transaction costs	(204)
Cash flows from investing activities	
Purchase price paid in cash	(5,200)
Cash and cash equivalents	1,487
Net cash flows from the acquisition	**(3,917)**

Since the time of its initial consolidation the acquisition of the MYCSA Group has contributed EUR 28,382 thousand to the consolidated revenue of PALFINGER AG and EUR 774 thousand to the consolidated net result for the period.

Pro forma disclosures

If the acquisition of the MYCSA Group had been made with effect from 1 January 2016, the consolidated net result for the period of PALFINGER AG would have been as follows:

EUR thousand	**Jan–Dec 2016 stated**	**Jan–Dec 2016 pro forma**
Revenue	1,357,012	1,367,577
Result after income tax	69,282	69,002
Earnings per share in EUR	1.63	1.63

Harding Group

On 30 May 2016, a contract governing PALFINGER's acquisition of 100 per cent of the shares in Herkules Harding Holding AS, i.e. the globally operating Harding Group, was agreed upon. The transaction was closed on 30 June 2016.

Harding is one of the leading suppliers of lifesaving equipment and lifecycle services for maritime installations and ships. As a consequence, PALFINGER has expanded its marine business by adding new products and a global service network. Harding is headquartered in Seimsfoss, Norway, and operates a comprehensive service network across 16 countries worldwide with a staff of approximately 700. Together with Harding, PALFINGER MARINE is able to offer its customers one-stop-shop solutions with premium-quality packages of products and services.

This acquisition is the largest in the history of the PALFINGER Group. As a result of the takeover, PALFINGER almost doubled its marine business volume and will henceforth generate revenue of approx. EUR 300 million, which is more than 20 per cent of the Group's total revenue. The service segment will gain in importance immensely, reducing PALFINGER MARINE's dependence on the oil price and consequently also on the investment propensity of the customer industries.

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

EUR thousand	**2016**
Purchase price paid in cash	115,032
Subtotal	**115,032**
Net assets	(12,934)
Goodwill	**102,098**

The goodwill associated with the acquisition primarily reflects the benefits expected from synergies and potential arising from the services and products offered, the market expansion in the marine business, and from staff know-how. Harding already had capitalized local goodwill of approx. EUR 78 million from an acquisition made in 2013. When PALFINGER set off the purchase price according to IFRS 3, effective 30 June 2016, this historical goodwill was replaced.

The goodwill generated cannot be used for tax purposes.

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

EUR thousand	Preliminary fair value	Adjustments	Fair value
Non-current assets			
Intangible assets	44,082	0	44,082
Property, plant and equipment	15,932	2	15,934
Deferred tax assets	5,517	(1,340)	4,177
Other non-current assets	4,572	(4,303)	269
	70,103	**(5,641)**	**64,462**
Current assets			
Inventories	13,342	(47)	13,295
Trade receivables	45,581	(2,364)	43,217
Other current receivables and assets	6,686	4,079	10,765
Income tax receivables	95	0	95
Cash and cash equivalents	4,636	0	4,636
	70,340	**1,668**	**72,008**
Non-current liabilities			
Non-current financial liabilities	54,624	1,520	56,144
Non-current provisions	1,513	0	1,513
Deferred tax liabilities	11,263	(838)	10,425
	67,400	**682**	**68,082**
Current liabilities			
Current financial liabilities	13,843	870	14,713
Current provisions	583	0	583
Income tax liabilities	2,099	(53)	2,046
Trade payables and other current liabilities	38,773	(661)	38,112
	55,298	**156**	**55,454**
Net assets	**17,745**	**(4,811)**	**12,934**

The preliminarily estimated fair values at the time of acquisition have been adjusted as compared to the Interim Report for the First Half of 2016. Basically, the fair value of the financial liabilities was increased by EUR 2,390 thousand and the deferred tax liabilities were adjusted. In addition, deferred tax assets on loss carry forwards in the amount of EUR 1,340 thousand and trade receivables in the amount of EUR 2,364 thousand were adjusted and some reclassifications for reporting purposes were made.

Given the magnitude and complexity of the acquisition, the purchase price allocation has been based on preliminary values. The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for calculating the fair values, in particular relating to the intangible assets (brand, customer base and technology) and to property, plant and equipment, have been analysed in detail.

The trade receivables taken over have a gross value of EUR 45,063 thousand. The impairment loss for probable bad debt is EUR 1,846 thousand.

Net cash flows from the acquisition were as follows:

EUR thousand	2016
Cash flows from operating activities	
Transaction costs	(729)
Cash flows from investing activities	
Purchase price paid in cash	(115,032)
Cash and cash equivalents	4,636
Net cash flows from the acquisition	**(111,125)**

Since the time of its initial consolidation the acquisition of the Harding Group has contributed EUR 45,386 thousand to the consolidated revenue of PALFINGER AG and –EUR 6,383 thousand to the consolidated net result for the period.

Pro forma disclosures

If the acquisition of the Harding Group had been made with effect from 1 January 2016, the consolidated net result for the period of PALFINGER AG would have been as follows:

EUR thousand	Jan–Dec 2016 stated	Jan–Dec 2016 pro forma
Revenue	1,357,012	1,410,868
Result after income tax	69,282	60,863
Earnings per share in EUR	1.63	1.41

TTS GROUP

On 19 June 2016, PALFINGER announced its intention to lodge a takeover bid for all of the shares in the Norwegian company TTS Group ASA. On 18 July 2016, the offer document was approved and published by the Oslo Stock Exchange. A cash amount of NOK 5.60 was offered for each share traded on the Oslo Stock Exchange. However, the minimum acceptance threshold of 90 per cent was not reached by 12 August 2016, the end of the acceptance period, and for this reason the takeover was not executed.

NON-CONTROLLING INTERESTS

On 5 September 2016, the remaining 20 per cent in Palfinger Boats B.V., Netherlands, were acquired from the former minority shareholder at a cash purchase price of EUR 1,540 thousand. In addition, a contingent consideration of EUR 660 thousand was agreed upon. The difference between the transferred consideration and the carrying amount of the non-controlling interests came to –EUR 1,798 thousand and was recorded in equity as retained earnings.

In September 2016, another 39 per cent in Palfinger Koch Montagens Industriais Ltda., Brazil, were acquired from the minority shareholder at a purchase price of EUR 2,624 thousand. PALFINGER now holds 99 per cent of the shares in this company. The difference between the purchase price and the carrying amount of the non-controlling interests came to –EUR 1,763 thousand and was directly recorded in equity as retained earnings.

In December 2016, the remaining 30 per cent in the Megarme Group, Middle East, were acquired from the previous non-controlling shareholder at a purchase price of EUR 9,700 thousand as the non-controlling shareholder had exercised its put option to sell these shares. The purchase price has not been paid yet and was recorded as other liabilities. The difference between the purchase price and the liability came to EUR 488 thousand and was recorded in equity as retained earnings. See also Notes (48) and (54).

ACQUISITIONS IN 2015

In 2015, the acquisitions of NDM Group, Palfinger Kama Cylinders OOO and Crane Center Kamaz OOO were carried out. The amounts stated for the acquired net assets of these acquired companies remained unchanged. For details see the Annual Report 2015.

ACQUISITIONS IN 2017

Sky Steel Systems LLC

On 9 November 2016, PALFINGER signed a contract to acquire 20 per cent of the shares in the company Sky Steel Systems LLC. The transaction was closed on 10 January 2017. In addition, a call option was agreed upon, entitling PALFINGER to acquire another 29 per cent in Sky Steel Systems effective 31 December 2019.

Sky Steel Systems, headquartered in Dubai, produces facade access equipment, which is primarily used to maintain and clean the facades of high-rise buildings. The architectural shapes of buildings are becoming increasingly demanding and safety standards increasingly strict, resulting in a growing demand for sophisticated and reliable high-tech solutions. PALFINGER will contribute its production and development know-how to this partnership and support the expansion and further development of the existing product portfolio. Sky Steel Systems knows the regional customer requirements and product demands. The core markets of the joint venture will be the Emirates in the Gulf and Saudi Arabia. Sky Steel Systems was founded in 2002 and employs a staff of approximately 80.

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

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

EUR thousand	**2017**
Purchase price paid in cash	1,626
Subtotal	**1,626**
Pro-rata net assets	(84)
Goodwill	**1,542**

The goodwill associated with the acquisition primarily reflects the benefits expected from synergies and potential arising from the field of building maintenance, and from the market access. Net assets include non-current assets in the amount of EUR 2.595 thousand and net working capital in the amount of -EUR 651 thousand. The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for determining the fair values have been analysed in detail.

Palfinger Danmark A/S

On 31 January 2017, an agreement for the acquisition of 100 per cent of the shares in PALFINGER's Danish dealer, Palfinger Danmark A/S, was signed and the transaction was closed. PALFINGER agreed to take over all staff members and to keep the entire sales and service network in operation. The acquisition ensures a long-term, stable ownership structure in a market of strategic importance for PALFINGER. Palfinger Danmark was a general importer and dealer of PALFINGER for more than 20 years. It employs around 20 staff members at two locations and distributes primarily truck mounted loader cranes, timber and recycling cranes, and hooklifts. Denmark is a highly developed market for lifting and loading equipment and is expected to continue recording stable growth rates.

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

EUR thousand	**2017**
Purchase price paid in cash	3,585
Subtotal	**3,585**
Net assets	(2,788)
Goodwill	**798**

The goodwill associated with the acquisition primarily reflects the potential arising from market expansion in Denmark and from staff know-how. The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for calculating the fair values, in particular relating to the customer base, have been analysed in detail.

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

EUR thousand	**Fair value**
Non-current assets	
Intangible assets	1,597
Property, plant and equipment	196
Deferred tax assets	20
	1,813
Current assets	
Inventories	1,084
Trade receivables	3,010
Other current receivables and assets	53
Cash and cash equivalents	1
	4,148
Non-current liabilities	
Deferred tax liabilities	346
Other non-current liabilities	486
	832
Current liabilities	
Current financial liabilities	412
Current provisions	100
Income tax liabilities	437
Trade payables and other current liabilities	1,392
	2,341
Net assets	**2,788**

Capital Investment D.o.o.

In December 2016, Palfinger proizvodnja d.o.o. (SI) signed an agreement on the acquisition of 100 per cent of the shares in Capital Investment d.o.o. from the Capital Investment GmbH (a company of the private foundation Palfinger Privatstiftung). This company is the owner of a property at the Maribor site, which is rented by the PALFINGER Group, and has no other business operations beyond that. The final takeover of the shares in Capital Investment d.o.o., i.e. the closing of the transaction takes place on 31 January 2017. A prepayment of EUR 2,663 thousand on the purchase price was already made in 2016. See also Note (56).

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

EUR thousand	2017
Purchase price paid in cash	2,818
Subtotal	**2,818**
Net assets	(2,818)
Goodwill	**0**

Net assets were composed primarily of the property and cash and cash equivalents.

Consolidation method

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

When the PALFINGER Group acquires a business entity, it determines the proper classification and designation of the financial assets and assumed liabilities in accordance with the provisions of the contract, the economic conditions and the general conditions prevailing at the time of the transaction.

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

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

Goodwill is initially measured at cost, this being the excess of the consideration transferred plus the fair value of the previously held non-controlling interests over the Group's identifiable assets and liabilities acquired. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized through the income statement.

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

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

Earnings, assets and liabilities of associated companies and joint ventures are included in the consolidated financial statements applying the equity method. Investments in associated companies or joint ventures are reported in the balance sheet at cost after adjustment for changes in the Group's share of net assets after the acquisition and for impairment losses. Losses exceeding the Group's investments in associated companies or joint ventures are not recognized unless the Group bears the economic risk. The goodwill relating to the associated company or joint venture is included in the carrying amount of this share and is neither amortized on a straight-line basis nor subjected to a separate impairment test.

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

Intra-group accounts receivable and payable, income and expenses as well as inter-company profits and losses are fully eliminated.

Currency translation within the Group

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

Monetary assets and liabilities in foreign currencies are converted into the functional currency at every reporting period end date using the respective closing rates. All currency differences are recognized in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate of the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are converted using the exchange rate applicable at the time of determination of the fair value.

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

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

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

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

	Exchange rate as at		Average exchange rate	
1 euro equals	31 Dec 2015	31 Dec 2016	Jan–Dec 2015	Jan–Dec 2016
BRL	4.3117	3.4305	3.7024	3.8571
GBP	0.7340	0.8562	0.7284	0.8159
NOK	9.6030	9.0863	8.9953	9.2888
RMB	7.0608	7.3202	6.9924	7.3199
RUB	80.6736	64.3000	69.0427	73.8756
USD	1.0887	1.0541	1.1130	1.1021

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 IFRS IC interpretations, whose application was mandatory for the first time in the 2016 financial year, are of no relevance for the consolidated financial statements of PALFINGER AG:

Standards/interpretations	Mandatory application in the EU	Endorsement status
IAS 1 Disclosure Initiative (Amendments to IAS 1) (published in December 2014)	1 January 2016	endorsed in December 2015
IAS 16 and IAS 41 Bearer Plants (published in June 2014)	1 January 2016	endorsed in November 2015
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization (published in May 2014)	1 January 2016	endorsed in December 2015
IAS 19 Defined Benefit Plans: Employee Contributions (published in November 2013)	1 February 2015	endorsed in December 2014
IAS 27 Equity Method in Separate Financial Statements (published in August 2014)	1 January 2016	endorsed in December 2015
IFRS 10, 12 and 28 Investment Entities: Applying the Consolidation Exemption (published in December 2014)	1 January 2016	endorsed in September 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (published in May 2014)	1 January 2016	endorsed in November 2015
Improvements to IFRS (2012–2014) (published in September 2014)	1 January 2016	endorsed in December 2015
Improvements to IFRS (2010–2012) (published in December 2013)	1 February 2015	endorsed in December 2014

The following new, revised and/or supplemented IASB standards and IFRS IC interpretations that might be of relevance for PALFINGER have been issued but their application is not yet mandatory and/or they have not yet been endorsed by the European Commission. For this reason, they are not relevant for these consolidated financial statements:

Standards/interpretations	Mandatory application
IAS 7 Disclosure Initiative (published in January 2016)	1 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (published in January 2016)	1 January 2017
IAS 40: Transfers of Investment Property (published on 8 December 2016)	1 January 2018
IFRS 2 Classification and Measurement of Share-based Payment Transactions (published in June 2016)	1 January 2018
IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (published in September 2016)	1 January 2018
IFRS 9 Financial Instruments (published in July 2014)	1 January 2018
IFRS 10/IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published in September 2014)	n/a
IFRS 14 Regulatory Deferral Accounts (published in January 2014)	n/a
IFRS 15 Revenue from Contracts with Customers (published in May 2014)	1 January 2018
IFRS 16 Leases (published in January 2016)	1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration (published on 8 Dezember 2016)	1 January 2018
Improvements to IFRS Standards 2014–2016 Cycle (published on 8 Dezember 2016)	1 January 2018/ 1 January 2017

It is currently not planned to apply the above standards ahead of time.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 governs the generation of revenue, thus replacing IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. IFRS 15 provides a comprehensive framework for determining whether to recognize revenue, in which amount and at what date. The application of IFRS 15 will be mandatory for financial years beginning on or after 1 January 2018.

PALFINGER will apply the new standard for the first time in the interim financial information as at 31 March 2018. PALFINGER plans to use the modified retrospective approach, meaning that IFRS 15 will only be applied starting from the 2018 financial year. The accumulated effect of the first-time application will be recognized, effective 1 January 2018, as an adjustment to the amount recognized for the accumulated earnings in the opening balance. Under this approach, IFRS 15 will be applied to contracts that were not yet complete on 1 January 2018.

The PALFINGER Group has made a first preliminary assessment of the possible effects of the application of IFRS 15 on the consolidated financial statements.

Sale of products
At present, revenue from the sale of serially produced goods is recognized when the related risks and rewards of ownership are transferred in accordance with the terms and conditions of delivery. The revenue is recognized at that point in time provided that both revenue and cost can be reliably determined, it is probable that the consideration will be received, and there is no continuing involvement in connection with the goods.

According to IFRS 15, revenue is recognized when control of the goods is transferred to the customer. No major changes in revenue recognition are expected to result for regular cases of selling serially produced goods.

Some contracts have multiple components, meaning that in addition to governing the sale of serially produced products, they also include additional performance obligations. According to IFRS 15, an entity will allocate the consideration to the components by reference to their relative standalone selling prices. However, this will not result in any major changes in the consolidated financial statements.

Contract manufacturing and rendering of services
In the project business, revenue from customized manufacturing orders is currently recognized in accordance with the percentage of completion method. IFRS 15 defines new criteria for recognizing revenue over a certain time period. From today’s point of view, most project-business contracts will meet the criteria for satisfying a performance obligation over a certain time period, as the assets produced have no alternative use and PALFINGER has a right to payment for the performance completed.

Contracts for the provision of long-term services are currently recognized in accordance with the percentage of completion method. According to IFRS 15, this revenue will continue to be recognized over a certain time period, as the customer receives the benefits from the services while they are being performed.

The first-time application of IFRS 15 will result in an adjustment of internal processes at PALFINGER, but no major consequences for the consolidated financial statements are expected.

IFRS 9 FINANCIAL INSTRUMENTS
IFRS 9 provides for changes regarding the classification and measurement of financial instruments and the impairment of financial assets, and introduces new provisions regulating hedge accounting. IFRS 9 will be effective for financial years beginning on or after 1 January 2018. PALFINGER will apply the new IFRS 9 standard for the first time in the interim financial information as at 31 March 2018.

IFRS 9 provides for a new approach to classification and measurement of financial assets, which reflects the business model under which the assets are administered as well as the cash flow characteristics of the financial assets. IFRS 9 lists three main categories of financial assets: at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL). Based on a preliminary evaluation, PALFINGER takes the view that the new classification currently has no material effect on the accounting of trade receivables, loans and other financial assets. The classification of financial liabilities is not changed by IFRS 9.

IFRS 9 also comprises new requirements regarding hedge accounting, which now more closely reflect risk management in practice. The current hedge accounting relations at PALFINGER are likely to meet the IFRS 9 requirements once certain planned changes in internal documentation have been completed. Therefore, as far as the current foreign currency hedges and interest hedges are concerned, no material effects of the first-time application of IFRS 9 are expected.

IFRS 16 LEASES
IFRS 16, which was issued in January 2016 and supersedes IAS 17, contains new rules on lease accounting. In the future, lessees will have to recognize assets (rights to use the leased assets) and liabilities for most leases in the balance sheet, irrespective of whether these classify as operating leases or finance leases according to the criteria of the former IAS 17. In addition, the standard provides for a changed definition of leases. For lessors, there will only be minor accounting changes compared to IAS 17. The application of IFRS 16 will be mandatory for financial years beginning on or after 1 January 2019.

PALFINGER has begun a first assessment of the potential consequences for the consolidated financial statements. So far, it has shown that the most significant effect on the consolidated financial statements will be the new capitalization of assets and liabilities for operating leases and rentals/leases of office, production and warehouse facilities, which will result in a significant increase in total assets at the time of initial application. The type of expenses incurred in connection with these leases and rentals will also change, as IFRS 16 replaces recognition of lease and rental payments on a straight-line basis with depreciation of the rights of use and interest expense for the lease liability. This shift in expenses will result in an improvement of the EBITDA and EBIT indicators. At the same time, cash flows from operating activities will improve as payments for rentals and leases will be divided into repayments of capital and interest payments and the first category will be reported as cash flows from financing activities.

PALFINGER currently intends to apply IFRS 16 from 1 January 2019 onwards. It is likely that the modified retrospective approach will be selected for the first-time application of that standard. As a consequence, the accumulated effect from the change will be presented as a correction of the opening balance in the reporting period without any adjustment of the same period of the previous year. The lease liabilities will be stated at the present value of the outstanding lease payments and the rights of use will be stated either at the value that would have resulted from retrospective accounting or at the amount of the recognized lease liability. If this method is selected, the lessee will be obligated to make additional disclosures in the notes.

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.

(1) Purchase price allocation
Purchase price allocations made in the course of acquisitions require assumptions as to the existence and measurement of the assets (primarily intangible assets), liabilities and contingent liabilities taken over. The main assumptions made when determining the fair values in the course of the purchase price allocation refer to the cash flows and the discount rate. Further details on the acquisitions made in 2016 are provided on pages 125 to 129.

(2) Impairment of non-financial assets
The impairment tests performed by PALFINGER regarding goodwill, intangible assets with indefinite useful lives and uncompleted capitalized development projects are based on calculations of the value in use, for the purpose of which a discounted cash flow model was applied. The recoverable amount strongly depends on the discount rates used under the discounted cash flow model and the expected future cash inflows. Impairment losses on non-financial assets are reported under depreciation, amortization and impairment expenses. Further details on the impairment of non-financial assets are presented in Note (28) Intangible assets and Note (29) Property, plant and equipment.

(3) 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 mile-

stone of an existing project management model. For the purpose of determining the amount to be capitalized, the management makes assumptions on the amount of the expected future cash flows from the project, the discount rates to be applied and the time period in which the expected future benefits are to be received. The capitalized development expenditure refers primarily to developments in the fields of cranes, access platforms, tail lifts, services and railway systems. The impairment test is geared to the benefit of the individual assets, irrespective of the profit expectations of the entire unit. Further details on capitalized development expenditure are presented in Note (28) Intangible assets.

(4) Investments in companies at equity

In the case of investments in companies reported at equity, assumptions and estimates are made for the purposes of the assessment of impairment. Whether these investments in companies at equity held in connection with SANY (SANY Automobile Hoisting Machinery, Sany Palfinger SPV Equipment and Palfinger Sany International Mobile Cranes Sales) will have to be impaired depends on the development of the Chinese economy, the success of the internationalization strategy and the economic development of the sales markets of Palfinger Sany International Mobile Cranes Sales. The need for impairment of the investments will be influenced primarily by the performance of the construction industry in China. The progressing urbanization of the Chinese population, the necessary infrastructure projects resulting therefrom, the increase in wage costs and the increased economic effectiveness of the automation of numerous lifting, loading and unloading operations will play a vital role in this connection. In the international markets, there are various political and macroeconomic risks that might have an impact on whether or not the shares held in connection with the partnership with SANY will have to be impaired.

The economic and market environment of businesses partnering with SANY is marked by the changes experienced by the Chinese economy, which has no longer been able to record double-digit growth rates in recent years. The assumptions made for the purpose of identifying a triggering event for impairment were based on the underlying assumption that the Chinese construction machinery market, in particular, would stabilize in the years to come and growth would be possible again. Despite the fact that demand declined in 2014 and 2015, PALFINGER sees further growth potential in the mobile crane, crawler crane and truck mounted crane markets due to the multitude of planned infrastructure projects and the new 5-year plan for 2016-2020. Moreover, the Company's share in the market for mobile, crawler and truck mounted cranes is expected to grow due to the withdrawal of competitors and the internationalization and diversification strategy. For the above reasons, the temporary slump in demand and market is not seen as an indication for impairment of the investments so that according to IFRS there was no need to perform an impairment test. Moreover, demand for mobile cranes and crawler cranes has shown an increasingly positive development in the sales regions of Palfinger Sany International Mobile Cranes Sales.

The carrying amounts and further details on investments in companies reported at equity are described in Note (31) Investments in companies reported at equity.

(5) Measurement of receivables

Besides standardized measurement of receivables on the basis of experience regarding days overdue and country risk, the probability of receiving payment is taken into consideration by means of specific bad-debt allowances. In doing so, primarily previous experience with the respective customers, their creditworthiness and available collateral, if any, are taken into account. Impairment losses on receivables are presented in Note (36) Trade receivables. Bad debts are derecognized.

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

Revenue from contract manufacturing and the rendering of services is recognized in accordance with the percentage of completion method. When applying this method, PALFINGER estimates the share of services already performed by the balance sheet date in proportion to the overall scope of orders and the order costs yet to be incurred. Imminent losses are immediately recognized as expenses if total contract costs are likely to exceed the contract revenue. Especially in the case of technically complex and demanding projects, there is the risk that this estimate of total costs may deviate from the actual costs incurred. Further details on revenue generated from contract manufacturing and the rendering of services are available in Note (15) Revenue and Note (36) Trade receivables.

(7) Measurement of inventories

A standardized obsolescence measurement method was implemented in order to allow for the risk of obsolescene. 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 (35) Inventories.

(8) 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 loss carry forwards not subject to expiry, their usability during the next five years is taken as the decisive factor. For the purpose of determining the amount of the deferred tax asset that may be capitalized, material judgements by the management on the anticipated time of occurrence and the amount of the future taxable income as well as on the future tax planning strategies are required. Further details on deferred taxes are disclosed in Note (32) Deferred tax assets and liabilities.

(9) Pensions, severance payments and anniversary bonuses

The expenses for defined benefit plans and statutory obligations upon termination of employment as well as entitlements to anniversary bonuses are determined on the basis of actuarial calculations. The actuarial assessment is based on assumptions 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 (51) Non-current provisions.

(10) Guarantee and warranty expenses

When forming provisions for guarantee and warranty expenses, guarantee and warranty obligations are taken into consideration using a standardized method. This method is influenced considerably by the time of occurrence of the warranty claim, specific product replacement campaigns, refund quotas of suppliers, the development of the revenue subject to warranty and assumptions of gross profit margins on the basis of the implemented warranty process. Provisions for guarantee and warranty expenses are presented in Note (53) Current provisions.

(11) Liabilities from puttable non-controlling interests

This item comprises puttable and fixed-term equity interests with put options that are reported at fair value. As their fair value depends on the development of earnings of the entities concerned, a change in fair value may become necessary should the development be different than expected. These estimates are based on the medium-term corporate strategic planning of the PALFINGER Group. For details, please refer to Note (48) and the disclosures regarding financial instruments (55).

(12) Non-current purchase price liabilities from acquisitions

The item non-current purchase price liabilities from acquisitions comprises purchase price portions not yet fallen due that depend on the future development of the earnings of the acquired entities. Therefore, a change in the expected underlying values may result in an adjustment of the reported values through the income statement. These estimates are based on the medium-term corporate strategic planning of the PALFINGER Group. For details, please refer to Note (50) and the disclosures regarding financial instruments (55).

(13) Cash flow hedges

For the purposes of cash flow hedge accounting, a high probability of the respective future cash flows actually occurring is assumed. Details are disclosed in Note (55) Financial instruments.

(14) Changes in estimates

No major changes in estimates were made in the 2016 financial year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(15) Revenue

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
European Union	585,505	685,922
Rest of Europe	63,890	83,957
North America	286,582	296,470
Central and South America	43,477	33,675
CIS	67,773	83,447
Middle East and Africa	55,836	53,569
Far East	126,829	119,972
Total	**1,229,892**	**1,357,012**

The classification by geographical area is governed by the customer's registered office. Revenue of EUR 68,674 thousand (previous year: EUR 58,010 thousand) was achieved with Austrian customers.

Revenue recorded in the European Union increased primarily in Germany, France and Italy. The increase achieved in the Rest of Europe chiefly relates to the Marine business area in Norway, where the acquisition of the Harding Group was an important factor. Thanks to PALFINGER's consistent implementation of its internationalization strategy, revenue generated outside Europe has been rising constantly. In North America and CIS, PALFINGER managed to increase revenue. The decline in Central and South America was predominantly due to the weak economies.

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Revenue invoiced	1,106,553	1,223,243
Revenue from contract manufacturing and rendering of services	123,339	133,769
Total	**1,229,892**	**1,357,012**

Revenue from contract manufacturing rose primarily in the Railway Systems business unit and the Marine business area, primarily as a result of the acquisition of the Harding Group. Revenue arising from the rendering of services came from Megarme and the service companies of Harding and related to services recognized under the percentage of completion method.

(16) Other operating income

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Income from the disposal of intangible assets and property, plant and equipment	948	232
Income from charges for services	2,321	2,828
Exchange rate differences	9,023	3,907
Insurance income	354	213
Rental income	376	429
Miscellaneous other operating income	3,898	5,449
Total	**16,920**	**13,058**

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

For details on exchange rate differences, see Note (55) Financial instruments, item 3 Foreign exchange risk.

(17) Cost of sales

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Changes in inventories and own work capitalized	11,327	(7,297)
Materials and external services	(632,636)	(667,904)
Employee benefits expenses	(199,385)	(225,184)
Depreciation, amortization and impairment	(30,190)	(35,457)
Outgoing freight costs	(18,499)	(18,785)
Guarantees and warranties	(10,855)	(11,736)
Repairs and maintenance	(9,948)	(11,269)
Rentals and leases	(6,947)	(7,856)
Commissions	(5,331)	(4,263)
Temporary workers and other third-party services	(7,191)	(9,354)
Energy infrastructure	(5,728)	(5,979)
Travel expenses	(4,676)	(5,870)
Vehicle fleet	(2,925)	(3,116)
Consultancy services	(1,751)	(2,187)
Miscellaneous other expenses	(6,000)	(6,767)
Total	**(930,735)**	**(1,023,024)**

Cost of sales increased slightly less than revenue, which is why the gross profit margin went up from 24.3 per cent to 24.6 per cent.

(18) Research and development costs

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Changes in inventories and own work capitalized	9,905	12,746
Materials and external services	(761)	(2,976)
Employee benefits expenses	(26,850)	(30,846)
Depreciation, amortization and impairment	(1,416)	(873)
Income from research grants	1,379	2,008
Consultancy services	(2,231)	(2,303)
Temporary workers and other third-party services	(1,486)	(1,452)
Travel expenses	(937)	(915)
Miscellaneous other expenses	(1,824)	(2,051)
Total	**(24,221)**	**(26,662)**

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

Amortization and impairment of development costs in the amount of EUR 6,203 thousand (previous year: EUR 4,243 thousand) is reported under cost of sale. Therefore, total research and development expenses come to EUR 32,865 thousand (previous year: EUR 28,464 thousand), hence 2.4 per cent (previous year: 2.3 per cent) of revenue.

(19) Distribution costs

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Changes in inventories and own work capitalized	(81)	(74)
Materials and external services	(1,792)	(1,178)
Employee benefits expenses	(51,164)	(58,721)
Depreciation, amortization and impairment	(4,823)	(6,685)
Advertising, representation and market costs	(8,535)	(10,403)
Travel expenses	(6,627)	(7,168)
Temporary workers and other third-party services	(1,234)	(1,350)
Vehicle fleet	(2,536)	(2,780)
Transport costs	(1,657)	(1,707)
Consultancy services	(1,265)	(1,786)
Office and IT expenses	(1,309)	(1,757)
Miscellaneous other expenses	(2,866)	(3,759)
Total	**(83,889)**	**(97,368)**

(20) Administrative costs

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Changes in inventories and own work capitalized	618	(2)
Materials and external services	(38)	(100)
Employee benefits expenses	(53,715)	(63,501)
Depreciation, amortization and impairment	(4,527)	(6,932)
Consultancy services	(7,919)	(10,268)
Temporary workers and other third-party services	(5,803)	(6,184)
Office and IT expenses	(5,831)	(5,589)
Travel expenses	(3,817)	(4,106)
Vehicle fleet	(2,637)	(2,799)
Advertising, representation and market costs	(1,686)	(1,978)
Rentals and leases	(3,475)	(4,352)
Taxes other than those on income	1,877	(2,093)
Insurance	(1,953)	(2,530)
Repair and maintenance	(1,159)	(1,586)
Bank charges	(963)	(1,069)
Miscellaneous other expenses	(3,470)	(307)
Total	**(94,498)**	**(113,396)**

FEES CHARGED BY THE AUDITOR

For services provided in the 2016 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 2015	Jan–Dec 2016
Audit of the consolidated financial statements and related certification services (including reviews)	(709)	(1,063)
of which Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	(233)	(315)
Tax advice	(194)	(128)
Other services	(106)	(35)
Total	**(1,009)**	**(1,226)**

(21) Other operating expenses

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Losses on the disposal of intangible assets and property, plant and equipment	(366)	(322)
Losses on bad debt and impairment losses	(2,779)	(942)
Exchange rate differences	(8,738)	(2,837)
Damage costs	(325)	(713)
Expenses in connection with other income	(811)	(947)
Allocation default reserve from factoring	0	(272)
Allocation provision for legal disputes	(94)	(22)
Contractual penalty	(386)	(451)
Miscellaneous other operating expenses	(3,557)	(4,239)
Total	**(17,056)**	**(10,745)**

(22) Income from companies reported at equity

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

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Share in the net result for the period	7,786	7,174
Negative difference from initial consolidation	176	0
Total	**7,962**	**7,174**

(23) Materials and external services

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Cost of materials	(590,186)	(622,952)
Cost of external services	(45,041)	(49,206)
Total	**(635,227)**	**(672,158)**

For details on the impairment losses on inventories reported under cost of materials, see Note (35) Inventories. Cost of materials primarily relates to metal components such as sheets, pipes and profiles, as well as purchased parts, and electrical and hydraulic components.

