INTEGRATED ANNUAL REPORT

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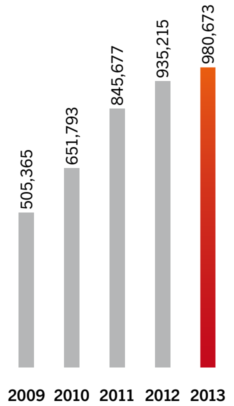
KEY FIGURES OF THE PALFINGER GROUP

EUR thousand

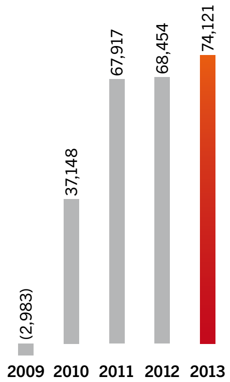
Income statement	2013	2012	2011	2010	2009
Revenue	980,673	935,215	845,677	651,793	505,365
EBITDA	105,491	97,950	96,764	59,887	18,483
EBITDA margin	10.8%	10.5%	11.4%	9.2%	3.7%
EBIT	74,121	68,454	67,917	37,148	(2,983)
EBIT margin	7.6%	7.3%	8.0%	5.7%	(0.6%)
Result before income tax	61,122	53,725	57,000	29,833	(11,860)
Consolidated net result for the period	44,038	40,409	41,955	24,225	(7,823)
Balance sheet					
Total assets	849,510	813,565	739,774	677,431	587,973
Net working capital (average)	172,129	151,291	118,774	117,740	151,587
Capital employed (average)	593,852	552,210	500,699	462,257	460,235
Equity	385,914	364,874	352,780	319,891	292,277
Equity ratio	45.4%	44.8%	47.7%	47.2%	49.7%
Net debt	217,925	217,565	166,876	160,932	151,880
Gearing	56.5%	59.6%	47.3%	50.3%	52.0%
Cash flows and investments					
Cash flows from operating activities	62,499	55,394	37,662	49,118	50,044
Free cash flows	31,577	(3,103)	11,695	4,166	41,979
Net investments	32,003	40,799	23,673	18,709	15,916
Depreciation, amortization and impairment	31,370	29,496	28,847	22,739	21,466
Value creation					
ROCE	9.8%	10.2%	11.1%	7.1%	0.0%
ROE	13.0%	12.7%	14.1%	8.9%	(2.4%)
EVA	14,621	18,958	20,475	(3,308)	(31,033)
WACC	7.4%	6.7%	7.0%	7.8%	7.0%
Human resources					
Annual average payroll[1)]	6,573	6,175	5,600	4,671	4,517
Staff absence due to industrial accidents (in % of regular working time)	0.19%	0.25%	0.22%	0.33%	0.5%
Training hours per employee	11.9	8.5	8.6	5.7	15.8
Percentage of women in management	12.9%	12.5%	11.6%	10.8%	11.2%
Products and environment					
Percentage of revenue from products for ecological and social purposes	23.3%	22.0%	24.5%	n.a.[2)]	n.a.[2)]
Index: Energy consumption per production output	88%	100%	100%	n.a.[2)]	n.a.[2)]
Index: Greenhouse gas emissions per production output	89%	100%	100%	n.a.[2)]	n.a.[2)]
Index: Hazardous waste per production output	91%	101%	100%	n.a.[2)]	n.a.[2)]
Suppliers with excellent and good environmental management	60%	n.a.[3)]	32%	n.a.[2)]	n.a.[2)]
Shares					
Number of shares issued	35,730,000	35,730,000	35,730,000	35,730,000	35,730,000
Market capitalization	1,030,810	587,401	440,551	1,027,238	556,673
Price as at year end (EUR)	28.85	16.44	12.33	28.75	15.58
Earnings per share (EUR)	1.24	1.14	1.19	0.68	(0.22)
Operating cash flows per share (EUR)	1.77	1.57	1.06	1.39	1.41
Dividend per share (EUR)	0.41[4)]	0.38	0.38	0.22	0.00

1) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
2) Figures cannot be presented due to change in reporting systems.
3) Evaluated centrally every two years.
4) Proposal for presentation to the Annual General Meeting.

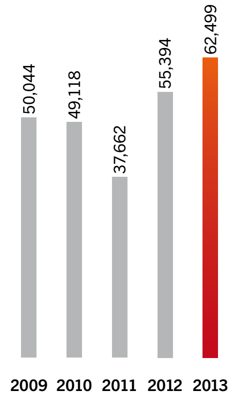
ECONOMY



REVENUE
(EUR thousand)

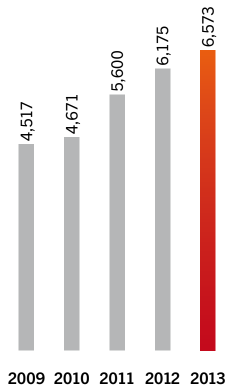


EBIT
(EUR thousand)

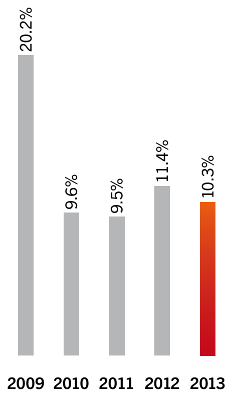


OPERATING CASH FLOWS
(EUR thousand)

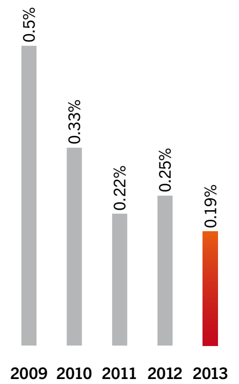
HUMAN RESOURCES



HEADCOUNT

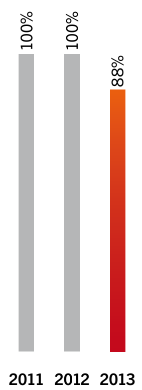


EMPLOYEE TURNOVER
(in per cent)

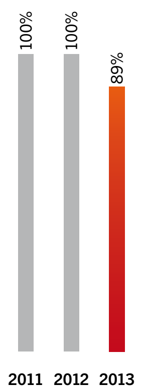


STAFF ABSENCE DUE TO INDUSTRIAL ACCIDENTS
(in per cent)

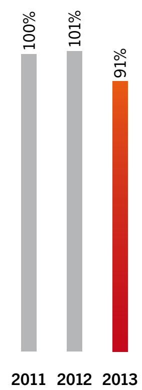
PRODUCTS AND ENVIRONMENT



ENERGY CONSUMPTION PER PRODUCTION OUTPUT
(indexed 2011)



GREENHOUSE GAS EMISSIONS PER PRODUCTION OUTPUT
(indexed 2011)



HAZARDOUS WASTE PER PRODUCTION OUTPUT
(indexed 2011)

HOW TO USE THIS INTEGRATED ANNUAL REPORT

This Annual Report 2013 is the first integrated annual report published by the PALFINGER Group. It not only presents the economic and legal information relating to the Group but also contains all the information on the sustainable aspects of PALFINGER's strategy and business activities. This information is not bundled in a separate chapter but rather is integrated into the individual chapters concerned.

The principles of fair business are found in the corporate governance report (starting on page 27). The information relating to PALFINGER as a responsible employer is contained in the chapter Human Resources (starting on page 89), eco-efficiency in production is an integral part of PALFINGER's value-creation strategy (from page 83), and sustainable products are a result of research, development and innovation (from page 77).

The Sustainability Annex (starting on page 203) comprises the basic information pertaining to selected sustainability-related aspects of this Report – the materiality analysis, the report profile and boundaries, the GRI Index and the independent assurance statement with regard to sustainability reporting.

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

To help the reader, both documents contain references:

reference to a passage in the Integrated Annual Report

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

reference to a GRI indicator

Thus, the Integrated Annual Report 2013 provides an overview of all the topics relevant to PALFINGER and its stakeholders. The Report is in accordance with the International Financial Reporting Standards (IFRS) as well as the international G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

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

GRI G4-22: Restatements of reported information

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Druckerei Roser Gesellschaft m.b.H., UW 1037

MISSION STATEMENT

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

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

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

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

FOREWORD BY THE CEO

DEAR READERS,

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

2013 was an eventful year – for the global economy, for politics as well as for PALFINGER. In economic terms, Europe's development remained very moderate, and the other regions recorded economic growth that was below the level of 2012 as well. Nevertheless, PALFINGER managed to grow further, outside Europe and in the global Marine business area, thanks to the initiatives taken in the past few years and intensive market expansion in 2013.

Approximately a decade ago, PALFINGER stepped up its internationalization efforts, which it has persistently continued ever since. In 2012, we achieved a milestone in the vast Chinese market, and we vigorously pursued our expansion in 2013. For this reason, 2014 is going to be a year marked by consolidation.

Our flexibility and innovative strength support our growth primarily in new markets. We are seriously committed to the saying "When in Rome, do as the Romans do", which means that we have to adjust or modify our approach and our products to meet local needs in order to be successful in other markets.

We aspire to be sustainable in all aspects of our operations. All over the world, PALFINGER is a renowned brand – a symbol for innovation, reliability and cost effectiveness. These attributes describe our products as well as our relations to employees, customers and suppliers, our environmental awareness and our social responsibility.

To put it in a nutshell, we have the pleasure of reporting on a highly eventful and successful financial year 2013. At EUR 980.7 million, revenue reached a new record level, and earnings were boosted as well, despite the investments made. We continued to pursue our strategy and took a huge step towards the specific targets we want to reach by 2017.

In 2013, we also took a major step in our internal and external reporting structures by closing the last gap between financial and sustainability reporting. These two reports have, to date, already been closely linked with each other, which is why we decided to merge internal reporting and present it to you in this manner.

This is the first integrated annual report prepared by the PALFINGER Group, reflecting the economic development as well as social and environmental aspects, in line with our business approach. The contents of this Report are in accordance with the International Financial Reporting Standards (IFRS) as well as the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

Congratulations to the global team of PALFINGER for everything that we achieved together in 2013. On behalf of the entire Management Board, the Palfinger family and all our shareholders, I would like to take this opportunity to express our deep gratitude and heartfelt thanks to our employees.

Herbert Ortner

SUPERVISORY BOARD AND MANAGEMENT BOARD ARE PLEASED WITH THE RESULTS

From left to right:
Hannes Palfinger and Hubert Palfinger jun., members of PALFINGER's Supervisory Board,
as well as Herbert Ortner, Christoph Kaml, Martin Zehnder and Wolfgang Pilz, members of PALFINGER's Management Board.

HIGHLIGHTS OF 2013

JANUARY 2013

A new dimension in communication – the PALFINGER blog

After the complete overhaul of the website concept in the summer of 2012, as far as technology and content was concerned, the PALFINGER blog was launched in January 2013. Some 15 employees of PALFINGER as well as guest authors have since presented the different areas of PALFINGER's world at http://blog.palfinger.ag from highly personal points of view.

FEBRUARY 2013

Publication of the Annual Report 2012 – record year

Despite rising uncertainty in Europe, PALFINGER slightly increased revenue and earnings in the 2012 financial year. Growth was primarily recorded in the areas outside Europe. The milestone achieved in 2012 was undoubtedly the partnership with the Chinese SANY Group. The acquisition of PALFINGER DREGGEN, a renowned manufacturer of marine and offshore cranes, was also a major step in PALFINGER's growth.

FEBRUARY 2013

Marine contracts of unprecedented magnitude

PALFINGER was awarded major contracts for approx. EUR 90 million covering 28 offshore cranes for drillships in Brazil as well as two complex offshore cranes for a Danish oil rig. These contracts also show the great potential the Marine business area holds.

FEBRUARY 2013

Joint venture Palfinger Platforms Italy

PALFINGER established a joint venture for access platforms, aimed at opening up the mid-market segment for smaller trucks. The product portfolio was expanded to include cost-effective, standardized access platforms mounted on smaller trucks.

MARCH 2013

Annual General Meeting

The Annual General Meeting of PALFINGER AG resolved to distribute a dividend of EUR 0.38 per share for the 2012 financial year. The dividend was paid on 12 March 2013.

JUNE 2013

Acquisition of larger share in Nimet Srl

PALFINGER raised its participation in the Romanian production company Nimet from 40 to 60 per cent.

AUGUST 2013

Result for the first half of 2013 – internationalization proved its worth

Despite the ongoing difficult economic environment in Europe, PALFINGER managed to record further growth in the first six months of 2013 on the basis of its longstanding internationalization strategy.

AUGUST 2013

Expansion of global presence in the offshore market through MCT ENG

PALFINGER took over part of the business of its longstanding partner and supplier MCT ENG in Korea. In addition to capacities for components, some of which are very large, PALFINGER thereby secured significant marine know-how. The transaction was closed at the end of October 2013.

SEPTEMBER 2013

Expansion of partnership with Chinese SANY Group

PALFINGER and SANY reached an agreement on mutual participations of 10 per cent each. This mutual interlinking will strengthen both groups and serve as the basis for the further expansion of their proven cooperation.

OCTOBER 2013

Ground-breaking ceremony for new Group headquarters

Construction of new Group headquarters was commenced in the immediate vicinity of the present location. Completion is scheduled for 2015.

NOVEMBER 2013

Range of marine expertise expanded through two acquisitions

PALFINGER expanded its portfolio for the shipping and offshore industries to include special systems for accessing and performing repairs and maintenance. For this purpose, the Group acquired majority shares in Palfinger systems GmbH and the Arab Megarme Group.

DECEMBER 2013

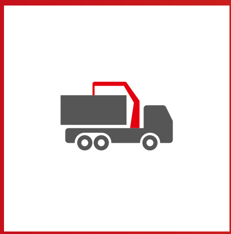
Supervisory Board reflects commitment of the Palfinger family

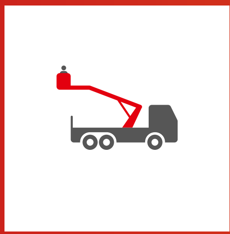
As part of the ongoing generation change, Alexander Doujak retired from the Board. Hubert Palfinger jun. was elected as the new Chairman and his brother Hannes Palfinger became the new Deputy Chairman.