(24) Employee benefits expenses

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Wages and salaries	(255,648)	(291,854)
Expenses for severance payments	(3,547)	(4,152)
Pension expenses	(2,335)	(3,579)
Expenses for statutory social security contributions and other pay-related contributions	(53,036)	(60,705)
Other employee benefits	(16,548)	(17,962)
Total	**(331,114)**	**(378,252)**

Expenses for severance payments include payments made under defined contribution plans in the amount of EUR 1,515 thousand (previous year: EUR 964 thousand), which, in turn, include payments made to external severance pay funds for employees, totalling EUR 813 thousand (previous year: EUR 732 thousand).

Pension expenses include expenses under defined contribution plans amounting to EUR 3,224 thousand (previous year: EUR 2,145 thousand).

No 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 2016 financial year (previous year: EUR 2 thousand).

(25) Depreciation, amortization and impairment expenses

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Depreciation and amortization	(40,955)	(48,679)
Impairment	0	(1,269)
Total	**(40,955)**	**(49,948)**

The development of depreciation, amortization and impairment is discussed in detail in Note (28) Intangible assets, Note (29) Property, plant and equipment and Note (30) Investment property.

The impairment recorded in 2016 refers to assets under construction in the Netherlands, construction of which was discontinued in the course of the restructuring measures implemented in the marine business. The plot of land included in these assets is reported as non-current assets held for sale. See Note (29).

(26) Interest result and other financial result

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

Jan–Dec 2015		Financial instruments acc. to IAS 39	
EUR thousand	**Total**	**Loans and receivables**	**Financial liabilities at amortized cost**
Interest income	1,730	1,730	0
Interest expenses from financial liabilities	(10,882)	0	(10,648)
Other interest expenses	(1,553)	0	0
Interest result	**(10,705)**	**1,730**	**(10,648)**
Income from the disposal of financial assets	40	0	0
Write-up of financial assets	(4)	0	0
Exchange rate differences	(732)	(592)	0
Net result	**(696)**	**(592)**	**0**
Net financial result	**(11,401)**	**1,138**	**(10,648)**

Jan–Dec 2016		Financial instruments acc. to IAS 39	
EUR thousand	**Total**	**Loans and receivables**	**Financial liabilities at amortized cost**
Interest income	2,387	2,039	0
Interest expenses from financial liabilities	(11,824)	0	(11,587)
Other interest expenses	(2,187)	0	0
Interest result	**(11,624)**	**2,039**	**(11,587)**
Valuation of financial liabilities	642	0	0
Income from the disposal of financial assets	35	0	0
Loss from the disposal of financial assets	(3)	0	0
Write-up of financial assets	1	0	0
Impairment of financial assets	(3)	0	0
Exchange rate differences	(1,884)	(1,838)	0
Net result	**(1,212)**	(1,838)	0
Net financial result	**(12,836)**	**201**	**(11,587)**

Financial instruments acc. to IAS 39				
Available for sale	Held for trading / other derivatives	Other non-current provisions and purchase price liabilities	Non-current provisions acc. to IAS 19	Finance lease
0	0	0	0	0
0	0	0	0	(234)
0	0	(699)	(854)	0
0	**0**	**(699)**	**(854)**	**(234)**
40	0	0	0	0
(4)	0	0	0	0
0	118	(258)	0	0
36	**118**	**(258)**	**0**	**0**
36	**118**	**(957)**	**(854)**	**(234)**

Financial instruments acc. to IAS 39				
Available for sale	Held for trading / other derivatives	Other non-current provisions and purchase price liabilities	Non-current provisions acc. to IAS 19	Finance lease
0	348	0	0	0
0	0	0	0	(237)
0	0	(1,241)	(946)	0
0	**348**	**(1,241)**	**(946)**	**(237)**
0	0	642	0	0
35	0	0	0	0
(3)	0	0	0	0
1	0	0	0	0
(3)	0	0	0	0
0	421	(467)	0	0
30	**421**	**175**	**0**	**0**
30	**769**	**(1,066)**	**(946)**	**(237)**

(27) 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 2015	Jan–Dec 2016
Effective tax expense (–)/income (+)	(12,942)	(21,926)
thereof from previous years	(440)	1,088
thereof from the use of tax-loss carry forwards so far not used	388	325
Deferred tax expense (–)/income (+)	(8,451)	(2,005)
thereof from the recognition of tax-loss carry forwards from previous years	201	1,216
thereof due to tax rate changes	140	407
thereof from the adjustment of tax-loss carry forwards	0	(115)
Total	**(21,393)**	**(23,931)**

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

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Result before income tax	**92,974**	**93,213**
Tax rate payable by the Group	25.0%	25.0%
Book income tax expense	**23,243**	**23,303**
Adjustment to foreign tax rates	(831)	(917)
Tax-reducing factors		
Research and education allowances	(586)	(424)
Investment grants	(246)	(378)
Tax rate changes	(299)	(621)
Tax-free income from investments measured at equity	(1,991)	(1,794)
Reversal of non-taxable provisions	(64)	(44)
Other income not subject to tax	(358)	(580)
Recognition and use of loss carry forwards from previous years	(590)	(1,216)
Income tax from previous years	(496)	(1,862)
Reversal of impairment of deferred taxes	0	(50)
Valuation of investments and intra-group valuation of receivables	0	(1,305)
	(4,629)	**(8,274)**
Tax-increasing factors		
Tax rate changes	15	112
Non-capitalized loss carry forwards	509	3,447
Impairment of loss carry forwards	0	115
Non-tax-deductible expenses	1,455	2,463
Minimum taxes	153	134
Income tax from previous years	678	1,932
Non-deductible withholding taxes	58	556
Consolidation effects	332	225
Other tax-increasing factors	410	835
	3,610	**9,819**
Income tax expense	**21,393**	**23,931**

NOTES TO THE CONSOLIDATED BALANCE SHEET

(28) Intangible assets

The following table shows the movement in intangible assets:

EUR thousand	Goodwill
Acquisition cost	
As at 1 Jan 2015	**120,837**
Corporate acquisitions	7,131
Additions	0
Disposals	0
Reclassifications	0
Foreign currency translation	(638)
As at 31 Dec 2015	**127,330**
As at 1 Jan 2016	**127,330**
Corporate acquisitions	104,302
Additions	0
Disposals	0
Reclassifications	0
Foreign currency translation	7,650
As at 31 Dec 2016	**239,282**
Accumulated amortization and impairment	
As at 1 Jan 2015	**0**
Corporate acquisitions	0
Amortization	0
Impairment	0
Disposals	0
Reclassifications	0
Foreign currency translation	0
As at 31 Dec 2015	**0**
As at 1 Jan 2016	**0**
Corporate acquisitions	0
Amortization	0
Impairment	0
Disposals	0
Reclassifications	0
Foreign currency translation	3
As at 31 Dec 2016	**3**
Carrying amounts as at 31 Dec 2015	**127,330**
Carrying amounts as at 31 Dec 2016	**239,279**

Intangible assets with indefinite useful lives	Development expenditure	Brands, customer base and order backlog	Other intangible assets	Prepayments	Total
27,216	**36,999**	**58,430**	**17,375**	**15**	**260,872**
0	1,645	267	18	0	9,061
0	10,063	0	2,816	37	12,916
0	(225)	0	(485)	(6)	(716)
0	0	0	101	(10)	91
976	(4)	1,378	(250)	(2)	1,460
28,192	**48,478**	**60,075**	**19,575**	**34**	**283,684**
28,192	**48,478**	**60,075**	**19,575**	**34**	**283,684**
0	23,737	25,744	7,490	0	161,273
0	13,186	0	1,444	71	14,701
0	(332)	0	(38)	(30)	(400)
0	203	0	(567)	(30)	(394)
1,352	994	519	509	1	11,025
29,544	**86,266**	**86,338**	**28,413**	**46**	**469,889**
0	**10,693**	**35,227**	**13,568**	**0**	**59,489**
0	0	0	2	0	2
0	4,243	4,045	1,633	0	9,921
0	0	0	0	0	0
0	(41)	0	(377)	0	(418)
0	0	0	0	0	0
0	93	391	(211)	0	273
0	**14,988**	**39,663**	**14,615**	**0**	**69,269**
0	**14,988**	**39,663**	**14,615**	**0**	**69,269**
0	6,135	0	1,072	0	7,207
0	6,203	4,987	2,203	0	13,393
0	0	0	0	0	0
0	(257)	0	(41)	0	(298)
0	25	0	(66)	0	(41)
0	283	(868)	329	0	(253)
0	**27,377**	**43,782**	**18,112**	**0**	**89,277**
28,192	**33,490**	**20,412**	**4,960**	**34**	**214,415**
29,544	**58,889**	**42,556**	**10,301**	**46**	**380,612**

GOODWILL

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

EUR thousand	31 Dec 2015	31 Dec 2016
Business area EMEA cash-generating unit	45,814	47,917
Business area Marine cash-generating unit	60,256	166,184
ETI cash-generating unit	6,749	6,970
Business area CIS cash-generating unit	13,572	17,028
Business area Americas (excl. ETI) cash-generating unit	939	1,180
Total	**127,330**	**239,279**

Since the beginning of September 2016, the areas North America and South America have been undergoing reorganization and are henceforth combined in the business area Americas. As a result of the changes in the management of the business area Americas and the changed reporting, goodwill was reallocated. In the future, goodwill will be managed and monitored at the level of the business area Americas (excl. ETI) cash-generating unit. The integration of the two business areas continues to progress, and interlinking them is part of the strategy pursued by the Management Board. In the future, management as well as the distribution and service policy will be performed jointly.

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

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

EUR thousand	31 Dec 2015	31 Dec 2016
Business area EMEA		
MBB brand	5,840	5,840
Nimet brand	4,966	4,950
Business area Marine		
Megarme brand	6,002	6,223
Business area Americas (excl. ETI)		
OMAHA STANDARD brand	2,036	2,103
American Roll-off brand	633	654
ETI		
ETI brand	5,231	5,403
Business area CIS		
INMAN brand	1,410	1,769
Velmash brand	2,074	2,602
Total	**28,192**	**29,544**

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

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

The recoverable amount of the cash-generating units is determined by calculating a value in use on the basis of an estimate of the future cash flows for a period of four or five years. Subsequently, the cash flows are extrapolated at a constant rate.

The most recent strategic corporate planning was prepared in November 2014. The Management Board decided to post-pone the next strategic corporate planning until 2017, and only rolling wave planning was carried out until the end of 2017. For this reason, a deviation analysis was carried out in 2016 on the basis of the actual values for 2015 and 2016 and the rolling wave planning for 2017. Where significant deviations from the plan occurred, new plans were prepared. Where deviations were insignificant, the impairment tests carried out in the previous year were taken as a basis, given that the assets and liabilities arising from the cash-generating units, to which intangible assets with indefinite useful lives are allocated, have not changed significantly; the most recent calculation of the recoverable amount showed a clear excess over the carrying amounts of the respective cash-generating units; it is highly unlikely that an impairment loss will have to be recorded, even taking into account the other changes that have occurred in the meantime.

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

	Pre-tax discount rate	
in per cent	**2015**	**2016**
Business area EMEA cash-generating unit	8.9	8.1
Business area Marine cash-generating unit	9.6	8.7
Business area Americas (excl. ETI) cash-generating unit	–	11.6
ETI cash-generating unit	12.1	10.7
Business area CIS cash-generating unit	18.2	16.6

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

The sensitivity analysis also determined that if the EBITs for the years 2017 to 2021 decrease by 10 per cent, provided that all other parameters remain unchanged, the carrying amounts will still be covered and there will be no need for impairment.

For cash-generating units containing no goodwill or intangible assets with indefinite useful lives, no impairment tests were carried out, as there was no indication of potential 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. Thus, corporate planning is based on previous results as well as on current forecasts of future market developments.

DEVELOPMENT EXPENDITURE

In the 2016 financial year, PALFINGER capitalized development expenditure of EUR 13,186 thousand (previous year: EUR 10,063 thousand) as internally generated intangible assets.

In the course of the purchase price allocation for the acquisition of the Harding Group, EUR 14,730 thousand was capitalized for technology.

BRANDS, CUSTOMER BASE AND ORDER BACKLOG

In the course of the purchase price allocation for the acquisition of the Harding Group, EUR 17,675 thousand was capitalized for customer base, EUR 1,320 thousand for brand and EUR 1,065 thousand for order backlog.

In the 2016 financial year, EUR 3,900 thousand (previous year: EUR 2,918 thousand) was recorded for the amortization of customer bases and order backlogs.

(29) Property, plant and equipment

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

EUR thousand	Land and buildings
Acquisition cost	
As at 1 Jan 2015	**179,378**
Corporate acquisitions and disposals	0
Additions	4,044
Disposals	(1,411)
Reclassifications	8,538
Foreign currency translation	1,979
As at 31 Dec 2015	**192,528**
As at 1 Jan 2016	**192,528**
Corporate acquisitions	19,759
Additions	5,711
Investment grants	0
Disposals	(1,544)
Reclassifications	1,659
Reclassifications held for sale	0
Foreign currency translation	5,707
As at 31 Dec 2016	**223,820**
Accumulated depreciation and impairment	
As at 1 Jan 2015	**47,174**
Corporate acquisitions and disposals	0
Depreciation	6,069
Impairment	0
Reversal of impairment losses	(339)
Additional capitalization	0
Disposals	(401)
Reclassifications	0
Foreign currency translation	(22)
As at 31 Dec 2015	**52,481**
As at 1 Jan 2016	**52,481**
Corporate acquisitions	9,233
Depreciation	6,756
Impairment	6
Reversal of impairment losses	0
Disposals	(1,066)
Reclassifications	(206)
Foreign currency translation	1,466
As at 31 Dec 2016	**68,670**
Carrying amounts as at 31 Dec 2015	**140,047**
Carrying amounts as at 31 Dec 2016	**155,150**

Undeveloped land	Plant and machinery	Other plant, fixtures, fittings and equipment	Prepayments and assets under construction	Total
1,914	**172,648**	**81,289**	**19,907**	**455,136**
0	998	23	0	1,021
44	12,035	19,322	12,632	48,077
0	(3,208)	(5,463)	(99)	(10,181)
0	7,961	1,864	(18,454)	(91)
56	(404)	2,732	(1,222)	3,141
2,014	**190,030**	**99,767**	**12,764**	**497,103**
2,014	**190,030**	**99,767**	**12,764**	**497,103**
0	7,858	7,156	0	34,773
0	16,177	13,323	26,000	61,211
0	95	28	0	123
0	(5,747)	(8,416)	(13)	(15,720)
0	10,824	1,284	(13,373)	394
0	0	0	(1,893)	(1,893)
18	5,987	2,346	681	14,739
2,032	**225,224**	**115,488**	**24,166**	**590,730**
55	**109,294**	**47,603**	**0**	**204,126**
0	(14)	(17)	0	(31)
21	14,944	9,980	0	31,014
0	0	0	0	0
(390)	110	108	0	(511)
0	0	0	0	0
0	(2,534)	(3,959)	0	(6,894)
0	(52)	52	0	0
12	(424)	1,051	0	617
(302)	**121,324**	**54,818**	**0**	**228,321**
(302)	**121,324**	**54,818**	**0**	**228,321**
0	4,658	4,822	0	18,713
21	16,646	11,849	0	35,272
5	0	2	1,256	1,269
0	(3)	0	0	(3)
0	(4,759)	(5,447)	0	(11,272)
0	177	70	0	41
(9)	3,236	1,382	0	6,075
(285)	**141,279**	**67,496**	**1,256**	**278,416**
2,316	**68,706**	**44,949**	**12,764**	**268,782**
2,317	**83,945**	**47,992**	**22,910**	**312,314**

Additions relate primarily to the expansion of production in Eastern Europe, the establishment of a new distribution site in Germany, the modernization of the production facilities in Russia and the expansion of the service and fleet business in North America, as well as the expansion of a production and service plant in the marine business. Apart from that, investments were also made in the new brand environment in Austria.

Land and buildings include the real property values of developed properties amounting to EUR 31,174 thousand (previous year: EUR 29,998 thousand). Prepayments and assets under construction are reported at cost and represent assets which were under construction as at the balance sheet date, totalling EUR 21,605 thousand (previous year: EUR 12,018 thousand).

A purchase option agreement was concluded in 2012, obligating and/or authorizing PALFINGER to acquire additional plots of land next to the plot of land where the new group headquarters is located, with a total area of approx. 19,000 m^2, after five or ten years following the planned rezoning of the plots of land. The exercise price of the option to acquire these additional properties amounts to EUR 4,353 thousand plus an adjustment for inflation up to the date of exercise of the purchase option.

In the period under review, no borrowing costs on qualifying assets were capitalized (previous year: EUR 39 thousand). Provided that there is no specific financing agreement, the weighted interest rate on borrowings applied by the PALFINGER Group in the amount of 1.75 per cent (previous year: 2.06 per cent) is used.

In the 2016 financial year, government grants amounting to EUR 123 thousand (previous year: EUR 0) were taken into account as reductions of acquisition and/or manufacturing costs in accordance with IAS 20.

As at 31 December 2016, the carrying amount of property, plant and equipment pledged as collateral for liabilities amounted to EUR 916 thousand (previous year: EUR 642 thousand).

Non-current assets held for sale in the amount of EUR 1,893 thousand referred to a plot of land that will be sold in 2017 and refers to the SEA segment. The property will be measured at the agreed purchase price less costs to sell. An impairment loss was recorded for the related assets under construction (see Note [25]).

(30) Investment property

As at 31 December 2016, investment property included acquisition costs totalling EUR 832 thousand (previous year: EUR 832 thousand) and had a carrying amount of EUR 328 thousand (previous year: EUR 348 thousand). Depreciation and impairment amounted to EUR 20 thousand (previous year: EUR 20 thousand) in the reporting period. As at 31 December 2016, the fair value of investment property came to EUR 527 thousand (previous year: EUR 547 thousand). The fair value was determined on the basis of calculations made internally. This was a Level 3 fair value measurement made by means of acknowledged calculation models. Calculation was based on an expert opinion prepared in 2005 by an independent expert on the basis of sales prices observed in the market for similar properties. The standard land value has not changed since then. The building values were adjusted for depreciation.

Rental income from the lease of investment property amounted to EUR 63 thousand (previous year: EUR 61 thousand), and directly attributable operating expenses were EUR 20 thousand (previous year: EUR 20 thousand).

(31) Investments in companies reported at equity

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

EUR thousand	2015	2016
As at 1 Jan	**160,514**	**175,675**
Additions	1,317	0
Capital increase	1,700	0
Share in the net result for the period	7,962	7,174
Dividends	(3,968)	(5,312)
Foreign currency translation	8,150	(5,666)
As at 31 Dec	**175,675**	**171,871**

The negative difference of EUR 176 thousand arising from the Crane Center Kamaz OOO transaction was reported as income under income from companies reported at equity in 2015.

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

	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co., Ltd.		Sany Palfinger SPV Equipment Co., Ltd.[1]	
EUR thousand	Jan–Dec 2015	Jan–Dec 2016	Oct 2014–Sept 2015	Oct 2015–Sept 2016	Jan–Dec 2015	Jan–Dec 2016
Revenue	96,275	111,178	412,265	352,694	43,756	25,185
Result after income tax	5,168	6,201	10,275	13,394	5,413	732
Other comprehensive income after income tax	0	0	84,392	(47,861)	2,455	(1,601)
Total comprehensive income	5,168	6,201	94,667	(34,467)	7,868	(869)
EUR thousand	31 Dec 2015	31 Dec 2016	30 Sept 2015	30 Sept 2016	31 Dec 2015	31 Dec 2016
Non-current assets	2,263	2,533	359,332	345,742	7,510	9,660
Current assets	44,732	46,257	420,062	315,080	58,300	54,823
Non-current liabilities	0	0	7,223	2,824	0	108
Current liabilities	20,856	21,226	386,431	286,195	20,630	20,107
Net assets	**26,138**	**27,564**	**385,739**	**371,803**	**45,180**	**44,268**
EUR thousand	2015	2016	2015	2016	2015	2016
Shares/voting rights	**49%**	**49%**	**10%**	**10%**	**50%**	**50%**
Carrying amounts as at 1 Jan	**12,292**	**11,891**	**125,595**	**135,062**	**18,602**	**22,536**
Additions	0	0	0	0	0	0
Share in the net result for the period	2,532	3,038	1,028	1,339	2,707	366
Foreign currency translation	0	0	8,439	(4,786)	1,228	(801)
Dividends	(2,933)	(2,400)	0	(1,366)	0	0
Carrying amounts as at 31 Dec	**11,891**	**12,529**	**135,062**	**130,249**	**22,536**	**22,101**
of which goodwill	0	0	96,488	93,069	0	0
of which downstream sales	(917)	(977)	0	0	(54)	(33)
of which pro-rata net assets	12,808	13,506	38,574	37,180	22,590	22,134

1) At the balance sheet date, the company's cash and cash equivalents were EUR 6,188 thousand (previous year: EUR 19,130 thousand). The company did not have any financial liabilities. In the reporting period depreciation and amortization came to EUR 556 thousand (previous year: EUR 465 thousand), interest income amounted to EUR 336 thousand (previous year: EUR 641 thousand) and tax expenses to –EUR 104 thousand (previous year: tax income of –EUR 1,327 thousand).

Palfinger France S.A.S. is a dealer for PALFINGER's products in France. SANY Automobile Hoisting Machinery Co., Ltd. is a strategic partner. Sany Palfinger SPV Equipment Co. Ltd. is the Group's production and distribution company in China.

The tables below contain summarized schedules of the financials for the associated companies and joint ventures which are not material to the Group and included according to the equity method. In each case, the information given refers to the share held by PALFINGER in these companies.

EUR thousand	2015	2016
Carrying amounts of investments in associated companies	**6,102**	**6,658**
Result after income tax	2,205	2,221
Other comprehensive income after income tax	(1,581)	(119)
Total comprehensive income	624	2,102

EUR thousand	2015	2016
Carrying amounts of investments in joint ventures	**85**	**333**
Result after income tax	(509)	209
Other comprehensive income after income tax	65	39
Total comprehensive income	(444)	249

(32) Deferred tax assets and liabilities

EUR thousand	31 Dec 2015	31 Dec 2016
Deferred tax assets		
Non-current assets		
Intangible assets – different useful lives	395	629
Intangible assets – tax deductible goodwill	1,440	1,187
Property, plant and equipment – different useful lives	1,063	1,914
Non-current financial assets – financial asset write-downs not yet taxed	2,169	968
Other non-current assets	0	117
	5,067	**4,815**
Current assets		
Inventories – elimination of intercompany profits, differences in tax measurement of manufacturing costs	4,966	5,531
Trade receivables – differences in tax measurement of impairment losses	1,116	1,290
Other current assets – severance payments not yet taxed	300	332
	6,382	**7,153**
Non-current liabilities		
Non-current provisions – different recognition of employee benefits provisions IAS 19	7,268	8,263
of which deferred taxes directly recognized in other comprehensive income	2,837	3,489
Other non-current liabilities	5,098	4,047
of which deferred taxes directly recognized in other comprehensive income	4,798	3,747
	12,366	**12,310**
Current liabilities		
Current financial liabilities – lease financing	198	0
Current provisions – different recognition of provisions for guarantee expenses	2,339	3,080
Trade payables and other current liabilities	1,468	1,417
	4,005	**4,497**
Total deferred tax assets	**27,821**	**28,775**

EUR thousand	31 Dec 2015	31 Dec 2016
Deferred tax liabilities		
Non-current assets		
Intangible assets – acquisitions, development expenditure	(18,707)	(29,012)
Property, plant and equipment – different useful lives	(8,469)	(9,383)
Non-current financial assets	(2,955)	(5,119)
of which deferred taxes directly recognized in other comprehensive income	(2,304)	(2,811)
	(30,132)	**(43,514)**
Current assets		
Inventories – differences in tax measurement of manufacturing costs	(419)	(843)
Trade receivables – contract manufacturing (POC)	(3,604)	(6,701)
Other current assets – differences in tax measurement	(2,025)	(2,927)
of which deferred taxes directly recognized in other comprehensive income	0	0
	(6,049)	**(10,471)**
Non-current liabilities		
Non-current financial liabilities — differences in tax measurement	0	(270)
Non-current provisions	(153)	(107)
of which deferred taxes directly recognized in other comprehensive income	0	(2)
	(153)	**(379)**
Current liabilities		
Current provisions – different recognition of provisions for guarantee expenses	(489)	(481)
Trade payables and other current liabilities	(1,060)	(746)
	(1,549)	**(1,227)**
Total deferred tax liabilities	**(37,882)**	**(55,591)**
Deferred tax assets on loss carry forwards	**15,197**	**21,649**
Deferred taxes	**5,136**	**(5,167)**
thereof		
deferred tax assets	14,784	18,128
deferred tax liabilities	(9,648)	(23,295)

Deferred taxes contain deferred tax assets directly recognized in other comprehensive income of EUR 4,020 thousand (previous year: EUR 4,955 thousand) and deferred tax liabilities directly recognized in other comprehensive income of –EUR 403 thousand (previous year: –EUR 376 thousand).

Tax-loss carry forwards are comprised of the following:

	Non-capitalized loss carry forwards		Capitalized loss carry forwards	
EUR thousand	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016
Loss carry forwards subject to expiry				
within one year	0	841	482	891
within two years	0	25	1,211	933
within three years	0	0	949	0
within four years	0	220	0	1,406
within five years	228	1,697	1,457	0
after more than five years	16,614	38,272	21,261	29,053
Loss carry forwards not subject to expiry	27,089	26,812	23,887	40,334
Total	**43,931**	**67,867**	**49,247**	**72,617**

For tax-loss carry forwards of EUR 67,867 thousand (previous year: EUR 43,931 thousand), no deferred tax assets were recognized by the Group, since their effectiveness as definite tax relief within the scope of medium-term planning is not yet sufficiently secured.

For temporary differences in the amount of EUR 283,491 thousand from investments in subsidiaries and joint ventures, deferred taxes in the amount of EUR 53,505 thousand existed as at 31 December 2016. For these differences, no deferred tax liabilities were recognized according to IAS 12.39, as PALFINGER is able to control the timing of the reversal of the temporary differences and it is probable that these temporary differences will not be reversed in the foreseeable future.

(33) Non-current financial assets

Non-current financial assets are comprised of the following:

EUR thousand	31 Dec 2015	31 Dec 2016
Loans	2,343	3,830
Financial receivables from related parties	27,891	25,183
Securities	1,138	1,137
Cash at banks	631	1,976
Other shareholdings	0	119
Derivative financial instruments	0	461
Total	**32,003**	**32,706**

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

Receivables from related parties refer to accounts receivable from Hubert Palfinger Technologies GmbH in the amount of EUR 28,759 thousand (previous year: EUR 30,016 thousand) (of which EUR 25,164 thousand are non-current receivables and EUR 3,595 thousand are current receivables); an instalment plan for repayment over the next eight years has been agreed. Observance of this instalment plan has been secured by various forms of collateral provided by related parties (guarantees, pledging of lease proceeds) outside Hubert Palfinger Technologies GmbH so that no impairment loss for the overall accounts receivable of EUR 28,759 thousand has to be recorded. Interest payable on the receivables will be in observance of the arm’s length principle.

(34) Other non-current assets

Other non-current assets are the following:

EUR thousand	31 Dec 2015	31 Dec 2016
Prepayments for acquisitions	0	2,663
Employer's pension liability reinsurance and other receivables	2,713	2,839
Deferred expenses	147	171
Miscellaneous other non-current assets	6	42
Total	**2,866**	**5,715**

Prepayments made for corporate acquisitions relate to the acquisition of Capital Investment d.o.o. (see Note [56]).

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

(35) Inventories

Inventories are shown below:

EUR thousand	31 Dec 2015	31 Dec 2016
Materials and production supplies	104,065	111,910
Work in progress	74,650	83,683
Finished goods and goods for resale	83,035	84,429
Prepayments	769	2,680
Total	**262,519**	**282,702**

EUR 576 thousand (previous year: EUR 446 thousand) in inventories was valued at net realizable value.

In the 2016 financial year, an impairment of inventories of EUR 2,880 thousand (previous year: EUR 2,438 thousand) and a reversal of an impairment of inventories from obsolescence measurements of EUR 466 thousand (previous year: EUR 490 thousand) were made and recognized as cost of sales.

(36) Trade receivables

Trade receivables are as follows:

EUR thousand	31 Dec 2015	31 Dec 2016
Receivables from contract manufacturing and rendering of services	34,900	67,699
Invoiced receivables	148,681	183,973
Total	**183,581**	**251,672**

On 19 December 2014, PALFINGER AG, or rather a number of selected Austrian and German subsidiaries of the PALFINGER Group, entered into a factoring agreement with an Austrian bank. Under this factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 60,000 thousand. The receivables sold in connection with the existing factoring agreement amounted to EUR 37,854 thousand (previous year: EUR 34,948 thousand) as at the balance sheet date (31 December 2016) and were fully derecognized in accordance with the rules of IAS 39 due to the transfer of control. Up to a contractually defined amount, PALFINGER continues to bear the risk in connection with credit-risk-related defaults. As at 31 December 2016, the maximum risk of loss resulting therefrom amounted to EUR 699 thousand (previous year: EUR 589 thousand) and corresponded to the maximum deductible. The total risk from the portfolio of receivables was covered in the balance sheet through impairment and the default reserve. The recognition of the expected loss as an expense primarily covered the impact on the income statement during the reporting period.

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

EUR thousand	**31 Dec 2015**	**31 Dec 2016**
Costs incurred	98,132	268,092
Plus profits recognized	17,313	86,709
Minus losses recognized	(2,443)	(1,913)
Progress billings	(78,102)	(285,189)
Receivables from contract manufacturing and rendering of services	**34,900**	**67,699**

Receivables from contract manufacturing increased primarily in the Marine business area, primarily as a result of the acquisition of the Harding Group and projects in the offshore sector.

Based on experience, allowances for doubtful debts of EUR 10,459 thousand (previous year: EUR 8,770 thousand) were made to take into account insolvency risks. These allowances are the following:

	Specific bad-debt allowances		**Standardized bad-debt allowances**	
EUR thousand	**2015**	**2016**	**2015**	**2016**
As at 1 Jan	**4,403**	**4,643**	**3,466**	**4,127**
Change in scope of consolidation	0	285	14	1,560
Allocation	1,425	890	2,357	3,359
Use	(345)	(1,230)	(107)	(272)
Reversal	(577)	(1,015)	(1,885)	(2,292)
Reclassification	46	84	78	(84)
Foreign currency translation	(309)	344	204	60
As at 31 Dec	**4,643**	**4,001**	**4,127**	**6,458**

(37) Current financial assets

Current financial assets are shown below:

EUR thousand	31 Dec 2015	31 Dec 2016
Financing receivables from companies reported at equity	1,682	88
Derivative financial instruments	0	973
Receivable from related parties	2,125	3,595
Other financing receivables	270	481
Total	**4,077**	**5,137**

For details on receivables from related parties, see Note (33).

(38) Other current receivables and assets

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

EUR thousand	31 Dec 2015	31 Dec 2016
Receivables relating to social security and other taxes	12,024	11,269
Other receivables	11,759	14,307
Deferred expenses and indemnification	5,257	7,879
Receivables from companies reported at equity	0	1,697
Total	**29,040**	**35,152**

Other receivables include receivables from the factor under the sale of trade receivables (also see Note [36]).

(39) Cash and cash equivalents

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

EUR thousand	31 Dec 2015	31 Dec 2016
Cash in hand	166	1,180
Cash at banks	21,385	32,742
Total	**21,551**	**33,922**

As at 31 December 2016, there were restraints on the disposal over funds in the amount of EUR 4.6 million.

(40) Share capital

The Company's share capital is divided into 37,593,258 (previous year: 37,593,258) 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. As a result of the issue of 1,863,258 shares to Sany in 2014, the volume of the authorized capital decreased to EUR 8,136,742.

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	2015	2016
As at 1 Jan	**37,301,290**	**37,310,502**
Issue of new shares	0	0
Sale of own shares	806	282,756
Exercise of stock option	8,406	0
As at 31 Dec	**37,310,502**	**37,593,258**

(41) Additional paid-in capital

Additional paid-in capital comprises appropriated and non-appropriated additional paid-in capital as well as reserves according to IFRS 2.