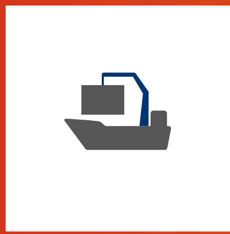
DECEMBER 2013

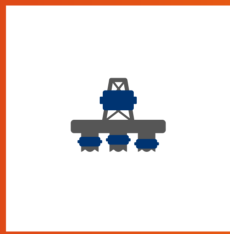
Market expansion in Russia through PM-Group Lifting Machine

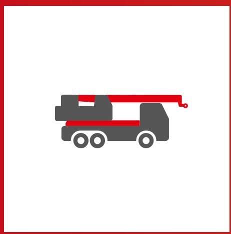
PALFINGER agreed on the majority takeover of the important supplier of cranes for timber and recycling in Russia in order to further expand its product portfolio and its service in the CIS countries. The acquisition is subject to official approvals.

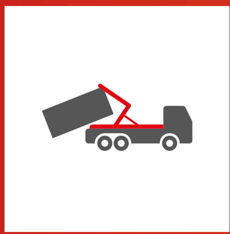

LOADER CRANES

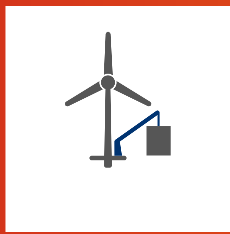

ACCESS PLATFORMS

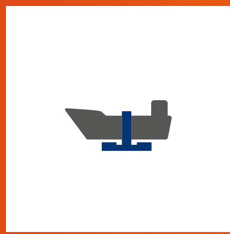

MARINE CRANES

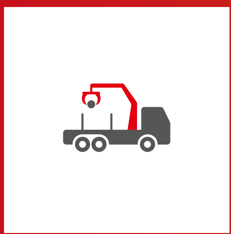

PALFINGER SYSTEMS


TELESCOPIC CRANES

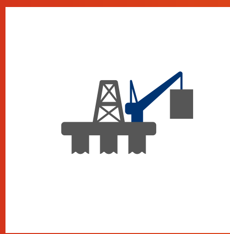

CONTAINER HANDLING SYSTEMS


WIND CRANES


PALFINGER SYSTEMS


EPSILON TIMBER AND RECYCLING CRANES


TRUCK MOUNTED FORKLIFTS

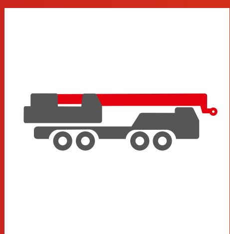

OFFSHORE CRANES


TRUCK BODIES


RAILWAY SYSTEMS


LAUNCH & RECOVERY SYSTEMS


TAIL LIFTS


MOBILE CRANES


ROPE ACCESS PROFESSIONALS

GRI G4-4: Product overview

PALFINGER AT A GLANCE

As at 31 December 2013, the PALFINGER Group, headquartered in Salzburg, Austria, comprised 55 companies in 25 countries and had a total workforce of 6,874. Production takes place in 32 manufacturing and assembly sites in Europe, North and South America, as well as in Asia. Moreover, a global sales and services network with more than 200 independent general importers and approx. 4,500 outlets in more than 130 countries on all continents guarantees perfect proximity to customers in all product groups.

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

In 2013, the PALFINGER Group continued its growth strategy. At EUR 980.7 million, revenue again reached a record level. This 4.9 per cent increase over the previous year was made possible by the consistent internationalization of the Group, which was able to more than compensate Europe's weak business development. EBIT increased to EUR 74.1 million.

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

With an equity ratio of 45.4 per cent and a gearing ratio of 56.5 per cent, PALFINGER has a sound capital structure. At EUR 62.5 million, cash flows from operating activities in 2013 were above the previous year's level. The return on capital employed (ROCE) for the 2013 financial year was 9.8 per cent.

STRATEGY AND VALUE MANAGEMENT

- Long-term Group strategy proves its worth in volatile times
- Significant steps taken for further development in 2013
- Defined strategic targets for 2017 being implemented
- Management involved in the achievement of long-term, sustainable targets

STRATEGY AND VALUE MANAGEMENT

The PALFINGER Group has been pursuing a long-term growth strategy. Short-to-medium-term goals and strategies are identified in accordance with the relevant framework conditions. Within the scope of strategic corporate planning, PALFINGER's objectives and main course of action have been defined for the period until 2017 which are being consistently implemented.

LONG-TERM GROUP STRATEGY

PALFINGER strives to achieve sustainable, profitable growth, which means that its business model centres on a long-term, continuous increase in earnings. Each and every decision is knowledge-based and taken in consideration of long-term aspects relating to cost effectiveness, the environment and the health of employees and users. After all, innovations to ensure the efficiency, environmental compatibility and safety of processes and products as well as their applications contribute substantially to PALFINGER's success.

This long-term growth strategy is manifested in organic and inorganic corporate development. Whenever business activities – greenfield investments, joint ventures, strategic partnerships or acquisitions – are expanded, the decision makers use due diligence processes to review and consider in their decisions not only economic factors such as revenue, profitability and capital retention but also environmental compatibility, the observance of fundamental rights, and work practices.

GRI G4-HR 1: Human rights in investment agreements

PALFINGER's goal is to achieve and/or expand the leading market position in all product and customer segments. In order to achieve a global balance, the aim is for each of the three market areas EMEA (Europe, Middle East, Africa and Australia), North and South America, and the remaining regions (Asia and Pacific, India, CIS) to generate one-third of PALFINGER's revenue in the medium term.

REVENUE 2009 BY REGION

79% EMEA
18% North and South America
3% Remaining regions

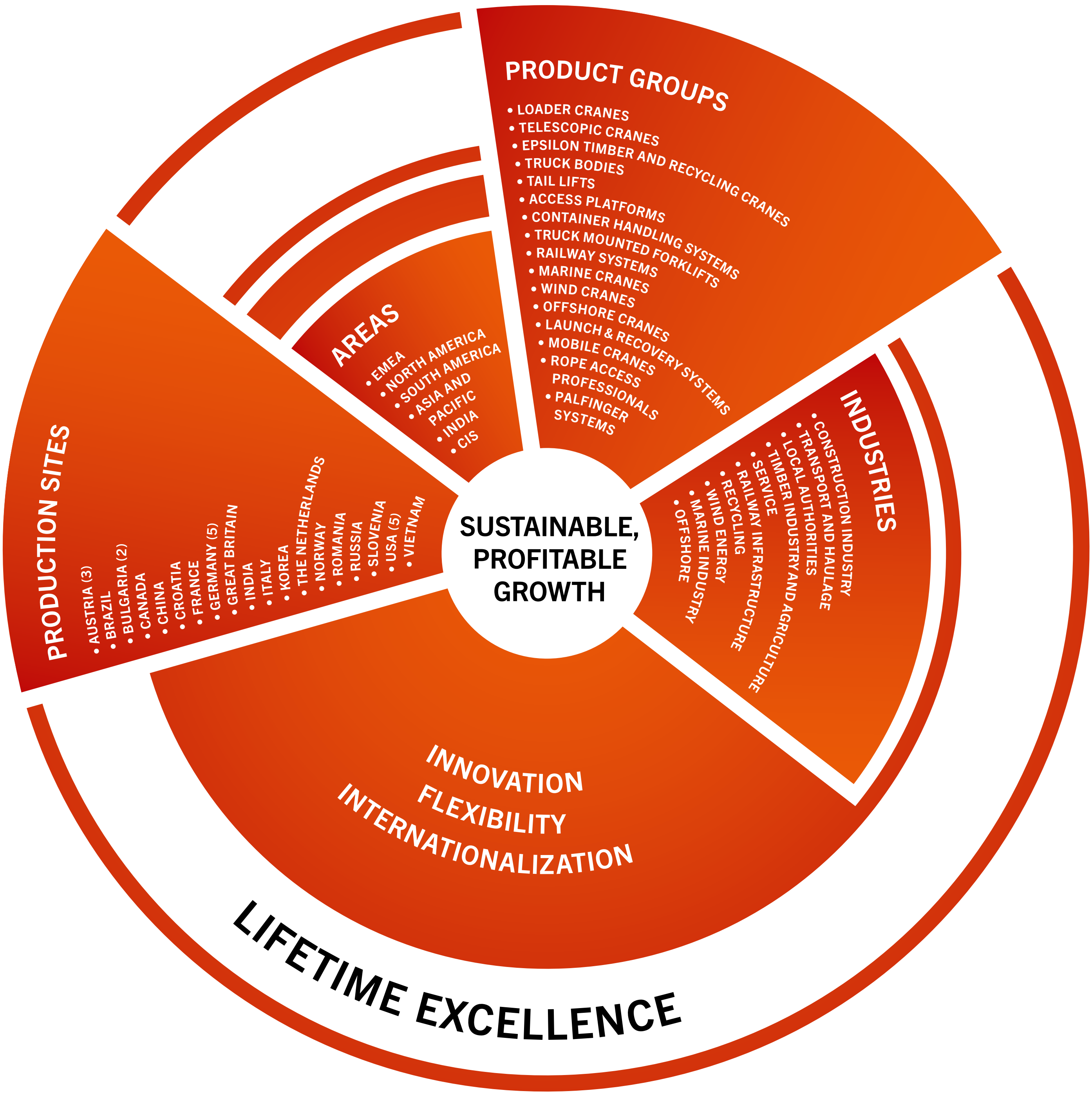
REVENUE 2013 BY REGION

58% EMEA
29% North and South America
13% Remaining regions

PALFINGER carries out regular analyses of the central issues that are of strategic significance for the Company, from an internal and external point of view. The last such analysis was made in mid-2013.

Materiality analysis
Page 204

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


PRODUCT GROUPS
• LOADER CRANES
• TELESCOPIC CRANES
• EPSILON TIMBER AND RECYCLING CRANES
• TRUCK BODIES
• TAIL LIFTS
• ACCESS PLATFORMS
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• MOBILE CRANES
• ROPE ACCESS PROFESSIONALS
• PALFINGER SYSTEMS
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• NORTH AMERICA
• SOUTH AMERICA
• ASIA AND PACIFIC
• INDIA
• CIS
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• BRAZIL
• BULGARIA (2)
• CANADA
• CHINA
• CROATIA
• FRANCE
• GERMANY (5)
• GREAT BRITAIN
• INDIA
• ITALY
• KOREA
• THE NETHERLANDS
• NORWAY
• ROMANIA
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• SLOVENIA
• USA (5)
• VIETNAM
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• TRANSPORT AND HAULAGE
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• TIMBER INDUSTRY AND AGRICULTURE
• SERVICE
• RAILWAY INFRASTRUCTURE
• RECYCLING
• WIND ENERGY
• MARINE INDUSTRY
• OFFSHORE
SUSTAINABLE, PROFITABLE GROWTH
INNOVATION
FLEXIBILITY
INTERNATIONALIZATION
LIFETIME EXCELLENCE

INNOVATION – INTERNATIONALIZATION – FLEXIBILITY

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

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

Flexibility has been gaining increasing importance in view of the rising volatility of the markets in the past few years. For this reason, PALFINGER also reviews established processes at all internal and external levels of value creation in order to be able to improve them continuously and therefore be able to respond flexibly to changes in framework conditions.

In January of 2013, the Institute for Industrial Research (IWI, Industriewissenschaftliches Institut) published the results of a study on the contribution made by the PALFINGER Group to Austria's economy. According to this study, the PALFINGER Group is a major flagship company generating significant momentum for Austria's economy, not least due to its international operations. Compared to other enterprises, PALFINGER is characterized by above-average size and performance. Moreover, the Company generates multiplier effects of approx. 1:2 for the macroeconomy in terms of production value, value creation and employment. This means that EUR 1,000 of value added by the PALFINGER Group generates more than EUR 2,000 in the national economy. The same applies to value creation and the number of jobs. According to the Institute for Industrial Research, these positive effects are boosted in particular through the regional roots of the Group, its innovative (further) training programmes and its intensive activities in research, development and innovation.

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

STRATEGIC PRIORITIES IN 2013

INTERNATIONALIZATION

While PALFINGER experienced a slight decline in revenue in the European domestic markets during the period under review, further growth was achieved on the basis of the measures taken in previous years in the dynamic, global Marine business area – where business increased by almost 40 per cent – and in the markets outside Europe, where growth was approx. 4 per cent. In 2013, the PALFINGER Group consistently pursued its internationalization strategy in order to generate sustainable growth in the future as well.

The two joint ventures launched in 2012 with the Chinese SANY Group recorded satisfactory sales success in the 2013 financial year. In China, the establishment of a dealer network and of value-creation structures was initiated. The capital interlinking between the companies that was agreed upon in September is a clear commitment to their joint market development in Asia.

In February, the Marine business area was awarded two contracts of enormous magnitude, which confirmed PALFINGER's potential for growth. These contracts prompted PALFINGER to quickly expand its value creation for know-how-intensive product groups. The Group entered into a production joint venture with its longstanding partner Koch Metalúrgica in Brazil. In South Korea, PALFINGER took over assets and operations of its long-term supplier MCT ENG in connection with the production of marine and offshore cranes. This transaction gave PALFINGER a location with structures in sales, services and value creation in the fast-growing Asia and Pacific region.

Moreover, in the spring PALFINGER established a joint venture in Italy for the production and sale of access platforms in the mid-market segment for smaller trucks – an area that is said to boast a large market potential. In addition to the European markets, target territories are in particular Russia as well as North and South America.

The acquisition of a majority in the Megarme Group in November 2013 provided PALFINGER with its first value-creation structures in the Arab region – a core market for the shipbuilding industry.

Significant changes
Page 60

In December, PALFINGER agreed on an acquisition to expand its operations in the CIS countries. Subject to official approvals, the majority takeover of PM-Group Lifting Machine will boost PALFINGER's product portfolio and sales structures in this region.

Value-creation strategy
Page 83

In its various regions of operations, PALFINGER is confronted with divergent standards relating to the protection of its staff and the environment. The PALFINGER Group is committed to serving as a global role model with its production plants – as a responsible employer as well as in the protection of natural resources. In 2013, PALFINGER started preparing global guidelines so as to be a pioneer in the promotion of local and regional environmental and labour standards.

INNOVATION

The long-term success of the PALFINGER Group is illustrated by the long-term satisfaction and success of its customers. In 2013, new and enhanced products were launched on the market, while at the same time PALFINGER strengthened its R&D expertise. A new large crane as well as numerous other product developments and new technologies reached market maturity. Mechatronics has been a functional development topic over the past few years. In the future, far-reaching innovations and improvements of PALFINGER's products can be expected in this field.

In order to boost its innovative power, the PALFINGER Group expanded and bundled its R&D capacities, enabling its global development sites to better coordinate and reconcile their activities and make them more target-driven.

Research, development and innovation
Page 77

In November, PALFINGER expanded its portfolio by adding special systems for accessing and performing work on ships and oil rigs. The majority takeover of Palfinger systems GmbH will provide PALFINGER with highly innovative solutions in the future. In combination with the related service business solutions offered by the Megarme Group, these access systems will be an interesting alternative to the comparatively expensive and time-consuming scaffolding solutions.

FLEXIBILITY

In 2013, a broad array of internal measures was initiated, allowing for the critical review even of established processes with the objective of further increasing flexibility.

Another bundle of measures was prepared at the front-end interfaces existing with PALFINGER's dealers and customers, securing new quality standards with the necessary flexibility in sales, service, after-sales and the availability of spare parts. At the back-end interfaces existing with PALFINGER's suppliers, the path chosen was persistently pursued in order to be able to set up long-term cooperation structures and mitigate, in the best possible manner, any volatilities in demand via vendor-managed inventories and comparable solutions.

Customers and suppliers
Page 52

SUSTAINABILITY

GRI G4-19: Material aspects

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

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

Human resources
- Education and training
- Occupational health and safety
- Diversity and equal opportunity
- Attractive employer

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

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

Materiality analysis
Page 204

In 2013, PALFINGER carried out numerous activities in these areas, and these activities have been made the focus of this Report.

STRATEGIC OBJECTIVES FOR THE PERIOD UNTIL 2017

The PALFINGER Group aims to double its 2012 revenue to approx. EUR 1.8 billion by 2017. In support of this long-term goal, the Supervisory Board passed a resolution in September 2013 to renew the contracts of all four members of the Management Board until the end of 2018. The Management Board set up a five-year incentive programme for the executive team of the PALFINGER Group. This programme is tied to the Company's revenue and profitability targets.

The PALFINGER Group plans to achieve its sustainable, profitable growth by obtaining a ranking among the top three market players in all the relevant global markets. Specific measures and fundamental strategies for priority issues were elaborated in 2012 and are being gradually implemented in order to reach these goals.

The following table presents an overview of the major issues, the progress achieved in 2013 and the next goals.

PALFINGER INTEGRATED ANNUAL REPORT 2013
STRATEGY AND VALUE MANAGEMENT

PRIORITIES

Priority	Implementation in 2013	Objectives for 2014–2017
FURTHER GROWTH WITH FOCUS ON BRIC COUNTRIES	• Start of production and sales in China • Roll-out of five product areas in Russia • Stronger market presence in remaining CIS countries • Stabilization of activities in India • Additional product groups launched in Brazil	• Exploitation of potential from cooperation with SANY • Setting up production in China • Incorporation of PALFINGER's quality into new production units • Roll-out of all product areas in the business areas
DEVELOPMENT OF CHINA AS SECOND DOMESTIC MARKET	• Already more than 200 employees in China • Start of construction of new manufacturing plant near Shanghai • Market studies for introduction of additional products finalized	• Stabilization of value-creation processes • Development of technologies and products in line with market needs • Increase of quantities, revenue and earnings
GLOBAL BALANCE AS REGARDS PRODUCTION AND CUSTOMER PROXIMITY	• Transfer of value creation to local markets and plants • Increased transfer of know-how between regional business areas • Lean management in South America • Implementation of Group-wide brand project	• Further expansion of customer proximity through uniform dealer standards • Uniform high-end standards for products and services worldwide • Further implementation of the Group-wide brand project
CONSOLIDATION OF LEADING POSITION IN MARINE AND OFFSHORE BUSINESS	• Full integration of PALFINGER NED-DECK and PALFINGER DREGGEN • Significant revenue increase, organic and inorganic • Additional necessary certifications • Enhancement of value creation in Asia and South America	• Establishment as an integrated supplier of deck equipment for the marine, offshore and wind industries • Global roll-out, particularly in target markets of Korea, Brazil, China and Russia
MAINTENANCE OF GLOBAL INNOVATION LEADERSHIP	• Finalization of new product models and product features • Further development of business model "manufacturing for third parties"	• Centres of excellence for R&D priorities such as mechatronics • Additional investments in new technologies and processes
SATISFACTION OF CUSTOMER EXPECTATIONS THROUGH TAILOR-MADE SOLUTIONS	• Higher number of tailor-made solutions in Marine business area • Adaptation of products for growth markets in South America, CIS and China • Stronger interconnection of customers, dealers, sales and R&D	• Incorporation of service and solution concept into PALFINGER's business models • Greater customer focus in modular constructions • Enhanced dialogue between users and developers
ADJUSTMENT OF PRODUCTION SITES AND PRODUCTION TECHNOLOGIES IN EUROPE	• Roll-out of new welding technology to additional products • Reorganization of value-creation steps between manufacturing plants and assembly plants	• Further development of relevant core skills • Shift of low-tech processes to low-wage countries • Build-up of know-how also with regard to technologies in local markets
PIONEER FOR SUSTAINABLE DEVELOPMENT, ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY	• Product innovations and new markets • Roll-out of Green Initiative • Preparation of environmental guideline • Sustainability in supply chain • Additional roll-out of PALfit health programme	• Sustainability programme 2014, available on website

@ www.palfinger.ag/en/sustainability/management/programme-2014

VALUE MANAGEMENT

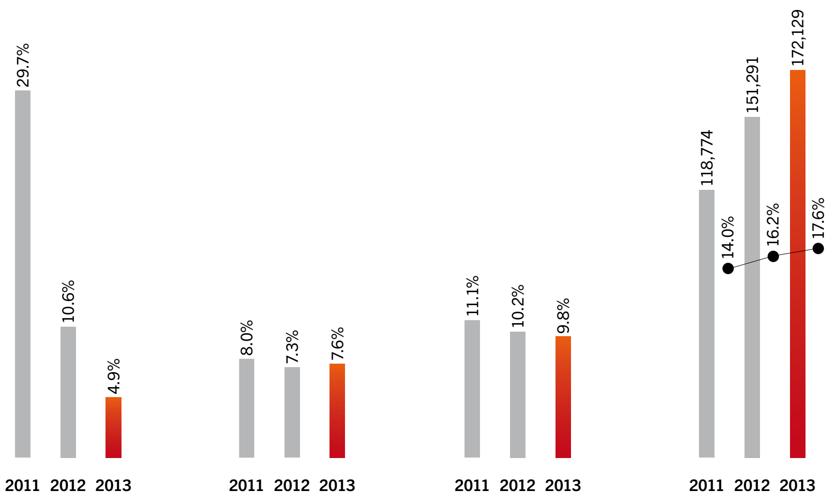
For internal purposes, PALFINGER measures its further development and value enhancement by means of four major indicators:

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

Particularly relevant for PALFINGER is the long-term development of these ratios, as the Group's focus is not on scoring short-term success but rather on achieving sustainable, profitable growth. This is reflected in the business development as well as the stakeholder relations, which are based on a long-term approach.

Since the difficult year 2009, the PALFINGER Group has shown an excellent record of all four performance indicators. Following the high revenue increases of previous years, revenue was again increased in 2013, by 4.9 per cent. Despite the lingering economic difficulties in the European core markets, the EBIT margin was 7.6 per cent and ROCE came to 9.8 per cent. In connection with the steep increase in revenue recorded in the AREA UNITS in 2013, net working capital went up again; however, when expressed as a percentage of revenue, this ratio rose only slightly to 17.6 per cent.

VALUE CREATION IN 2013



REVENUE INCREASE (in per cent)

EBIT MARGIN (in per cent)

ROCE (in per cent)

NET WORKING CAPITAL
Net working capital (average, EUR thousand)
As percentage of revenue

THE PALFINGER BRAND

The PALFINGER Group offers manifold products worldwide. As a result of new developments and acquisitions, the number of brands belonging to PALFINGER had already reached 25 in 2011. To enhance brand awareness and brand recognition across countries and industries, PALFINGER initiated a Group-wide brand project. At first, the core identity and the values of the PALFINGER brand were determined for all the product areas, and on this basis a Group-wide brand strategy was defined.

LIFETIME EXCELLENCE is the central promise made by PALFINGER, in other words its core brand identity: Cost effectiveness, reliability and innovation – the brand values – are the reasons why customers, dealers and other partners choose to cooperate with PALFINGER.

Ecological issues also come into play in addition to technological and economic aspects. PALFINGER products are, for example, the most economical solution over the entire life cycle. Due to low-maintenance and weight-optimized lifting solutions, deadweight and hence fuel consumption is reduced, making a contribution to sustainability. This eco-awareness is also reflected in PALFINGER's brand identity.

In the perception of customers, there is a clear correlation between quality, on the one hand, and high environmental and social standards, on the other hand: high-quality products are, as a rule, perceived to be eco-friendlier, and products that are manufactured in line with high social and ecological standards are, in turn, regarded to be of top quality. In this sense, sustainability also supports the position of PALFINGER's brand as a leader in quality.

LIFETIME EXCELLENCE

COST EFFECTIVENESS

RELIABILITY

INNOVATION

On this basis, PALFINGER started to harmonize its global presence in 2013 with the aim of gradually integrating the various monobrands into the PALFINGER umbrella brand. The previous brands will continue to exist as product brands and model names under the PALFINGER umbrella brand. The brand families PALFINGER MARINE and PALFINGER EPSILON will be continued, too.

In the period under review, the guiding principles of the new corporate design as well as a uniform corporate wording were determined and presented to all marketing managers Group-wide. All leading trade fairs as well as all new printed material and websites launched in 2013 were designed in line with these uniform standards. This process will be continued step by step in cooperation with local managing directors and marketing managers and, depending on the recognition of the relevant brand, implemented using a customer-oriented approach.

The enhanced recognition of PALFINGER's umbrella brand will strengthen the Group's position in existing markets and make it easier to enter new markets and consequently to expand business. With the strong local roots of product names and the international PALFINGER network, synergies will be created that are beneficial to both sides. At the same time, the uniform presence will boost the identity of the entire PALFINGER Group.

CORPORATE GOVERNANCE REPORT

- Commitment to the Austrian Code of Corporate Governance
- Annual evaluation by an external auditor
- Stock option programme rewards long-term and sustainable success
- Prevention of corruption increased, no major incidents in 2013

CORPORATE GOVERNANCE REPORT

INFORMATION ACCORDING TO SEC. 243B OF THE BUSINESS CODE

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

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

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

According to the Austrian Companies Act (AktG), the Management Board of PALFINGER AG manages the Company under its own responsibility in such a manner as is in the best interest of the Company, taking into consideration the interests of all stakeholders. Loyalty towards one's colleagues, an open mind, a regular exchange of information and fast decision-making processes are among the Company's supreme principles. The Supervisory Board supervises the management and assists the Management Board in significant decisions. Open communication between the Management Board and the Supervisory Board and also within the respective Boards has a longstanding tradition at PALFINGER. At its meetings held in 2013, the Supervisory Board primarily discussed the ongoing business operations in the context of the current economic environment, measures to cut costs and capital employed, projects of acquisition and expansion (in particular the cooperation with SANY), risk management and the internal control system as well as the forecast for 2014.

GRI G4-34: Governance structure and governance bodies

At present there are no women on either the Supervisory Board or the Management Board or in any top management positions at PALFINGER. Even in the levels below that, the share of women in executive positions is low and/or limited to administrative positions. PALFINGER intends to change this situation in the medium term. To this end, PALFINGER has increased the Company's presence at job fairs and has specifically addressed prospective female applicants of high potential. When new executive positions are created or existing ones become vacant, PALFINGER is making a greater effort to encourage women to apply for such positions. However, one problem in this regard is that technical training is a prerequisite for the majority of executive positions at PALFINGER. The proportion of female engineers is extremely low which is often why no women apply for a position in the Company. Nevertheless, PALFINGER will continue its efforts to step up the percentage of women in the management development programmes. In 2013, a Diversity Circle, involving employees and executives, was established to draft ideas and specific suggestions for increasing the share of women.

GRI G4-LA 12: Diversity and equal opportunity

Human resources, Diversity
Page 89

MANAGEMENT BOARD

The Management Board of PALFINGER AG is composed of four members; Herbert Ortner has been the CEO since June 2008.

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

Herbert Ortner
CEO – CHIEF EXECUTIVE OFFICER
Born in 1968, Herbert Ortner was global Business Unit Manager for industrial hoses at the publicly listed Semperit Group until 2001. He then joined PALFINGER, where he developed the spare parts, equipment and service business before being appointed to the Management Board in February 2003. The focus of his activities as Chief Marketing Officer included PALFINGER's railway systems, tail lifts, truck mounted forklifts and access platforms as well as the further expansion of the service business. As CEO he has been in charge of legal affairs, procurement, personnel, communications, investor relations and sustainability management since June 2008.

Christoph Kaml
CFO – CHIEF FINANCIAL OFFICER
Born in 1974, Christoph Kaml started his career with Gemini Consulting. Before joining PALFINGER AG in 2004, he was a holder of a general commercial power of attorney at an M&A consulting company in Switzerland. In 2006, he switched from PALFINGER Corporate Development to the management of the area North America domiciled in Niagara Falls, Canada, where he was in charge of finances, strategy and business development. Since January 2009, Kaml has been PALFINGER AG's Chief Financial Officer, and since August 2012 his new domicile and place of work has been China, which enables him to control and, if required, intensify the cooperation with SANY.

Wolfgang Pilz
CHIEF MARKETING OFFICER
Born in 1959, Wolfgang Pilz has been working at PALFINGER in the crane business since 1984. He was appointed Marketing & Sales Manager of the truck crane division in 1997. Since February 2003, he has been Chief Marketing Officer and thus responsible for the marketing and sale of PALFINGER products.