RESERVE ACCORDING TO IFRS 2

The reserve according to IFRS 2 for the stock option programme is as follows:

EUR thousand	2015	2016
As at 1 Jan	**36**	**0**
Allocation	0	0
Use	(36)	0
Reversal	0	0
As at 31 Dec	**0**	**0**

Stock option programme

The Annual General Meeting on 31 March 2010 resolved to grant 50,000 stock options to Christoph Kaml, member of the Management Board. As provided for in the agreement, this 2010 stock option programme was terminated in 2015. Under the 2010 stock option programme, 8,406 options were exercised in 2015, and the remaining options that could have been exercised under this programme lapsed. Further details can be found in the Annual Report 2015.

Thus, changes in stock options were as follows:

Changes in stock options	Christoph Kaml 2015	2016
As at 1 Jan	25,000	0
Options exercised	(8,406)	0
Options lapsed	(16,594)	0
As at 31 Dec	0	0
Exercise price of options exercised	16.57	0
Share price at date of exercise	24.00	0

(42) Treasury stock

As at 31 December 2016, PALFINGER did not have any treasury stock (previous year: 282,756 shares). On 10 February 2016 PALFINGER AG launched its second treasury stock sale programme, which was concluded on 21 June 2016 after all of the Company's 282,756 treasury stock had been sold via the Vienna Stock Exchange.

The Extraordinary General Meeting of 3 November 2011, according to sec. 65 para. 1 (8) as well as paras. 1a and 1b of the Companies Act, authorized the Management Board to acquire no-par-value bearer or registered shares of the Company, in an amount not exceeding 10 per cent of the share capital of the Company via the stock exchange as well as over the counter, with said authorization to remain valid for a period of 30 months from the date of adoption of the resolution. The consideration payable may not be lower than EUR 1.00 per share or higher than EUR 50.00 per share. The Management Board of PALFINGER AG may resolve on the acquisition of shares via the stock exchange but must subsequently inform the Supervisory Board of such resolution. The acquisition of shares over the counter is subject to the prior approval of the Supervisory Board.

Moreover, the Management Board was authorized, for a period of five years according to sec. 65 para. 1b of the Companies Act, subject to the approval of the Supervisory Board, to resolve on a method of selling and/or using own shares other than by sale via the stock exchange or by public offer, also excluding the repurchase right (reverse subscription right) of shareholders, and to determine the conditions of sale.

(43) Foreign currency translation reserve

The change in the foreign currency translation reserve, broken down by currency, is shown in the following table:

EUR thousand	2015	2016
AED	2,102	1,132
BRL	(6,391)	4,469
GBP	420	(1,305)
NOK	(1,587)	3,415
RMB	9,895	(5,737)
RUB	(6,134)	11,911
USD	9,639	3,511
other	(685)	(173)
Total change	**7,259**	**17,223**

(44) 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 2016 financial year, the weighted average number of shares outstanding amounted to 37,460,001 shares (previous year: 37,307,839 shares).

On the basis of the consolidated net result for the period, amounting to EUR 61,173 thousand (previous year: EUR 64,366 thousand), undiluted earnings per share were EUR 1.63 (previous year: EUR 1.73). Diluted earnings per share were identical with undiluted earnings per share.

(45) Retained earnings

Retained earnings increased by EUR 4,476 thousand (previous year: increase of EUR 1,999 thousand) owing to the reclassification of the puttable non-controlling interests from the current earnings of the Company. For details on liabilities from puttable non-controlling interests, see Notes (11) and (48).

DIVIDEND PER SHARE

The following dividends were resolved upon and paid to the shareholders of PALFINGER AG:

	Total EUR thousand	Number of shares	Dividend per share
Dividend resolved for the 2015 financial year (Annual General Meeting of 9 March 2016)	21,267	37,310,502	0.57
Dividend resolved for the 2014 financial year (Annual General Meeting of 11 March 2015)	12,682	37,301,290	0.34

The distribution of the net profit for 2016 reported in the financial statements of PALFINGER AG in accordance with the Business Code is as follows:

	EUR thousand
Net profit for 2016 of PALFINGER AG	48,311
Profit carry forward from 2015	238,786
Total net profit	**287,097**
Annual dividend (EUR 0.57 per share)	21,428
Remaining net profit	**265,669**

The Management Board will propose to the Annual General Meeting of 8 March 2017 to distribute a dividend of EUR 0.57 per share.

(46) Valuation reserves according to IAS 39

As in the previous year, the valuation reserves according to IAS 39 only contain cash flow hedging reserves. Changes in the cash flow hedging reserves are presented in the following table (after taxes):

EUR thousand	2015	2016
Changes in unrealized profits (+)/losses (–)	(8,930)	(1,302)
thereof from		
interest rate swaps	(935)	(980)
forward foreign exchange contracts	(7,995)	(322)
Realized profits (–)/losses (+)	4,426	4,276
thereof from		
interest rate swaps	1,469	1,689
forward foreign exchange contracts	2,957	2,587
Total change	**(4,504)**	**2,974**

(47) Non-controlling interests

The table below contains a summarized schedule of the financials for intra-group eliminations regarding each subsidiary in which significant non-controlling interests are held:

	EPSILON Kran GmbH		Palfinger Iberica Group		Nimet Srl		Guima Palfinger S.A.S.	
EUR thousand	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016
Non-current assets	2,093	1,963	0	9,597	20,145	23,080	8,281	8,058
Current assets	30,393	36,613	0	21,775	12,637	13,346	10,024	11,163
Non-current liabilities	769	807	0	1,195	916	889	1,233	1,267
Current liabilities	16,782	17,380	0	14,822	16,208	17,845	7,284	8,145
Net assets	**14,935**	**20,389**	**0**	**15,355**	**15,658**	**17,692**	**9,788**	**9,809**
Shares/voting rights of non-controlling interests	**35%**	**35%**	**0%**	**25%**	**40%**	**40%**	**35%**	**35%**
Carrying amount of non-controlling interests	5,416	7,324	0	3,847	5,798	6,625	3,371	3,379
EUR thousand	**Jan–Dec 2015**	**Jan–Dec 2016**	**Jan–Dec 2015**	**May–Dec 2016**	**Jan–Dec 2015**	**Jan–Dec 2016**	**Jan–Dec 2015**	**Jan–Dec 2016**
Cash flows from operating activities	17,385	22,513	0	(105)	5,672	5,334	3,362	2,712
Cash flows from investing activities	(4,612)	(9,946)	0	(2,294)	(2,290)	(4,821)	(1,827)	(508)
Cash flows from financing activities	(12,775)	(12,568)	0	1,718	(3,652)	(911)	(1,579)	(2,281)
Profit/loss attributable to non-controlling interests	4,437	6,318	0	367	1320	1,726	574	782
Other comprehensive income attributable to non-controlling interests	(1)	(11)	0	0	(66)	(26)	(2)	21
Dividends to non-controlling interests	4,471	4,399	0	0	828	886	508	796

The net assets of EPSILON Kran GmbH are restricted insofar as share transfers are subject to the approval of the non-controlling shareholder and any deviation from the existing agreement regarding a linear distribution of a maximum amount in relation to the equity ratio may only be made by mutual consent.

The net assets of Guima Palfinger S.A.S. are restricted insofar as any deviation from the existing agreement regarding the distribution of a minimum percentage of the annual profit may only be made by mutual consent.

The remaining, insignificant non-controlling interests are also governed by profit distribution agreements or subject to the restriction that distributions must be approved by the non-controlling shareholders.

(48) Liabilities from puttable non-controlling interests

The following table shows the movement in liabilities from puttable non-controlling interests:

EUR thousand	2015	2016
As at 1 Jan	**23,372**	**8,701**
Interest cost	0	0
Addition	0	2,857
Reversal through profit and loss	0	0
Redemption	(11,255)	(604)
Reclassification to other liabilities	0	(9,701)
Increase directly in equity	858	1,761
Reversal directly in equity	(4,274)	(10)
As at 31 Dec	**8,701**	**3,004**

The addition in 2016 relates to the new agreement of a put option of the non-controlling shareholders of Palfinger Platforms Italy s.r.l. to sell all non-controlling interests.

In December 2016, the remaining 30 per cent in the Megarme Group, Middle East, were acquired from the previous non-controlling shareholder at a price of EUR 9,700 thousand as the non-controlling shareholder had exercised its put option to sell the shares. The purchase price has not been paid yet and is recognized under other liabilities (see Note [54]).

The redemption and reversal in 2015 relate to the acquisition of the remaining 20 per cent in Equipment Technology, LLC, Oklahoma City, USA.

The carrying amounts are Level 3 fair values, determined on the basis of the following valuation methods and inputs:

Liabilities from puttable non-controlling interests	Valuation method	Inputs
Palfinger Platforms Italy s.r.l., Italy	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in EUR

Sensitivity analysis for significant inputs when determining the fair value as at 31 December 2016 and 2015:

		Change in fair value recognized in OCI			
		Increase		Decrease	
EUR thousand	**Change in assumption**	**2015**	**2016**	**2015**	**2016**
Interest rate	+/-1 BP	(60)	(94)	61	99
Projected profit measure	+/-10 %	338	0	(338)	(300)
EUR/AED	+/-10 %	(165)	–	201	–

(49) Non-current financial liabilities

Deferred interest expenses are contained in current financial liabilities.

The average interest rate is the interest burden as at 31 December 2016 in per cent relating to the carrying amount of the financial liabilities as at 31 December 2016, after interest hedging has been taken into account, and amounts to 1.75 per cent (previous year: 2.06 per cent).

(50) Non-current purchase price liabilities from acquisitions

The following table shows the movements in non-current purchase price liabilities from acquisitions:

EUR thousand	2015	2016
As at 1 Jan	**8,521**	**8,715**
Corporate acquisitions	0	6,218
Allocation	0	129
Interest cost	452	901
Use	0	(424)
Reversal	0	(642)
Foreign currency translation	(258)	467
As at 31 Dec	**8,715**	**15,364**

As at 31 December 2016, non-current purchase price liabilities from acquisitions included purchase price portions not yet due from the acquisition of subsidiaries in 2014 and 2016. These purchase price portions consist of a put/call option regarding the remaining 20 per cent in Palfinger PM Holding, which may be exercised in 2019, as well as a disproportional dividend for the years 2014 to 2018. Moreover, a contingent consideration has been recognized since 2016 for the acquisition of the MYCSA Group (also see "Acquisitions in 2016" on page .125), which will become due and payable in 2021 and depends on the units' future earnings before interest and taxes. The maximum amount of the payment for this contingent consideration is unlimited. The contingent consideration from the acquisition of the remaining 20 per cent in Palfinger Boats B.V. (also see page 129) is also included.

For the Level 3 carrying amounts, the following valuation methods and inputs were used when determining fair values:

Non-current purchase price liabilities	Valuation method	Inputs
PM-Group	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in RUB
MYCSA Group	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in EUR

Sensitivity analysis for significant inputs when determining the fair value as at 31 December 2016 and 2015:

		Change in fair value			
		Increase		Decrease	
EUR thousand	Change in assumption	2015	2016	2015	2016
Interest rate	+/-1 BP	(50)	(271)	52	284
Projected profit measure	+/-10 %	218	790	(218)	(790)
EUR/RUB	+/-10 %	(237)	(213)	289	260

(51) Non-current provisions

The following table shows non-current provisions:

EUR thousand	31 Dec 2015	31 Dec 2016
Pension provisions	9,187	10,911
Provisions for severance payments	24,077	26,483
Anniversary bonus provisions	5,295	5,974
Other non-current provisions	4,555	6,208
Total	**43,114**	**49,576**

PENSION PROVISIONS

PALFINGER is committed by the terms of individual contracts with certain employees to provide supplementary retirement pensions payable after their retirement. The amounts of these pensions are calculated on the basis of length of service and remuneration at the time of retirement.

Valuation was based on the following parameters:

	Age of retirement		Interest rate (p.a.)		Pension increase (p.a.)	
	2015	2016	2015	2016	2015	2016
Austria	65 years	65 years	2.25% – 2.50%	1.50% – 2.00%	1.5%	1.5%
Germany	63 years	63 years	2.25% – 2.50%	1.25% – 2.00%	1.5%	1.5%
Norway	-	67 years	-	2.50%	-	2.3%
France	62–63 years	62–63 years	2.00%	1.50%	2.7%	2.0%

The change in the interest rate is based on the remeasurement necessitated by the change in market conditions.

As at 31 December 2016, the average duration of defined benefit pension obligations from pension commitments was 13.57 years (previous year: 14.38 years).

The calculation of pension provisions was performed as at 31 December 2016 using actuarial principles and taking into account the calculation rules under IAS 19. The obligations are measured using the projected unit credit method.

The calculations in Austria are based on the earliest possible pensionable age according to the 2004 Pension Reform ([Austrian] Budget Accompanying Act of 2003 [Budgetbegleitgesetz 2003]), taking into consideration transitional regulations. In the case of women entitled to such benefits, the computed pensionable age has been raised in steps corresponding to the (Austrian) Federal Constitutional Act Concerning Different Age Limits for Male and Female Citizens Covered by Social Security (Bundesverfassungsgesetz über unterschiedliche Altersgrenzen von männlichen und weiblichen Sozialversicherten). These bases for calculation were established using Austrian pension tables 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".

Given that pension obligations are adjusted in line with the consumer price index, pension plans are exposed to the risk of inflation. In addition, there are interest rate risks and risks caused by changes in the life expectancy of retirees. Pension obligations are, in part, hedged by reinsurance contracts, giving rise to a low counterparty risk vis-a-vis insurance companies.

PROVISIONS FOR SEVERANCE PAYMENTS

Severance payments are one-time settlements required under labour law, payable to employees on termination of employment by the employer or by mutual agreement or on retirement. They are calculated on the basis of the length of service and the amount of remuneration. The amount of the provisions for severance payments was calculated in accordance with actuarial principles.

Valuation was based on the following parameters:

	Interest rate (p.a.)		Salary increases (p.a.)		Employee turnover discount (p.a.)	
	2015	**2016**	**2015**	**2016**	**2015**	**2016**
Austria	2.25%–2.5%	1.25%–2.00%	3.0%	3.0%	2.0%	2.0%
Slovenia	2.25%	1.75%	3.0%	3.0%	2.0%	2.0%
Bulgaria	2.00%	1.25%	5.0%	5.0%	age-related 5% to 20%	age-related 5% to 20%
South Korea	2.94%	3.00%	5.0%	5.0%	age-related 7.1% to 18.7%	age-related 7.1% to 27.1%
UAE and Qatar	4.00%	3.75%	4.0%	4.0%	service-related 3.5% to 13.5%	service-related 3.5% to 13.5%

Changes in the interest rate are based on the remeasurement necessitated by the change in market conditions.

As at 31 December 2016, the average duration of defined benefit obligations from severance payments was 13.23 years (previous year: 13.30 years).

Employees whose employment contract is governed by Austrian law and whose employment status started before 1 January 2003 are entitled to a severance payment if their contract is terminated by the employer or if they leave the company early for good cause, provided that their employment lasted for three years without interruptions. In addition, if their employment lasted for at least ten years, they are entitled to a severance payment upon any kind of termination of employment when they have reached the statutory pensionable age. The amount of the severance payment depends on the amount of the remuneration paid at the time of termination and the length of service.

In the case of employees in Austria whose employment commenced after 1 January 2003, this obligation has been transferred to a contribution-based system. These payments, which are made to an external severance pay fund, are reported as expenses and amount to 1.53 per cent of the remuneration paid.

Pension provisions and provisions for severance payments can be seen in the following table:

	Pensions		**Severance payments**	
EUR thousand	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**
Net present value of defined benefit	9,905	11,983	24,077	26,483
Fair value of plan assets	(718)	(1,072)	0	0
Provision	**9,187**	**10,911**	**24,077**	**26,483**

	Pensions		**Severance payments**	
EUR thousand	**2015**	**2016**	**2015**	**2016**
Net present value of defined benefit obligation as at 1 Jan	**10,624**	**9,905**	**21,809**	**24,077**
Addition through corporate acquisition	0	2,464	0	0
Reclassification to liabilities to employees	0	0	0	(519)
Current service cost	190	355	1,592	1,740
Interest expenses	235	263	531	600
Gains (–)/losses (+) from re-measurements	(452)	428	901	1,879
Benefits paid	(690)	(641)	(946)	(1,387)
Settlement	0	(834)	0	0
Foreign currency translation	(2)	43	190	93
Net present value of defined benefit obligation as at 31 Dec	**9,905**	**11,983**	**24,077**	**26,483**

Plan assets consist of a pension fund with a renowned insurance company.

EUR thousand	**2015**	**2016**
Fair value of plan assets as at 1 Jan	**787**	**718**
Addition through corporate acquisition	0	951
Settlement	0	(646)
Expected return on plan assets	17	31
Gains (+)/losses (–) from re-measurements	(3)	10
Employer contributions	0	180
Actual benefits paid by fund	(83)	(194)
Foreign currency translation	0	22
Fair value of plan assets as at 31 Dec	**718**	**1,072**

The actual return amounted to EUR 41 thousand (previous year: EUR 15 thousand).

Net costs for pensions and severance payments, resulting from defined benefit plans, are comprised as follows:

	Pensions		Severance payments	
EUR thousand	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016
Employee benefits expenses				
Current service cost	(190)	(355)	(1,592)	(1,740)
Interest expenses				
Interest expenses	(218)	(232)	(531)	(600)
Net cost	**(408)**	**(587)**	**(2,123)**	**(2,340)**

Remeasurements are composed as follows:

	Pensions		Severance payments	
EUR thousand	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016
Gains (–)/losses (+) from re-measurements	**(449)**	**418**	**901**	**1,879**
thereof experience adjustments	(408)	(120)	827	98
thereof from changes in demographic assumptions	11	0	40	(3)
thereof from changes in financial assumptions	(55)	548	34	1,784
thereof from return on plan assets	3	(10)	0	0

Realistic changes in the following actuarial parameters as at the reporting date that are deemed to be essential for calculating pension costs and the expected defined benefit claims, with all other parameters remaining constant, would give rise to the following change in the net present value of an obligation:

	Change in the net present value of defined benefit obligation							
	Pensions				Severance payments			
	+ 1%		– 1%		+ 1%		– 1%	
EUR thousand	2015	2016	2015	2016	2015	2016	2015	2016
Interest rate	(1,247)	(1,439)	1,551	1,778	(2,774)	(3,114)	3,267	3,743
Pension increase / salary increase	1,270	1,456	(1,073)	(1,232)	2,876	3,498	(2,701)	(2,982)

ANNIVERSARY BONUS PROVISIONS

Provisions for anniversary bonuses derived from collective bargaining and/or company agreements were calculated using the same parameters (with the exception of the employee turnover discount) as for the provision for severance payments.

The following table shows the movements in anniversary bonus provisions:

EUR thousand	2015	2016
As at 1 Jan	**4,674**	**5,295**
Allocation	698	746
Interest cost	101	114
Use	(178)	(181)
As at 31 Dec	**5,295**	**5,974**

OTHER NON-CURRENT PROVISIONS

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

EUR thousand	2015	2016
As at 1 Jan	**4,544**	**4,555**
Change in scope of consolidation	0	9
Allocation	1,620	2,233
Interest cost	247	340
Use	0	(843)
Reversal	(566)	0
Reclassification	(1,467)	(131)
Foreign currency translation	177	44
As at 31 Dec	**4,555**	**6,207**

Other non-current provisions contain other non-current employee benefits provisions of EUR 6,140 thousand (previous year: EUR 3,911 thousand). These are composed of long-term bonus agreements for executives and Management Board members, which will become payable in 2018 and 2019 provided that the agreed benchmarks are achieved. In 2016, other non-current provisions were used for the payment of long-term bonus agreements (see Note 57).

(52) Other non-current liabilities

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

(53) Current provision

The movements in current provisions are shown in the following:

EUR thousand	Provision for guarantee and warranty expenses 2015	Provision for guarantee and warranty expenses 2016	Other current provisions 2015	Other current provisions 2016
As at 1 Jan	**11,120**	**11,876**	**1,693**	**3,426**
Change in scope of consolidation	0	742	0	0
Allocation	3,962	2,985	1,555	4,130
Use	(3,270)	(1,688)	(1,139)	(434)
Reversal	(132)	(373)	(388)	(1,320)
Reclassification	10	13	1,712	0
Foreign currency translation	186	176	(7)	(560)
As at 31 Dec	**11,876**	**13,731**	**3,426**	**5,242**

(54) Trade payables and other current liabilities

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

EUR thousand	31 Dec 2015	31 Dec 2016
Trade payables	104,228	118,929
Liabilities to companies reported at equity	2,158	1,698
Advances received on orders	20,749	21,462
Liabilities to employees	27,238	35,599
Liabilities relating to social security and other taxes	16,994	17,367
Liability from exercised put options regarding non-controlling interests	0	9,701
Other liabilities	26,329	45,203
Deferred income	947	989
Total	**198,643**	**250,948**

Liabilities to employees, amounting to EUR 35,599 thousand (previous year: EUR 27,238 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 45,203 thousand (previous year: EUR 26,329 thousand), relate to debtors with credit balances, accounts payable to the factor arising from incoming payments for trade receivables sold (see Note (36) for details), deferred costs and miscellaneous other liabilities.

For details on the liability from exercised put options regarding non-controlling interests see Note (48) and "Acquisitions in 2016".

(55) Financial Instruments

The reconciliation of the carrying amounts for each category under IAS 39 to fair values is shown in the following table:

			Measured acc. to IAS 17
EUR thousand	Carrying amounts 31 Dec 2016	No financial instrument/ recognition acc. to IFRS 10	At amortized cost
Non-current assets			
Non-current financial assets	32,706	0	0
thereof Level 1 fair value			
thereof Level 2 fair value			
Current assets			
Trade receivables	251,672	67,699	0
Current financial assets	5,137	0	0
thereof Level 2 fair value			
Other current receivables and assets	35,152	19,606	0
Cash and cash equivalents	33,922	0	0
Total assets	**358,589**	**87,305**	**0**
Non-current liabilities			
Liabilities from puttable non-controlling interests	3,004	3,004	0
Non-current financial liabilities	431,918	0	0
thereof Level 2 fair value			
Non-current purchase price liabilities from acquisitions	15,364	0	0
thereof Level 3 fair value			
Other non-current liabilities	2,621	2,621	0
Current liabilities			
Liabilities from puttable non-controlling interests	0	0	0
Current financial liabilities	152,804	0	10,397
thereof Level 2 fair value			
Trade payables and other current liabilities	250,948	85,118	0
Total liabilities	**856,659**	**90,743**	**10,397**

Measured acc. to IAS 39					
At amortized cost		At fair value			
		Recognized in other comprehensive income		Recognized in the income statement	
Loans and receivables	At amortized cost	Available for sale	Hedging derivatives	Held for trading / other derivatives	Carrying amount of financial instruments 31 Dec 2016
30,989	119	1,137	461	0	32,706
		1,137			
			461		
183,973	0	0	0	0	183,973
4,164	0	0	216	757	5,137
		0	216	757	
15,546	0	0	0	0	15,546
33,922	0	0	0	0	33,922
268,594	**119**	**1,137**	**677**	**757**	**271,284**
0	0	0	0	0	0
0	425,634	0	6,284	0	431,918
		0	6,284	0	
0	6,889	0	0	8,475	15,364
				8,475	
0	0	0	0	0	0
0	0	0	0	0	0
0	137,165	0	4,706	536	152,804
		0	4,706	536	
0	165,830	0	0	0	165,830
0	**735,518**	**0**	**10,990**	**9,011**	**765,916**

			Measures acc. to IAS 17
EUR thousand	Carrying amounts 31 Dec 2015	No financial instrument/ recognition acc. to IFRS 10	At amortized cost
Non-current assets			
Non-current financial assets	32,003	0	0
thereof Level 1 fair value			
Current assets			
Trade receivables	183,581	34,900	0
Current financial assets	4,077	0	0
Other current receivables and assets	29,040	17,779	0
Cash and cash equivalents	21,551	0	0
Total assets	**270,252**	**52,679**	**0**
Non-current liabilities			
Non-current financial liabilities	331,472	0	10,067
thereof Level 2 fair value			
Non-current purchase price liabilities from acquisitions	8,715	0	0
thereof Level 3 fair value			
Other non-current liabilities	2,569	2,569	0
Current liabilities			
Liabilities from puttable non-controlling interests	8,701	8,701	0
Current financial liabilities	74,070	0	1,273
thereof Level 2 fair value			
Trade payables and other current liabilities	198,643	65,928	0
Total liabilities	**624,170**	**77,198**	**11,340**

The fair value of forward foreign exchange contracts is determined by calculating the present value of cash flows on the basis of the current interest yield curves of the respective currencies from observable market data as well as the current exchange rates at the valuation date. In the case of interest rate swaps, the fair value is determined by calculating the present value of cash flows on the basis of the current interest yield curves of the respective currencies from observable market data. Securities are measured at the current rate at the valuation date.

Material risks of non-performance relating to financial assets and liabilities are accounted for on the basis of ratings as a deduction from the calculated value.

Measured acc. to IAS 39					
At amortized cost		At fair value			
		Recognized in other comprehensive income		Recognized in the income statement	
Loans and receivables	At amortized cost	Available for sale	Hedging derivatives	Held for trading / other derivatives	Carrying amount of financial instruments 31 Dec 2016
30,865	0	1,138	0	0	32,003
		1,138			
148,681	0	0	0	0	148,681
4,077	0	0	0	0	4,077
11,261	0	0	0	0	11,261
21,551	0	0	0	0	21,551
216,435	**0**	**1,138**	**0**	**0**	**217,573**
0	309,026	0	12,379	0	331,472
		0	12,379	0	
0	6,113	0	0	2,602	8,715
				2,602	
0	0	0	0	0	0
0	0	0	0	0	0
0	70,677	0	1,920	200	74,070
		0	1,920	200	
0	132,715	0	0	0	132,715
0	**518,531**	**0**	**14,299**	**2,802**	**546,972**

The carrying amounts of current assets and current liabilities correspond to the market values, as they either have short-term maturities or have floating interest rates. Default risks are accounted for by adequate impairment losses. The carrying amounts of non-current financial liabilities in the amount of EUR 431,918 thousand (previous year: EUR 331,472 thousand) more or less correspond to the market values (Level 2) of EUR 433,890 thousand (previous year: EUR 333,360 thousand) as they mostly carry floating interest rates. The market values were calculated on the basis of observable current interest rate curves of the respective currencies using the discounted cash flow method. Interest rate swaps held to hedge against interest rate exposure are reported at market value.

In the 2016 financial year, income from the disposal of securities amounted to EUR 36 thousand (previous year: EUR 40 thousand) and is reported in other financial result (cf. Note (26) Interest result and other financial result).

The following table shows the movement in Level 3 fair values:

EUR thousand	2015	2016
As at 1 Jan	**2,499**	**2,602**
Addition through corporate acquisition	0	5,534
Interest cost	361	809
Redemption	0	(424)
Reversal through profit and loss	0	(642)
Increase through profit and loss	0	129
Exchange rate differences through profit and loss	(258)	467
As at 31 Dec	**2,602**	**8,475**

Result in the income statement	Jan–Dec 2015	Jan–Dec 2016
Other interest expenses	(361)	(809)
Other financial result	0	642
Other operating expenses	0	(129)
Exchange rate differences of the net financial result	258	(467)
Unrealized gain/loss for financial instruments held on the balance sheet date	**(103)**	**(763)**

As at 31 December 2016, Level 3 fair values were made up of the liability in connection with the disproportional dividend of Palfinger PM Holding and the contingent purchase price liability from the acquisition of the MYCSA Group.

Capital management

The primary objective of PALFINGER's capital management is to secure financial flexibility, scope for value-enhancing investments and the retention of solid balance-sheet ratios.

A strong equity structure retains the trust of investors, lenders and the market and guarantees a solid capital basis for its future business development.

Net debt of PALFINGER is controlled centrally in consultation with the corporate treasury department, whose main responsibilities include long-term guaranteed liquidity in support of business operations, an efficient use of banking and financial services and limiting financial risks while optimizing revenue and costs.

PALFINGER controls its capital structure taking into consideration the change in economic framework conditions, the strategic projects agreed upon and the internal equity ratio and gearing ratio targets. In the long term, an equity ratio of 40 to 50 per cent and a gearing ratio, which corresponds to the ratio of net debt and equity, of 50 to 60 per cent are desirable. At present, the equity ratio is 37.7 per cent (previous year: 42.1 per cent), and the gearing ratio 88.5 per cent (previous year: 68.1 per cent). Net debt of EUR 513,077 thousand (previous year: EUR 347,913 thousand) includes non-current and current financial assets and the cash holdings as well as non-current and current financial liabilities. Equity of EUR 579,920 thousand (previous year: EUR 510,658 thousand) corresponds to the equity reported according to IFRS.

In order to maintain this capital structure, PALFINGER pursues a consistent dividend policy based on the consolidated net result for the previous year. In accordance with PALFINGER's long-term dividend policy of distributing approx. one third of the consolidated net result for the period to its shareholders, an annual dividend of EUR 0.57 (previous year: EUR 0.34) per share was paid in 2016 for the 2015 financial year following the payment of an interim dividend in the amount of EUR 0.18 per share on 21 December 2015.

Financial risks

PALFINGER, in accordance with its own treasury guidelines, places a strong focus on reducing financial risks. As a result of the increased internationalization of PALFINGER, the Group's risk concentration has been reduced. All relevant indicators in this connection are regularly monitored and actively controlled. The Group's operations entail financing risks as well as interest-rate and foreign-exchange risks. In order to contain and control these risks, operational measures are taken and derivative financial instruments such as forward foreign exchange contracts, as well interest rate swaps and currency swaps are used. No derivative financial instruments are contracted for speculation purposes. The risks are presented in detail in the following.

1. LIQUIDITY RISK

Liquidity risk describes the necessity of having sufficient funds available at any time in order to meet payment obligations and to ensure further corporate growth. The tasks of liquidity risk management therefore are the analysis of the exposure and the consistent safeguarding of liquidity through liquidity planning, maintenance of sufficient credit lines and sufficient diversification of lenders.

Managing the liquidity risk is the responsibility of Corporate Treasury, which uses efficient cash management systems for this purpose. Group-wide cash reporting ensures the transparency necessary to control funds in a targeted manner. Medium-to-long-term planning allows PALFINGER to identify any financial need that may arise and coordinate this need with its banking partners at an early stage. Due to the intra-group financing structure and the use of cash pooling solutions in Europe and America, an efficient control and group-wide distribution of the required liquidity is facilitated.

The facilities that matured in 2016 were either repaid or extended on a long-term basis. The acquisition of the Norwegian Harding Group was closed effective 30 June 2016. The purchase price and the financial liabilities taken over were financed under a syndicated loan with local and international banks. This syndicated facility consists of a term loan of EUR 100 million with a 5-year maturity and a bridging loan in the amount of EUR 90 million which is scheduled to be replaced by a long-term loan in 2017. The syndicated loan agreement, prepared according to the LMA (Loan Market Association) standard, contains covenants providing for a minimum equity ratio of 25 per cent and a threshold net debt level of 120 per cent in 2016. At the end of the year, the equity ratio came to 37.7 per cent and was thus far above the threshold value determined externally. Net debt was 88.5 per cent and thus significantly below the required upper limit.

Another measure to ensure liquidity is the maintenance of long-term, unutilized credit lines with PALFINGER's banking partners. The existing financing agreements have durations of up to three years. These unutilized financing reserves, which amounted to more than EUR 120 million as at 31 December 2016, accounted for approx. 20 per cent of net debt on the average.

The contractual remaining time to maturity of undiscounted cash flows is broken down as follows:

EUR thousand	31 Dec 2015	< 1 year	1–5 years	> 5 years
Financial liabilities	**414,188**	**79,356**	**304,483**	**30,349**
Liabilities from cash flow hedges	**15,970**	**6,931**	**8,628**	**411**
Liabilities from derivatives held for trading	**651**	**651**	**0**	**0**
Non-current purchase price liabilities from acquisitions	**9,995**	**427**	**9,568**	**0**
Trade payables and other current liabilities				
Trade payables	104,562	104,562	0	0
Other liabilities for financial instruments	28,152	28,152	0	0
	132,714	**132,714**	**0**	**0**
Total	**573,518**	**220,079**	**322,679**	**30,760**

EUR thousand	31 Dec 2016	< 1 year	1–5 years	> 5 years
Financial liabilities	**599,901**	**168,757**	**425,437**	**5,707**
Liabilities from cash flow hedges	**13,743**	**7,674**	**5,096**	**973**
Liabilities from derivatives held for trading	**534**	**534**	**0**	**0**
Non-current purchase price liabilities from acquisitions	**19,715**	**445**	**19,270**	**0**
Trade payables and other current liabilities				
Trade payables	120,134	120,134	0	0
Other liabilities for financial instruments	45,696	45,696	0	0
	165,830	**165,830**	**0**	**0**
Total	**799,723**	**343,240**	**449,803**	**6,680**

2. CREDIT RISK

Credit risk is the risk of loss due to a contracting party's default in payment or non-payment. The Group counters this risk by establishing internal limits for contracting parties – determined through solvency analyses – and taking out adequate insurance. Credit risk is limited to the amounts of the uninsured receivables reported in the balance sheets.