Martin Zehnder
COO – CHIEF OPERATING OFFICER
Born in 1967, Martin Zehnder started his career at Alstom Schienenfahrzeuge AG in 1984. From 2000 to 2005 he was Managing Director of Development and Production for Keystone Europe in France. In 2005, Martin Zehnder became Global Manufacturing Manager in charge of all manufacturing facilities of the PALFINGER Group, and since January 2008 he has been the Company's Chief Operating Officer, responsible for global manufacturing and assembly.

SUPERVISORY BOARD

As at the balance sheet date, the Supervisory Board of PALFINGER AG consisted of five members elected by the Annual General Meeting and three members delegated by the Works Council. Alexander Doujak was the Board's Chairman until 9 December 2013. Following his resignation, Hubert Palfinger jun. was elected as the new Chairman.

Report of the Supervisory Board
Page 201

Name	First appointment	End of term
Hubert Palfinger jun. (Deputy Chairman until 9 December 2013; Chairman since 10 December 2013) born in 1969	13 April 2005	AGM 2015
Hannes Palfinger (Deputy Chairman since 10 December 2013) born in 1973	30 March 2011	AGM 2016
Wolfgang Anzengruber born in 1956	31 March 2010	AGM 2015
Peter Pessenlehner born in 1970	31 March 2010	AGM 2015
Heinrich Dieter Kiener born in 1956	30 March 2011	AGM 2016
Johann Mair* born in 1951	24 May 2005	*
Alois Weiss* born in 1962	13 February 2006	*
Gerhard Gruber* born in 1960	15 May 2006	*
Alexander Doujak (Chairman until 9 December 2013) born in 1965	5 April 2006	9 December 2013

* Delegated by the Works Council.

Hubert Palfinger jun.

CHAIRMAN OF THE SUPERVISORY BOARD (SINCE 10 DECEMBER 2013)
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.

Hannes Palfinger

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD (SINCE 10 DECEMBER 2013)
After taking his degree in business economics and pursuing a career as an athlete, Hannes Palfinger spent three years working for PricewaterhouseCoopers in Vienna as an assistant auditor. He has been affiliated with PALFINGER through numerous traineeships at the Company. From 2007 to 2010, Hannes Palfinger held an executive position at Palfinger systems GmbH, a majority in which was acquired by PALFINGER in the period under review. He has held a seat on the Supervisory Board since 2011.

Other than Hubert Palfinger jun. and Hannes Palfinger, no member of the Supervisory Board holds or represents a shareholding in the Company of more than 1 per cent.

In accordance with Rule No. 58 of the Austrian Code of Corporate Governance, it is noted that Wolfgang Anzengruber was unable to participate in three of the four meetings of the Supervisory Board due to scheduling conflicts.

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 2013, the Audit Committee held two meetings dealing primarily with the 2012 financial statements, the internal control system, risk management and internal audits as well as with PALFINGER's cooperation with the auditor.
Members: Alexander Doujak (Chairman until 9 December 2013), Hubert Palfinger jun. (Chairman since 10 December 2013), Hannes Palfinger, Peter Pessenlehner (financial expert), Johann Mair

Nomination Committee
The Nomination Committee met regularly in 2013 and discussed, in particular, the renewal of the contracts of Management Board members as well as cooperation within and working methods of the Management Board.
Members: Alexander Doujak (Chairman until 9 December 2013), Hubert Palfinger jun. (Chairman since 10 December 2013), Hannes Palfinger (since 10 December 2013)

Remuneration Committee
At its regular meetings held in 2013, the Remuneration Committee dealt with the remuneration of Management Board members and conducted feedback interviews with the members of the Management Board.
Members: Alexander Doujak (Chairman until 9 December 2013), Hubert Palfinger jun. (Chairman since 10 December 2013), Hannes Palfinger (since 10 December 2013)

AUDITOR

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, was proposed as the auditor of the 2013 financial statements and consolidated financial statements of PALFINGER AG and appointed by the Annual General Meeting on 6 March 2013.

REMUNERATION REPORT

The remuneration system in place for Management Board members includes fixed elements and profit-related payments and is adequate given the size and complexity of the Company. Profit-related remuneration is based, on the one hand, on targets that are set in agreement with the individual Management Board members and, on the other hand, on fundamental financial ratios of the PALFINGER Group: revenue growth, profit before tax and ROCE, as well as a higher corporate value in the long term. In 2013, the variable pay of Management Board members amounted, on average, to approx. 54 per cent of their annual remuneration.

The stock option programme adopted by the 2009 and 2010 Annual General Meetings and the performance standards defined in this programme are a means of rewarding, in particular, long-term success. For detailed information on remuneration, stock options as well as special bonuses, please refer to the notes to the consolidated financial statements of this Report.

Consolidated financial statements, Disclosures concerning governing bodies and employees
Page 196

The members of the Supervisory Board received no remuneration for their services in the 2013 financial year.

A D&O insurance policy, the premiums of which are paid by PALFINGER AG, has been taken out for Supervisory and Management Board members as well as for other high-ranking executives of the PALFINGER Group.

GOVERNANCE AND SUSTAINABILITY

The information on the sustainability aspects relating to corporate governance may be found on PALFINGER's website.

www.palfinger.ag/
en/sustainability/
management

FAIR BUSINESS

CORPORATE ETHICS AND CORRUPTION PREVENTION

PALFINGER is committed to the defined values of entrepreneurial spirit, respect and learning. Corruption is not only intolerable from a moral point of view but is also in contradiction with these values and harmful to the economy, and consequently also to PALFINGER. Whenever any irregularities are suspected, action is immediately taken. To prevent or, if necessary, reveal corruption, PALFINGER has implemented a multi-layered process.

Group guidelines and Code of Conduct

Group guidelines and a Code of Conduct define the essential business processes, in particular in the areas of finance, purchasing, sales and legal affairs.

GRI G4-56: Code of Conduct

GRI G4-57: Internal and external mechanisms on compliance and integrity

Since the first quarter of 2010, agreements with employees, dealers, cooperation partners and suppliers contain legally binding references to the PALFINGER Code of Conduct, which is available on www.palfinger.com and www.palfinger.ag. Furthermore, an internal guideline on “Rules of Conduct on Preventing Corruption and Anti-Competitive Behaviour” was adopted in 2011, which deals, among other things, with the acceptance of gifts. No specific internal training sessions on this guideline were held; however, it was broadly discussed with employees in the course of its implementation as well as during audits and risk management workshops.

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

Four-eyes principle

The four-eyes principle applies with respect to authorized signatures within the scope of business activities with third parties whenever such signatures have the effect of constituting rights and/or obligations. This means that pursuant to Group guidelines, two signatures of competent authorized persons of the respective local unit are required. For the individual business units and/or Group companies, detailed signing regulations are in place, taking into account local processes and reasonable value limits. These regulations are regularly reviewed and, whenever necessary, adjusted.

Integrity Line

GRI G4-58: Reporting concerns about integrity

PALFINGER was one of the first Austrian companies to give employees and external stakeholders the opportunity to report possible violations of laws and guidelines that concern companies of the PALFINGER Group. The Integrity Line was made known via the Company’s website and the Code of Conduct. In the 2013 financial year, it was also integrated into the new website. In the period under review, no allegations reported turned out to be of substance.

Internal audits

GRI G4-SO 3: Operations assessed

The internal auditing department, the risk management and the Group controlling team carry out regular reviews in the companies of the PALFINGER Group. Of the 55 companies of the Group, six were audited in 2013.

Risk management news

The Group risk management department submits regular reports to PALFINGER’s management on any news, in particular on any suggestions about how to avoid and/or unearth corruption by third parties.
If applicable, any incidents arising within the Group are also to be reported in this manner.

Welcome package

The welcome package presented to new employees is being redesigned. In the future, the values represented by PALFINGER and the measures taken to avoid corruption will be given greater emphasis. In 2013, no specific employee training programmes on ethics or compliance were organized, but such programmes are already in the pipeline.

GRI G4-SO 4: Anti-corruption communication

Separation of functions

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

Compliance violations

Any compliance violations are centrally reported for amounts in excess of EUR 5,000. In 2013, once again, no major cases of corruption were reported or discovered at PALFINGER. Similarly, no substantial penalties were imposed for any violations of legal provisions. No lawsuits are pending on grounds of anti-competitive conduct.

However, irregularities were detected in one smaller Group company during an internal audit carried out in 2013. Some practices in sales were not in accordance with the standards of the Group guidelines and apparently promoted corruption through customers. The responsible manager was given notice with immediate effect. The incident was reported to the management of the entire PALFINGER Group, specifically mentioning once again that corrupt conduct was not tolerated. No damage was caused to PALFINGER due to the incident that was discovered.

GRI G4-SO 5: Incidents of corruption

GRI G4-SO 7: Competition law

GRI G4-SO 8: Significant fines

TAXES AND SUBSIDIES

To PALFINGER, making fair tax payments is part of its social responsibility. The Company receives government benefits in the form of infrastructure, safety or the further training of its employees. In return, PALFINGER also makes a contribution in the form of taxes – making use of generally accepted, customary and proper tax-optimizing practices.

PALFINGER does not apply any specific pricing policy to intra-company services and deliveries to shift profits to sites in countries with lower income tax rates. The Group has a standardized pricing model in line with the OECD Transfer Pricing Guidelines and hence also with market prices. All documents and contracts are stored centrally, giving all sites access to them. All other taxes and fees are paid as mandated. PALFINGER does not use any schemes that do not pursue an economic purpose but only have tax-saving advantages. A major portion of the Company's tax payments is made in Austria, where a large percentage of PALFINGER's value added is also created.

GRI G4-EC 1: Direct economic value generated and distributed

GRI G4-EC 4: Financial assistance received from government

Whenever a decision in favour of a particular site is taken at PALFINGER, subsidies are of no relevance. The value-creation chain and the logistic processes are of overriding importance, meaning that subsidies are, of course, a welcome support but do not influence investment decisions. If subsidies are granted, PALFINGER always attempts to fulfil the relevant conditions in a quick, efficient and cost-beneficial manner. In the event that any conditions are not met, PALFINGER repays the subsidies granted.

For more information on taxes and subsidies, please see PALFINGER's website.

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

CODE OF CORPORATE GOVERNANCE

PALFINGER satisfies the requirements of the mandatory L-rules (legal requirements) and adheres to almost all C-rules (comply or explain) of the Austrian Code of Corporate Governance as amended in July 2012. The following C-rules are not observed:

Consolidated financial statements, Business transactions with related parties
Page 194

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

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

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

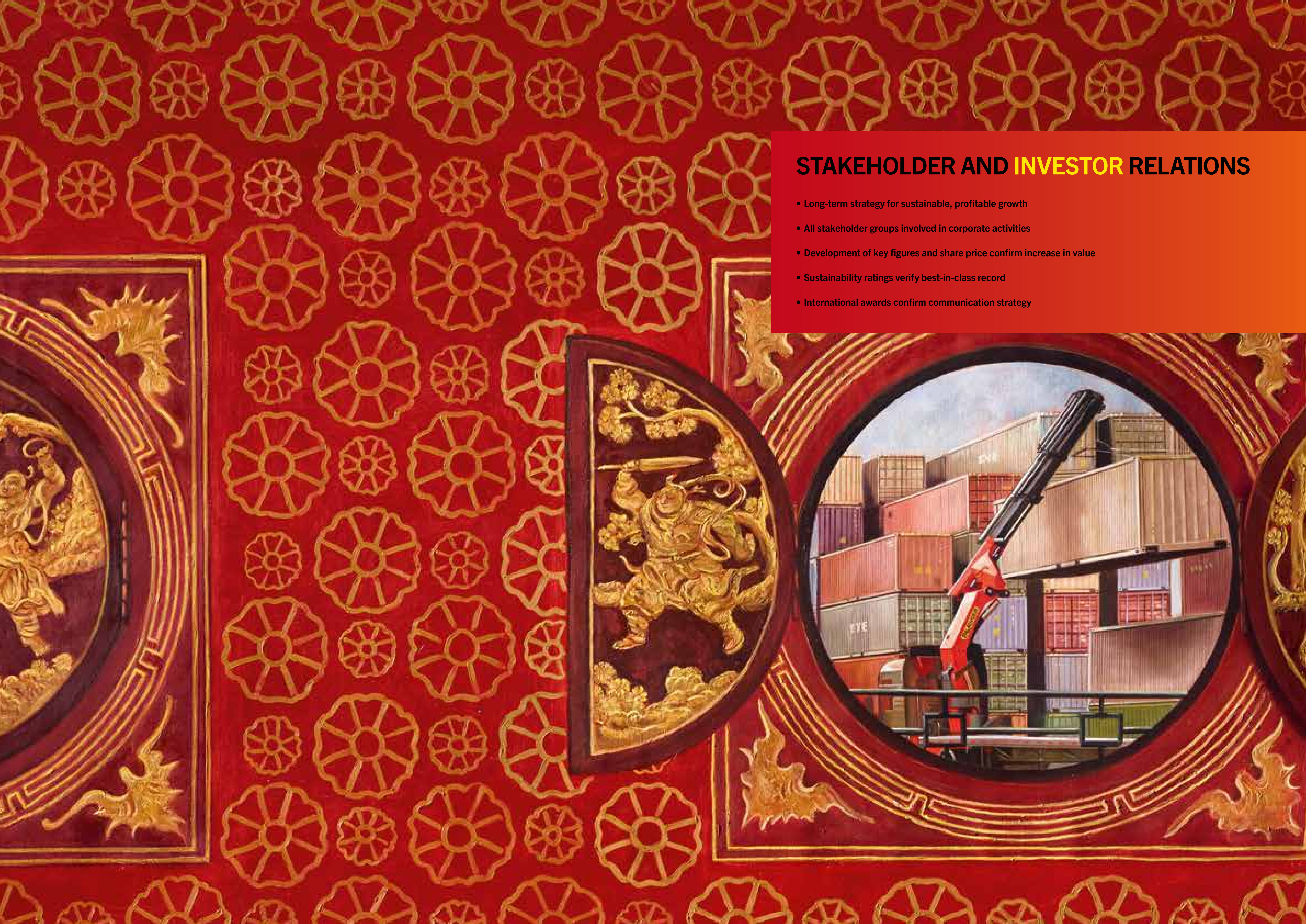
This also applies to the committee members (third paragraph, Rule No. 39).