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

Under a factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 60,000 thousand (for details see note [36]).

The following is a breakdown of trade receivables overdue:

EUR thousand	31 Dec 2015	31 Dec 2016
Receivables not yet due	**138,372**	**190,769**
Receivables impaired		
Overdue for less than 30 days	25,581	35,894
Overdue for more than 30 days but less than 60 days	10,154	10,192
Overdue for more than 60 days but less than 90 days	3,864	6,451
Overdue for more than 90 days but less than 120 days	1,506	1,612
Overdue for more than 120 days	4,104	6,754
	45,209	**60,903**
Total	**183,581**	**251,672**

When investing funds, only banks with excellent credit ratings are chosen. Credit risk is limited to the amounts reported in the balance sheet.

3. FOREIGN EXCHANGE RISK

Foreign exchange risk is a form of risk that arises from exchange rate fluctuations. The value of a financial instrument may be affected by changes in the currency exchange rate.

The Group's international activities account for payment transactions in different currencies. Through local value creation, excessive amounts of foreign exchange items are minimized by way of natural hedges. The resulting material foreign exchange exposure is hedged using adequate hedging instruments. Foreign exchange cash flows from operations are hedged by means of forward foreign exchange contracts (cash flow hedges).

The supply of finished products and components to foreign-currency countries creates a risk position that is not covered by natural hedges. The ongoing analyses of this position are the basis for establishing a hedging strategy that is evaluated in regular meetings.

Financial transactions may only be concluded on the basis of a relevant hedged item. Speculative transactions (i.e. transactions without an underlying operating item) are prohibited.

Foreign exchange differences in the individual financial statements are reported in earnings before interest and taxes (EBIT) and/or the net financial result, depending on their cause.

Foreign exchange differences had the following effects on the income statement:

EUR thousand	Jan–Dec 2015	Jan–Dec 2016
Exchange rate differences income	9,023	3,907
Exchange rate differences expenses	(8,738)	(2,837)
Exchange rate differences in at equity result	(699)	199
Earnings before interest and taxes – EBIT	**(414)**	**1,269**
Exchange rate differences of the net financial result	(732)	(1,884)
Result from exchange rate differences	**(1,146)**	**(615)**

Foreign-currency risk sensitivity analysis:

Transactions that are carried out in a currency other than the respective functional currency may have an impact on foreign exchange risks. In the case of fair-value and cash-flow hedges, the changes in the values of the hedged item and the hedging transaction caused by changes in the exchange rate are almost completely offset in the same period in the income statement. Accordingly, these financial instruments are not linked to currency risks with an impact on profit or loss, or equity.

The impact of a hypothetical foreign exchange movement on profit or loss and equity is identified within the scope of a sensitivity analysis. This analysis assumes that the major exchange rates against the euro either strengthen or decrease by 10 per cent as at the balance sheet date, while all other variables remain constant. The following table shows the impact of a 10 per cent appreciation or depreciation of the major exchange rates against the euro:

31 Dec 2015	+10%			–10%		
EUR thousand	Impact on profit or loss	Impact on equity	Total impact	Impact on profit or loss	Impact on equity	Total impact
USD	(964)	(7,974)	(8,938)	1,178	9,745	10,923
GBP	(132)	(372)	(504)	162	454	616
BRL	(144)	(485)	(629)	176	593	769
SGD	(58)	0	(58)	70	0	70
CNY	(29)	0	(29)	35	0	35
RUB	(451)	(676)	(1,127)	551	826	1,377
INR	(249)	(180)	(429)	304	220	524
CAD	(56)	0	(56)	68	0	68
NOK	82	0	82	(100)	0	(100)
SEK	4	0	4	(5)	0	(5)
HRK	(4)	0	(4)	5	0	5
VND	15	0	15	(18)	0	(18)
PLN	(1)	0	(1)	1	0	1
AED	15	0	15	(19)	0	(19)
RON	(606)	0	(606)	741	0	741
KRW	(1)	(476)	(477)	1	581	582
Foreign currency sensitivities	**(2,579)**	**(10,163)**	**(12,742)**	**3,150**	**12,419**	**15,569**

31 Dec 2016	+10%			– 10%		
EUR thousand	Impact on profit or loss	Impact on equity	Total impact	Impact on profit or loss	Impact on equity	Total impact
USD	(698)	(36)	(734)	853	44	897
GBP	(212)	(16)	(228)	259	20	279
BRL	(125)	(1,786)	(1,911)	153	2,183	2,336
SGD	(375)	0	(375)	459	0	459
CNY	60	0	60	(74)	0	(74)
RUB	(784)	(848)	(1,632)	958	1,037	1,995
INR	0	(65)	(65)	0	79	79
CAD	(84)	0	(84)	103	0	103
NOK	1,130	(8,015)	(6,885)	(1,381)	9,796	8,415
SEK	3	0	3	(4)	0	(4)
HRK	72	0	72	(88)	0	(88)
JPY	45	0	45	(55)	0	(55)
PLN	(36)	0	(36)	44	0	44
AED	(39)	0	(39)	48	0	48
RON	(654)	0	(654)	800	0	800
KRW	0	(480)	(480)	0	586	586
DKK	(123)	0	(123)	150	0	150
CZK	560	0	560	(684)	0	(684)
HKD	14	0	14	(17)	0	(17)
Foreign currency sensitivities	**(1,246)**	**(11,246)**	**(12,492)**	**1,524**	**13,745**	**15,269**

The calculation is made on the basis of the original and derivative foreign-currency financial instruments in non-functional currency as at the balance sheet date before taxes. Foreign currency translation effects from intra-group accounts receivable and accounts payable were reported in profit or loss; any effects from non-current intra-group receivables that are a part of the net investment in foreign operations (IAS 21.15) as well as any changes in the cash flow hedging reserve were recognized in equity. Foreign currency translation effects caused by the conversion of the financial statements of foreign subsidiaries into the group currency, the euro, are not taken into account.

4. INTEREST RATE RISK

Changing interest rates have an impact on the 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 190.0 million (previous year: EUR 144.7 million).

The sensitivity analysis is made on the basis of PALFINGER's floating-interest financial liabilities. A hypothetic change in floating interest rates by 100 base points or one percentage point per year would change PALFINGER's interest expenses by EUR 2,061 thousand (previous year: EUR 858.7 thousand). A hypothetic increase in interest rates by 100 base points would raise other comprehensive income by EUR 6,132 thousand (previous year: EUR 4,264 thousand); a decrease of 100 base points would reduce other comprehensive income by EUR 6,479 thousand (previous year: EUR 4,496 thousand).

Hedging

HEDGING FOR FUTURE CASH FLOWS (CASH FLOW HEDGE)

The foreign exchange risks of PALFINGER AG result from receivables from group companies in a foreign currency and from international project business. This exposure is primarily hedged through forward foreign exchange contracts.

The sale of foreign currencies in forward foreign exchange contracts constitutes a hedge against the income from operations in foreign currencies. The result of the hedged item runs in the opposite direction of the result of the forward transaction. Assessment and risk analysis of the outstanding hedges are carried out regularly (mark to market). Hedges pertain to those cash flows that are expected within the next twelve months at the latest or correspond to the duration of a project.

The existing interest rate swaps hedge against the risk of interest rate changes in the case of floating-interest arrangements. This hedge limits the negative effect of unforeseeable interest-rate fluctuations on the net financial result.

	Nominal amount in contract currency		Mark-to-market valuation (EUR)	
thousand	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**
Forward foreign exchange contracts				
sell USD/buy EUR	USD 23,158	USD 12,000	(38)	(612)
sell EUR/buy NOK	EUR 0	EUR 18,610	0	305
sell USD/buy NOK	USD 68,112	USD 67,584	(8,180)	(5,242)
sell GBP/buy NOK	GBP 0	GBP 1,849	0	371
sell EUR/buy CHF	EUR 208	EUR 0	0	0
Interest rate swaps	EUR 144,720	EUR 190,000	(6,081)	(5,136)
Total			**(14,299)**	**(10,314)**

The market value of hedges is reported as a cash flow hedge according to IAS 39. Valuation gains or losses as at the balance sheet date are to be directly recognized in equity. As soon as the underlying transactions have been carried out, the accumulated gains/losses are reversed from other comprehensive income and recognized in the income statement.

Any amounts relating to cash flow hedges that were recorded in other comprehensive income and those realized are illustrated in the statement of comprehensive income.

HEDGING OF FUNDS (HELD FOR TRADING)

Derivative financial instruments which the Group uses for the hedging of funds and which do not meet the criteria of hedge accounting under IAS 39 with regard to documentation and effectiveness are classified as held for trading. Changes in the fair values of these financial instruments are recognized in the income statement.

	Nominal amount in contract currency		Mark-to-market valuation (EUR)	
thousand	**31 Dec 2015**	**31 Dec 2016**	**31 Dec 2015**	**31 Dec 2016**
Currency swaps				
sell USD/buy EUR	USD 68,000	USD 48,350	(317)	(475)
sell JPY/buy EUR	JPY 0	JPY 35,000	0	5
sell NOK/buy EUR	NOK 312,400	NOK 470,000	129	752
sell AED/buy EUR	AED 2,430	AED 16,930	(5)	(39)
sell PLN/buy EUR	PLN 1,200	PLN 11,491	(7)	(21)
Total			**(200)**	**222**

Valuation gains/losses from currency swaps amount to EUR 421 thousand (previous year: EUR 117 thousand) and are reported in the amount of EUR 421 thousand (previous year: EUR 117 thousand) under exchange rate difference in the financial result.

Other liabilities and risks

OPERATING LEASES

Liabilities for the use of assets not recognized in the balance sheet (buildings, production facilities, fixtures, fittings and equipment) will presumably amount to EUR 4,597 thousand (previous year: EUR 3,549 thousand) for the 2017 financial year and EUR 10,938 thousand (previous year: EUR 8,678 thousand) for the following four years and EUR 15,274 thousand (previous year: EUR 16,049 thousand) in more than five years. They also include business transactions with related parties.

In the reporting period, minimum lease payments from operating leases in the amount of EUR 3,759 thousand (previous year: EUR 3,095 thousand) were reported as expenses.

FINANCE LEASES

The property, plant and equipment leased relates to a company aircraft with a carrying amount of EUR 7,517 thousand (previous year: EUR 8,232 thousand). The pertaining lease liabilities are carried under non-current or current financial liabilities in accordance with their durations.

	Minimum lease payments		Present value of minimum lease payments	
EUR thousand	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016
Up to one year	1,290	10,849	1,273	10,397
Between one and five years	10,504	0	10,067	0
More than five years	0	0	0	0
Total	**11,794**	**10,849**	**11,340**	**10,397**
Minus any future finance costs	(454)	(452)		
Present value of finance lease liabilities	**11,340**	**10,397**		

Other financial obligations

As at 31 December 2016 and 31 December 2015, there were no contingent claims or contingent liabilities.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

Cash flows from operating activities rose, primarily as a result of the slower build-up of inventories, trade receivables and other receivables. However, the development was curbed, in particular, by the decrease in liabilities and higher payments of income taxes.

Other non-cash income and expenses included exchange rate differences and measurement effects.

Cash flows from investing activities deteriorated mainly because of the acquisitions made in 2016.

Additions of intangible assets and property, plant and equipment include non-cash investments in the amount of EUR 3,810 thousand (previous year: EUR 3,317 thousand).

OTHER DISCLOSURES

(56) Disclosures of business transactions with related parties

At PALFINGER, related parties are broken down into associated companies and joint ventures, key management and other related parties. The associated companies and joint ventures are listed in the statement of investments. The term key management comprises the Supervisory and Management Boards of PALFINGER AG. Other related parties primarily include businesses controlled by the key management and businesses controlling associated companies.

All transactions with associated companies, joint ventures and enterprises controlling associated companies are carried out for the provision of ordinary goods and services. Transactions carried out with the Supervisory Board result from the provision of consultancy services and their remuneration as members of the Supervisory Board in accordance with the resolution taken at the Annual General Meeting on 9 March 2016. Transactions carried out with other related parties primarily relate to the delivery of goods and the provision of consultancy services.

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

The following table contains transactions with associated companies and joint ventures; the information given refers to 100 per cent and not the actual share held.

Transactions with Management Board members are not contained in the following table; for details, please see "Disclosures concerning governing bodies and employees", pages 187 to 188.

	Associated companies		Joint ventures		Supervisory Board		Other	
EUR thousand	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016
Receivables	8,163	10,320	2,744	1,661	0	0	30,655	33,115
Liabilities	145	159	2,013	1,539	0	143	1,344	1,635
Revenue	64,752	78,113	6,254	1,902	0	0	14,295	6,425
Other operating income	197	129	382	322	0	0	558	569
External services	0	0	(508)	(1,327)	(12)	(224)	(3,915)	(5,165)
Cost of materials	(10)	(1)	0	0	0	0	0	(97)
Interest income	0	0	28	10	0	0	486	412

Receivables from associated companies and joint ventures include trade receivables of EUR 9,696 thousand (previous year: EUR 8,725 thousand).

Of the liabilities to associated companies and joint ventures of EUR 1,698 thousand (previous year: EUR 2,158 thousand), EUR 1,205 thousand (previous year: EUR 335 thousand) resulted from the provision of goods and services.

Receivables from related parties of EUR 28,759 thousand (previous year: EUR 30,016 thousand) refer to Hubert Palfinger Technologies GmbH; an instalment plan for repayment over the next eight years has been agreed. Sufficient collateral has been provided by related parties (see Note [33]). Interest payable on the receivables will be in observance of the arm's length principle.

In December 2016, Palfinger proizvodnja d.o.o. (SI) signed an agreement on the acquisition of 100 per cent of the shares in Capital Investment d.o.o. the Capital Investment GmbH (a company of the private foundation Palfinger Privatstiftung).. This company is the owner of a property at the Maribor site, which is rented by the PALFINGER Group, and has no other business operations beyond that. The final takeover of the shares in Capital Investment d.o.o. happendon 31 January 2017. Receivables from related parties in the amount of EUR 2,663 thousand refer to the prepayment made for this acquisition.

In early August 2015, PALFINGER relocated to the new group headquarters in Bergheim near Salzburg, Austria. PALFINGER AG rents the headquarters from a company of the private foundation Palfinger Privatstiftung. The lease agreement was concluded for a period of 20 years and, after this 20-year period, may be terminated by PALFINGER AG at the end of each year upon twelve months' notice. Rent was determined on the basis of an independent expert opinion identifying the current market value. PALFINGER AG has a pre-emptive right to this property.

Any restrictions in connection with investments in subsidiaries are specified on page 124.

(57) Disclosures concerning governing bodies and employees

EMPLOYEES

The average number of employees (FTEs) in the PALFINGER Group (including the Management Board) during the financial year was 9,580 (previous year: 8,978). At the balance sheet date there were 9,970 group employees (previous year: 9,131).

SUPERVISORY BOARD

In the 2016 financial year, the following individuals were either appointed, or delegated by the Works Council, to serve on the Supervisory Board:

- Hubert Palfinger jun., Chairman[1)]
- Gerhard Rauch, 1st Deputy Chairman[1)]
- Hannes Palfinger, 2nd Deputy Chairman[1)]
- Dawei Duan
- Peter Pessenlehner[2)]
- Heinrich Dieter Kiener
- Gerhard Gruber (Works Council)
- Johannes Kücher (Works Council)[2)]
- Alois Weiss (Works Council)

1) Member of the Audit, Nomination and Remuneration Committees.
2) Member of the Audit Committee.

Jian Qi resigned from the Board effective as of the end of the 2016 AGM. Dawei Duan and Gerhard Rauch were elected as new Supervisory Board members at the Annual General Meeting of 9 March 2016.

At the Annual General Meeting, it was decided that Supervisory Board members are entitled to the following remuneration: The members of the Supervisory Board will now receive an attendance fee of EUR 2,5 thousand for each Supervisory Board meeting attended. In addition, their annual remuneration for the 2016 financial year and the following years was set as follows: for the Chairman of the Supervisory Board, EUR 45 thousand; for the Deputy Chairman of the Supervisory Board, EUR 20 thousand; and for each member of the Supervisory Board, EUR 7 thousand, plus another EUR 2 thousand for each member of a Supervisory Board committee.

MANAGEMENT BOARD

- Herbert Ortner, CEO
- Christoph Kaml, CFO
- Martin Zehnder, COO

Effective 8 November 2016, Wolfgang Pilz resigned from the Board.

The remuneration of the Management Board consists of several components and is broken down as follows:

	Fixed salary		Stock option programme		Performance-related remuneration	
EUR thousand	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016
Herbert Ortner	537	543	0	0	395	483
Christoph Kaml	437	422	2	0	303	465
Wolfgang Pilz	335	338	0	0	297	357
Martin Zehnder	339	344	0	0	297	357
Total	**1,648**	**1,647**	**2**	**0**	**1,292**	**1,662**

For the short-term performance-related remuneration of Management Board members, provisions totalling EUR 1,434 thousand (previous year: EUR 1,425 thousand) were formed.

Previous bonus agreements concluded with members of the Management Board either expired in February 2014 or at the end of 2015. In the 2016 financial year, EUR 295 thousand were paid out for these bonuses.

In order to ensure a smooth transition, a new agreement on bonuses for the achievement of a long-term increase in corporate value was concluded in mid-2015. The new agreement refers to the increase in corporate value from 2016 to 2018 and will be paid out in 2019, provided that the agreed benchmarks are achieved. For this purpose, provisions in the amount of EUR 1,850 thousand were reported in the income statement in the 2016 financial year.

For benefits payable after termination of employment, EUR 54 thousand (previous year: EUR 54 thousand) were reported as current service cost in the 2016 financial year. This concerns severance payment obligations for Herbert Ortner and Wolfgang Pilz as well as individual contracts regarding pension commitments concluded with Wolfgang Pilz.

At PALFINGER AG, expenses for severance and pension payments for members of the Management Board and other executives amounted to –EUR 275 thousand (previous year: EUR 87 thousand), for the remaining employees to EUR 1,870 thousand (previous year: EUR 417 thousand).

The expenses for severance payments contain payments made to contribution-based severance pay funds for members of the Management Board in the amount of EUR 23 thousand (previous year: EUR 19 thousand).

(58) Key events after the balance sheet date

In January 2017, 100 per cent in Capital Investment d.o.o., 100 per cent in Palfinger Danmark A/S as well as 20 per cent in Sky Steel Systems LLC were acquired. For details, please refer to the explanations regarding the acquisitions made in 2017 on pages 130 to 133. Details on the acquisition of Capital Investment d.o.o. can be found in Note (56).

Beyond that, after the end of the 2016 financial year, there have been no material post-reporting events that would have led to a different presentation of the Group's financial position, cash flows or result of operations.

ACCOUNTING AND VALUATION METHODS

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

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

Note Balance sheet item	Accounting and valuation principles	Standard
(60) Property, plant and equipment	At amortized cost Besides direct costs, production costs also contain appropriate proportions of materials and manufacturing overhead costs and, in the case of qualifying assets, also borrowing costs. General administrative expenses are not capitalized. Straight-line depreciation over useful lives: Own buildings and investments in third-party buildings 20–50 years Plants and machinery 3–15 years Fixtures, fittings and equipment 3–10 years In the case of asset disposals, the difference between the carrying amounts and the net realizable value is recognized in the income statement in either other operating income or other operating expenses. An impairment test is carried out whenever there is any indication of impairment. If the reasons for the impairment cease to exist, corresponding reversals of the impairment loss are performed up to the level of amortized cost.	IAS 16 IAS 36
Government grants	Investment grants presented as reductions of acquisition and/or manufacturing costs. Grants for research are recognized as income in research and development costs. A government grant is not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received.	IAS 20
Leases as lessees	The allocation of a leased asset to the lessor or lessee is based on the transfer of all material risks and rewards incidental to ownership of the asset. Finance lease: The leased objects are capitalized at the fair value or lower present value of the minimum lease payments at the time of acquisition; straight-line depreciation over useful lives Operating lease: Lease payments are recognized as an expense in earnings before interest and taxes (EBIT) in equal instalments over the term of the lease	IAS 17
Borrowing costs	Capitalized if attributable to the acquisition or production of a qualifying asset	IAS 23
(61) Investment property	Land or buildings held to earn rentals or for capital appreciation are measured at amortized cost. Depreciation on the building is performed on a straight-line basis over a period of 25 years.	IAS 40 IAS 36 IFRS 13
(62) Inventories	Valued at cost (see (60) Property, plant and equipment) or the lower net realizable value at the balance sheet date Materials and production supplies, and merchandise: moving average cost method Work in progress and finished goods: standard production costs; costs are reviewed regularly and adjusted if necessary	IAS 2
(63) Contract manufacturing and rendering of services	Revenue is realized in accordance with the percentage of completion which is determined by means of the cost-to-cost method or the milestone method. 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. Reliable estimates of the total costs of the contracts, the selling prices and the actual costs incurred are available on a monthly basis. When applying the milestone method, the percentage of completion is determined on the basis of certain milestone events. For technological and financial risks that might occur during the remaining term of the project, an individual estimate is made for each contract and the corresponding amounts are reported in estimated total costs. Imminent losses are expensed when incurred if total contract costs are likely to exceed the contract revenue.	IAS 11 IAS 18
(64) Liabilities from puttable non-controlling interests	Puttable or fixed-term equity interests in subsidiaries with a put option held by non-controlling shareholders constitute financial liabilities. Initially, the liabilities are recognized at fair value, which, as a rule, corresponds to the fair value of the interest held by the non-controlling shareholder in the subsidiary at the time the obligation was entered into. The fair value is calculated internally using acknowledged calculation models applying market interest rates matching the respective maturities. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	IFRS 10 IFRS 13 IAS 32 IAS 39

Note	Balance sheet item	Accounting and valuation principles	Standard
		Provided that the non-controlling shareholders are currently the beneficial owners of the interests, the results and payments are still attributed to the non-controlling interests and recognized acc. to IFRS 10. This is above all the case if PALFINGER and the non-controlling shareholder intend that the latter remain a non-controlling shareholder in the long term and profit from the increases in value recorded by the unit. 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 non-controlling shareholders are not the beneficial owners, they are presented as an accelerated acquisition and recognized acc. to IAS 39/IAS 32. This is primarily the case if the non-controlling shareholder and/or PALFINGER intend to exercise the put option. Measurement subsequent to initial recognition is made through the income statement. As at 31 December 2016 and 2015, these liabilities include exclusively puttable interests for which the non-controlling shareholders are the beneficial owners of the shares.	
(65)	**Financial instruments**	When they are recognized initially, financial assets are measured at fair value. In the case of financial investments that are not recognized at fair value through the income statement, transaction costs are recognized as well. These costs are directly allocable to the acquisition of the assets. The fair value is determined on the basis of market information available at the balance sheet date. The values listed may diverge from values realized later due to varying determinants. The fair value of financial assets and liabilities reflects the effects of the risk of non-performance by the counterparty. When determining the fair value of a financial asset, the banks' credit risks are taken into account on the basis of their ratings. The fair values of financial liabilities are determined taking into account the Company's own credit risk on the basis of the ratings made by the banks. Market values are available for all derivative financial instruments and securities. The fair values for all other financial instruments are determined on the basis of the discounted anticipated cash flows. Acquisitions or sales of financial assets are recognized at the trade date. Impairment losses for all financial instruments are recorded in the income statement. If there is no more need for impairment, the impairment losses recorded are reversed in the income statement, except in the case of "available for sale" equity instruments where impairment losses are reversed through other comprehensive income.	IAS 32 IAS 39 IFRS 7 IFRS 13
	Securities and other shareholdings	"Available for sale": Measurement subsequent to initial recognition at fair value; recognized in other comprehensive income. In the case of sales, the unrealized profit and/or loss that up to that point was reported under other comprehensive income will be reported in the income statement under other financial result.	
	Loans	"Loans and receivables": Measurement subsequent to initial recognition reported at amortized cost applying the effective interest method, if necessary less impairment losses	
	Receivables	"Loans and receivables": Measurement subsequent to initial recognition reported at amortized cost, if necessary less impairment losses that are recorded in allowance accounts	
	Cash and cash equivalents	Mark to market	
	Liabilities	Subsequent to initial recognition, liabilities are measured at amortized cost applying the effective interest method.	
	Non-current purchase price liabilities from acquisitions	Non-current purchase price liabilities from acquisitions are measured at fair value. The fair value is calculated internally using acknowledged calculation models applying market interest rates matching the respective maturities. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	
	Derivative financial instruments	Derivative financial instruments that do not satisfy the criteria for hedge accounting laid down in IAS 39 are classified as held for trading according to IAS 39 and recognized at their fair values through the income statement.	
	Cash flow hedges	In order to minimize the risk of fluctuations with respect to payments received in the future, expected foreign currency income and interest risks are hedged in the PALFINGER Group by means of forward foreign exchange contracts and interest swaps. The special hedge accounting principles as stipulated by IAS 39 are applied to ensure compensation on an accrual basis for the effects of hedged transactions and the hedging instruments in the income statement. The market values resulting at the balance sheet date after deduction of deferred taxes are reported in other comprehensive income and recognized as a reserve according to IAS 39. The reserve is reversed to income in line with future proceeds generated in the relevant financial year.	

Note Balance sheet item	Accounting and valuation principles	Standard
(66) Long-term employment benefits		IAS 19
Defined benefit plans	Defined benefit plans apply to pension commitments in Austria, France, Norway and Germany as well as severance pay obligations in Austria, Slovenia, Bulgaria, South Korea, Qatar and the United Arab Emirates. Provisions for pensions and other post-employment benefits as well as for severance payments and anniversary bonuses are valued on the basis of an actuarial opinion prepared by an actuary as at the balance sheet date using the projected unit credit method. The discount rate with matching maturity is determined on the basis of the yield of first-class, fixed-interest industrial bonds, i.e. a rating of AA or higher. According to IAS 19, remeasurements are recognized as other comprehensive income if they relate to provisions for pensions and other post-employment benefits or for severance payments.	
Defined contribution plans	Defined contribution plans have been introduced at various group companies on the basis of statutory obligations. In addition, individual pension agreements have been entered into. Contributions are recognized as expenses in the period for which they are paid.	
Other long-term employment benefits	Other long-term employment benefits refer primarily to collective bargaining commitments for payment of anniversary bonuses depending on years of service for the employees of Austrian and Slovenian companies and to bonus agreements concluded with the members of the Management Board and other executives. In accordance with IAS 19, remeasurements are recognized as employee benefits expenses in the income statement if they relate to provisions for anniversary bonuses.	
(67) Other provisions	Provisions are reported at the anticipated settlement amount; non-current provisions are reported at their present value.	IAS 37
(68) Income tax	Tax receivables and tax liabilities are offset when they relate to the same tax authority and the Company has a right to offset the items. Deferred taxes are reported according to the liability method and calculated using the respective country's applicable tax rate. Deferred tax assets are only recognized if it is probable that the relevant tax benefits will actually be realized. Deferred tax is calculated using the tax rate expected to apply at the balance sheet date when the temporary differences reverse. As a rule, all changes in taxes result in tax expenses and/or income. Taxes on items reported in other comprehensive income are reported in other comprehensive income. Taxes on items directly reported in equity are directly recognized in equity.	IAS 12
(69) Recognition of revenue and expenses	Revenue arising from the provision of goods is recognized when all major risks and rewards arising from the delivered object have been transferred to the buyer. Revenue from the provision of services refers to short-term services which are recognized when the service is rendered. Operating expenses are recognized when the service is rendered or a delivery is received, or at the time the expenses are incurred. Interest is recognized using the effective interest method. For information on contract manufacturing and the rendering of services see Note (6).	IAS 11 IAS 18

FAIR VALUE MEASUREMENT

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

The fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value, it is assumed that the transaction in the course of which the asset is sold or the liability transferred takes place either on the principal market for the asset or liability or, if there is no principal market, on the most advantageous market. PALFINGER measures fair values by taking into account all assumptions that the market participants would use as a basis for pricing and proceeding on the assumption that the market participants would act in their own best economic interest.