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

Information on contracts requiring prior approval can be found in the notes to the consolidated financial statements and on the Company’s website www.palfinger.ag.

Salzburg, 31 January 2014

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



STAKEHOLDER AND INVESTOR RELATIONS

- Long-term strategy for sustainable, profitable growth
- All stakeholder groups involved in corporate activities
- Development of key figures and share price confirm increase in value
- Sustainability ratings verify best-in-class record
- International awards confirm communication strategy

STAKEHOLDER AND INVESTOR RELATIONS

STAKEHOLDER MANAGEMENT

PALFINGER defines its stakeholders as those individuals or groups who have some kind of interest in its corporate activities and/or whose decisions have an impact on PALFINGER. In accordance with sustainable development, PALFINGER makes sure that individual interests are taken into account in a balanced manner. The most relevant stakeholders are employees, owners, customers and dealers, suppliers as well as regional stakeholders, but also partners such as sponsors or economic interest groups. PALFINGER maintains a continuous dialogue with these stakeholder groups. For further information, please see PALFINGER's website.

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

When carrying out the materiality analysis for the purpose of defining the most relevant issues for PALFINGER in 2013, the stakeholders were included in the corporate activities. In the future, this analysis will be carried out regularly, so as to be able to have a proper basis on which to build stakeholder dialogues.

Materiality analysis
Page 204

In the summer of 2012, the website concept was completely overhauled in terms of technology and content, and since January 2013 the PALFINGER blog (http://blog.palfinger.ag) has broadened the Group's communications services. In this blog, some 15 employees as well as guest authors have since presented the different areas of PALFINGER's world from a highly personal point of view.

INVESTOR RELATIONS

Continuous and transparent communications constitute a backbone of PALFINGER's investor relations. In 2013, PALFINGER's Management Board and investor relations team attended numerous road shows and investors' conferences in Austria and abroad, where they were available to communicate personally with the investment community. By participating in shareholders' events and fairs, as well as stock exchange events, PALFINGER has also fostered relations with its retail shareholders. In all of these talks and discussions, attention has always been paid to the greater need for information on the part of sustainability-oriented investors.

REPORTING

To date, PALFINGER's annual reports have almost exclusively centred on the economic development of the Group. Only a handful of social or environmental issues have been included. Comprehensive sustainability reporting has been presented in a separate sustainability report published every two years on the basis of the Global Reporting Initiative (GRI) guidelines. The report's main issues were fair business, responsible employer, eco-efficiency in production and sustainable products.

Given that sustainability is an integral part of PALFINGER's strategy and core business, the Company has decided to reflect this approach in its internal and external reporting, in line with PALFINGER's commitment to continuous further development.

For this reason, the Group-wide reporting tool of controlling was expanded to include sustainability indicators relating to human resources, products and the environment. Most ratios and indicators are now determined on a quarterly or monthly basis, thus improving the indicator management systems and internal alertness. The selection of indicators was based on PALFINGER's strategic core indicators, which means that the actual number of ratios determined will be lower than before but delivered in a timely and reliable manner in support of management control. In this Integrated Annual Report 2013, as well, sustainability has, for the first time, been fully incorporated into the financial report.

AWARDS

PALFINGER's stakeholder commitment has received numerous national and international prizes. In 2013, the achievements of the PALFINGER Group were acknowledged with the Global Player Award and the Austrian Leading Companies Award.

In addition, PALFINGER received the INEO-Award for large firms in Upper Austria in 2013 in appreciation of its apprentice training programme. It also won awards for its PALfit programme in Salzburg and for being an energy-efficient business within the scope of the Austrian klima:aktiv initiative. The newly-presented PALFINGER hybrid engine for loader cranes won PALFINGER an innovation award.

Internationally, PALFINGER's annual reports have received ARC Awards for many years. In 2012, PALFINGER once again received the Austrian Sustainability Reporting Award (ASRA) and the Ökovision Sustainability Leadership Award for its most recent Sustainability Report 2010/2011.

INTERNATIONAL STOCK MARKETS

The international debt crisis and its impact on the real economy remained the principal issue on the capital markets in 2013. All in all, global stock markets nevertheless showed positive development in the period under review. The German stock index DAX closed 2013 at a level 25.5 per cent higher than that of 2012, and the EuroStoxx 50 – an index of euro-area stocks – gained 17.9 per cent year on year. The US stock market index Dow Jones Industrial (DJI) rose by 26.5 per cent, and the Japanese stock market index Nikkei 225 closed a notable 56.7 per cent above its 2012 level.

Sustainable investments continued to draw mounting interest. As early as 2009, it was estimated that 10 per cent of all assets under management in Europe fell into the category of socially responsible investments (SRI), and the trend is rising. In particular institutional investors such as severance pay funds and pension funds pay great attention to the relationship between the medium-term performance of businesses on the capital markets and their sustainability commitment.

VIENNA STOCK EXCHANGE

In 2013, the Vienna Stock Exchange had to operate in a difficult market environment as well. After recording a plus of 26.9 per cent in 2012, the Austrian Traded Index ATX rose only slightly in the period under review and ended December 2013 at a level 6.1 per cent above the year-end level of 2012. At the end of 2013, market capitalization came to EUR 85.4 billion, hence slightly higher than at the end of 2012 (EUR 80.4 billion). Average trading volumes amounted to EUR 3.2 billion and were thus also slightly higher than in 2012 (EUR 3.0 billion), but still clearly below pre-crisis levels.

THE PALFINGER SHARES

The shares of PALFINGER AG are listed in the prime market on the Vienna Stock Exchange. In Germany, they are traded over the counter in Frankfurt, Stuttgart, Berlin, Munich and Dusseldorf. Since March 2005, there has been an ADR Level 1 listing in New York. PALFINGER stock is listed in the ATX Prime Index of the Vienna Stock Exchange and, since 2005, has also been included in the Austrian VÖNIX sustainability index. Since May 2013, PALFINGER shares have also been included in the ATX Global Players index, which since then has been calculated by the Vienna Stock Exchange.

In the first months of 2013, the price of the PALFINGER share rose by more than 50 per cent. After dropping in June, the shares continued their climb and reached their 2013 peak on 27 December at EUR 29.11. At year end, on 30 December 2013, the price of the PALFINGER share closed at EUR 28.85, 75.5 per cent above the 2012 closing value of EUR 16.44. This development shows that PALFINGER once again outperformed all relevant comparative indices and is among the top performers of the Vienna Stock Exchange.

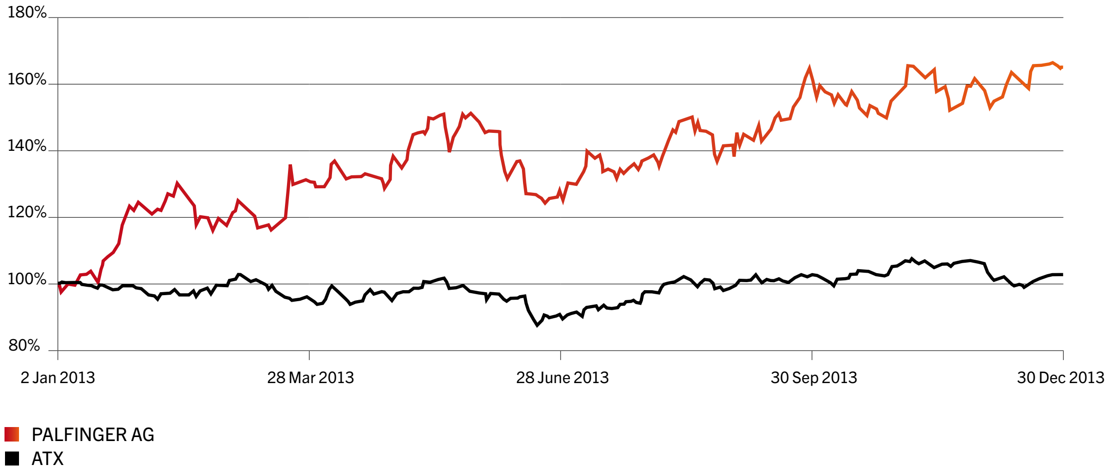
Shareholder information as at 31 December 2013

ISIN	AT0000758305
Number of shares issued	35,730,000
Own shares	328,090
Shares outstanding	35,401,910
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	2013	2012
Low	17.01	12.70
High	29.11	19.71
Average price	24.18	17.17
Price at year end	28.85	16.44
Earnings per share*	1.24	1.14
Operating cash flow per share*	1.77	1.57
Proposed dividend per share	0.41	0.38
Dividend yield in relation to the average share price	1.7%	2.2%
Market capitalization as at year end (EUR million)	1,030.81	587.40

* Calculated using the weighted average number of shares outstanding.

SHARE PRICE DEVELOPMENT IN 2013



Investors embracing SRI strategies regard PALFINGER as a best-in-class investment opportunity. PALFINGER has managed to further improve its rating performance: in Oekom's annual rating from C (not prime) to B– (prime status), in the rating for the VÖNIX sustainability index from ba to B+. PALFINGER is not subject to any ethical exclusion criteria; the Group uses the GRI sustainability guidelines and is committed to the UN Global Compact.

Research reports

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

DIVIDENDS

PALFINGER AG pursues a continuous dividend policy, which provides that approximately one third of the annual profit is to be distributed to shareholders. The net profit of PALFINGER AG for 2013 amounted to EUR 156.0 million; the Management Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.41 per share for 2013 (previous year: EUR 0.38 per share).

SIGNIFICANT CHANGES

On 1 December 2011, PALFINGER AG started a share buyback programme providing for the repurchase of 40,840 own shares in 2011 and 500 own shares in 2012. Together with the 328,000 own shares from a buyback programme that ended in 2003, minus 41,250 shares issued in 2012 and 2013 under the existing stock option programmes, the Company held 328,090 own shares as at the balance sheet date.

In the period under review, Delta Lloyd Asset Management NV, holding approx. 5 per cent of the shares at the 2012 balance sheet date, reduced its holding in two steps and fell below the reporting level of 4 per cent.

GRI G4-13: Changes in shareholder structure

OWNERSHIP STRUCTURE

The Palfinger family, which either directly or indirectly owns 65 per cent of the shares in PALFINGER AG, is PALFINGER's stable core shareholder. As at 31 December 2013, PALFINGER AG held approx. 1 per cent of the shares. The remaining 34 per cent of the shares are in free float. According to the information available to PALFINGER AG, a significant portion of the free float is held by retail shareholders; the majority is held by institutional investors, primarily from Continental Europe.

GRI G4-7: Nature of ownership and legal form

SHAREHOLDER STRUCTURE

- 65% Palfinger family
- 34% Free float
- 1% PALFINGER AG

FINANCIAL CALENDAR 2014

12 March 2014	Annual General Meeting
14 March 2014	Ex-dividend day
18 March 2014	Dividend payment day
7 May 2014	Publication of results for the first quarter of 2014
7 August 2014	Publication of results for the first half of 2014
7 November 2014	Publication of results for the first three quarters of 2014

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

CONTACT

Investor Relations
Phone +43 662 4684-0
Fax +43 662 4684-2280
www.palfinger.ag

Herbert Ortner, CEO
Ext. 2222, h.ortner@palfinger.com

Hannes Roither, Group Spokesperson
Ext. 2260, h.roither@palfinger.com

Julia Ganglbauer, Sustainability Management
Ext. 2262, j.ganglbauer@palfinger.com

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

If you wish to receive regular news about the PALFINGER Group, please register for the info service on the website.

CONSOLIDATED MANAGEMENT REPORT

CONSOLIDATED MANAGEMENT REPORT

MARKET REVIEW

- Economic situation suggests upward trend, also in the industrial nations
- Asia and Russia gaining importance in the relevant industries
- Consistently good growth figures recorded in ecological and social industries
- 23.3 per cent of PALFINGER products used for ecological or social purposes in 2013

ECONOMIC ENVIRONMENT

The global economy remained subdued in 2013. Primarily in the first half of the year, economic activity in the leading economies was marked by uncertainty regarding monetary and fiscal policy. The emerging markets continued to record significantly higher growth rates, but development noticeably lost momentum there. In its most recent forecast made in January 2014, the International Monetary Fund (IMF) has projected global growth of 3.0 per cent in 2013, rising to 3.7 per cent in 2014.

In 2013, Europe’s economy was marked by the turbulences caused by the massive debts incurred by some countries. The second half of the year saw a slight recovery, including improvements in the countries affected by recession. In the period under review, central issues in the European Union were the stabilization of the financial systems and the creation of a banking union. The IMF expects the economy to contract by 0.4 per cent in 2013, followed by 1.0 per cent growth in 2014.

Although Central and Eastern Europe are closely linked to the euro area in terms of economy, they showed solid growth in 2013, with expected rates of 2.5 per cent in 2013 and 2.8 per cent in 2014. In Russia, the economy lost considerable momentum in 2013. Investments were at a low level, household consumption was sluggish and raw material prices dropped, all contributing to economic growth most likely falling short of initial expectations, but still remaining above the average of the industrial nations.

In the USA, the year was marked by public spending cuts and the political standoff over the raising of the debt ceiling. As a result, the Federal Reserve adhered to its loose monetary policy until December 2013. These issues will continue to impact the country in 2014. The US economy is expected to grow by 1.9 per cent in 2013 and 2.8 per cent in 2014.

Latin America, first and foremost its economic heavyweight Brazil, did not manage to return to pre-crisis growth rates either. However, as investments increased, economic performance in Brazil picked up substantially compared to 2012. Annual growth of 2.3 per cent is predicted for both 2013 and 2014.

In Asia's emerging markets, China and India, economic growth remained below the high, partly two-digit rates seen in previous years. This was due on one hand to the economic weakness of the industrial nations, which dampened export prospects. On the other hand, these countries were struggling with structural difficulties, such as poor infrastructure, legal uncertainty and restricted access to loans. Nevertheless, GDP growth was still substantially higher than in other regions, with the IMF expecting an increase of 7.7 per cent for 2013 and 7.5 per cent for 2014.

2013 brought an upswing to the global financial markets. Even though political and economic uncertainties were reflected in strong fluctuations throughout the year, international stock markets recorded gains in value, some of them substantial. Commodity markets were marked by an improved offer situation and only modestly increasing demand, resulting in a drop in prices, particularly those of energy, industrial metals and agricultural raw materials. The oil price hovered around the USD 110 threshold throughout 2013, with a barrel of Brent crude costing USD 110.90 at the end of the year.

The foreign exchange markets were strongly influenced by the policies pursued by the large central banks in 2013. The euro appreciated in value in the course of the year and, for the first time in two years, rose to above USD 1.38 in October 2013. The euro traded at USD 1.38 or CNY 8.34 at the end of the year. Its rise against the Brazilian real to BRL 3.25 was particularly remarkable.

INDUSTRY REVIEW

GRI G4-8: Markets

PALFINGER's broad product range of lifting solutions is in demand in various industries and customer segments. Regional structures are in place to supply customers from a variety of industries, including construction, transport and haulage, railway infrastructure, timber and recycling. Business operations in the marine, offshore and offshore wind energy fields, with their specialized areas of application, have been organized globally, as these industries are not restricted to individual countries, regions or continents.

Construction industry

In view of the hesitant approach towards investments, resulting from the persisting national debt crisis in Europe, expectations for at least modest growth in the construction industry were not met in 2013. A decline of 1.6 per cent according to Euroconstruct and even 2.6 per cent according to the European Construction Federation was recorded. Despite the fact that the level of interest rates on loans remained low, even private builders were unable to compensate the negative trend due to the high collateral demands of lenders.

The construction industry in North America fared better in recovering from the past years of crisis, recording a plus of 5.3 per cent in 2013. Although it remained difficult to raise funds for individual projects, particularly dynamic growth was recorded in the private area, and public sector spending on construction projects was stepped up as well. The Housing Market Index (HMI) for the private sector rose considerably during the reporting period, reaching 57 points (December 2012: 47 points).

Asia currently already accounts for approx. 40 per cent of the global market for construction services, and it is assumed that half of the construction investments in infrastructure until 2020 will be made in Asia. Whereas from a global point of view the construction industry slowed down in 2013, Asia recorded strong increases, albeit at a slightly lower level than before. A shift of construction activities from residential buildings to investments in infrastructure was noticeable. Apart from the main markets China, India and Japan, strong growth rates were also recorded in Korea, Indonesia and Taiwan in the period under review.

Growth rates achieved in Russia in 2013 were comparable to those achieved in Asia. In preparation for the large-scale events, the Winter Olympic Games 2014 in Sochi and, first and foremost, the 2018 FIFA World Cup, which will take place at venues across the country, both the public sector and private investors have been investing in the Russian infrastructure. Construction in Russia increased by 9 per cent compared to the previous year.

In the Middle East, the 2022 FIFA World Cup will be hosted by Qatar. So far, this decision's positive impact has hardly been perceivable. Nevertheless, the construction industry in the Gulf region has been developing very well. In 2012, the United Arab Emirates replaced Saudi Arabia as the largest individual market for the construction industry, with a volume of USD 16 billion.

Transport and haulage

The general economic trend serves as an indicator for the development of regional transport and haulage industries. In its forecasts, the IMF predicted a stabilization or slowdown for 2013, but indicators for 2014 are cautiously pointing upwards.

One of the most reliable indicators for the European transport industry's performance is the number of new commercial truck registrations as published by the European Automobile Manufacturers' Association (ACEA). New registrations decreased marginally by 0.4 per cent in the category of light trucks under 3.5 tonnes while increasing by 6.2 per cent in medium-weight and heavy vehicles over 3.5 tonnes. A slightly negative trend was observed in Germany (– 0.2 per cent) and France (– 1.6 per cent), while the Netherlands (+ 13.9 per cent), Poland (+ 20.0 per cent) and the United Kingdom (+ 25.2 per cent) recorded particularly dynamic growth. Spain also reported a slight plus of 2.4 per cent in 2013.

All in all, the OECD's Think Tank International Transport Forum assumes that transport volumes in Europe and in North America are going to be increasingly dependent on the economic impetus from Asia. The importance of sea freight has already increased considerably and the trend is continuing. Imports to China will tend to decrease, given that China is going to become more and more self-sufficient.

Railway infrastructure

The global market for railway infrastructure managed to keep up its continuous growth in the 2013 financial year. Europe, which is by far the most important market for PALFINGER in this industry, was stable at a high level. The CIS countries are among the most interesting future markets, as substantial growth is expected in the next five to ten years due to continuously increasing demands in terms of the efficiency and performance of vehicles for railway construction and maintenance.

The North American market showed stable development in 2013. However, this market is hardly of relevance for PALFINGER, since primarily two-way vehicles – i.e. road vehicles which, with the help of supplementary equipment, may also be moved on rails – are being used. The market in South America is comparatively small, as railway infrastructure there has hardly been developed. The only interesting market opportunities in this area are the rails leading to and from mining companies and the rails of urban underground trains.

Market growth will be most dynamic in China, where the total annual volume is expected to rise from currently EUR 20 million to approx. EUR 40 million by 2020. However, the main reason for this growth will not be an increase in quantities but rather substantially higher demands with respect to the efficiency of vehicles for railway construction and maintenance. Other interesting markets include countries in Central Asia such as Kazakhstan, Uzbekistan and Turkmenistan with their extensive railway infrastructures.

Although business activities in the Middle East and in Africa are currently still very limited, a few interesting opportunities have opened up for PALFINGER in Saudi Arabia, Egypt, Morocco and Mozambique.

Timber industry and agriculture

The positive trend in the global timber industry continued in all regions in the reporting period. Timber is a frequently used material for residential buildings, not least because of its natural and sustainable characteristics. All in all, demand for timber and consequently also demand for timber cranes and harvesting machinery rose slightly compared to the previous year. Towards the end of the year, the changeover to the new Euro 6 emission standard for trucks also had a positive effect on market development. Growth rates achieved for timber cranes were approx. 6 per cent and for forestry machinery approx. 4 per cent.

Shares of 40 and 30 per cent, respectively, in the global market volume make Europe and Russia the most important markets for timber cranes. North America and South America hold a combined share in the global market of almost 20 per cent. Accounting for 13 per cent of the market volume, the Asia and Pacific region is still at a stage of early development when it comes to the timber industry. The largest growth potential is seen in India and China. Established local loader crane producers are already offering the first timber crane models. In the past financial year, the timber industry showed a mostly positive development across all regions.

Recycling

The Bureau of International Recycling proceeds from the assumption that the recycling industry already employs approx. 1.5 million people all over the world. Based on market analyses, PALFINGER expects the global waste management market to grow by 5 per cent annually in the coming years, reaching approx. EUR 3.4 billion in 2020. At the moment, it is hardly possible to measure recycling activities in the emerging markets, as they are marked by a low degree of automation and industrialization. It is to be expected that the BRIC countries will post extraordinarily high growth of another 8 to 11 per cent in this sector.

The market that is currently of relevance for PALFINGER continued its dynamic development in 2013. In Russia and Brazil, this industrial sector has become a priority, benefiting from the preparations for the upcoming large-scale sports events. With its recycling cranes and container handling systems, PALFINGER is capable of covering approx. 15 per cent of the value-creation chain.

Offshore wind energy

In Europe, 277 offshore wind turbines with an installed capacity of more than 1 gigawatt were connected to the grid in the first six months of 2013 alone – an increase in capacity nearly corresponding to that achieved in the entire year of 2012. Another 18 wind parks are currently under construction and will produce another 5.1 megawatts. Northern Europe – primarily Denmark and Great Britain – plays the most important role in the global market for offshore wind energy. Growing impetus can be observed in North America and in some Asian countries.

Market dynamics are influenced by political decisions, particularly in Germany, and are therefore hard to predict. Apart from efficiency and reliability, one of the biggest challenges to be met by manufacturers and suppliers as well as by wind park operators is consistent cost management. This is essential if wind energy is to survive in competition with traditional forms of energy even without substantial subsidies. In the medium to long term, the offshore wind energy market is expected to experience average annual growth rates of approx. 5 per cent until they reach a volume of 40 gigawatts in 2020.

Marine industry

According to the Shipbuilding Outlook 2013, the current worldwide fleets of ships are, on average, quite young, resulting in a stagnation or decline in new orders. Shipyards in China and South Korea continued to have the fullest order books in 2013, accounting for 45 and 29 per cent of the global order volume, respectively. The by far largest portion of orders was for cargo vessels such as tankers, container ships and first and foremost bulk carriers. Most of the new impetus resulted from new technologies that facilitate further reductions in cost. An example in this context is the latest generation of liquid natural gas engines (LNG) and the associated areas of LNG production, transport and cargo handling.

Dynamic growth took place primarily in the field of oil & gas and the supplier industries. Strong demand for stationary drilling rigs and mobile drillships, floating production units as well as supply vessels and anchor handling tugs is likely to persist throughout the next two to three years. PALFINGER offers shipyards and operators a comprehensive product portfolio of lifting equipment for all offshore and marine applications.

As the offshore and marine markets – partners, customers and operators – are globally organized, they act accordingly. There is a tendency for the most important decisions to be made in Western Europe, Singapore and North America, while the orders are filled primarily in Asia (China, South-East Asia and South Korea). The products are used first and foremost in the North Sea, the Gulf of Mexico, in the waters off the coast of Brazil and in South-East Asia; increasingly also in the waters off the western coast of Africa, in the South China Sea and in the polar sea north of Russia.

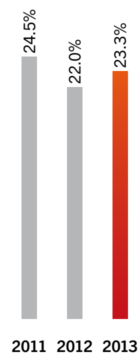
PALFINGER products for people and the environment

Sustainability trends are having a growing impact on various industries. Climate change is leading to an increase in demand for renewable energies such as wind energy and biomass. Renewable raw materials are becoming more attractive; in housing, for instance, timber is frequently used. A general scarcity of resources, environmental constraints regarding production and high energy demand are making raw material production more expensive, which adds to the importance of recycled materials. High prices and the high ecological costs of fossil energy sources are favourable for energy-efficient means of transport such as ships and trains. Ecological challenges have been changing the economic system – industries and products with better eco-balances also have economic advantages.

PALFINGER sees great market opportunities in lifting solutions for ecological purposes and industries, which can be covered by the existing product portfolio. Railway cranes facilitate low-emission rail transport, offshore cranes are installed in wind energy plants, EPSILON cranes are used in forestry, for biomass handling or in the field of recycling, which is also the main area of application for hookloaders.

Moreover, PALFINGER products are used directly for people. Hookloaders are used by local authorities and also by fire brigades. PALFINGER access systems make life easier for wheelchair-bound passengers in public transport. And marine rescue cranes also serve social purposes, being used to rescue people in distress at sea.

The share in revenue generated by PALFINGER products in industries with an ecological or social focus has been on the rise for years. While in 2008 they accounted for only 13.5 per cent of the Group's revenue, in the reporting period it was already 23.3 per cent. And this is without considering all other PALFINGER products, such as truck mounted knuckle boom cranes, that are also sold to biomass producers, fire brigades or recycling businesses.



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

PALFINGER AND ITS COMPETITORS

The PALFINGER Group is represented in different product groups and regions whose markets are characterized by diverse competitive environments. In 2013, there were no major changes in these environments with the exception of the market for marine solutions.

PALFINGER's main product is the loader crane, primarily the truck mounted knuckle boom crane. The Company's history began with this business unit, and PALFINGER continues to dominate the world market as an innovation leader, holding a share of more than 30 per cent. On a global level, the most important competitors are HIAB, a company of the Finnish Cargotec Group, and Fassi of Italy. In some regions there are also well-established local players. Due to the emergence of Chinese manufacturers and PALFINGER's entry into the Chinese market, the Group is also increasingly faced with Chinese competitors.

Markets outside Europe and products other than loader cranes are becoming increasingly important for PALFINGER.

In cranes for timber and recycling, PALFINGER is a strong player. The remaining market shares are distributed among numerous local companies. PALFINGER is also a major player in the markets for container handling systems and truck mounted forklifts, with HIAB being one of its major competitors in this field as well. The global market for truck mounted forklifts is dominated by HIAB, which holds a share of approx. 50 per cent. PALFINGER is the world's second-largest player in this market.