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

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

The fair values recognized or reported are categorized on the basis of the lowest level of input applied, as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

STATEMENT OF INVESTMENTS

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2015	Direct investment[2] in per cent 2016	Indirect investment[3] in per cent 2015	Indirect investment[3] in per cent 2016	Curr.[4]
Fully consolidated companies						
PALFINGER AG, Salzburg, (AT)						EUR
Composite Works, LLC, Oklahoma City (US)	ETI	100	-	100.00	-	USD
Elesa centro de montaje y sercivios S.A., Madrid (ES) *(initial consolidation: 9 May 2016)*	PIB	-	75.00	-	56.25	EUR
EPSILON Kran GmbH., Salzburg (AT)	PEMEA	65.00	65.00	65.00	65.00	EUR
Equipment Technology, LLC, Oklahoma City (US)	PUSA	100.00	100.00	100.00	100.00	USD
FairWind Renewable Energy Services, LLC, Oklahoma (US)	PUSA	51.00	51.00	51.00	51.00	USD
Guima Palfinger S.A.S., Caussade (FR)	PEMEA	65.00	65.00	65.00	65.00	EUR
Harding Boatbuilding (Qingdao) Co. Ltd., Qingdao City (CN) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	CNY
Harding Holding I AS, Seimsfoss (NO) *(initial consolidation: 30 June 2016)*	PHH	-	100.00	-	100.00	NOK
Harding Holding II AS, Seimsfoss (NO) *(initial consolidation: 30 June 2016)*	HH1	-	100.00	-	100.00	NOK
Harding Safety AS, Seimsfoss (NO) *(initial consolidation: 30 June 2016)*	HH2	-	100.00	-	100.00	NOK
Harding Safety Brazil Ltda., Niteroi (BR) *(initial consolidation: 30 June 2016)*	HS AS/HS US	-	100.00	-	100.00	BRL
Harding Safety Canada Ltd., Langley (CA) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	CAD
Harding Safety Czech s.r.o., Slaný (CZ) *(initial consolidation: 30 June 2016)*	HS NL	-	100.00	-	100.00	CZK
Harding Safety Denmark AS, Odense SØ (DK) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	DKK
Harding Safety Eiendom AS, Seimsfoss (NO) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	NOK
Harding Safety Hong Kong Limited, Hong Kong (CN) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	HKD
Harding Safety Inc. (Panama), Ciudad de Panama (PAN) *(initial consolidation: 30 June 2016)*	HS US	-	100.00	-	100.00	PAB
Harding Safety Italy Srl, Livorno (IT) *(initial consolidation: 30 June 2016)*	HS ES	-	100.00	-	100.00	EUR
Harding Safety Korea Co. Ltd., Gyeongsangnam-Do (KO) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	KRW
Harding Safety Poland Spółka z o.o., Solec Kujawski (PL) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	PNL
Harding Safety (Shanghai) Co. Ltd., Shanghai (CN) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	CNY
Harding Safety Singapore PTE Ltd., Singapore (SG) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	SGD
Harding Safety Spain SL, Cádiz (ES) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	EUR
Harding Safety USA Inc, New Iberia (US) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	USD
Holding Company Podyomnie Maschini ZAO, Arkhangelsk (RU)	VMS/PMH	100.00	100.00	60.00	60.00	RUB
INMAN AO, Ishimbay (RU)	PCIS	100.00	100.00	100.00	100.00	RUB
Konvek OOO, Velikiye Luki (RU)	VMS/PM	100.00	-	100.00	-	RUB
Madal Palfinger S.A., Caxias do Sul (BR)	PSAG	99.64	99.72	99.64	99.72	BRL
MBB Palfinger s.r.o., Bratislava (SK)	PTL DE	100.00	100.00	100.00	100.00	EUR
MBB Inter S.A.S., Silly en Gouffern (FR)	PEMEA	100.00	100.00	100.00	100.00	EUR
MBB Interlift N.V., Erembodegem (BE)	PTL DE	100.00	100.00	100.00	100.00	EUR
Mega Repairing Machinery Equipment LLC, Dubai (AE)	PSYSU	70.00	100.00	70.00	100.00	AED
Megarme General Contracting Company LLC, Abu Dhabi (AE)	PSYSU	70.00	100.00	70.00	100.00	AED

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2015	Direct investment[2] in per cent 2016	Indirect investment[3] in per cent 2015	Indirect investment[3] in per cent 2016	Curr.[4]
Fully consolidated companies						
Megarme Inspection & Engineering Services LLC, Dubai (AE)	PSYSU	70.00	100.00	70.00	100.00	AED
Megarme Qatar WLL, Qatar (QA)	PSYSU	70.00	100.00	70.00	100.00	QAR
Nimet Srl, Lazuri (RO)	PPT	60.00	60.00	60.00	60.00	RON
Noreq B.V., Houten (NL) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	EUR
Noreq Fender AS, Husnes (NO) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	NOK
Noreq LLC, West Dallas (US) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	USD
Noreq PTE. LTD, Singapore (SG) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	SGD
Omaha Standard, LLC, Council Bluffs (US)	PUSA	100.00	100.00	100.00	100.00	USD
PalAir GmbH, Salzburg, (AT)	PAG	100.00	100.00	100.00	100.00	USD
Palfinger Area Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Asia Pacific Pte. Ltd., Singapore (SG)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Boats B.V., Harderwijk (NL)	PM NL	80.00	100.00	80.00	100.00	EUR
Palfinger Boats Vietnam Co. Ltd., Hung Yen (VN)	BOATS	100.00	100.00	80.00	100.00	USD
Palfinger Canarias Maquinaria S.L., Las Palmas de Gran Canaria (ES) *(initial consolidation: 9 May 2016)*	PIB	-	75.00	-	56.25	EUR
Palfinger CIS GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger comércio e aluguer de máquinas S.A., Samora Correira (PT) *(initial consolidation: 9 May 2016)*	PIB	-	60.00	-	45.00	EUR
Palfinger Crane Rus OOO, St. Petersburg (RU)	PARUS	100.00	100.00	100.00	100.00	RUB
Palfinger Cranes India Pvt. Ltd., Chennai (IN)	PAUG/PAP	100.00	100.00	100.00	100.00	INR
Palfinger EMEA GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Europe GmbH, Salzburg (AT)	PEMEA	100.00	100.00	100.00	100.00	EUR
Palfinger GmbH, Ainring (DE)	PP/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Gru Idrauliche S.r.l., Cadelbosco di Sopra (IT)	PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Harding Holding AS, Seimsfoss (NO) *(initial consolidation: 30 June 2016)*	PALMA	-	100.00	-	100.00	NOK
Palfinger Ibérica Maquinaria S.L., Madrid (ES) *(initial consolidation: 9 May 2016)*	PEMEA	-	75.00	-	75.00	EUR
Palfinger, Inc., Niagara Falls (CA)	PNAG	100.00	100.00	100.00	100.00	USD
Palfinger Japan K.K., Kanagawa (JP) *(initial consolidation: 31 March 2016)*	PAP	-	100.00	-	100.00	JPY
Palfinger Kama Cylinders OOO, Neftekamsk (RU)	PCIS	51.00	51.00	51.00	51.00	RUB
Palfinger Liftgates, LLC, Cerritos (US)	PUSA	100.00	100.00	100.00	100.00	USD
Palfinger Lifting Technology (Nantong) Co., Ltd., Nantong (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger Marine d.o.o., Maribor, Maribor (SI)	PALMA	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Do Brasil Ltda, Rio de Janeiro (BR)	PALMA	100.00	100.00	100.00	100.00	BRL
Palfinger Marine Europe B.V., Schiedam (NL) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	EUR
Palfinger Marine Germany GmbH, Dägeling (DE) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	EUR
Palfinger Marine GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Korea Ltd., Sacheon (KR) *(formerly: Palfinger Dreggen Korea*	PALMA	100.00	100.00	100.00	100.00	KRW
Palfinger Marine Montagens Industriais do Brasil Ltda., Cachoeirinha (BR) *(formerly: Palfinger Koch Montagens Industrials Ltda.)*	PM BR	60.00	99.00	60.00	99.00	BRL
Palfinger Marine Netherlands B.V., Barneveld (NL) *(formerly: Palfinger Ned-Deck B.V.)*	PALMA	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Norway AS, Bergen (NO) *(formerly: Palfinger Dreggen AS)*	PALMA	100.00	100.00	100.00	100.00	NOK

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2015	Direct investment[2] in per cent 2016	Indirect investment[3] in per cent 2015	Indirect investment[3] in per cent 2016	Curr.[4]
Fully consolidated companies						
Palfinger Marine Poland sp. z.o.o., Gdynia (PL) *(formerly: Palfinger Dreggen Poland)*	PALMA	100.00	100.00	100.00	100.00	PLN
Palfinger Marine UK Ltd., Gosport Hampshire (GB) *(initial consolidation: 30 June 2016)*	HS AS	-	100.00	-	100.00	GBP
Palfinger Marine Vietnam Co. Ltd., Hanoi (VN) *(formerly: Palfinger Ned-Deck Vietnam Co.)*	PM NL	100.00	100.00	100.00	100.00	USD
Palfinger North America GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms GmbH, Krefeld (DE)	PTL DE/PEU	100.00	100.00	100.00	100.00	EUR
Paflinger Platforms Italy S.r.l., Bolzano (IT)	PSUG	80.00	80.00	80.00	80.00	EUR
Palfinger PM Holding GmbH, Salzburg (AT)	PCIS	60.00	60.00	60.00	60.00	EUR
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	PEMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Proizvodna Tehnologija Hrvatska d.o.o., Delnice (HR)	PEMEA	100.00	100.00	100.00	100.00	HRK
Palfinger Proizvodnja d.o.o., Maribor (SI)	PEMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Projects B.V., Elst (NL) *(formerly: Palfinger Marine Services B.V.)*	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Russland GmbH, Salzburg (AT)	PCIS	100.00	100.00	100.00	100.00	EUR
Palfinger (Shenzhen) Ltd., Shenzhen (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger South America GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger S. Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger systems units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Tail Lifts GmbH, Ganderkesee (DE) *(formerly: MBB Palfinger GmbH)*	PEMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Tail Lifts Limited., Welwyn Garden City (UK) *(formerly: Ratcliff Palfinger Ltd.)*	PEMEA	100.00	100.00	100.00	100.00	GBP
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul (BR)	MP	100.00	100.00	99.64	99.72	BRL
Palfinger Trading (Shanghai) Co., Ltd., Shanghai (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger USA, Inc., Council Bluffs (US)	PNAG	100.00	100.00	100.00	100.00	USD
PalFleet Truck Equipment Company, LLC, Birmingham (US)	OSI	100.00	100.00	100.00	100.00	USD
Podyomnie Maschini AO, Velikiye Luki (RU)	PMH	100.00	100.00	60.00	60.00	RUB
SMZ OOO, Arkhangelsk (RU)	VMS/HKPM	100.00	100.00	60.00	60.00	RUB
Velmash-S OOO, Velikiye Luki (RU)	PM/SMZ	100.00	100.00	60.00	60.00	RUB

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2015	Direct investment[2] in per cent 2016	Indirect investment[3] in per cent 2015	Indirect investment[3] in per cent 2016	Curr.[4]
Companies reported at equity						
Associated companies						
Andrés N. Bertotto S.A.I.C., Río Tercero (AR)	PSAG	30.00	30.00	30.00	30.00	ARS
Dreggen (Hong Kong) Company Limited, Hong Kong	PM NO	33.00	33.00	33.00	33.00	HKD[5]
Palfinger France S.A.S., Étoile sur Rhône (FR)	PEMEA	49.00	49.00	49.00	49.00	EUR
Crane Center Kamaz OOO, Nabereschnyje Tschelny (RU)	PCIS	49.00	49.00	49.00	49.00	RUB
STEPA Farmkran Gesellschaft m.b.H., Elsbethen (AT)	PEMEA	45.00	45.00	45.00	45.00	EUR
SANY Automobile Hoisting Machinery Co., Ltd., Changsha City (CN)	SPV	10.00	10.00	10.00	10.00	CNY
Alu1 Norge AS, Husnes (NO) *(initial consolidation: 30 June 2016)*	HS AS	-	34.00	-	34.00	NOK[5]
Joint ventures						
Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)	PSUG	50.00	50.00	50.00	50.00	EUR
PALFINGER SANY Cranes OOO, Moscow (RU)	PSV	100.00	100.00	50.00	50.00	RUB
Sany Palfinger SPV Equipment Co., Ltd., Changsha (CN)	PAP	50.00	50.00	50.00	50.00	CNY
Other shareholdings						
Rosendal Hamn Eigedom AS, Rosendal (NO) *(initial consolidation: 30 June 2016)*	HS AS	-	3.00	-	3.00	NOK
Rosendal Utvikling AS, Rosendal (NO) *(initial consolidation: 30 June 2016)*	HS AS	-	8.50	-	8.50	NOK
Sunnhordlandsdiagonalen AS, Valen (NO) *(initial consolidation: 30 June 2016)*	HS AS	-	4.54	-	4.54	NOK
Atheno AS, Stord (NO) *(initial consolidation: 30 June 2016)*	HS AS	-	6.20	-	6.20	NOK

1) Controlling company:

BOATS = Palfinger Boats B.V., Barneveld (NL)
ETI = Equipment Technology, LLC, Oklahoma City (US)
HH1 = Harding Holding I AS, Seimsfoss (NO)
HH2 = Harding Holding II AS, Seimsfoss (NO)
HKPM = Holding Company Podyomnie Maschini ZAO
HS AS = Harding Safety AS, Seimsfoss (NO)
HS ES = Harding Safety Spain SL, Madrid (ES)
HS NL = Palfinger Marine Europe B.V., Schiedam (NL) (formerly: Harding Safety Netherlands B.V.)
HS US = Harding Safety USA Inc.
MP = Madal Palfinger S.A., Caxias do Sul (BR)
OSI = Omaha Standard, LLC, Council Bluffs (US)
PAG = PALFINGER AG, Salzburg (AT)
PALMA = Palfinger Marine GmbH, Salzburg (AT)
PAP = Palfinger Asia Pacific Pte. Ltd., Singapur (SG)
PARUS = Palfinger Russland GmbH, Salzburg (AT)
PAUG = Palfinger Area Units GmbH, Salzburg (AT)
PCIS = Palfinger CIS GmbH, Salzburg (AT)
PEMEA = Palfinger EMEA GmbH, Salzburg (AT)

PEU = Palfinger Europe GmbH, Salzburg (AT)
PHH = Palfinger Harding Holding AS, Seimsfoss (NO)
PIB = Palfinger Ibérica Maquinaria S.L., Madrid (ES)
PM = Podyomnie Maschini ZAO, Velikiye Luki (RU)
PM BR = Palfinger Marine Do Brasil Ltda, Rio de Janeiro (BR)
PM NL = Palfinger Marine Netherlands B.V.,
PMH = Palfinger PM Holding GmbH, Salzburg (AT)
PNAG = Palfinger North America GmbH, Salzburg (AT)
PP = Palfinger Platforms GmbH, Krefeld (DE)
PPT = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)
PSAG = Palfinger South America GmbH, Salzburg (AT)
PSUG = Palfinger S. Units GmbH, Salzburg (AT)
PSV = Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)
PSYSU = Palfinger systems units GmbH (AT)
PTL DE =Palfinger Tail Lifts GmbH, Ganderkesee (DE)
PUSA = Palfinger USA, Inc., Tiffin (US)
SMZ = SMZ OOO, Arkhangelsk (RU)
SPV = Sany Palfinger SPV Equipment Co., Ltd., Changsha (CN)
VMS = Velmash-S OOO, Velikiye Luki (RU)

2) From the point of view of the controlling company
3) From the point of view of PALFINGER AG
4) Curr. = functional currency
5) Company not consolidated due to negligible importance

Salzburg, 30 January 2017

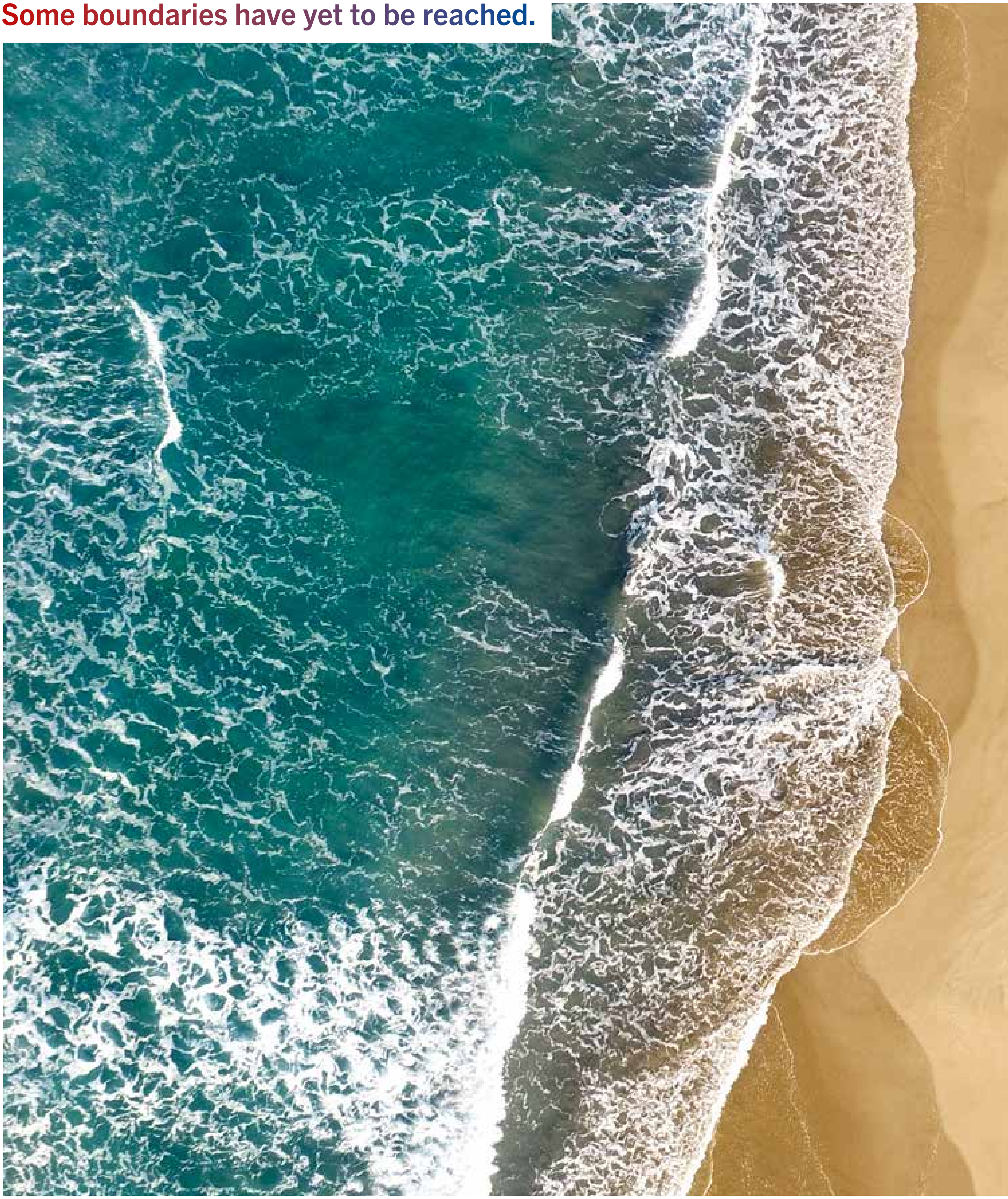
The Management Board of PALFINGER AG

Herbert Ortner m.p.
Chief Executive Officer

Christoph Kaml m.p.
Chief Financial Officer

Martin Zehnder, m.p.
Chief Operating Officer

Some boundaries have yet to be reached.



Acapulco, Mexico

Detailed GRI and Sustainability Disclosures

> Successful expansion of management system ISO 50001
> Definition of new HR targets
> PALFINGER received an excellent CDP (Carbon Disclosure Project) scoring level

DETAILED GRI AND SUSTAINABILITY DISCLOSURES

SUSTAINABILITY REPORT PROFILE AND BOUNDARIES

PALFINGER has published an Integrated Annual Report, which contains reporting on sustainability aspects, every year since 2013. The 2016 Integrated Annual Report also presents a comprehensive overview of all aspects of corporate governance: economic aspects as well as social and ecological ones. The topics reported on were selected on the basis of the results of the materiality analysis and take into account PALFINGER's four sustainability areas. The GRI index provides an overview of the sustainability aspects and references to the respective pages in the Report. To help the reader, those pages also contain references to the relevant GRI disclosures and indicators, as well as references to other additional information.
Materiality analysis, page 30; GRI index, page 226

All figures for the year 2016 were compared to those for the previous year. Comparisons of key performance indicators (KPIs) are presented over a period of three years. The consolidated management report provides primarily aggregated KPIs at Group level; detailed reporting can be found in this chapter.

As a matter of principle, all fully consolidated companies of the PALFINGER Group have been included in the sustainability reporting. Sites with fewer than 80 staff members may opt for an exception regarding staff KPIs other than the employment trend. In such a case, they are free to decide whether or not to disclose specific staff KPIs such as staff turnover, equal opportunity, staff absences due to industrial accidents or sick leave, and training hours. Currently, only four sites have selected this exception regarding staff KPIs. In addition, based on a resolution adopted by the Management Board, ETI at the Oklahoma site is excepted when it comes to reporting specific HR indicators. As the reporting boundaries were defined more precisely and internal control loops were improved, minor changes of individual figures from the previous years had to be made.

Given the importance of environmental indicators, reporting on these is mandatory for manufacturing and assembly sites. The sites in Bergheim (AT) and Ainring (DE), being corporate headquarters and a truck body mounting site, respectively, were included in the reporting due to their size. Differentiation by scope of direct and indirect CO_2 equivalents was implemented in 2014. The conversion starting from 1 January 2014 is based on the Ecoinvent Version 3.01 database, data on direct emissions (Scope 1) of petrol and diesel were provided by the Environmental Agency Austria ("Umweltbundesamt"). In 2016, due to the new sites in Russia, two additions were made to the sources of energy reported on: coal and district heating. Coal KPIs were disclosed separately in the 2015 reporting period and have been adjusted with retrospective effect following their inclusion in reporting. Conversion was based on the carbon content of coal (Scope 1) and the Ecoinvent 3.2 database (Scope 3). The conversion factors for district heating are country-specific and were also provided by the Ecoinvent database or directly by the provider. In the reporting period, due to the improvements in data quality, 2013 was defined as the base year for index presentation for a longer time period, which also resulted in changes in the previous year's figures.

Companies or sites that were acquired or founded in the current reporting period will be subject to reporting requirements starting from the beginning of next year. The only KPI included in reporting immediately is the headcount of such sites.

Environmental data for 2016 therefore comprise the following sites (sites included for the first time are underlined): Bergheim (AT), Elsbethen (AT), Köstendorf (AT), Lengau (AT), Cherven Brjag (BG), Tenevo (BG), Cachoeirinha (BR), Caxias do Sul (BR), Niagara Falls (CA), Nantong (CN), Ainring (DE), Ganderkesee (DE), Krefeld (DE), Löbau (DE), Seifhennersdorf (DE), Caussade (FR), Welwyn Garden City (GB), Delnice (HR), Cadelbosco (IT), Modena (IT), Sacheon (KR), Barneveld (NL), Harderwijk (NL), Gdynia (PL), Lazuri (RO), Archangelsk (RU), Ishimbay (RU),Neftekamsk (RU), Velikiye Luki (RU), Maribor (SI), Marine Maribor (SI), Council Bluffs (US), Oklahoma (US), Trenton (US), Hanoi (VN), Hung Yen (VN).

Due to the large number of sites, it was not possible to present data for each site individually in this Report. Rather, data was presented for the regions European Union, Rest of Europe, CIS, Central and South America, North America, Middle East and

Africa as well as Far East and/or for the PALFINGER Group. As eco-efficiency in production does not affect any sites in the regions Rest of Europe or Middle East and Africa, no figures were indicated for these regions for the related aspects.

GRI G4-18, G4-22, G4-28, G4-29, G4-30

Strategic sustainability aspects, page 21; GRI index, page 226

SUSTAINABILITY PROGRAMME

The following table lists all the individual measures that form PALFINGER's sustainability programme, broken down by the four sustainability aspects identified by PALFINGER. It provides an overview of the current status of implementation as well as the time horizon for these measures. In addition, a short summary can be found in the chapter on sustainability management.

Sustainability management, page 31

○ New ◒ In preparation ● Completed ⊘ Cancelled/Deferred

RESPONSIBLE EMPLOYER		Status	Goal
PALFINGER has set the goal of employee turnover below 10 per cent as well as staff absences due to industrial accidents below 0.11 per cent starting in 2016.			
Occupational health and safety			
Uniform global definition of accidents and uniform reporting	In addition to absence periods, individual accidents will also be reported group-wide in accordance with a uniform definition regarding severity. This will contribute to the local continuous improvement processes.	◒	2017
Expansion of PALfit	The occupational health management PALfit is being expanded in several countries. In 2016, this was accomplished in Croatia and China. In Germany, the project has been deferred for the time being due to restructuring measures under company law. In 2017, PALfit is to be established at additional sites.	◒	2017
First aid training	First aid training was to be offered at the PALFINGER College in Austria. In 2016, these courses were provided outside the college programme.	●	2016
"Healthy leadership"	Industrial psychologists (focus: crisis communication) will give presentations to raise employees' awareness; follow-up measures are also to be implemented. The Austrian project will be expanded further and will also be introduced at other sites.	◒	2017
Crisis intervention team	In Austria, a crisis intervention team will be trained in order to be able to manage crises in the best possible way.	○	2017
Attractive employment possibility			
Establishment of an employer branding strategy	In 2016, the establishment of an employer branding strategy was promoted through regional workshops, and the use of social media was increased. In the future, a group-wide employer branding strategy will be integrated. One of the objectives of this strategy is to enhance PALFINGER's attractiveness as an employer at all corporate locations worldwide.	◒	2017
Personnel marketing	In the future, PALFINGER plans to use additional new media for HR marketing purposes in order to actively promote its attractiveness as an employer. In this connection, a project for a group-wide recruiting platform was launched.	◒	2017
On-boarding process	The on-boarding process was optimized in 2016, for instance in North America. In 2017, additional initiatives are to be carried out in various areas to enhance the integration of new staff members.	◒	2017
Training and education			
Continuation of the HR review	In 2016, the HR review was rolled out to other management levels.	●	2016
Coaching for executives	In 2016, the establishment of coaching programmes for executives was continued and the availability of these programmes was actively communicated. Further measures for the future are being planned.	◒	2017
Expansion of HR development	The college programme was regionally expanded in Austria and North America. The idea of the PALFINGER College is to be continuously internationalized.	◒	2017

RESPONSIBLE EMPLOYER		**Status**	**Goal**
Diversity and equal opportunity			
PALversity project "Corporate Culture"	The objective pursued by this project was met: A holistic overview of PALFINGER's corporate culture was obtained. The concept of "leadership by example" was strengthened, a Corporate Culture Board was installed and additional strategies and initiatives were developed. The corporate values were updated, based on the results of a survey. In the future, a focus will be placed on communicating these new values.	●	2016
PALversity project "Recruiting"	All employees were given access to the social media platforms Xing and LinkedIn. In addition, the set-up of a recruiting tool was started.	◒	2017
PALversity project "International Mobility"	Under an international exchange programme talented employees from the individual regions may transfer to PALFINGER's headquarters for a certain period of time; participants in this programme also act as culture bearers. In addition, an exchange of corporate functions to and from the regions was facilitated. Moreover, a value-oriented strategy was developed for mobility programmes.	●	2016
PALversity project "Working Conditions"	PALFINGER acts as an "Employer of Choice" at the individual sites and takes adequate employee-friendly measures with the objective of employing the best staff. The individual sites exchange information on specific measures for the improvement of working conditions via Corporate HR.	◒	2018
PALversity project "Talent Management"	The project intends to generate group-wide awareness for talent management. Afterwards, corporate targets are to be defined and the necessary HR requirements for a relevant tool are to be gathered and evaluated.	◒	2018
Communication with employees			
New intranet	In order to further improve internal communications, the existing intranet is to be replaced by modern tools for specific subjects.	◒	2017
Focus on corporate culture, vision & mission	The further development of PALFINGER's corporate culture is intended to help increase transparency. Priority is to be given primarily to communicating the values, vision and mission of PALFINGER.	○	2017

ECO-EFFICIENCY IN PRODUCTION		**Status**	**Goal**
PALFINGER has set itself the goal of improving energy efficiency and reducing hazardous waste by 1.8 percentage points every year starting in 2014.			
Energy efficiency and climate protection			
Continuation of lighthouse projects for energy efficiency	PALFINGER will continue to place a focus on eco-efficiency in production and facility management: Efforts to enhance energy efficiency were initiated for new, in particular energy-intensive, sites upon their inclusion in the PALFINGER Group, and partially implemented in EMEA and North America in 2016.	◒	2017
Best-practice pool of energy efficiency	Information on successfully implemented energy-efficiency initiatives was electronically provided to the local responsible officers throughout the Group. As the Sharepoint server was not sufficiently used as a networking platform, PALFINGER is now promoting face-to-face communication. In 2017, a summit of all local environmental officers will be held. Communication via webinars and conference calls will also continue to be promoted.	⊘	2017
Energy audits	In compliance with the Energy Efficiency Act, energy audits were carried out at Austrian, German and Bulgarian sites.	●	2016
Introduction of ISO 50001	At PALFINGER's German and Slovenian sites, certification under ISO 50001, which specifies requirements for energy management systems, took place in 2016. There are currently no plans to implement this measure at other sites.	●	2016
Certified environmental management systems at additional sites	Environmental management systems certified according to ISO 14001 will be introduced at the site in Elsbethen (AT) in 2017.	◒	2017
Paint shops and powder coating plants	Existing paint shops and powder coating plants in EMEA are being optimized and/or replaced by new lines. New paint shops and powder coating lines are scheduled to take up operations in 2017.	◒	2017
Modernization and expansion of plants	Austrian sites were modernized in the course of the expansion of the building control systems. At the Bulgarian sites, expansion of the plants has started and the modernization programme has been launched.	◒	2017
Greenfield investments marine business	The option of greenfield investments is being reviewed in the course of the integration of Harding sites. These sites are then to be equipped with best possible energy balance and renewable energy sources.	○	2018
Energy efficiency Russia	The optimization of the Russian plants in regard to energy efficiency is being reviewed.	○	2017
E-mobility	The use of e-mobility at sites or in connection with PALFINGER products is being promoted.	○	2017

ECO-EFFICIENCY IN PRODUCTION		Status	Goal
Waste and hazardous substances			
Waste optimization project	At Austrian, Slovenian and Bulgarian sites, a project to optimize waste disposal costs and recycling proceeds was launched. A first analysis of recyclable material flows, recycling proceeds and waste disposal costs revealed that the prices for waste disposal and scrap metal had been negotiated well, thus leaving no room for major additional savings. Minor optimizations have been implemented in the course of the continuous improvement process.	●	2016
Environmentally friendly transport			
Transport optimization	In the EMEA region, truck utilization for transports was optimized. In this connection, a strategy to reduce transports was developed as well.	●	2016

SUSTAINABLE PRODUCTS		Status	Goal
Product safety			
Safety system	In the context of the "Fall Protection Mode" project, the occupational safety mode of cranes was further developed in Germany, Switzerland and Austria. Moreover, PALFINGER plans to introduce new control systems for developing countries. Safety has also been enhanced by the adapted training for operators.	●	2016
Research and development			
Introduction of the P-profile	The new polygonal profile (P-profile) facilitates the construction of lighter models with more lifting force. This profile has already been introduced for larger cranes and, in the future, will be integrated into other crane models as well, in an ongoing process taking several years.	●	2016
Mounting Competence Center (MCC)	The MCC as an integrated mounting unit has been established for loader cranes. The development of mounting standards is being supported.	●	2016
Efficient and environmentally friendly products			
Lifecycle approach	In the future, the lifecycle costs of PALFINGER products are to be monitored and analysed. For the time being, this project will be implemented for individual product groups only.	○	2017
Product information			
Review of dealer standards	The purpose of the review of international dealer standards is to support the safe use of the products and to enhance product quality and longevity. In 2016, all EMEA dealers were evaluated. The evaluation process is being continuously expanded to other regions. In the future, compliance with dealer standards will be supported by relevant training courses.	◒	2018
New website: environmentally friendly and safe products	A general description of all PALFINGER products has already been made, and is now to be supplemented by a presentation of their environmental and safety advantages.	◒	2017

FAIR BUSINESS		Status	Goal
Viability of the business model			
Digitalization	Digitalization is seen as a crucial factor for the viability of PALFINGER's business model and thus as an integral part of the corporate strategy. In 2016, an organizational unit specializing in digitalization issues was set up. The unit will initiate, monitor and implement projects regarding Industrial Internet and Industry 4.0.	○	2017
Marine business as second mainstay	PALFINGER's marine business is to be established as a second mainstay. The acquisition of Harding in 2016 was already a major step towards achieving this objective. The strategic focus on the marine business will be further strengthened.	○	2017
Compliance with legal and ethical standards			
Strengthening corporate ethics	Awareness for corporate ethics as a fundamental pillar of PALFINGER's Code of Conduct is to be promoted. In 2016, targeted communication and the group-wide PALversity initiative made significant contributions. This topic was also included in the updated information folders for employee and in the internal communication channel Yammer. In addition, a post-merger integration process was developed. Ethics and compliance were also a part of due diligence processes carried out in 2016.	●	2016
Training in corporate ethics for new employees	In 2016, training sessions were held at the new companies in Russia to raise awareness of corporate ethics; a similar measure will be implemented in China in 2017. In addition, a video explaining the Code of Conduct was internationally distributed. The video will be translated into an additional 19 national languages. A training concept for compliance topics is being developed.	◒	2017
Corporate audit	The further development of the corporate audit approach is being evaluated and will be adjusted if necessary. Moreover, it is planned to increase the headcount in 2017.	○	2017
Regional procurement			
Regional procurement	PALFINGER's inventories were actively reduced thanks to the group-wide Current Capital 25% initiative launched in 2015 to optimize internal processes. In the future, additional initiatives for local procurement are to be launched.	◒	2017

SUSTAINABILITY MANAGEMENT		**Status**	**Goal**
Group conference for environmental and health officers	All local officers for the environment, health and safety will exchange their experience and ideas. Objectives for the summit include creating a common sustainability culture at PALFINGER, standardizing definitions and optimizing reporting and the exchange of experience among personnel in charge of reporting.	◒	2017
Targeted stakeholder communication	A workshop to analyse PALFINGER's stakeholder groups and their involvement was held. Due to the dynamic environment, another materiality analysis has been scheduled for 2017. On the basis thereof, measures for the specific control of communication strategies will be implemented.	◒	2017
Carbon Disclosure Project	In 2016, PALFINGER successfully participated in the Carbon Disclosure Project and was named "Sector Leader of the DACH region" (Germany, Austria, Switzerland) in the "Industrials" category.	●	2016
Sustainable Development Goals & Science Based Targets	In 2017, PALFINGER will thoroughly examine the Sustainable Development Goals (SDGs) and evaluate the Science Based Targets as a basis for defining the targets for key indicators of greenhouse gas emissions.	○	2017

GRI G4-DMA

MATERIAL GRI ASPECTS ALONG THE VALUE CREATION CHAIN

The following illustration shows which sustainability aspects of the Global Reporting Initiative (GRI) guidelines PALFINGER has defined as being material, and the stages within the value creation chain at which their effects are felt. The indicators used by PALFINGER to measure them are presented as well. The material topics are ranked according to the overall relevance attributed to them by the PALFINGER management as well as internal and external stakeholders in 2015. The list includes the 32 topics of the materiality analysis chosen for assessment. Changes as compared to the previous reports are presented in the key and/or in the materiality analysis chapter.

Materiality analysis, page 30

In addition, the impact of PALFINGER's 12 material issues on the Sustainable Development Goals (SDGs) is disclosed. A first analysis has shown that PALFINGER primarily impacts the following four SDGs.

SDG 4: Quality education

PALFINGER is strongly committed to being an attractive employer and offering attractive jobs to its staff. Career opportunities within the Company are promoted, primarily through education and training. Extensive user training ensures the safe use of products. PALFINGER considers ongoing training important potential for a viable business model and will continue to focus on this aspect.

SDG 8: Decent work and economic growth

PALFINGER attaches great importance to the viability of its business model and therefore actively monitors and integrates relevant trends. By doing so, PALFINGER contributes to economic growth. It is equally important, in this connection, to guarantee attractive employment. This includes legal and ethical standards as well as training opportunities for PALFINGER staff.

SDG 9: Industry, innovation and infrastructure

PALFINGER is committed to keeping its business model up to date with current trends at all times. This is also reflected in PALFINGER's approach to research and development, which are also aimed at maintaining the Company's viable position in the future. With the help of product innovations, PALFINGER increases the safety of its products while at the same time focusing on the efficient and environmentally friendly use of raw materials. The result is a great variety of efficient, environmentally friendly and long-lasting products.

SDG 12: Responsible consumption and production

PALFINGER assumes responsibility by using raw materials efficiently. Among the most important aspects of this are the reduction of energy consumption as well as of hazardous waste, along the entire value creation chain. With its efficient, low-noise products that have a low consumption of operating materials, PALFINGER provides state-of-the-art lifting solutions that meet the needs of the market.

In the following table, the most significant impacts are printed in bold letters.

Ranking	Material topics	Stage of value creation chain: Supply chain	Within the Company	Product use	Material aspects acc. to GRI Reported GRI indicator	Impacts acc. to Sustainable Development Goals (SDGs)	Intensity of reporting
1	**Health and safety of employees** PALFINGER should protect its employees against accidents and promote their health care.	●	●		**Occupational health and safety** G4-LA6, G4-LA7, G4-LA8	SDG 1: No poverty **SDG 3:** Good health and well-being SDG 6: Clean water and sanitation	Quantitative presentation of accidents and staff absences in company's own production process and description of initiatives
2	**Product safety** PALFINGER's products should be distinguished by utmost safety. The prevention of accidents during their use should go beyond statutory requirements.			●	**Customer health and safety** G4-PR1, G4-PR2	SDG 3: Good health and well-being SDG 4: Quality education SDG 9: Industry, innovation and infrastructure	Quantitative presentation of accidents and description of safety innovations for products
3	**Viability of the business model** PALFINGER should make sure that its business model remains viable in the long term and actively pursue trends (e.g. urbanization, rental instead of purchase, etc.).	●	●	●	**Economic performance** G4-EC1, G4-EC2, G4-EC4	SDG 4: Quality education **SDG 8:** Decent work and economic growth **SDG 9:** Industry, innovation and infrastructure	Presentation in the context of the management report, risk management, economic performance, organizational profile
4	**Attractive employment possibility** PALFINGER should be known as an attractive employer, keep employee turnover low and create career opportunities within the company.	●	●		**Employment; Supplier assessment for labour practices** G4-LA1, G4-LA14, G4-LA15	**SDG 1:** No poverty **SDG 4:** Quality education **SDG 5:** Gender equality **SDG 8:** Decent work and economic growth **SDG 10:** Reduced inequalities	Quantitative presentation of employee turnover
5	**Research and development** PALFINGER should continue to invest in research and development.	●	●	●	No GRI aspect available Research and development p. 82	SDG 7: Affordable and clean energy **SDG 9:** Industry, innovation and infrastructure SDG 12: Responsible consumption and production **SDG 13:** Climate action	Qualitative description of investment in research and development
6	**Raw materials demand and efficiency** In production, PALFINGER should use raw materials such as steel and aluminium efficiently.	●	●	●	**Materials** G4-EN1	SDG 9: Industry, innovation and infrastructure **SDG 12:** Responsible consumption and production SDG 15: Life on land	Quantitative presentation of waste cuttings
7	**Compliance with legal and ethical standards** PALFINGER should act in an ethically correct manner: laws are obeyed, taxes are paid correctly and corruption is counteracted.	●	●	●	**Ethics and integrity; Anti-corruption** G4-56, G4-57, G4-58, G4-SO3, G4-SO4, G4-SO5, G4-SO7	**SDG 5:** Gender equality **SDG 8:** Decent work and economic growth **SDG 10:** Reduced inequalities **SDG 16:** Peace, justice and strong institutions	Presentation of violations, if any, and description of initiatives regarding corporate ethics
8	**Correct corporate governance** The company should be governed properly and guarantee the independence of the Supervisory Board, involvement of shareholders, and transparent remuneration of top management. The behaviour according to defined corporate values should be emphasized.	●	●	●	**Compliance** G4-SO8, G4-PR2	**SDG 16:** Peace, justice and strong institutions	Presentation of violations, if any, and compliance management

Ranking	Material topics	Stage of value creation chain: Supply chain	Within the Company	Product use	Material aspects acc. to GRI Reported GRI indicator	Impacts acc. to Sustainable Development Goals (SDGs)	Intensity of reporting
9	**Energy efficiency and climate protection** PALFINGER should strive to continuously optimize energy consumption and transport, to reduce costs and emissions and thus actively contribute to climate protection.		●	●	**Energy; Emissions** G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7, G4-EN15, G4-EN16, G4-EN17, G4-EN18	**SDG 7:** Affordable and clean energy SDG 11: Sustainable cities and communities **SDG 13:** Climate action	Quantitative indicators and qualitative description of energy consumption
10	**Efficient and environmentally friendly products** PALFINGER products should stand out due to their low need for energy and operating materials when in operation. Measured over their lifecycles they should be the most economical solution available.			●	**Products and services** G4-EN27	SDG 9: Industry, innovation and infrastructure SDG 11: Sustainable cities and communities **SDG 12:** Responsible consumption and production **SDG 13:** Climate action	Qualitative description of product innovations
11	**Durability of products** Customer satisfaction is the upmost priority at PALFINGER. Therefore, the products should be of top quality, reliable, made to last and low in maintenance.		●	●	**Product and service labelling** G4-PR5	SDG 9: Industry, innovation and infrastructure **SDG 12:** Responsible consumption and production	Qualitative description of product innovations for quality enhancement
12	**Training** PALFINGER should invest in the further training of its employees.		●		**Training and education** G4-LA9, G4-LA10, G4-LA11	**SDG 4:** Quality education **SDG 8:** Decent work and economic growth	Quantitative indicator and qualitative description of the training programme

Ranking	Further topics	Stage of value creation chain: Supply chain	Within the Company	Product use	Further aspects acc. to GRI Reported GRI indicator	Intensity of reporting
13	**Diversity and equal opportunity** PALFINGER should enhance diversity and offer all employees the same opportunities – irrespective of age, gender, personal background and other factors.	●	●		**Diversity and equal opportunity** G4-LA12	Quantitative presentation of the percentage of women, generations as well as qualitative presentation of employees with disabilities and of initiatives
14	**Fair remuneration** PALFINGER should offer fair remuneration.		●		**Equal remuneration for women and men** No GRI indicator reported	Qualitative description of wage level
15	**Products without problematic substances** PALFINGER should offer product variations with biodegradable hydraulic oil. Hazardous substances (e.g. chrome VI, solvent-based paints, etc.) should be avoided and environmental damage caused by product use should be minimized.	●	●	●	**Effluents and waste; Products and services** G4-EN23, G4-EN27	Presentation of waste cuttings rate and development of hazardous waste, description of the status quo of electroplating and paint shops, description of product innovations

Ranking	Further topics	Stage of value creation chain: Supply chain	Stage of value creation chain: Within the Company	Stage of value creation chain: Product use	**Further aspects acc. to GRI** Reported GRI indicator	Intensity of reporting
16	**Sustainability in the supply chain** PALFINGER should take an interest in whether suppliers pay attention to environmental protection and to their social responsibility. Suppliers that show commitment in these fields should receive advantages from PALFINGER.	●			**Supplier assessment for environmental aspects, labour practices, human rights and social aspects** G4-EN32, G4-EN33, G4-LA14, G4-LA15, G4-HR10, G4-HR11, G4-SO9, G4-SO10	Number of supplier assessments and their results
17	**Employee communication** Every employee should be informed about major corporate developments. Communication with and among employees should take place at an elevated international level and be characterized by the common corporate values.		●			Qualitative description of communication with employees
18	**Effluents and waste** At PALFINGER sites hazardous waste and substances should be avoided, safely stored and disposed of.	●	●	●	**Effluents and waste** G4-EN23	Presentation of waste cuttings rate and development of hazardous waste, description of the status quo of electroplating and paint shops, description of product innovations
19	**Product recyclability** PALFINGER products should be easy to recycle at the end of their lifecycles.		●	●	**Effluents and waste; Products and services** G4-EN23, G4-EN27	Presentation of waste cuttings rate and development of hazardous waste, description of the status quo of electroplating and paint shops, description of product innovations
20	**Avoidance of noise and emissions** PALFINGER products should avoid noise and emissions during operation.		●	●	**Emissions** G4-EN15, G4-EN16, G4-EN17, G4-EN18	Quantitative indicator and qualitative description of emissions
21	**Low product weight** PALFINGER products and truck-bodies should be low in weight.		●	●	**Materials** G4-EN1	Qualitative description of safe and efficient products as well as product innovations
22	**Product information** Users should be provided with product information and training courses in order to ensure safety and environmental protection when using PALFINGER products.		●	●	**Product and service labelling** G4-PR3	Qualitative description of product information
23	**Regional responsibility** PALFINGER sites should become actively involved at the regional level and should invest in public welfare (e.g. donations and sponsoring). Good relations should be maintained with local residents.		●		**Local communities** G4-EC1	Qualitative description of regional responsibility
24	**Stakeholder involvement** PALFINGER should openly inform customers, suppliers, employees and all other cooperation partners, and engage them in the development of the company accordingly.	●	●	●	**Stakeholder engagement** G4-24, G4-25, G4-26, G4-27	Presentation for purposes of stakeholder management

Ranking	Further topics	Stage of value creation chain: Supply chain	Stage of value creation chain: Within the Company	Stage of value creation chain: Product use	**Further aspects acc. to GRI** Reported GRI indicator	Intensity of reporting
25	**Environmentally friendly transport** The transport of raw materials, components and PALFINGER products should be kept short and environmentally friendly.	●	●	●	**Transport** No GRI indicator reported	Qualitative description of environmentally friendly transport
26	**Lifting solutions for developing and emerging countries** PALFINGER products should also be affordable in less developed countries in order to make physical labour easier.		●	●		Qualitative description of lifting solutions for developing and emerging countries
27	**New products for ecological/social usages** PALFINGER should strive for successful product innovations for the use in environmental and social fields. This has already been achieved in the case of cranes for wind energy plants and access systems for people with disabilities.		●	●		Qualitative description of product innovations
28	**Biodegradable hydraulic oil** PALFINGER should offer product variants with biodegradable hydraulic oil.	●	●	●	**Products and services** G4-EN27	Qualitative description of product innovations for quality enhancement
29	**Fair marketing** The products should be promoted in an honest and transparent manner.		●	●	**Marketing communications** No GRI indicator reported	Qualitative description of marketing
30	**Alternative power systems** PALFINGER should offer alternative power systems (e.g. electrical, hybrid).	●	●	●	**Products and services** G4-EN27	Qualitative description of product innovations
31	**Freedom of association** PALFINGER should uphold the freedom of association and guarantee freedom of expression.	●	●	●	**Freedom of association and collective bargaining** G4-HR4	Qualitative description of freedom of association
32	**Regional purchasing** PALFINGER should buy primary products in the regions in which the company operates.	●			**Procurement practices** No GRI indicator reported	Qualitative description of regional purchasing

GRI G4-19, G4-20, G4-21
Materiality analysis, page 30

MANAGEMENT SYSTEMS IN USE

Continuously enhancing the management of quality assurance, environmental standards, product safety and occupational safety at the production sites is a key priority at PALFINGER. External certifications may be obtained to this end by the respective units or companies on their own authority and in line with local requirements, but they are not a must. While the management systems follow the same processes throughout the Group, quality assurance and central quality management are controlled by the production site in Lengau (AT).

As a result of the integration of larger sites such as Neftekamsk (RU) and Oklahoma (US) and the ensuing increase in headcount, which rose by 459 staff members, the percentage of certifications was stable overall in the reporting period, with energy management systems forming a positive exception. There are currently no certifications for the two new sites, and without this diluting effect a consistently positive trend has been achieved regarding all certifications.

At 31 December 2016, approx. 86 per cent (previous year: 88 per cent) of all employees worked at sites with an ISO 9001 quality management system in place. PALFINGER's quality standards for welding processes are equally high, which is why approx. 41 per cent (previous year: 41 per cent) of all employees work at sites that have obtained country-specific welding certificates. Moreover, group-wide quality management guidelines define the settlement of warranty payments, company-wide minimum standards for quality, and definitions of warranty cases and warranty expenses.

Many quality management aspects are also relevant for environmental protection. In contrast to quality management systems, relatively few employees 31 per cent (previous year: 31 per cent) work at plants that have been certified under ISO 14001, and this percentage is stable. A further certification of the Austrian site in Elsbethen is planned for 2017. In any case, all PALFINGER sites meet at least the minimum criteria required for an environmental management system as defined in the Group's environmental protection guideline. In addition, this guideline provides for the implementation of local improvement measures.
Environmental and energy management, page 92

Since 2015, PALFINGER sites in Austria, Germany, Slovenia, Romania and Bulgaria have been subject to the provisions of the respective national legislations transposing the EU Energy Efficiency Directive. Energy management systems according to ISO 50001 were introduced at an early stage at the sites in Lengau (AT), Köstendorf (AT), Tenevo (BG) and Maribor (SI). The five German and two Slovenian locations that received certification in the reporting period almost doubled the percentage of relevant staff members of the PALFINGER Group working at certified sites, increasing it to 39 per cent (previous year: 21 per cent).

At PALFINGER, one way of managing occupational health and safety aspects is OHSAS 18001 certification. There was no year-on year change in the number of such certifications, which apply to sites employing a total of 23 per cent (previous year: 23 per cent) of PALFINGER's staff members. This type of certification is to be introduced at a site in Germany in 2018.

Certifications			**Quality**		**Environment**		**Safety**
Site or registered office	**Company**	**Headcount**	**ISO 9001[1)]**	**Welding certifications[2)]**	**ISO 14001**	**ISO 50001**	**OHSAS 18001**
Ainring (DE)	Palfinger GmbH	151	X	X		X	
Arkhangelsk (RU)	SMZ OOO	210	X				
Barneveld (NL)	Palfinger Marine Netherlands B.V.	53	X				
Cachoeirinha (BR)	Palfinger Marine Montagens Industriais do Brasil Ltda.	15					
Cadelbosco di Sopra (IT)	Palfinger Gru Idrauliche s.r.l.	87	X				
Caussade (FR)	Guima Palfinger S.A.S.	197	X	X	X		X
Caxias do Sul (BR)	Madal	203	X				
Cherven Brjag (BG)	PPT-Bulgarien Cherven Briag	500	X	X			
Council Bluffs (US)	OSP	235					
Delnice (HR)	Palfinger Proizvodna Tehnologija Hrvatska d.o.o.	88	X	X			
Elsbethen (AT)	EPSILON Kran GmbH	98	X		Planned for 2017		
Ganderkesee (DE)	Palfinger Tail Lifts GmbH	226	X	X		X	
Gdynia (PO)	Palfinger Marine Poland sp.z.o.o.	15	X				
Hanoi (VN)	Palfinger Marine Vietnam Co.,Ltd.	63	X				
Harderwijk (NL)	Palfinger Boats B.V.	32	X				
Hung Yen (VN)	Palfinger Boats Vietnam Co. Ltd.	53	X				
Ishimbay (RU)	INMAN AO	558	X				
Köstendorf (AT)	Palfinger Europe GmbH	360	X		X	X	X
Krefeld (DE)	Palfinger Platforms GmbH	121	X	X		X	
Lazuri (RO)	Nimet Srl	487	X		X		X
Lengau (AT)	Palfinger Europe GmbH	705	X	X	X	X	X
Löbau (DE)	Palfinger Platforms GmbH	206	X			X	
Maribor (SI)	Palfinger Marine d.o.o., Maribor	96	X			X	
Maribor (SI)	Palfinger Proizvodnja d.o.o.	487	X	X		X	
Modena (IT)	Palfinger Platforms Italy s.r.l.	31	X				
Nantong (CN)	Palfinger Lifting Technology (Nantong) Co., Ltd.	33	X				
Neftekamsk (RU)	Palfinger Kama Cylinders OOO	163					
Niagara Falls (CA)	Palfinger, Inc.	68					
Oklahoma (US)	Equipment Technology, LLC	296					
Sacheon (KR)	Palfinger Marine Korea Ltd.	32	X	X	X		X
Bergheim (AT)	PALFINGER AG	221					
Seifhennersdorf (DE)	Palfinger Platforms GmbH	48	X	X		X	Planned for 2018
Tenevo (BG)	PPT-Bulgarien Tenevo	605	X	X	X	X	
Trenton (US)	PARO	67					
Velikiye Luki (RU)	Velmash-S OOO	753	X				
Welwyn Garden City (GB)	Palfinger Tail Lifts Limited	115	X				
Total headcount		**7,678**	**6,613**	**3,160**	**2,386**	**3,005**	**1,781**
Percentage of headcount using certificate			**86%**	**41%**	**31%**	**39%**	**23%**

1) As well as other similar quality management standards.
2) According to the following certifications: ZL EN729, EN3834-2, Schweis-ZL GL, BS 4872 or EN287 issued to individuals; at American sites certification by TSSA, ASTM A36, A514 T1 or HNSI/AWS D1.1 issued to individuals.

GRI G4-DMA

DETAILED SUSTAINABILITY DISCLOSURES

RESPONSIBLE EMPLOYER

In 2016, as in previous years, the number of employees of the PALFINGER Group increased and came to 9,970 at the end of the year. The respective figures remained stable in the companies that have been part of the PALFINGER Group for a long time. The increase in staff numbers was caused primarily by the acquisitions made, adding 819 new employees (previous year: 233 employees) to the headcount. The Group's geographical footprint was enlarged in particular by the acquisition of the Harding Group, with 723 employees in 16 countries. Temporary workers were employed primarily in the European Union, and their number rose to 543 in the reporting period (previous year: 496 temporary workers).

Employment trend

Employment trend (headcount)		**2014**	**2015**	**2016**
European Union	Core workforce	4,745[1)]	4,879	5,491
	(thereof staff at new sites)	85	10	331
	Temporary workers	299	423	422
	Total	**5,044[1)]**	**5,302**	**5,913**
Far East	Core workforce	301	310	426
	(thereof staff at new sites)	0	39	140
	Temporary workers	13	18	12
	Total	**314**	**328**	**438**
CIS	Core workforce	1,756	1,843	1,775
	(thereof staff at new sites)	1,230	155	0
	Temporary workers	38	10[1)]	4
	Total	**1,794**	**1,853[1)]**	**1,779**
Central and South America	Core workforce	372	297	279
	(thereof staff at new sites)	0	0	28
	Temporary workers	0	0[1)]	3
	Total	**372**	**297[1)]**	**282**
Middle East and Africa	Core workforce	543	609	609
	(thereof staff at new sites)	543	0	31
	Temporary workers	0	0	0
	Total	**543**	**609**	**609**
North America	Core workforce	1,044[1)]	1,081	1,080
	(thereof staff at new sites)	0	0	74
	Temporary workers	60	45	82
	Total	**1,104[1)]**	**1,126**	**1,162**
Rest of Europe	Core workforce	97	112	310
	(thereof staff at new sites)	0	29	215
	Temporary workers	0	0	20
	Total	**97**	**112**	**330**
PALFINGER Group	**Core workforce**	**8,862[1)]**	**9,131**	**9,970**
	(thereof staff at new sites)	**1,858**	**233**	**819**
	Temporary workers	**410**	**496**	**543**
	Total	**9,272[1)]**	**9,627**	**10,513**

1) Changes occurred due to internal control loops for the purpose of improving data quality.

GRI G4-10, G4-LA1

In the European Union, the high volume of incoming orders resulted both in a growing core workforce and in an increased deployment of temporary workers. In most other regions, the employment situation remained stable; Central and South America posted a further decline caused by the difficult economic conditions.

As a rule, there is no disguised employment and no seasonal employee turnover at PALFINGER. As a general rule, PALFINGER employees are permanently employed. Fixed-term employment contracts beyond the probationary period are not a common practice. The only exception is work experience placements, in the course of which PALFINGER gives young talents the opportunity to gain work experience in an international environment. The vast majority of employees work for PALFINGER on a full-time basis.

Employee turnover

In the 2016 reporting period, the employee turnover rate increased from 13.6 per cent to 13.7 per cent. Average group-wide staff turnover therefore has remained at a level customary in the industry. The elevated regional employee turnover rates at PALFINGER can be traced back to individual sites. Restructurings in North America, Brazil and China were the biggest factors influencing these rates.

Employee turnover (in per cent)	**2014**	**2015**	**2016**
European Union	6.3%	8.5%[1]	6.5%
Far East	9.0%	13.2%	5.6%
CIS	7.6%[1]	18.3%	19.0%
Central and South America	34.0%[1]	28.6%[1]	47.9%
Middle East and Africa	11.4%	14.1%	17.1%
North America	25.7%[1]	23.6%[1]	39.9%
Rest of Europe	10.3%	18.8%	12.6%
PALFINGER Group	**10.4%[1]**	**13.6%**	**13.7%**

1) Changes occurred due to internal control loops for the purpose of improving data quality.

Empoyee turnover by gender (in per cent)	**2014**	**2015**	**2016**
Women	11.8%	12.6%	13.9%
Men	10.5%[2]	14.1%	13.7%
PALFINGER Group[1]	**10.4%[2]**	**13.6%**	**13.7%**

1) Depending on the report boundaries, employee turnover was reported by gender or as a total figure. As a consequence, detailed figures differ from the overall employee turnover rate.
2) Changes occurred due to internal control loops for the purpose of improving data quality.

GRI G4-LA1

Health and safety

Staff absences due to industrial accidents have been at a low level in recent years, remaining stable at 0.12 per cent (previous year: 0.12 per cent) of regular working time in the reporting period. Staff absences were also reduced in connection with the introduction of flexible working hours and measures to promote occupational safety, in particular in the Asian countries. In 2016, for the first time in ten years, a fatal accident occurred, taking the life of a female worker in Russia.

Occupational safety and accident prevention, page 79

Staff absences (in per cent of regular working time)		**2014**	**2015**	**2016**
European Union	Accidents	0.14%[1]	0.19%[1]	0.17%
	Sick leave and other causes	4.25%[1]	4.01%[1]	4.26%
Far East	Accidents	0.00%	0.11%[1]	0.00%
	Sick leave and other causes	2.97%[1]	3.87%[1]	1.25%
CIS	Accidents	0.00%	0.00%	0.01%
	Sick leave and other causes	1.92%[1]	4.26%[1]	5.10%
Central and South America	Accidents	0.13%[1]	0.13%	0.12%
	Sick leave and other causes	2.02%[1]	1.23%[1]	2.26%
Middle East and Africa	Accidents	0.10%	0.00%	0.00%
	Sick leave and other causes	0.78%	0.69%	0.62%
North America	Accidents	0.05%[1]	0.09%	0.10%
	Sick leave and other causes	3.21%[1]	2.53%	6.06%
Rest of Europe	Accidents	0.00%	0.04%	0.59%
	Sick leave and other causes	2.40%[1]	6.43%[1]	3.39%
PALFINGER Group	**Accidents**	**0.09%[1]**	**0.12%[1]**	**0.12%**
	Sick leave and other causes	**3.24%[1]**	**3.70%[1]**	**4.12%**

1) Changes occurred due to internal control loops for the purpose of improving data quality.

GRI G4-LA6

In the European countries, psychological strain is still among the most frequent causes of employee absences. Around 60 per cent of the reasons for sick leave can be found in the private realms of the employees. In the course of a current project, measures to improve work conditions are still being identified, developed and evaluated. At the production sites, the focus is on preventing physical strain and improving workplace ergonomics. In principle, health management strives to avoid risks for employees in production (74.6 per cent of the total workforce) arising, in particular, from the following sources: noise, emissions and radiation during welding and coating processes, chemicals used in coating processes, handling of heavy loads and strenuous work postures. PALFINGER makes an effort to preserve and promote the health and working capacity of its staff through preventative measures.

GRI G4-LA7

In Austria, ever since the statutory changes in the field of occupational health and safety came into effect (2013 amendment), psychological strain at the workplace has been increasingly analysed and evaluated. This is an ongoing process, which is repeated either every two to three years or whenever there is a change in workplace. There are four important dimensions that have to be taken into account: 1. Task requirements and activities; 2. Working atmosphere; 3. Working environment; 4. Workflows and work organization.

The ongoing evaluation process also produces valuable insights for workplace design, which will be implemented. In production, it is possible for PALFINGER, in many cases, to provide the necessary support through additional tools. Processes are discussed with the team and the responsible executive and then improved. By listening to the employees' needs and recognizing them, many sources of stress can be eliminated.

Training and education

In the period under review, training programmes were further developed at most of the PALFINGER sites. Cross-region executive and management training courses were attended by 46 participants from 11 nations, including 7 women. At the Austrian sites, the PALFINGER College has become a well-established institution over the years. This training and development programme is essentially based on the transfer of knowledge by internal experts, supplemented by courses and seminars held by external experts. Languages and intercultural training are going to be even bigger priorities in the future. In Russia, the number of training courses held has increased continuously in recent years. In-house training and traineeships are important to PALFINGER, in particular at the new production sites. Training activities in North America were reduced, given that the sites are currently undergoing a restructuring process. In South America, investments in health and safety training were increased. In the Far East, the focus was on internal process training and product-related training, and the growing importance of the region is being taken into account by a special executive development programme.

Training hours (per employee)	**2014**	**2015**	**2016**
European Union	8.9[1]	14.7[1]	11.1
Far East	5.8[1]	7.2[1]	7.0
CIS	5.0[1]	17.7	27.9
Central and South America	21.4[1]	24.5	10.9
Middle East and Africa	30.0	25.2	14.6
North America	2.1[1]	1.2	1.6
Rest of Europe	3.2	0.6	2.6
PALFINGER Group	**9.0**[1]	**14.4**[1]	**14.1**

1) Changes occurred due to internal control loops for the purpose of improving data quality.

GRI G4-LA9

Skilled labour, page 80

Equal opportunity

GENDER

In 2016, the percentage of women employees at PALFINGER increased marginally to 10.9 per cent (previous year: 10.7 per cent); the low figure is typical for the industry. The percentage of women in management positions increased at a higher rate in the reporting period, reaching 18.0 per cent (previous year: 16.5 per cent). Countries typically known for a higher percentage of women in management include primarily Norway and those in Central and South America and in the CIS region. At the large sites in Cherven Brjag (BG), Tenevo (BG), Caussade (FR), Arkhangelsk (RU) and Velikiye Luki (RU) more than 25 per cent of the employees in executive positions are women.

Women (in per cent)		**2014**	**2015**	**2016**
European Union	Total	10.5%	10.5%[2]	10.7%
	Percentage of women in management[1]	12.2%[2]	12.9%	14.1%
Far East	Total	14.6%	13.5%	16.8%
	Percentage of women in management[1]	7.1%	7.4%	11.1%
CIS	Total	17.8%[2]	18.8%[2]	15.6%
	Percentage of women in management[1]	35.9%[2]	33.7%	31.7%
Central and South America	Total	14.0%	13.8%	14.3%
	Percentage of women in management[1]	17.9%	9.5%[2]	31.3%
Middle East and Africa	Total	2.9%	2.6%	3.3%
	Percentage of women in management[1]	13.0%	5.0%	5.3%
North America	Total	8.4%[2]	8.3%[2]	9.3%
	Percentage of women in management[1]	9.5%	8.1%	12.7%
Rest of Europe	Total	20.6%	18.8%	20.0%
	Percentage of women in management[1]	7.7%	20.0%	23.8%
PALFINGER Group	**Total**	**10.8%**[2]	**10.7%**[2]	**10.9%**
	Percentage of women in management[1]	**16.8%**[2]	**16.5%**	**18.0%**

1) Employees in management positions include all members of the Management Board, the heads of business areas, business units and corporate functions as well as all employees in disciplinary management positions.
2) Changes occurred due to internal control loops for the purpose of improving data quality

GRI G4-LA12

GENERATIONS

The average age structure within the PALFINGER Group has changed over the past few years, primarily in connection with the acquisitions and restructurings made. All in all, compared with previous years, an increase in the employment rate of staff aged 56 and over to 10.6 per cent was recorded in 2016. In general, the age structure is influenced by factors such as demographic changes and the catchment areas of PALFINGER sites. In Russia, positions are deliberately staffed with younger employees, whereas in Asia, demography is the reason for the relatively young team. In South America, staff turnover is high not only among employees aged 56 and over but also in all other age groups. In North America, employees tend to retire later, and the industry has so far not been very attractive for young people.

Percentage of employees aged 56+ (in per cent)	**2014**	**2015**	**2016**
European Union	8.7%	9.7%	10.3%
Far East	2.3%	1.3%	0.7%
CIS	15.7%[1)]	14.6%	14.1%
Central and South America	3.7%[1)]	3.2%[1)]	1.6%
Middle East and Africa	0.6%	0.8%	1.0%
North America	18.2%[1)]	17.5%[1)]	19.7%
Rest of Europe	3.1%	6.3%	7.4%
PALFINGER Group	**10.09%[1)]**	**10.3%[1)]**	**10.6%**

1) Changes occurred due to internal control loops for the purpose of improving data quality

GRI G4-LA12

EMPLOYEES WITH DISABILITIES

PALFINGER wants to offer its staff members with special needs a meaningful occupation and integration into the Company's teams. The Eastern European sites employ many people with disabilities, whereas in Austria PALFINGER falls short of the stipulated employment quota of 4 per cent and therefore has to pay penalties. In the future, the percentage of employees with disabilities is to be raised through several initiatives. Plans include, for instance, job advertisements specifically addressed to people with disabilities.

GRI G4-LA12

ECO-EFFICIENCY IN PRODUCTION

Efficient use of raw materials

Waste cuttings – i.e. steel and aluminium scrap – are produced exclusively at PALFINGER's manufacturing and assembly sites, and in most cases there is only minimal room for further improvement. Apart from Caussade (FR), the highest waste cuttings rates of up to 38 per cent were recorded at the Russian sites due to the higher level of value added, for instance when it comes to turned parts, even though PALFINGER achieved optimizations at these sites in the reporting period. At the sites in Velikiye Luki (RU) and Ishimbay (RU), waste cuttings were reduced by up to 4 percentage points. The South American site in Caxias do Sul also achieved optimization by a continued focus on the stacking of the parts on the steel plates. At the Asian marine site in Sacheon (KR), waste cuttings rates increased the most, due to the continuous relocation of manufacturing processes to Poland and the fact that, as a consequence, economies of scale could not be realized. In contrast, there are hardly any waste cuttings when producing lifeboats, as the glass fibre reinforced plastic can be shaped to fit precisely. There were only a few changes in the rates recorded by the European sites, with Caussade (FR), Lazuri (RO) and Tenevo (BG) showing slightly higher rates and Cherven Brjag (BG) carrying on with its continuous improvement. At the Asian site in Nantong (CN), only assembly work is performed, following the outsourcing of the cutting processes to the Sany Palfinger joint venture in 2016.

GRI G4-EN23

Waste cuttings broken down by manufacturing and assembly site (in per cent)	**2014**	**2015**	**2016**
Arkhangelsk (RU)[1]		21.9%	26.8%
Caussade (FR)	27.8%	28.7%	31.1%
Caxias do Sul - Madal (BR)	24.7%	25.9%	24.0%
Cherven Brjag (BG)	26.6%	26.3%	25.8%
Council Bluffs (US)	17.8%	15.0%	15.0%
Hanoi (VN)	8.0%	16.3%	18.6%
Hung Yen (VN)[1]		15.5%	12.2%
Ishimbay (RU)[1]		31.1%	28.9%
Lazuri (RO)	11.3%	11.5%	14.1%
Lengau (AT)	23.7%	23.7%	23.8%
Maribor (SI)	29.5%	29.2%	29.5%
Nantong (KR)[1]			21.5%
Neftekamsk (RU)[1]			38.1%
Oklahoma (US)[1]			10.3%
Sacheon (KR)	15.4%	20.8%	34.5%
Tenevo (BG)	3.0%	3.0%	6.8%
Velikiye Luki (RU)[1]		34.5%	30.5%
Welwyn Garden City (UK)	10.0%	11.0%	8.6%

1) No previous years' data available.

Hazardous waste

Increased revenue and a higher level of value added resulted in a further increase – although not as substantial as in previous years – in hazardous waste, expressed in absolute figures, to 3,880 tonnes (previous year: 3,434 tonnes), the majority of which was generated in the European Union, at the sites in Maribor (SI), Lengau (AT), Lazuri (RO) and the Russian site Arkhangelsk. The volume of hazardous waste generated at the sites in the European Union rose to 2,763 tonnes (previous year: 2,538 tonnes). In Russia, the second-largest region, the volume generated in the entire previous year was reached in the third quarter; this was primarily due to the newly integrated site in Neftekamsk (RU). Hazardous waste then levelled off at 913 tonnes (previous year: 656 tonnes), with Arkhangelsk (RU) and Velikiye Luki (RU) being the main consumers. In North America, the absolute quantities of hazardous waste also increased, amounting to 38 tonnes (previous year: 24 tonnes); here, the newly integrated site in Oklahoma (US) was the main polluter. In South America, declining revenue was not the only reason for the reduction in hazardous waste volumes by around 26 per cent; the improvement was also a consequence of process optimizations and training courses. In Asia, hazardous waste figures declined as well; however, this was mainly a consequence of the outsourcing of manufacturing processes to the Sany joint venture.