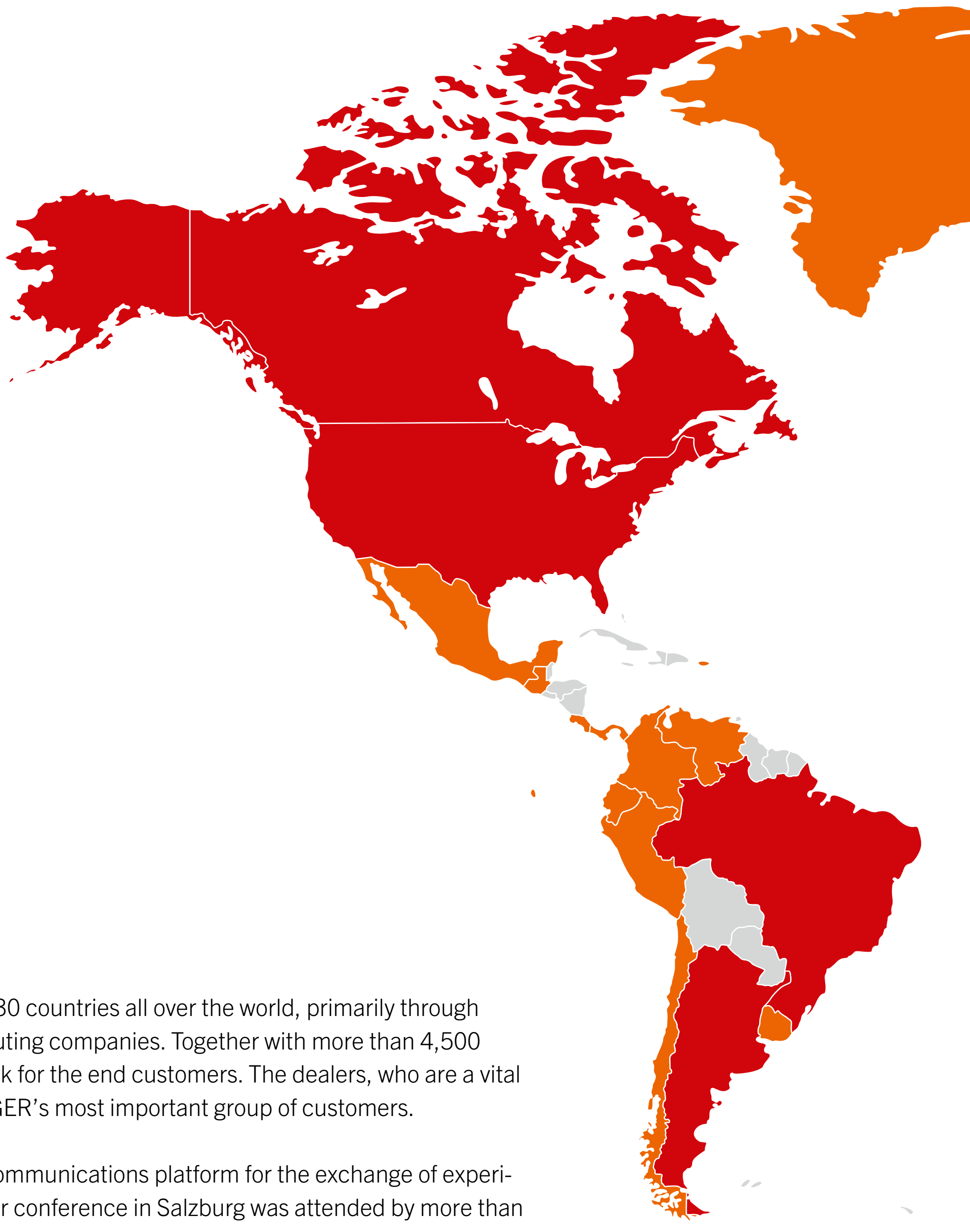
PALFINGER also holds a leading position in the worldwide specialty markets for railway systems and marine solutions.

In marine systems, MacGregor – another company of the Finnish Cargotec Group – is one of PALFINGER's most important competitors. The 2013 financial year saw the merger of two Norwegian companies: the marine crane producer Noreq and the launch & recovery systems producer Schat-Harding. It is likely that the newly merged Harding Group will develop into a leading market player.

PALFINGER DEALER NETWORK GRI G4-8: Markets

- Corporate locations
- Headquarters
- Dealers

As at 31 December 2013



CUSTOMERS AND SUPPLIERS

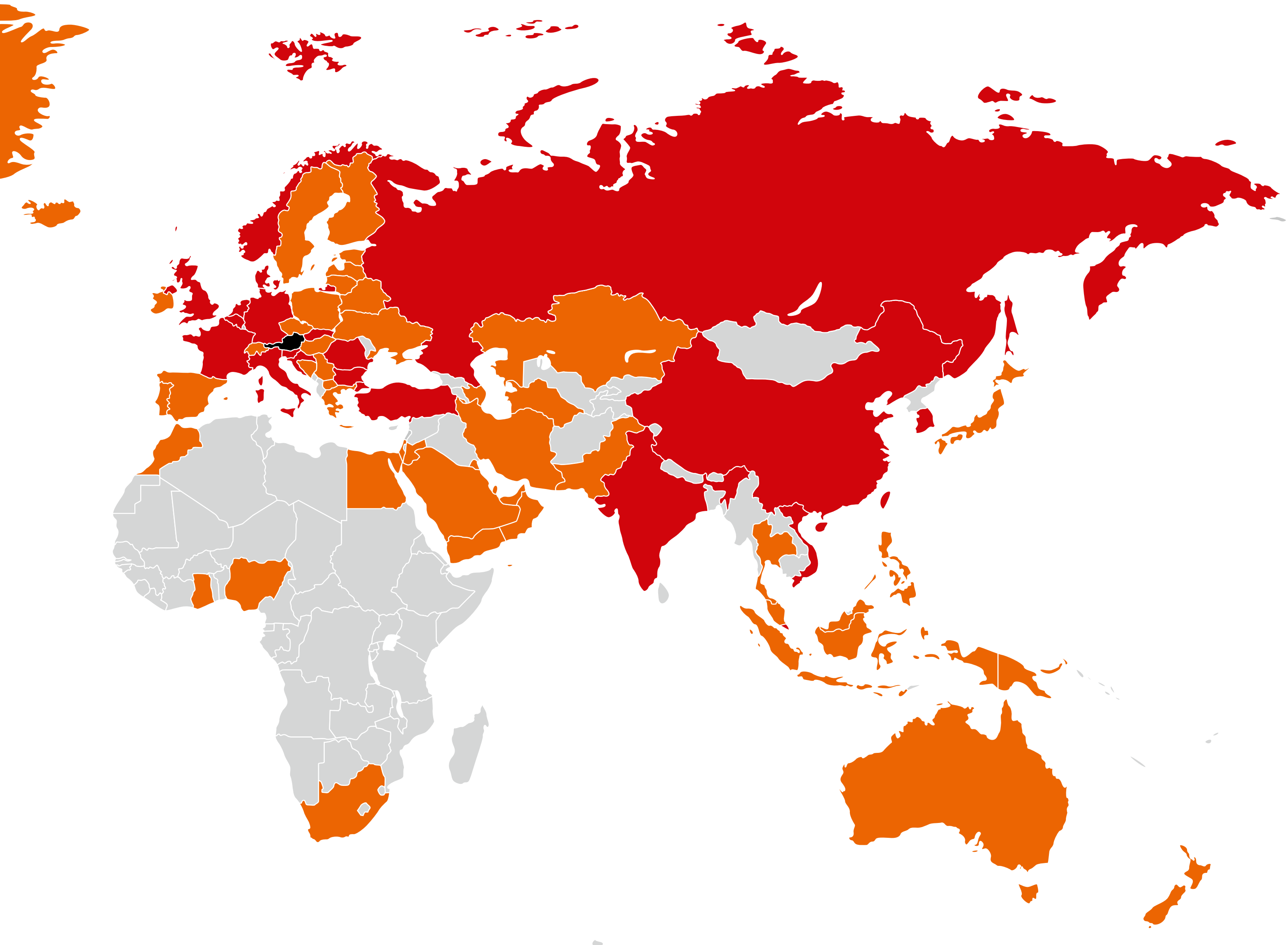
Customer and dealer network

PALFINGER products are distributed in more than 130 countries all over the world, primarily through some 200 general importers and the Group’s distributing companies. Together with more than 4,500 services centres, this forms a comprehensive network for the end customers. The dealers, who are a vital link to the Group’s end customers, are thus PALFINGER’s most important group of customers.

The annual dealer conferences are an established communications platform for the exchange of experience and information. This year's international dealer conference in Salzburg was attended by more than 100 dealers. The main topic of this conference was the introduction of the new PALFINGER Distributor Standards, which aim at enhancing the quality and flexibility of cooperation.

In addition, regional sales and service manager meetings took place in Asia, North and South America, the Middle East and Europe, on the occasion of which new products and innovations in the field of service were presented to the dealers.

The dealers are also included in the preparation and implementation of measures for improvement. To this end, PALFINGER carries out comprehensive dealer surveys every two to three years and derives targeted measures from the results of such surveys. The most recent survey took place between the end of 2012 and the end of 2013 and focussed on satisfaction with the products, ordering and/or supplying and the service provided by PALFINGER. The results were discussed with the executives in charge, and detailed activities were derived.



After the dealer conference in 2012 had raised awareness for PALFINGER's commitment to sustainability, the points of view taken by selected dealers were also included in the materiality analysis of sustainability issues through the stakeholder survey. It was found that safety, efficiency and environmental aspects of products are relevant USPs of PALFINGER.

GRI G4-PR 5: Survey measuring customer satisfaction

PALFINGER's end customers are spread across various industries all over the world. In spite of this diversity, PALFINGER strives to continuously contribute to enhancing customer satisfaction in cooperation with product management, sales and the dealers. To this end, surveys among end customers regarding various product groups and national markets are carried out on a regular basis. As a result of the increasing internationalization of the PALFINGER Group, the first survey among non-EMEA end customers was carried out in 2013, namely in the area South America for the business unit Loader Cranes. The results of this survey will be integrated into future improvement processes.

www.palfinger.ag/ en/sustainability/ aspects/ human-rights

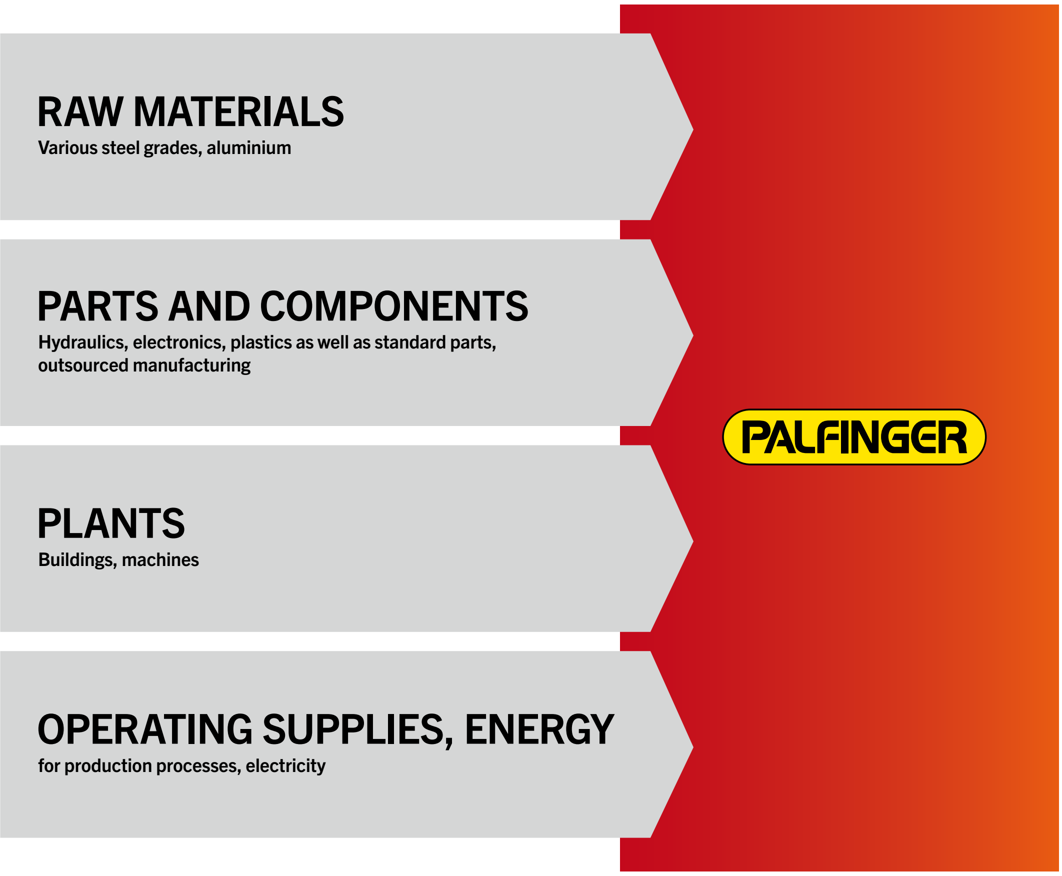
A description of human rights aspects regarding the use of products is available on PALFINGER's website.

Suppliers and purchasing

SUPPLY CHAIN CHARACTERISTICS
PALFINGER's success is closely linked to its successful cooperation with suppliers. Therefore, the Company has defined some 130 main suppliers and has entered into quality assurance agreements with them with respect to cost effectiveness, products, the environment and social matters.

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

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



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

Suppliers of parts and components

This group comprises the majority of the approx. 130 strategic suppliers, ranging from suppliers of components to companies to which PALFINGER outsources parts of its manufacturing processes. They can be found in all regions in which PALFINGER operates. It is estimated that the number of employees indirectly working for PALFINGER at these suppliers is as high as the number of actual PALFINGER employees. As high-quality manufacturing and reliable deliveries are central criteria for quality leadership, PALFINGER strives for long-term cooperation with these suppliers. Regular audits, also covering environmental, social and ethical aspects, guarantee continuous improvement. For instance, the use of chrome-VI-free components was agreed upon with a European supplier in 2008 and has been an established practice ever since.

Suppliers of plants and investment goods

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

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

Operating supplies and energy

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

Operating supplies, for instance for welding or steel processing, as well as various forms of energy such as natural gas, electricity, LPG or fuels, are important bases for production but have a comparatively low purchase value. These aspects are treated as part of the environmental management system.

www.palfinger.ag/ en/sustainability/ aspects/ human-rights

A detailed description of the ecological and social issues associated with the supply chain is available on PALFINGER's website.

PROCUREMENT FACTORS, MARKETS AND STRATEGIES

GRI G4-12: Description of supply chain

Essential procurement factors for PALFINGER include advanced technologies and innovation, primarily in the fields of hydraulics, electronics and high-tension steel. Therefore, procurement focuses primarily on the EU market, where these issues are strongly promoted. The most important Eastern European procurement markets are Slovenia, Bulgaria, Romania and Croatia; due to the current price pressure, they are gaining further importance. New procurement markets that might expand PALFINGER's supplier portfolio have been developing in Asia, first and foremost in China. Since 2012, PALFINGER has had a special Global Sourcing department, which cultivates and develops these new procurement markets in order to enable PALFINGER to fully utilize suitable potential all over the world.

GRI G4-13: Changes regarding the supply chain

One of PALFINGER's strategic objectives, also in procurement, is to be quick and flexible in responding to volatile market conditions. During the reporting period, the availability and delivery periods of critical parts did not pose any problems and proved to be highly stable. Amongst other things, PALFINGER uses vendor managed inventories in this connection.