At the two large paint shops in Europe, Lengau (AT) and Maribor (SI), waste quantities rose more strongly than production. In Lengau, one of the reasons was the new additional powder coating line that started operations in October 2016. Coatings that used to be applied by the suppliers are now performed by PALFINGER. At Maribor, a review is being made as to whether optimization can be achieved when changing the contents of the CDP basin. At the two Russian sites, Arkhangelsk and Velikiye Luki, the weight of hazardous waste increased despite a decline in production. There are plans for a complete overhaul of the paint shop in Velikiye Luki (RU) in 2017. In Arkhangelsk (RU), hazardous waste is caused not only by the paint shop but also by the foundry sand from moulds used to manufacture components. Plans have been made to reuse part of this foundry sand for the production process in 2017, which will bring down hazardous waste volumes. Within the PALFINGER Group, every paint shop is designed individually, but the process is governed by universally valid principles:

- Commitment to achieving energy efficiency through insulation, heat recovery, energy-efficient engines and burners
- Protection of the environment through the use of environmentally friendly materials and technologies, solvent-free paints and the like, as well as drying processes at low temperatures
- Conservation of resources through the use of state-of-the art technologies (e.g. air recirculation, prevention of wastewater, ergonomics, etc.)

Hazardous waste (in tonnes)	**2014**	**2015**	**2016**
European Union	2,117	2,538	2,763
Far East	85	84	68
CIS	57	656	913
Central and South America	176	133	98
North America	25	24	38
Total	**2,460**	**3,434**	**3,880**

When using an index for presentation, it is possible to present the figures adjusted for revenue developments. In the reporting period, a new base year (2013) was set for a longer time period. At a group index value of 158 per cent (previous year: 125 per cent), the target of an annual reduction by 1.8 percentage points was not met in the reporting period. This was due to the higher level of value added and the related increase in coating processes, as well as the failure to realize the expected signal effects. Only in the region North America was PALFINGER nevertheless able to optimize the hazardous waste index by 10 percentage points. In the CIS region, the index development was affected by the Arkhangelsk (RU) and Velikij Luki (RU) sites, as more waste accrued in connection with testing while revenue remained the same. In the European Union, waste rates once again rose to a high level at the Lazuri (RO) site, reaching 578 tonnes (previous year: 438 tonnes). The hopes that one-off effects recorded in 2015 due to the new electroplating plant and process changes could be compensated by process optimizations in 2016 did not materialize, so that they continue to have a negative impact on the development of the index KPIs, accounting for 61 percentage points. Therefore, PALFINGER is analysing additional reduction possibilities. The highest quantity of hazardous waste was produced at the site in Maribor (SI), where the figure came to 1,074 tonnes, a further increase of two percentage points in relation to revenue as compared to the previous year. In the Far East, the index development was also highly negative, coming to 481 per cent (previous year: 127 per cent), which was primarily caused by the Sacheon (KR) site, although the absolute figure was comparably low, amounting to 68 tonnes.

Index: Hazardous waste in relation to revenue (in per cent)[1]	**2014**	**2015**	**2016**
European Union	104.3%	134.2%	158.8%
Far East	98.3%	126.9%	480.9%
CIS	71.0%	95.3%	135.9%
Central and South America	99.4%	91.9%	125.7%
North America	129.3%	116.8%	107.3%
PALFINGER Group	**103.2%**	**124.8%**	**157.7%**

1) Volume 2013=100%. The change in base year has resulted in a change in the previous years' index values..

GRI G4-EN23

USE OF HAZARDOUS SUBSTANCES

Biodegradable hydraulic oil is based on synthetic esters and, in comparison to conventional hydraulic oil, produces a significantly lower burden on the environment should the hydraulic system of a product happen to leak. Upon the customer's request, also wind cranes can be delivered with biodegradable oil, which almost completely eliminates the risk of environmental contamination.

Another contribution to environmental protection can be made by regularly servicing oil by filtration. In this case, it is no longer necessary to do an oil change, which avoids pollution through disposal. Another positive effect is generated by the substantial reduction of maintenance costs and downtime.

With a total of more than 2,200 wind cranes delivered, PALFINGER has made a significant contribution to the successful implementation of the energy turnaround. Moreover, the new winch system, which consumes substantially less oil, causes minimum pollution to the sea in case of damage. Also access platforms can be operated with biodegradable hydraulic oil.

The use of a new guide block technology in loader cranes reduces the maintenance need of cranes and also increases environmental compatibility, as the extension boom systems only have to be greased once at the beginning of product use and the substance used is fully biodegradable.

In the case of hydraulic screw connections and standard mounting parts, PALFINGER uses chrome-VI-free products.

The changeover to water-soluble paints, in particular when it comes to interior-paint on PAL Pro body compartments, is not only environmentally friendly but also enhances product quality. The purchase volumes of paint were 9 per cent higher in the reporting period. However, the proportion of water-soluble paints remained the same as in the previous year, namely 95 per cent.

Purchase volumes of paint (in tonnes)	**2014**	**2015**	**2016**
Volume of water-soluble paints	189	229	248
Volume of solvent-based paints	11	12	14
Total	**199**	**241**	**262**

Energy efficiency

In the reporting period, total energy consumption rose slightly to 198 million kWh (previous year: 181 million kWh), corresponding to an increase of 10 per cent, which was primarily caused by the integration of two new sites and the increased demand for heating energy due to lower outside temperatures.

At PALFINGER, the most widely used energy source is electricity, accounting for 47 per cent (previous year: 49 per cent) of total energy consumption. For production-related reasons, electricity consumption, expressed in absolute figures, increased from 88 million kWh to 94 million kWh, corresponding to a rise of 6 per cent. The main consumer was the site in Lazuri (RO), due to the newly installed electroplating plant, followed by the large production plants with electricity-intensive processes in Lengau (AT), Maribor (SI) and Tenevo (BG). These four sites alone, taken together, account for 54 per cent of total electricity consumption.

Demand for heat energy increased, in particular at the Russian sites, following the inclusion of district heating and coal in reporting. The cold winter in Russia, with average temperatures 10 degrees lower than last year, sent up coal requirements at the Velikiye Luki (RU) site by around 40 per cent. As a consequence, coal, which is used exclusively at that site, accounted for a slightly higher portion of total energy consumption, namely 8 per cent (previous year: 6 per cent). At 55 million kWh, natural gas consumption remained the same (previous year: 55 million kWh), and accounted for 28 per cent of total energy consumption (previous year: 30 per cent). The main consumer was Council Bluffs (US), due to the natural-gas-operated paint shop. All other energy sources in this category played only a minor role in total energy consumption.

Total fuel consumption rose to 18 million kWh (previous year: 14 million kWh). Primarily due to the improved data quality of the central recording of fuel data, for instance by using Routex, the consumption of diesel and petrol increased disproportionately. At 7 per cent (previous year: 6 per cent) diesel was the fuel accounting for the largest percentage of total energy consumption. Kerosene consumption rose by around 50 per cent as the company aircraft was used more frequently.

Energy consumption broken down by energy source
(in MWh)

		2014	2015	2016
Electricity	Electricity	73,644	88,007	93,504
Heat	Natural gas	56,409	54,994	55,276
	Propane	3,221	2,896	3,161
	Butane	749	582	856
	LPG	3,290	3,153	3,256
	Heating oil	1,460	1,151	30
	District Heating[1)]	0	4,412	7,913
	Coal[1)]	0	11,592	16,537
Fuels	Diesel	8,281	11,166	14,218
	Petrol	1,439	2,158	2,066
	Kerosene	3,275	1,084	1,607
Total		**151,769**	**181,195**	**198,423**

1) Adjustments with retrospective effect of the 2015 figures, due to implementation of district heating and coal.

Accounting for 61 per cent of total consumption, the European Union is still the main energy consumer, even though the percentage of total energy consumed by EU sites decreased by around 3 percentage points compared to the previous year. In contrast, energy consumption increased at the Russian sites, which had the second-largest energy consumption within the PALFINGER Group in 2016, accounting for 24 per cent. The percentage of total energy consumed in North America remained more or less the same, coming to 13 per cent. In all other regions, the percentages of total energy consumption remained stable.

At the new headquarters in Bergheim (AT), which was in full operation throughout the year for the first time in 2016, energy consumption was reduced. Due to the fact that a heat pump is used for the cooling and heating systems, the building has a heating energy requirement of only 27.8 kWh/m^2/a. Thus, since no heating oil is used at the new site, the Group's consumption dropped drastically to 30 MWh (previous year: 1,151 MWh).

Energy consumption broken down by category
(in MWh)

		2014	2015	2016
European Union	Electricity	58,505	64,895	67,520
	Heat (incl. process heat)[1)]	40,466	41,736	42,253
	Fuels	11,321	8,973	11,868
Far East	Electricity	870	900	676
	Heat (incl. process heat)[1)]	117	167	77
	Fuels	418	545	686
CIS	Electricity	2,066	10,634	13,149
	Heat (incl. process heat)[1)]	2,838	19,567	28,743
	Fuels	985	4,469	4,766
Central and South America	Electricity	2,746	2,115	1,894
	Heat (incl. process heat)[1)]	879	842	722
	Fuels	163	274	253
North America	Electricity	9,457	9,464	10,265
	Heat (incl. process heat)[1)]	20,829	16,469	15,233
	Fuels	107	146	318
Total	**Electricity**	**73,644**	**88,007**	**93,504**
	Heat (incl. process heat)[1)]	**65,130**	**78,780**	**87,029**
	Fuels	**12,995**	**14,408**	**17,891**
Total energy consumption		**151,769**	**181,195**	**198,423**

1) Adjustments with retrospective effect of the 2015 figures, due to implementation of district heating and coal.

GRI G4-EN3, G4-EN5, G4-EN6

After years of positive development, the PALFINGER Group recorded a considerable decrease in energy efficiency in 2016. According to the index, energy consumption in relation to revenue rose by 3.8 percentage points year on year.

The only region to make a positive contribution to the Group's result was the European Union, where the index improved by 1 percentage point to 89.0 per cent (previous year: 90.0 per cent). In the Far East region, a year-on-year index deterioration by 40 percentage points was recorded, with absolute energy consumption being at the very low level of around 1 million kWh. This was due to higher diesel consumption at the site in Sacheon (KR) caused by a higher number of product tests using diesel generators. The largest negative impact on the Group's result originated from the CIS region, where especially the increased coal requirement due to the cold winter at the site in Velikiye Luki (RU) considerably affected the result and increased energy consumption in relation to revenue by 9.8 percentage points. The Americas also showed a negative development: In North America, the index rose by 9.4 percentage points compared to the previous year; in Central and South America it also rose by 19.7 percentage points. In both regions, the main cause for this trend was the low capacity utilization and the resulting lack of revenue.

Index: Energy consumption in relation to revenue (in per cent)[1]	**2014**	**2015**	**2016**
European Union	91.3%	90.0%	89.0%
Far East	104.3%	83.2%	122.9%
CIS	79.6%	95.6%	105.4%
Central and South America	86.6%	88.2%	107.9%
North America	112.9%	90.2%	99.6%
PALFINGER Group	**95.5%**	**91.0%**	**94.8%**

1) Volume 2013=100%. The change in base years has resulted in a change in the previous years' index values.

Climate protection

In general, the development of climate-relevant emissions in absolute figures is similar to that of energy consumption throughout. In the 2016 financial year, emissions increased to 78,194 tonnes of CO_2 (previous year: 71,228 tonnes of CO_2), primarily because larger quantities of electrical power were purchased. Direct emissions under Scope 1, accounting for approx. 29.0 per cent of the total, remained stable at 22,666 tonnes of CO_2 (previous year: 20,382 tonnes of CO_2). Indirect emissions under Scope 2 amounted to 45,797 tonnes of CO_2 (previous year: 41,823 tonnes CO_2), accounting for the largest percentage of these. At 9,731 tonnes of CO_2 (previous year: 9,023 tonnes CO_2), Scope 3 emissions indirectly caused by third parties were relatively low. The Scope 3 emissions disclosed herein include only energy sources such as electricity or natural gas, but no upstream emissions generated from materials such as steel or aluminium.
Climate protection, page 91

In 2016, the total rise in greenhouse gas emissions was slightly higher than the rise in energy consumption. This was due to the fact that production increased primarily in regions where fossil energy sources are used for electricity generation, for instance CIS. Coal, which is the new energy source used at the Velikiye Luki site with a consumption of around 1,800 tonnes in the reporting period, was systematically integrated into reporting and the relevant figures for 2015 and 2016 were disclosed in the index. As anticipated, this site drove up CO_2 emissions of the PALFINGER Group considerably, by 10,218 tonnes CO_2 equivalents. The site in Lazuri (RO) contributed 14,518 tonnes of CO_2 equivalents. Other significant reasons for the increase in greenhouse gas emissions, expressed in absolute figures, were the cold winter in this region at the beginning of 2016 and the higher number of painting processes.

Scope 1, 2 and 3 greenhouse gas emissions caused by energy consumption (in tonnes of CO_2 equivalents)[1]		**2014**	**2015**	**2016**
Scope 1	Electricity	0	0	0
	Heat (incl. process heat)[1]	13,688	16,676	18,061
	Fuels	3,309	3,706	4,605
Scope 2	Electricity	32,957	41,279	44,858
	Heat (incl. process heat)[1]	0	544	939
	Fuels	0	0	0
Scope 3	Electricity	3,875	4,704	5,015
	Heat (incl. process heat)[1]	3,272	3,657	3,906
	Fuels	807	662	810
Total		**57,907**	**71,228**	**78,194**

1) Adjustments with retrospective effect of the 2015 figures, due to implementation of district heating and coal.

Specific greenhouse gas emissions in relation to revenue increased by 5.1 percentage points as compared to the previous year. The substantial increase in CO_2 intensities was due to the higher coal consumption described earlier and the lower quantities produced due to market conditions and outsourcing to the Asian Sany joint venture.

Index: Specific greenhouse gas emissions in relation to revenue (in per cent)[1]	**2014**	**2015**	**2016**
European Union	92.1%	91.8%	91.8%
Far East	201.7%	153.4%	199.0%
CIS	88.7%	97.8%	108.2%
Central and South America	95.7%	96.6%	118.1%
North America	104.3%	88.2%	100.7%
PALFINGER Group	**96.9%**	**93.6%**	**98.7%**

1) Volume 2013=100%. The change in base years has resulted in a change in the previous years' index values.

GRI G4-EN15, G4-EN16, G4-EN17, G4-EN18

SUSTAINABLE PRODUCTS

Safety assessment, product labelling

PALFINGER products are among the market leaders when it comes to combining ease of use with utmost safety. All of PALFINGER's products are sold on the international market in accordance with the relevant standards applicable in each country. In Europe, the Machinery Directive 2006/42/EC and the related product standards such as the EN12999 standard for loader cranes are of relevance. What counts, however, is that PALFINGER complies with these safety standards in a user-friendly manner. Otherwise, users might regard the safety features as a restriction, which in turn could tempt them to deactivate such features.

The future requirements arising from the revision of the standard EN 280 (2015) have already been taken into account in the ongoing construction of new products. The early integration of the standard is supported by PALFINGER's participation in the technical committee CEN/TC 98/WG, and specifically in North America, by the certification of all PSC crane operators starting in January 2017. All operators working with cranes that have a lifting power of more than 2,000 pounds (907.18 kg) must be certified by an external certification body. All information is documented for the user in the technical documents.

In the sector of tail lifts, PALFINGER is involved in the work of the technical committee CEN/TC 98/WG 4 on the revision of the relevant standard EN 1756-1, including new safety requirements, through representatives of the respective group companies. The changes regarding rear underrun protection systems as required by the new Regulation UN/ECE/ R58 have been implemented. All PALFINGER tail lifts are produced and labelled accordingly. In the USA, access platforms have to be bear a label evidencing the observance of the requirements of ANSI 92.2 2015 and all models were adapted to meet this new standard. In the field of truck mounted forklifts, an enhancement of reach trucks according to ANSI B56.1/B56.14 is planned for 2017.

All of PALFINGER's products are assessed as to their health and safety impacts, and any potential for improvement is continuously being realized. In the period under review, no knowledge was received of any legal proceedings with a value in dispute of more than EUR 20,000 or any compliance-relevant publicly known cases regarding violations of regulations or voluntary codes of conduct concerning impacts of products on health or safety.

GRI G4-PR3

Safe and efficient products, page 83; Fair business, page 101

Product innovation for user safety

In 2016, a series of innovative concepts for the prevention of accidents were enhanced. The new PALCOVER system for hookloaders was launched on the market. With this system, there is no longer any need for the driver to climb onto the container in order to cover it, which increases user safety. As the loaded open container is fully covered by the PALCOVER system, the load is safe, too, which increases road safety during transport.

Several new features increasing the safety of access platform users were introduced: A basket that is 68 per cent more stable than the predecessor model, thus protecting the user better, was developed for the models of the NX series. In the 2016 financial year, the impact guard was also released for additional truck models. The new stair type access to Jumbo NX P 750, P 640 and P 570 access platforms was received well by the market. It eliminates the need to use a ladder and makes access to the platform safer and more ergonomic. In addition, an extensive lighting concept for access platforms was implemented in 2016: The outriggers and covers are illuminated perfectly, LEDs are used for warning and indicator lights. New programmable control units enhance safety for access platforms produced in the USA. Tracked crawler aerial platforms produced in Italy can now be better attached to the trailer and can be continuously monitored when the vehicle is in motion.

At the IAA 2016 trade fair in Hanover, PALFINGER unveiled its overhauled box mounted (BM) forklift, which offers improved safety and durability. Increased safety and reliability are also offered by the new slide-lift mast fitted to the F3 151 series.

In the field of tail lifts, anti-slip surfaces have made a material contribution to user safety. In 2016, various platform types received recertification according to DIN 51130 (2014-02) in this connection. Other customer-specific product components to increase occupational safety were also established.

Apart from technical features, correct user behaviour is of central importance when it comes to safety. PALFINGER provides information and training in various forms. For instance, around 120 training courses on access platforms are held every year in Germany alone, and attended by a total of around 1,000 participants. In the marine business, the acquisition of Harding also resulted in the integration of new know-how for training concepts into the PALFINGER Group. In addition to training courses, PALFINGER also provides users with videos on safe operation. In 2016, for instance, a new safety video on how to use box mounted forklifts was developed.

GRI G4-EN7, G4-EN27

Eco-efficient product innovation

Customers are increasingly paying attention to the total cost of ownership when making purchase decisions. A reduction of costs during the product utilization phase makes a product more attractive. In 2016, eco-efficient innovations focused primarily on light construction, demand-oriented control of engine performance and the prevention of emissions.

When the weight of PALFINGER products is reduced, less material is used and less fuel is consumed during transport or the vehicles are able to transport a higher payload. In 2016, PALFINGER succeeded in enhancing the gross vehicle weight to working height ratio in a series of access platform models manufactured in Germany. For the 3.5 tonnes models, an increase in working height, including basket jib, from 21 to 25 metres, for 26 tonnes models from 53 to 57 metres, and for 32 tonnes models (>12 m installation length) from 70 to 75 metres was accomplished. The lower weight was achieved by using a higher percentage of high-tension steel, aluminum and plastic components. More high-tension steel and aluminum were also used in the construction of access platforms in Italy and the USA, resulting in a reduction of the components' weight. In the marine business, PALFINGER launched an aluminum davit series on the market that boasts a considerable weight reduction. More use of compound materials is also planned for the future.

The novel slide-lift mast fitted to truck mounted forklifts of the F3 151 series (K5) allowed for a reduction in the forklift's deadweight of 1.5 tonnes by approx. 3 per cent without any change in lifting power. Moreover, maintenance and service requirements were considerably reduced because guide blocks are used instead of roller bearings.

2016 also saw the presentation of PALFINGER's weight-optimized MBB C 1000 LW tail lift, which is more than 15 per cent lighter than its predecessor model. Weight reductions were also achieved in various other series.

Alternative drives offer new energy-efficient solutions without local emissions. PALFINGER has been using hybrid drives for three years now. They enable the electro-hydraulic operation of the crane, which is almost silent and emission-free. Since 2015, electrical solutions have also been feasible for marine applications: mooring winches (AHC winches) are offered as both hydraulic and electrical variants. These winches are, for instance, utilized in offshore crane applications. For some years now, electrically-powered tail lifts with energy recovery have been successfully used. The advantages of these products are: no environmentally harmful hydraulic oil, lower CO_2 emissions, efficient use of energy and less noise.

In the field of access platforms, the use of load sensing was expanded, meaning that the rotational speed of the truck's engine is adjusted to the crane's current energy requirement, causing a reduction in fuel consumption. Since 2016, this performance-related pump control system on the Light NX and Jumbo NX models has lowered fuel consumption, noise and other emissions. The ETI access platforms produced in the USA also started to reduce energy consumption during downtime in 2016.

In a number of PALFINGER products, emissions during use were reduced in 2016 . From 2017 onwards, truck mounted forklifts will meet the requirements of the new US Tier 4 exhaust emissions standards. All truck mounted models of access platforms manufactured in Italy are being adjusted to meet the Euro 6 exhaust emissions standards: Davits for lifeboats of the PLG series use a very high percentage of biodegradable hydraulic oil: Over 70 per cent of the manufactured products are equipped with this comparatively environment-friendly hydraulic oil. Access platforms of the Jumbo NX series use hydraulic pipes instead of hydraulic tubes at the main frame, which prevents any leakage of hydraulic oil in hard-to-reach spots.
GRI G4-EN7, G4-EN27

PALFINGER products for people and the environment

PALFINGER's product portfolio includes lifting solutions that also serve ecological and social purposes. Railway systems are used for low-emission rail transport, offshore cranes are installed in wind energy plants, timber cranes are used in forestry, for biomass handling or in the field of recycling, which is also the main area of application for hooklifts. PALFINGER access systems make it easier for wheelchair-bound passengers to access means of public transport such as buses or trains. PALFINGER sees great market opportunities in these products.

Since 2015, based on the results of the materiality analysis, the key figure "Percentage of revenue from products for ecological and social purposes" has no longer been regularly reported. In the previous years, products for ecological and social purposes accounted for around 25 per cent of revenue. However, the internal data systems were developed further so that reporting of this key figure will be possible in the future if necessary.
Materiality analysis, page 30

GRI INDEX

According to the criteria of the Global Reporting Initiative ("Core"), all general standard disclosures and the specific standard disclosures for all aspects of relevance according to the materiality analysis have been described in this Report on the basis of G4 indicators. The following GRI index contains the relevant references, indicating the chapters and page numbers. In the Integrated Annual Report, the references are marked with the relevant icon. The transition from GRI-G4 to GRI standards is planned for 2017. Since 2013, moreover, PALFINGER has also been committed to compliance with the ten principles of the UN Global Compact; the current Communication on Progress report is available at PALFINGER's website. In addition, these principles and the GRI aspects are presented in a combined manner.

GRI G4-32

www.palfinger.ag/en/sustainability/publications/communication-on-progress-for-the-un-global-compact

GENERAL STANDARD DISCLOSURES

General standard disclosures UN Global Compact	Short description of information disclosed	Reference to page number
Strategy and analysis		
G4-1	Statement from the most senior decision-maker of the organization	Foreword by the CEO p. 7
G4-2	Key sustainable impacts, risks, and opportunities	Risk report p. 64
Organizational profile		
G4-3	Organizational profile: Brands, products and services	PALFINGER at a glance p. 9
G4-4	Product overview	Mission and vision p. 9
G4-5	Organizational profile: The organization's headquarters	PALFINGER at a glance p. 9
G4-6	Overview of operations	Companies of the PALFINGER Group see Back cover
G4-7	Nature of ownership and legal form	Ownership structure p. 37; Information according to sec. 243a of the Business Code p. 62
G4-8	Markets	Regions and industries by segments p. 42; Customers and dealers network p. 45; Development of the segments p. 49
G4-9	Organizational profile: Scale of the organization	PALFINGER at a glance p. 9
G4-10 UNGC 3, 4, 5, 6	Employment profile	Employment trend and employee turnover p. 74; Diversity and equal opportunity p. 81; Employment trend and employee turnover (Sustainability Annex) p. 213; COP UNGC
G4-11 UNGC 3, 4, 5, 6	Number of employees covered by collective bargaining agreements	Attractive jobs for employees with individual responsibility p. 75; COP UNGC
G4-12	Description of supply chain	Value creation p. 22; Suppliers p. 46; Sustainability among suppliers p. 48
G4-13	Significant changes regarding the organization, shareholder structure, supply chain	Sale of own shares p. 37; Suppliers p. 46; Sustainability among suppliers p. 48; Significant changes within the PALFINGER Group p. 60
G4-14 UNGC 7, 8, 9	Precautionary principle	Risk report p. 64; COP UNGC
G4-15	Self-commitment to voluntary initiatives	Ratings p. 36; Commitment p. 38
G4-16	Active memberships	Commitment p. 38
Identified material aspects and boundaries		
G4-17	Entities included in the consolidated financial statements	Companies of the PALFINGER Group see Back cover
G4-18	Defining the report content	Materiality analysis p. 30; Sustainability report profile and boundaries (Sustainability Annex) p. 202
G4-19	Material aspects	Strategic sustainability aspects p. 17; Materiality analysis p. 30; Material GRI aspects in the value creation chain (Sustainability Annex) p. 206
G4-20	Boundary within the organization for each material aspect	Value creation p. 22; Material GRI aspects in the value creation chain (Sustainability Annex) p. 206
G4-21	Boundary outside the organization for each material aspect	Value creation p. 22; Suppliers p. 46; Sustainability among suppliers p. 48; Material GRI aspects in the value creation chain (Sustainability Annex) p. 206
G4-22	Restatements of reported information	Materiality analysis p. 30; Sustainability report profile and boundaries (Sustainability Annex) p. 202
G4-23	Changes in the scope and aspect boundaries	Materiality analysis p. 30
Stakeholder engagement		
G4-24	List of stakeholders	Stakeholder management p. 28
G4-25	Selection of stakeholders	Stakeholder management p. 28
G4-26	Stakeholder engagement	Stakeholder management p. 28; Attractive jobs for employees with individual responsibility p. 75
G4-27	Results of stakeholder engagement	Stakeholder management p. 28
Report profile		
G4-28	Reporting period	Sustainability report profile and boundaries (Sustainability Annex) p. 202
G4-29	Previous report	Sustainability report profile and boundaries (Sustainability Annex) p. 202

General standard disclosures UN Global Compact	Short description of information disclosed	Reference to page number
G4-30	Reporting cycle	Sustainability report profile and boundaries (Sustainability Annex) p. 203
G4-31	Contact to sustainability management	General information see Back cover
G4-32	GRI index	GRI-Index (Sustainability Annex) p 226
G4-33	External assurance	Independent assurance statement p. 241
Governance		
G4-34	Governance structure and governance bodies	Sustainability management p. 31; Governing bodies of the Company and method of operation of the Management Board and Supervisory Board pursuant to sec. 243b para. 2 of the Business Code p. 96
G4-35	Governance structure of the organization	Sustainability management p. 31; Governing bodies of the Company and method of operation of the Management Board and Supervisory Board pursuant to sec. 243b para. 2 of the Business Code p. 96
G4-36	Responsibility of the highest governance body	Sustainability management p. 31; Governing bodies of the Company and method of operation of the Management Board and Supervisory Board pursuant to sec. 243b para. 2 of the Business Code p. 96
G4-37	Consultation procedures	Stakeholder management p. 28
G4-48	Highest position that reviews, approves and ensures the organization's sustainability report	Sustainability management p. 31
Ethics and integrity		
G4-56 UNGC 10	Code of Conduct	Strategy and value management p. 14; Group guidelines and Code of Conduct p. 101; COP UNGC
G4-57 UNGC 10	Compliance and integrity	Corporate ethics and corruption prevention p. 101; COP UNGC
G4-58 UNGC 10	Reporting concerns about integrity	Internal audits and risk management p. 102; COP UNGC

SPECIFIC STANDARD DISCLOSURES

Material aspects UN Global Compact	**DMA and indicators**	**Reference**	**Omission**
List of identified aspects	List specific standard disclosures related to each identified material aspect and DMA	Reference to page number	In exceptional cases, where it is not possible to provide certain information, reasons for the omission have to be given.
	Information on DMA (Disclosures on Management Approach) and sustainability programme	Environmental and energy management p. 92; Sustainability programme (Sustainability Annex) p. 203 ; Management systems in use (Sustainability Annex) p. 211	
Economic			
Economic performance			
G4-EC1	Direct economic value generated and distributed	Monetary flows to stakeholders p. 33; Donations p. 38	
G4-EC2	Financial implications and other opportunities and risks due to climate change	Risk issues p. 64	The focus is on a description of risks in qualitative terms.
G4-EC4	Financial assistance received from government	Monetary flows to stakeholders p. 33	The presentation covers subsidies, investment grants and R&D grants. Tax relief has been included in the EC 1 indicator.
Indirect economic impacts			
G4-EC8	Indirect economic impacts	Value management p. 20; Risk report p. 64	
Procurement practices			
G4-EC9	Spending on local suppliers	Procurement factors, markets and strategies p. 47	
Environmental			
Materials			
G4-EN1 UNGC 7, 8, 9	Materials used by weight or volume	Efficient use of raw materials p. 87; COP UNGC	The main materials used, steel and aluminium, are presented.
Energy			
G4-EN3 UNGC 7, 8, 9	Energy consumption within the organization	Energy efficiency p. 88; Energy efficiency (Sustainability Annex) p. 220; COP UNGC	
G4-EN4 UNGC 7, 8, 9	Energy consumption outside the organization	Efficient use of raw materials p. 87; Energy efficiency p. 88; COP UNGC	An estimate is presented for the most important raw materials, steel and aluminium. Due to the variety of products and their uses, it is impossible to provide information on the absolute energy consumption of the products.
G4-EN5 UNGC 7, 8, 9	Energy intensity	Energy efficiency p. 88; Energy efficiency (Sustainability Annex) p. 220; COP UNGC	
G4-EN6 UNGC 7, 8, 9	Reduction of energy consumption	Energy efficiency p. 88; Energy efficiency (Sustainability Annex) p. 220; COP UNGC	The reduction is described exclusively in a qualitative manner.
G4-EN7 UNGC 7, 8, 9	Reductions in energy requirements of products	Safe and efficient products p. 83; Product innovation for user safety (Sustainability Annex) p. 224; Eco-efficient product innovation (Sustainability Annex) p. 224; COP UNGC	Due to the diversity of products and their uses, the measures are described in qualitative terms.

Material aspects UN Global Compact	DMA and indicators	Reference	Omission
Emissions			
G4-EN15 UNGC 7, 8, 9	Direct GHG emissions (Scope 1)	Climate protection p. 91; Climate protection (Sustainability Annex) p. 222; COP UNGC	
G4-EN16 UNGC 7, 8, 9	Energy indirect GHG emissions (Scope 2)	Climate protection p. 91; Climate protection (Sustainability Annex) p. 222; COP UNGC	
G4-EN17 UNGC 7, 8, 9	Other indirect GHG emissions (Scope 3)	Climate protection p. 91; Climate protection (Sustainability Annex) p. 222; COP UNGC	
G4-EN18 UNGC 7, 8, 9	GHG emissions intensity	Climate protection p. 91; Climate protection (Sustainability Annex) p. 222x; COP UNGC	
Effluents and waste			
G4-EN23 UNGC 7, 8, 9	Waste and disposal	Efficient use of raw materials p. 87; Hazardous waste p. 87; Hazardous waste (Sustainability Annex) p. 217; COP UNGC	Production waste eligible for recycling is not presented in absolute figures but rather expressed as a waste cuttings rate. Due to the relevance of this information, only hazardous waste is reported on.
Products and services			
G4-EN27 UNGC 7, 8, 9	Mitigation of environmental impacts of products	Safe and efficient products p. 83; Product innovation for user safety (Sustainability Annex) p. 224; Eco-efficient product innovation (Sustainability Annex) p. 224; COP UNGC	
Compliance			
G4-EN29 UNGC 7, 8, 9	Non-compliance with environmental laws and regulations	Internal audits and risk management p. 102; COP UNGC	The description contains qualitative disclosures.
Supplier environmental assessment			
G4-EN32 UNGC 7, 8, 9	Screening of environmental data in the supply chain	Procurement factors, markets and strategies p. 47; COP UNGC	
G4-EN33 UNGC 7, 8, 9	Environmental impacts in the supply chain	Sustainability among suppliers p. 48; COP UNGC	
Social			
Labour Practices and Decent Work			
Employment			
G4-LA1 UNGC 3, 4, 5, 6	Total number of employees and employee turnover	Employment trend p. 74; Employment trend (Sustainability Annex) p. 213; Employee turnover (Sustainability Annex) p. 214; COP UNGC	Employee turnover and retirements are presented. It is currently not possible to show newly hired employees, but there are long-term plans to do so following the introduction of the relevant HR systems.
G4-LA2 UNGC 3, 4, 5, 6	Benefits provided to full-time employees by significant locations of operation	Information according to sec. 243a of the Business Code p. 62; COP UNGC	The description contains qualitative disclosures.
Occupational health and safety			
G4-LA6	Industrial accidents, occupational diseases and lost days	Health and safety p. 78; Health and safety (Sustainability Annex) p. 214	A presentation by gender is currently not possible, but is planned in the long term following the introduction of the relevant HR systems.
G4-LA7	Workers with high incidence or high risk of diseases	Health and safety (Sustainability Annex) p. 214	The presentation contains a description without any quantitative disclosures.
G4-LA8	Formal agreements with trade unions concerning health and safety topics	Health and safety p.78	A presentation of the Company's occupational health management scheme will be made.

Material aspects **UN Global Compact**	**DMA and indicators**	**Reference**	**Omission**
Training and education			
G4-LA9	Hours of training per employee	Skilled labour p. 80; Training and education (Sustainability Annex) p. 215	A presentation by gender and employee category is currently not possible but is planned in the long term following the introduction of the relevant HR systems.
G4-LA10	Programmes for skills management	Skilled labour p. 80	Transition assistance programmes for the management of career endings resulting from retirement or termination of employment are not reported on.
G4-LA11	Employees receiving regular reviews	Attractive jobs for employees with individual responsibility p. 75	A presentation by gender and employee category is currently not possible but is planned in the long term following the introduction of the relevant HR systems.
Diversity and equal opportunity			
G4-LA12 UNGC 3, 4, 5, 6	Diversity and equal opportunity	Diversity and equal opportunity p. 81; Governing bodies as well as function of the Management Board and Supervisory Board regarding the information according to sec. 243b of the Business Code p. 96; Equal opportunity (Sustainability Annex) p. 216; COP UNGC	Percentages of employees in various age groups are indicated in the categories 0(30), 30–56, 56+.
Supplier assessment for labour practices			
G4-LA14 UNGC 1, 2, 3, 4, 5, 6	Screening of labour practices criteria in the supply chain	Procurement factors, markets and strategies p. 47; COP UNGC	
G4-LA15 UNGC 1, 2, 3, 4, 5, 6	Impacts of labour practices in the supply chain	Sustainability among suppliers p. 48; COP UNGC	
Human Rights			
Human rights			
G4-HR1 UNGC 1, 2, 3, 4, 5, 6	Human rights in investment agreements	Strategy and value management p. 14; COP UNGC	The focus is on a description in qualitative terms.
G4-HR2 UNGC 1, 2, 3, 4, 5, 6	Training on human rights policies or procedures	Sustainability among suppliers p. 48; COP UNGC	The description contains qualitative disclosures.
Freedom of association and collective bargaining			
G4-HR4 UNGC 1, 2, 3, 4, 5, 6	Operations where the right to exercise the freedom of assembly may be at risk	Attractive work places with individual responsibility p. 75; COP UNGC	
Child labour			
G4-HR5 UNGC 1, 2, 3, 4, 5, 6	Operations and suppliers identified as having risk for incidents of child labour, and measures taken	Group guidelines and Code of Conduct p. 101; COP UNGC	The description contains qualitative disclosures.
Forced or compulsory labour			
G4-HR6 UNGC 1, 2, 3, 4, 5, 6	Operations and suppliers identified as having risk for incidents of forced or compulsory labour, and measures taken	Group guidelines and Code of Conduct p. 101; COP UNGC	The description contains qualitative disclosures.
Supplier human rights assessment			
G4-HR10 UNGC 1, 2	Screening of human rights criteria in the supply chain	Procurement factors, markets and strategies p. 47; COP UNGC	The description contains qualitative disclosures.
G4-HR11 UNGC 1, 2	Human rights impacts in the supply chain	Sustainability among suppliers p. 48; COP UNGC	

Material aspects UN Global Compact	DMA and indicators	Reference	Omission
Society			
Anti-corruption			
G4-SO3 UNGC 10	Operations assessed	Internal audits and risk management p. 102; COP UNGC	
G4-SO4 UNGC 10	Anti-corruption communication	Internal audits and risk management p. 102; COP UNGC	The description contains qualitative disclosures.
G4-SO5 UNGC 10	Incidents of corruption	Internal audits and risk management p. 102; COP UNGC	
Public Policy			
G4-SO6 UNGC 10	Political contributions	Donations p. 38; COP UNGC	The description contains qualitative disclosures.
Anti-competitive behaviour			
G4-SO7	Competition law	Internal audits and risk management p. 102	
Compliance			
G4-SO8	Significant fines	Internal audits and risk management p. 102	
Supplier assessment for impacts on society			
G4-SO9	Screening of impacts on society in the supply chain	Procurement factors, markets and strategies p. 47	
G4-SO10	Impacts on society in the supply chain	Suppliers p. 46; Sustainability among suppliers p. 48	
Product Responsibility			
Customer health and safety			
G4-PR1	Product and service categories for which health and safety impacts are assessed	Safe and efficient products p. 83	The description contains qualitative disclosures.
G4-PR2	Incidents of non-compliance with safety provisions	Safe and efficient products p. 83	Non-compliance with provisions regarding health and safety is reported on in a qualitative manner.
Product and service labelling			
G4-PR3	Product and service information	Safety assessment and product labelling (Sustainability Annex) p. 223	The description contains qualitative disclosures.
G4-PR5	Survey measuring customer satisfaction	Customers and dealers p. 29	

STATEMENT OF LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated financial statements for the year ended 31 December 2016 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 2016 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 2016 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 2016 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, 30 January 2017

The Management Board of PALFINGER AG

Herbert Ortner m.p.
Chief Executive Officer

Christoph Kaml m.p.
Chief Financial Officer

Martin Zehnder, m.p.
Chief Operating Officer

AUDITOR'S REPORTS

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION

We have audited the consolidated financial statements of

Palfinger AG, Bergheim bei Salzburg

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2016 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRSs) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

BASIS FOR OPINION

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing. Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion thereon, and we do not provide a separate opinion on these matters.

In the following, we present the key audit matters from our point of view:

1. Purchase Price Allocation (PPA) - Acquisition Harding Group
2. Valuation of goodwill - Impairment test acc. IAS 36
3. Shares in equity-accounted companies - Value of the shares in the SANY Group in China
4. Segment reporting - Reorganization by application-specific segments LAND and SEA

Title	**Purchase price allocation (PPA) – acquisition Harding Group**
Risk	Under a contract dated 30 May 2016, the acquisition of the Harding Group at a purchase price of EUR 115.0 million was agreed upon. On 30 June 2016, the transaction was closed, and the initial consolidation was made within the scope of a preliminary purchase price allocation according to IFRS 3. This preliminary purchase price allocation resulted in preliminary goodwill of EUR 102.1 million and substantial intangible assets in the form of a customer base (EUR 17.7 million) and technology (EUR 14.7 million). The preliminary purchase price allocation made in the course of this acquisition requires key assumptions as to the existence and measurement of the assets (primarily intangible assets), liabilities and contingent liabilities taken over. The main risk lies in the determination of the fair values and the valuation of assets, the non-identification of intangible assets, and the estimate of future cash flows and the discount rate. More detailed information on the preliminary purchase price allocation of the Harding Group and the amounts stated can be found in the consolidated financial statements on pages (127 to 129) and in Note (1).
Addressing this risk in the audit	In order to address this risk, we critically questioned and reviewed the assumptions and estimates made by the management, and in doing so performed the following procedures, among others: • Assessment of the concept and design of the process of the preliminary purchase price allocation, including its documentation • Review of the preliminary identification of intangible assets and the methods applied, in consultation with our valuation experts; review of the mathematical correctness of the documents and calculations presented, and plausibility check of the discount rates • Inspection of the contractual documentation, in particular the documents of the external due diligence review (finance and tax), the independent fairness opinion and the business plans • Analysis of the results of an external review requested by the management of the purchase price allocation and explanation of these results by the external reviewer at a meeting with the management • Review of the initial consolidation of the Harding Group as at the initial date of consolidation (30 June 2016) on the basis of the preliminary purchase price allocation

Title	**Valuation of goodwill – impairment tests according to IAS 36**
Risk	In all the relevant cash-generating units (CGUs), PALFINGER has goodwill from mergers in the total amount of EUR 239.3 million (previous year: EUR 127.3 million). When carrying out the annual impairment test according to IAS 36, the legal representatives have to make key assumptions and judgements regarding the value in use, applying the discounted cash flow method. The recoverable amount strongly depends on the discount rate applied (WACC), as well as on the expected and planned cash inflows on the basis of medium-term corporate planning and the perpetual annuity. The main risk lies in the estimate of these future cash flows and the discount rate derived.

More detailed information on the goodwill and its valuation can be found in Note (28) to the consolidated financial statements.

Addressing this risk in the audit

In order to address this risk, we critically questioned the assumptions and estimates made by the management, and in doing so performed the following procedures, among others:

- Review of the methods applied, the mathematical correctness of the documents presented and the calculations made, as well as plausibility check of the discount rates, in consultation with our valuation experts
- Examination of planning documents as well as plausibility check and analysis of the major value drivers (revenue, expenses, investments and changes in working capital) to verify the adequacy of these plans
- Review of conformity of the estimated revenue and earnings as well as investments for the CGUs with the plans presented to the Supervisory Board, and review of their reconciliation to the requirements of IAS 36
- Performance of a risk analysis in the form of sensitivity analyses as well as downside valuation scenarios and deviation analyses

Title

Investments in companies at equity – impairment of investments in the SANY Group in China

Risk

In the 2012 financial year, PALFINGER took the first steps to facilitate the strategic partnership with SANY Heavy Industries in China, with the objective of significantly expanding its operations in the Chinese market. Together with SANY, the two joint venture companies in China (Sany Palfinger SPV Equipment – SPV, in short) and in Europe/CIS (Palfinger Sany international Mobile Cranes Sales – PSV, in short) were established in 2012. In the 2014 financial year, this strategic partnership was further intensified through a direct 10 per cent cross-shareholding. Since that time, PALFINGER has held 10 per cent of the shares in and a significant influence on SANY Automobile Hoisting Machinery – SAHM, in short). From PALFINGER's point of view, these investments at equity held in connection with the SANY Group are to be regarded as a SANY entity, given that neither PSV nor SPV generates any cash flows independent of SAHM, cash reflows are connected, and the operations of these entities are closely linked.

The investment transactions with the Chinese SANY Group resulted in investments in companies eported at equity (SPV, PSV and SAHM) in the amount of EUR 152.7 million (previous year: EUR 157.7 million), including goodwill of SAHM of EUR 93.1 million (previous year: EUR 96.5 million).

Whether these investments in the SANY Group will have to be impaired depends primarily on the development of the Chinese construction industry, the further internationalization strategies in China, the stabilization and further growth of the Chinese construction machinery market and the economic development of the sales markets of the Palfinger Sany joint venture.

In particular, the projected growth and the implementation of the planned infrastructure projects in the years to come will play a vital role in this connection.

The main risk lies in the management's potential failure to identify the need to impair the investments and hence its failure to carry out an impairment test for the amounts recognized for these investments.

The management proceeds from the basic assumption that the Chinese economy will stabilize again and that further growth potential in the mobile crane, crawler crane and truck mounted crane markets will arise. In addition, the temporary slump in demand in China and the current market development are not seen as an indication for impairment of the investments in the SANY Group. Moreover, demand for mobile cranes and crawler cranes has shown an increasingly positive development in the sales regions of the Palfinger Sany joint venture.

More detailed information on the use of estimates and judgements can be found in Note (4). Information on investments in companies reported at equity is described in Note (31).

Addressing this risk in the audit

In order to address this risk, we critically questioned the assumptions and estimates made by the management, and in doing so performed the following procedures, among others:

- Assessment of the concept and design of the process for reviewing the development potential of the activities of the Chinese construction machinery market
- Inspection of the documents in connection with the results of external studies regarding the analysis of the projected market growth in China
- Consultation with the Management Board regarding their estimate of the growth targets in the Chinese construction machinery market for SANY and PALFINGER
- Review of the analysis regarding indications for the impairment of all the investments in the SANY Group
- Analysis of the development of the stock exchange price of SANY Heavy Industries shares in the period between the date of acquisition and the date of review (December 2016)

Title

Segment reporting – new reporting in line with application-related LAND and SEA segments

Risk

As a consequence of the acquisition of the Harding Group made in the marine sector in the 2016 financial year, PALFINGER has reviewed its internal organizational structure and the management of its business segments and changed internal and external segment reporting in line with the application-related LAND and SEA segments.

The new HOLDING unit covers group functions that are bundled at PALFINGER AG, as well as strategic projects. The comparative amounts were adjusted to this new structure.

EBIT as well as EBITn (EBIT normalized by non-operating impacts on earnings from restructuring and reorganization processes) are reported as segment results. This normalization is made centrally.

The main risk relating to changes in external segment reporting lies in the proper exercise of judgements with regard to identifying reportable segments, in the consistent application in previous periods, and in the conformity of internal management and reporting with external segment reporting in the consolidated financial statements.

More detailed information on segment reporting can be found in the consolidated financial statements on pages 117 to 121.

Addressing this risk in the audit

In order to address this risk, we critically questioned and reviewed the assumptions and estimates made by the management, and in doing so performed the following procedures, among others:

- Assessment of the concept and design of the process regarding the structure of internal management and reporting to decision makers
- Review of the consistency of internal segment reporting and operational management of the business segments with external reporting
- Review of the methods applied and the mathematical correctness of the documents and calculations presented, and plausibility check of the presentation of the holding functions
- Review of the adjustments of previous periods' figures to new segment reporting
- Assessment of the concept and design of the process regarding the reporting of EBITn (EBIT normalized) and assessment of compliance with the internal accounting methods, as well as compliance with the definition of restructuring costs and the consistent application thereof

RESPONSIBILITIES OF MANAGEMENT AND OF THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

• identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
• evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
• obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

OPINION

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

STATEMENT

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner on the audit resulting in this independent auditor's report is Mr. Diether Dämon, Certified Public Accountant.

Salzburg, January 30, 2017

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Brigitte Frey m.p.
Certified Public Accountant

Mag. Diether Dämon m.p.
Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

INDEPENDENT ASSURANCE REPORT

Independent assurance over the 2016 sustainability disclosures and data of Palfinger AG

Attention: This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

ENGAGEMENT

We were requested to perform a limited assurance engagement over the 2016 sustainability disclosures and data (hereafter "Reporting") of Palfinger AG in accordance with the GRI G4 CORE Option.

The assurance engagement covers the Reporting as follows:

- "Integrated Annual Report 2016" in pdf-format concerning information in, and references linked from the GRI-Index to sustainability disclosures and data.

Our assurance engagement solely covers references directly specified in the GRI-Index. It does not cover any further web references, nor references made directly in the Reporting.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

LIMITATIONS TO OUR REVIEW

- The scope of our review procedures at operational level was limited to site visits in Bergheim, Austria.
- We did not test data derived from external surveys, we only verified that relevant disclosures and data are correctly quoted in the Reporting.
- The objective of our engagement was neither a financial audit nor a financial audit review. We did not perform any further assurance procedures on data and information, which were subject of the annual financial audit, the corporate governance report or the risk reporting. We merely checked that data was presented in accordance with the GRI Guidelines.
- Limited assurance over prospective information was not subject to our engagement.
- Neither the detection and investigation of criminal offenses, such as embezzlement or other fraudulent actions, nor the assessment of effectiveness and efficiency of management were subject to our engagement.

CRITERIA

The information included in the Reporting was based on the criteria applicable in the year 2016 ("The Criteria"), consisting of:

► GRI Sustainability Reporting Guidelines G4[1)].

We believe that these criteria are suitable for our assurance engagement.

MANAGEMENT RESPONSIBILITIES

Palfinger AG's management is responsible for the Reporting and that the information therein is in accordance with the criteria mentioned above. This responsibility includes designing, implementing and maintaining internal controls. These are essential for the elimination of material misstatements in the Reporting.

OUR RESPONSIBILITIES

It is our responsibility to express a conclusion on the information included in the Reporting on the basis of the limited assurance engagement.

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000[2)] and the Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC), which includes requirements in relation to our independence.

The objective of our engagement is not to account for the interests of any third parties. Our work solely serves the client and his purpose. Our engagement is thus not destined to be used as a basis of decision-making for third parties.

The "General Conditions of Contract for the Public Accounting Professions"[3)], are binding for this engagement. According to that, our liability is limited and an accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence the maximum liability towards Palfinger AG and any third party together is EUR 726,730 in the aggregate.

WHAT WE DID TO FORM OUR CONCLUSION

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. The assurance engagement was conducted at Palfinger AG´s headquarter in Bergheim. Our main procedures were:

- Obtained an overview over the industry as well as the characteristics and governance of the organisation;
- Interviewed a selection of Group and functional senior managers and executives to understand key expectations and identify systems, processes and internal control processes to support them;
- Reviewed Group level, Board and Executive documents to assess awareness and to understand how progress is tracked;
- Examined risk management and governance processes related to sustainability and critical evaluation of the representation in the Reporting;
- Performed analytical procedures at Group level;
- Reviewed data and processes on a sample basis to test whether they had been collected, consolidated and reported appropriately at Group level. This included reviewing data samples to test whether the data had been reported in an accurate, reliable and complete manner;
- Reviewed the coverage of material issues against the key issues raised in the stakeholder dialogues, areas of performance covered in external media reports and the environmental and social reports of Palfinger AG's peers;
- Evaluated the materiality assessment, including sector specific megatrends and aspects of SASB[4)] , IIRC[5)] and GRI;
- Challenged a sample of statements and claims in the Reporting against our work steps and the GRI G4 principles;
- Reviewed whether the GRI G4 Guidelines were consistently applied for the CORE Option;
- Assessed completeness of UNGC reporting against the links with the "10 principles" of the UNGC as outlined in the GRI G4 guidelines.[6)]

OUR CONCLUSION

Based on the scope of our review nothing has come to our attention that causes us to believe that the disclosures and data in the Reporting were not prepared, in accordance with the criteria identified above.

Vienna, 30 January 2017

ERNST & YOUNG Wirtschaftsprüfungsgesellschaft m.b.H.

Brigitte Frey **ppa. Christine Jasch**

GRI GOLD Community EY 2016

GRI G4-33

Footnotes:

1) https://www.globalreporting.org/reporting/g4/Pages/default.aspx
2) International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or reviews of Historical Financial Information (ISAE3000) Revised, effective for assurance statements dated on or after December 15, 2015.
3) Version of February 21th 2011 (AAB 2011) issued by the Chamber of Public Accountants and Tax Advisors, section 8 http://www.kwt.or.at/de/PortalData/2/Resources/downloads/downloadcenter/AAB_2011_englische_Fassung.pdf
4) http://www.sasb.org/wp-content/uploads/2013/10/SASB-Conceptual-Framework-Final-Formatted-10-22-13.pdf
5) http://www.theiirc.org/international-ir-framework/
6) https://www.globalreporting.org/resourcelibrary/UNGC-G4-linkage-publication.pdf

REPORT OF THE SUPERVISORY BOARD

In the 2016 financial year, the Supervisory Board performed all duties assigned to it by law and by the Company's Articles of Association. Six Supervisory Board meetings were held, on 5 February, 24 May, 6 June, 19 June, 19 September and 12 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 CEO, 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 and planning, the Supervisory Board focused primarily on strategy in the individual segments, acquisition projects and major investment decisions, economic, environmental and social risks, the developments of groupwide sustainability management as well as the cooperation with the Chinese SANY Group. The Audit Committee, the Nomination Committee and the Remuneration Committee met at regular intervals during the reporting period. 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 2016 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 2016. 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 2016 and the management report for the 2016 financial year, thereby adopting the 2016 financial statements of PALFINGER AG according to sec. 96 para. 4 of the Companies Act. The Supervisory Board has approved the consolidated financial statements 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 2016 financial year.

We regret that Wolfgang Pilz resigned from the Management Board in November 2016. We are very grateful to him for the valuable contribution he made to the development and growth of the Group during his 33 years of employment with PALFINGER, and we wish him all the very best for the future.

The Supervisory Board would like to express its thanks and recognition to the members of the Management Board and all staff members of PALFINGER for their outstanding commitment and excellent achievements in the 2016 financial year.

Salzburg, 7 February 2017

Hubert Palfinger jun. m.p.
Chairman of the Supervisory Board

GENERAL INFORMATION

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GRI G4-31

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COMPANIES OF THE PALFINGER GROUP

PALFINGER AG
Austria, Bergheim

- 100% **Palfinger EMEA GmbH** – Austria, Bergheim
  - 65% **EPSILON Kran GmbH** – Austria, Salzburg – 35% Steindl Holding GmbH
  - 45% **STEPA Farmkran GmbH** – Austria, Elsbethen – 55% STEINDL KRANTECHNIK GmbH
  - 100% **Palfinger Tail Lifts GmbH** – Germany, Ganderkesee-Hoykenkamp
  - 100% **MBB Palfinger s.r.o.** – Slovakia, Bratislava
  - 100% **MBB Interlift N.V.** – Belgium, Erembodegem
  - 90% **Palfinger Platforms GmbH** – Germany, Krefeld – 10% Palfinger Europe GmbH
  - 90% **Palfinger GmbH** – Germany, Ainring – 10% Palfinger Europe GmbH
  - 100% **MBB Inter S.A.S.** – France, Silly en Gouffern
  - 49% **Palfinger France S.A.S.** – France, Étoile sur Rhône – 51% Group Vincent
    - 33,34% **Caridro Ouest S.A.S.** – France, Saint Abraham – 66,66% RHF SARL a. Olivier Billon
    - 54,17% **Caridro Centre Sarl** – France, Ingré – 45,83% Codepar
    - 100% **A.C.I. S.A.S.** – France, Antigues près Bordeaux
    - 30% **MASCHE Sarl** – France, Sarcelles – 70% Ch. Liauzu u.a.
    - 100% **Guima Provence Sarl** – France, Brignoles
    - 60% **Nord Benne Sarl** – France, Loos Cedex – 40% Family Parmentier
    - 100% **Palfinger Service Annecy S.A.S.** – France, Poisy
    - 100% **Palfinger Service Paris S.A.S.** – France, Saint Michel sur Orge
    - 100% **Guima Sud Ouest S.A.S** – France, Saint Sauveur
    - 100% **Guima Herblay Sarl** – France, Herblay
  - 100% **Palfinger Europe GmbH** – Austria, Salzburg
  - 100% **Palfinger Gru Idrauliche S.r.l.** – Italy, Bolzano
  - 65% **Guima Palfinger S.A.S.** – France, Caussade – 35% Compagnie générale Vincent
  - 100% **Palfinger Produktionstechnik Bulgaria EOOD** – Bulgaria, Cherven Brjag
  - 60% **Nimet Srl** – Romania, Lazuri – 40% Samy Numan
  - 100% **Palfinger Proizvodnja d.o.o.** – Slovenia, Maribor
  - 100% **Palfinger Proizvodna Tehnologija Hrvatska d.o.o.** – Croatia, Delnice
  - 100% **Palfinger Tail Lifts Limited** – Great Britain, Welwyn Garden City
  - 75% **Palfinger Ibérica Maquinaria, S.L.** – Spain, Madrid – 25% OYT Mulder Holding S.L.
  - 60% **Palfinger comércio e aluguer de máquinas, S.A.** – Portugal, Samora Correira – 40% Areampla Portugal
  - 100% **Palfinger Canarias Maquinaria S.L.** – Spain, Las Palmas de Gran Canaria
  - 100% **Elesa centro de montaje y servicios, S.A** – Spain, Madrid
- 100% **Palfinger Area Units GmbH** – Austria, Salzburg
  - 100% **Palfinger North America GmbH** – Austria, Salzburg
    - 100% **Palfinger, Inc.** – Canada, Niagara Falls
    - 100% **Palfinger USA, Inc.** – USA, Council Bluffs
    - 100% **Palfinger Liftgates, LLC** – USA, Cerritos
    - 51% **FairWind Renewable Energy Services, LLC** – USA, Lawton – 49% Fairwind Holding LLC
    - 100% **Omaha Standard, LLC** – USA, Council Bluffs
    - 100% **Palfleet Truck Equipment Company, LLC** – USA, Birmingham
    - 100% **Equipment Technology, LLC** – USA, Oklahoma City
  - 100% **Palfinger CIS GmbH** – Austria, Salzburg
    - 100% **INMAN AO** – Russia, Ishimbay
    - 51% **Palfinger Kama Cylinders OOO** – Russia, Neftekamsk – 49% KAMAZ PAO
    - 49% **Crane Center Kamaz OOO** – Russia, Naberezhnye Chelny – 51% KAMAZ PAO
    - 100% **Palfinger Russland GmbH** – Austria, Salzburg
      - 100% **Palfinger Crane Rus OOO** – Russia, St. Petersburg
    - 60% **Palfinger PM Holding GmbH** – Austria, Salzburg – 20% Steindl Forsttechnik GmbH, 20% P.M.H.G Holding Global Limited
      - 100% **Podyomnie Maschini AO** – Russia, Velikiye Luki
      - 97,07% **Velmash-S OOO** – Russia, Velikiye Luki – 2,93% Holding Company Podyomnie Maschini AO
      - 49,90% **Holding Company Podyomnie Maschini AO** – Russia, Arkhangelsk – 51,1% Palfinger PM Holding GmbH et.al.
      - 37,76% **SMZ OOO** – Russia, Arkhangelsk – 62,24% SMZ OOO et.al.
  - 100% **Palfinger South America GmbH** – Austria, Salzburg
    - 30% **Andrés N. Bertotto S.A.I.C.** – Argentina, Río Tercero – 70% Family Bertotto
    - 99,72% **Madal Palfinger S.A.** – Brazil, Caxias do Sul – 0,28% Retail Shareholders
    - 100% **Palfinger-Tercek Indústria de Elevadores Veiculares Ltda** – Brazil, Caxias do Sul
  - 100% **Palfinger Asia Pacific Pte. Ltd.** – Singapore, Singapore
    - 50% **SANY Palfinger SPV Equipment Co., Ltd.** – China, Rudong – 50% SANY Automobile Hoisting Machinery Co Ltd.
    - 10% **SANY Automobile Hoisting Machinery Co., Ltd.** – China, Changsha – 90% SANY HEAVY Group
    - 99,99% **Palfinger Cranes India Pvt. Ltd.** – India, Chennai – 0,01% Palfinger Asia Pacific Pte. Ltd.
    - 100% **Palfinger Trading (Shanghai) Co., Ltd.** – China, Shanghai
    - 100% **Palfinger (Shenzhen), Ltd.** – China, Shenzhen
    - 100% **Palfinger Lifting Technology (Nantong) Co., Ltd.** – China, Nantong
    - 100% **Palfinger Japan K.K.** – Japan, Yokohama
- 100% **Palfinger S. Units GmbH** – Austria, Salzburg
  - 80% **Palfinger Platforms Italy s.r.l.** – Italy, Bolzano – 20% Sky Access Srl.
  - 50% **Palfinger Sany International MobileCranes Sales GmbH** – Austria, Salzburg – 50% SANY Belgium Holding S.A.
  - 100% **PALFINGER SANY Cranes OOO** – Russia, Moscow
- 100% **Palfinger Projects B.V.** – Netherlands, Barneveld
- 100% **PalAir GmbH** – Austria, Salzburg

Fully consolidated
At equity and other shareholdings

As at 31 December 2016

- **PALFINGER AG** – Austria, Bergheim
  - 100% **Palfinger Marine GmbH** – Austria, Salzburg
    - 100% **Palfinger Marine Norway AS** – Norway, Bergen
      - 33% **Dreggen (Hong Kong) Company Limited** – China, Hong Kong – 67% Ng Kwong Wing et al.
    - 100% **Palfinger Marine Do Brasil Ltda.** – Brazil, Rio de Janeiro
      - 99% **Palfinger Marine Montagens Industriais do Brasil Ltda.** – Brazil, Porto Alegre – 1% Koch Metalúrgica Ltda.
    - 100% **Palfinger Marine Poland sp. z.o.o.** – Poland, Gdynia
    - 100% **Palfinger Marine Korea Ltd.** – South Korea, Sacheon-si
    - 100% **Palfinger Marine Netherlands B.V.** – Netherlands, Barneveld
      - 100% **Palfinger Marine Vietnam Co., Ltd.** – Vietnam, Hanoi
      - 100% **Palfinger Boats B.V.** – Netherlands, Harderwijk
        - 100% **Palfinger Boats Vietnam Co. Ltd.** – Vietnam, Hung Yen
    - 100% **Palfinger Marine d.o.o., Maribor** – Slovenia, Maribor
    - 100% **Palfinger Harding Holding AS** – Norway, Seimsfoss
      - 100% **Harding Holding I AS** – Norway, Seimsfoss
        - 100% **Harding Holding II AS** – Norway, Seimsfoss
          - 100% **Harding Safety AS** – Norway, Seimsfoss
            - 100% **Harding Safety Poland sp.z.o.o** – Poland, Solec Kujawski
            - 100% **Harding Safety USA Inc** – USA, Pompano Beach
              - 100% **Harding Safety Inc. (Panama)** – Republic of Panama, Ciudad de Panama
            - 100% **Harding Safety Canada Ltd** – Canada, Langley
            - 99,99% **Harding Safety Brazil Ltda.** – Brazil, Niteroi – 0,01% Harding Safety USA Inc.
            - 100% **Harding Safety (Shanghai) Co., Ltd** – China, Shanghai
            - 100% **Harding Safety Hong Kong Ltd.** – China, Hong Kong
            - 100% **Harding Safety Korea Co. Ltd.** – South Korea, Geoje-si
            - 100% **Harding Safety Singapore Pte Ltd.** – Singapore, Singapore
            - 100% **Noreq BV** – Netherlands, Houten
            - 100% **Noreq LLC** – USA, Houston
            - 100% **Noreq PTE. LTD** – Singapore, Singapore
            - 34% **Alu1 Norge AS** – Norway, Husnes – 66% Zpirit AS et al.
            - 8,50% **Rosendal Utvikling AS** – Norway, Rosendal – 91,50% Kvinnherad Kommune et al.
            - 3% **Rosendal Hamn Eigedom AS** – Norway, Rosendal – 97% Dimmelsvik Entreprenør AS et al.
            - 4,54% **Sunnhordlandsdiagonalen AS** – Norway, Valen – 95,46% Fronta AS et al.
            - 6,20% **Atheno AS** – Norway, Stord – 93,80% Kvaerner Stord AS et al.
          - 100% **Noreq Fender AS** – Norway, Husnes
          - 100% **Harding Safety Eiendom AS** – Norway, Seimsfoss
          - 100% **Palfinger Marine UK Limited** – Great Britain, Gosport Hampshire
          - 100% **Harding Safety Denmark AS** – Denmark, Odense SØ
          - 100% **Harding Safety Spain SL** – Spain, Cadiz
          - 100% **Harding Safety Italy Srl** – Italy, Livorno
          - 100% **Palfinger Marine Germany GmbH** – Germany, Dägeling
          - 100% **Palfinger Marine Europe B.V.** – Netherlands, Schiedam
            - 100% **Harding Safety Czech s.r.o.** – Czech Repulic, Slaný
          - 100% **Harding Boatbuilding (Qingdao) Co., Ltd.** – China, Shanghai
  - 100% **Palfinger systems units GmbH** – Austria, Salzburg
    - 100%* **Mega Repairing Machinery Equipment LLC** – United Arab Emirates, Dubai
    - 100%* **Megarme Inspection & Engineering Services LLC** – United Arab Emirates, Dubai
    - 100%* **Megarme General Contracting Company LLC** – United Arab Emirates, Abu Dhabi
    - 100%* **Megarme Qatar WLL** – Qatar, Doha

Fully consolidated
At equity and other shareholdings
* Partly held in escrow

As at 31 December 2016

FINANCIAL CALENDAR 2017

26 February 2017	Record date Annual General Meeting
8 March 2017	Annual General Meeting
10 March 2017	Ex-dividend date
13 March 2017	Record date dividend
14 March 2017	Dividend payment date
28 April 2017	Publication of results for the first quarter of 2017
27 July 2017	Publication of results for the first half of 2017
27 October 2017	Publication of results for the first three quarters of 2017

Additional dates such as trade fairs or road shows will be announced on the Company's website under Financial Calendar.
www.palfinger.ag/en/investor-relations/financial-calendar

Investors and other interested parties who wish to receive regular news about the PALFINGER Group may register for the info service on the PALFINGER website.
www.palfinger.ag/en/investor-relations/ir-services

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