In order to be able to keep up with the expected future demand, PALFINGER, as a rule, maintains long-term agreements with its strategic main suppliers, which provide for variable annual purchase quantities. By having recourse to additional suppliers and entering into framework agreements with them early, at the end of 2012, PALFINGER succeeded in achieving a slight price reduction for 2013.

PALFINGER maintains long-term relationships with its suppliers in order to continuously enhance quality and thus also competitiveness. This objective is supported by the quality assurance agreements entered into with approx. 130 main suppliers. In addition, strategically important suppliers are regularly subjected to risk analyses – in some cases annually – with the aim of identifying changes in economic stability at an early stage. If necessary, the suppliers are supported in their optimization efforts.

Every two years an international supplier meeting is held to further improve the suppliers' involvement in PALFINGER's activities. On these occasions, the current economic situation is discussed and planned developments of the PALFINGER Group are presented. In November 2013 a meeting with all strategic suppliers from the business area South America took place in Brazil.

The purpose of all these measures is to maintain a stable and premium-quality supplier portfolio for PALFINGER.

SUSTAINABILITY AMONG SUPPLIERS

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

All in all, the environmental management pursued by the strategic suppliers has improved considerably since 2011 according to their own evaluations. In 2013, 60 per cent of the suppliers already had an excellent or good environmental system in place (Eco1 and Eco2). Another satisfactory fact was that the number of responses – an indication for awareness raising – increased substantially (response rate in 2011: 54 per cent; 2013: 90 per cent).

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

2011

- 24% Excellent environmental management (Eco1)
- 8% Good environmental management (Eco2)
- 22% Average environmental management (Eco3)
- 46% Little environmental management (Eco4)

2013

- 31% Excellent environmental management (Eco1)
- 29% Good environmental management (Eco2)
- 25% Average environmental management (Eco3)
- 15% Little environmental management (Eco4)

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

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

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

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

In 2013, more details regarding ecological, social and ethical issues were added to the audit list. This expanded sustainability checklist supports the auditors in examining the results of the quarterly surveys of suppliers regarding their environmental management systems. Moreover, compliance with environmental legislation and human rights, the handling of hazardous substances, corruption prevention and the health and safety of employees are scrutinized. The auditors have received training on how to use the expanded check list and may spend up to one hour of an audit lasting one or two days on sustainability topics. An evaluation of their experiences with the sustainability checklist is planned for 2014. In addition, a stronger focus is to be placed on sustainability in invitations for tenders.

With a view to exchanging ideas, PALFINGER included selected long-standing suppliers in the stakeholder survey on sustainability topics carried out in 2013. The responses referred primarily to the proper handling of hazardous substances, accident prevention and the promotion of sustainability along the supply chain.

PERFORMANCE OF THE PALFINGER GROUP

- International positioning enabled further growth in 2013
- New record revenue of EUR 980.7 million (+ 4.9 per cent)
- EBIT rose to EUR 74.1 million
- Expansion of established and new markets, primarily China and Russia
- Marine area significantly expanded

BUSINESS DEVELOPMENT IN 2013

The 2013 financial year proved to be another record year for the PALFINGER Group. Even though the economic environment in Europe remained difficult, primarily in the first half of 2013, the Group's long-standing internationalization strategy allowed PALFINGER to expand its business and record increases in revenue as compared to the previous year. PALFINGER thus performed exceedingly well, also in comparison with other market players, and managed to solidify its leading market position.

The basis for this success was the constantly positive development of the AREA UNITS segment as well as the strong performance of the Marine business area. In the second half of 2013, a slight upward trend was recorded in Europe as well. Earnings also rose above the satisfactory level recorded in 2012.

Great potential for the future is still seen primarily in the BRIC countries and the global Marine business area. PALFINGER has already positioned itself well in these markets and is striving to further expand its position. The cooperation with the Chinese joint-venture partner SANY bore first fruit in 2013. Both the joint-venture company Sany Palfinger in China and the sales joint venture for Europe and CIS, Palfinger Sany, showed satisfactory development. The partnership is now being intensified through the acquisition of economic interests in each other's companies.

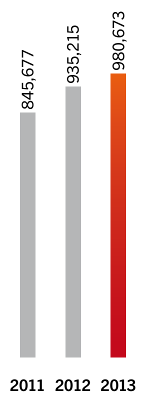
Consistent management of capital employed and lean administration as well as an increase in flexibility at all levels of value creation have proved their worth and have contributed to these stable results. Therefore, these issues will remain a priority and are expected to ensure sustainable, profitable growth for the future. The basis is being created through necessary capacity expansion and investments in production sites.

The PALFINGER Group posted revenue of EUR 980.7 million in the 2013 financial year, corresponding to an increase of 4.9 per cent compared to the previous year's figure of EUR 935.2 million.

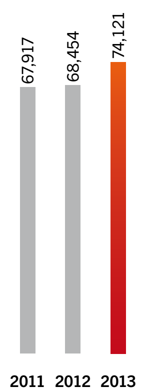
EBIT for the 2013 financial year came to EUR 74.1 million, after EUR 68.5 million in the previous year, which corresponds to an increase of 8.3 per cent. The EBIT margin rose from 7.3 per cent in 2012 to 7.6 per cent. This development was made possible primarily on the basis of consistent increases in cost flexibility in the established areas in Europe. One-off effects from acquisitions also had a positive impact on earnings.

EBITDA rose by 7.7 per cent from EUR 98.0 million in 2012 to EUR 105.5 million in 2013. PALFINGER posted a consolidated net result of EUR 44.0 million, which is 9.0 per cent higher than the figure of EUR 40.4 million recorded in the previous year.

The performance of the individual quarters shows a constant development of revenue and earnings during the past two years. The second half of the year is always affected by the fact that there are fewer working days due to the summer company holidays and the Christmas holidays. The effects from the acquisitions that were made contributed to the positive development of revenue and earnings in 2013.

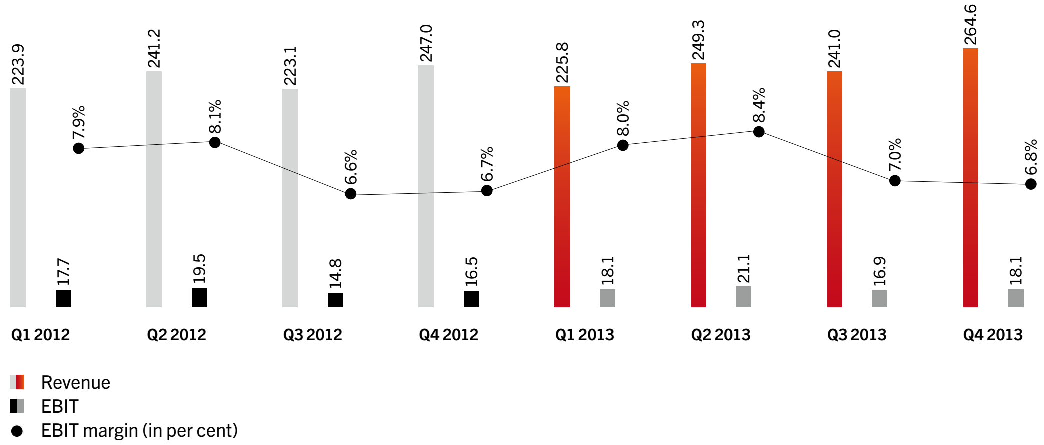


DEVELOPMENT OF REVENUE
(EUR thousand)



DEVELOPMENT OF EBIT
(EUR thousand)

DEVELOPMENT OF REVENUE AND EBIT
(EUR million)



Overall, business in Europe in the 2013 financial year was subdued. The largest market, Germany, remained stable, with first signs of a recovery showing in the second half of the year. Spain, Italy, Portugal and Greece, all of which have been hit particularly hard by the crisis since 2008/2009, still failed to record increases in 2013. Performance in Northern Europe was to a large extent positive; in Eastern Europe, demand remained low.

Performance by segment, EUROPEAN UNITS
Page 96

During the period under review, nearly all European business units made positive contributions to the consolidated net result. The further improvements in productivity in the Loader Cranes business unit were particularly pleasing. The globally operating Marine business area recorded massive growth in terms of revenue, also due, not least, to the acquisition of PALFINGER DREGGEN at the end of 2012, and stable earnings at the expected level. The capacity utilization at the manufacturing and assembly sites improved over the course of the year and efficiency was raised through further process enhancements. This supported the stable development of earnings in Europe.

Development in the regions outside Europe was highly positive. In the USA, for instance, following the tremendous revenue growth achieved in 2012, PALFINGER recorded further modest increases in the period under review. In South America, even though revenue rose on the local level, revenue growth could not be realized on the Group level due to the exchange rate development. Hedging is still not on the agenda, as costs are too high. After the burst of growth experienced in 2012, Russia once again managed to exceed the previous year's high level in 2013.

The cooperation with the Chinese SANY Group in Asia showed first successes. With an increase in revenue of more than 70 per cent in 2013, this is another area gaining in importance and reflecting the success of PALFINGER's internationalization strategy. However, as the start-up work requires intense resources, the area is still posting a negative contribution to earnings.

Performance by segment, AREA UNITS
Page 99

The measures initiated to boost earnings in the non-European areas, the process enhancements in value creation, the expansion of contract manufacturing and the implementation of the Lean Administration initiative also contributed to these regions' further increasing their contribution to earnings.

SIGNIFICANT CHANGES

Strategic partnership with SANY

At the end of September, PALFINGER and SANY agreed to expand their strategic partnership by way of acquiring a 10 per cent economic interest in each other's companies. Half of the stake in PALFINGER AG to be acquired by SANY Heavy Industries is to take the form of new shares issued to SANY from the authorized capital of PALFINGER AG; the other half of the stake is to be effected through the acquisition of existing shares from the Palfinger family. The price payable by SANY will be EUR 29 per share. In return, PALFINGER AG will acquire a 10 per cent interest in SANY's lifting business. SANY Lifting is the unit within the SANY Group that specializes in mobile, tower and crawler cranes and is of a comparable size to PALFINGER AG.

The contracts were signed at the end of 2013, and the transaction will be carried out as soon as all authorizations have been obtained. As a result of the Palfinger family's willingness to support SANY's participation by selling a portion of their existing stock ownership, the expansion of outstanding shares of PALFINGER AG will be limited to the 5 per cent of newly issued shares.

Palfinger Sany, the joint venture for the distribution and service of SANY mobile cranes in Europe and CIS, set up a liaison office in Turkey in September 2013. This was a major step required for a successful entry to the Turkish market and the neighbouring growth markets. Palfinger Sany has sold the first mobile crane models on the Russian market.

Further development of the Marine business area

In February, PALFINGER's Marine business area obtained two important orders totalling the equivalent of approx. EUR 90 million. The first order comprises 28 offshore cranes for equipping a total of seven drillships in Brazil, to be delivered between 2014 and 2017. The second order comprises two complex offshore cranes for use on a new rig in the Danish oil field Hejre. The magnitude of these orders is unprecedented for PALFINGER.

In late August, the PALFINGER Group signed a contract with the Korean company MCT Engineering Co., Ltd. (MCT ENG), one of its major partners and suppliers. Under an asset deal, PALFINGER took over the operations of MCT ENG in connection with the production of marine and offshore cranes. MCT ENG has the marine know-how – a basic requirement for obtaining the numerous certifications required in this industry – and capacities for large components. Korea is among the most important offshore markets in Asia. This takeover will support the growth already recorded by PALFINGER in this business area.

In addition, at the beginning of October, PALFINGER entered into a production joint venture with its longstanding partner Koch Metalúrgica in Brazil for the joint assembly, testing and commissioning of offshore cranes. It is within this joint venture that one of the two large-scale orders of February is to be executed.

In November, the Group managed to expand its portfolio for the shipping and offshore industries. PALFINGER agreed to acquire majority interests in two companies: The Austrian company Palfinger systems GmbH develops and produces special systems for accessing and performing repair and maintenance work on ships and oil rigs. The Megarme Group, with companies in Dubai, Abu Dhabi and Qatar, provides rope access technologies applied by rope access professionals. In combination with the products of Palfinger systems, PALFINGER will provide not only innovative special access products but also the required highly qualified service personnel, making the newly available solutions an interesting alternative to the comparatively expensive and time-consuming scaffolding.

The takeover of Megarme also marks another step in the internationalization of the PALFINGER Group, which until now has had no value-creation structures in the Arab countries. Given the strong presence of the shipping industry in this region, it is a particularly important one for the marine business.

Strengthening market presence in the CIS countries

In December, PALFINGER agreed on the takeover of the majority of shares in the Russian PM-Group Lifting Machine. PM-Group Lifting Machine is composed of the two Russian crane manufacturers Velmash and Solombalsky, both of which produce and distribute a broad range of timber and recycling cranes. The group also operates in the market segments of loader cranes, stationary cranes, container handling systems and customized solutions. The Group's extensive sales network, comprising 86 dealers, service centres and regional offices, is the perfect addition to the market development efforts being pursued by PALFINGER and EPSILON. The acquisition was made subject to the official approvals.

Expansion of production capacities

In June, PALFINGER raised its participation in the Romanian company Nimet Srl, specializing in nickel and nickel-chrome plating and producing bars, tubes and hydraulic cylinders, from 40 to 60 per cent. This move will contribute to the stabilization of value-creation processes in components manufacturing and to the continuous further development of manufacturing technology, and will create necessary resources for the future.

In Tenevo, Bulgaria, the cylinder production plant celebrated its tenth anniversary. Following the most recent investments, the plant's capacity allows for an annual production of up to 175,000 cylinders.

In Ishimbay, Russia, the location of INMAN, PALFINGER has started to enlarge the plant. A double-digit million investment is intended to double capacities in order to be able to keep up with the increasing demand.

Construction of new Group headquarters

As a consequence of the growth achieved in recent years, the dimensions of the PALFINGER Group's present headquarters in Salzburg, Austria, have been too small for some time now and they no longer meet modern standards. Construction work for PALFINGER's new Group headquarters in Bergheim, Salzburg, Austria, officially began in October with a ground-breaking ceremony. The Palfinger family will invest approx. EUR 25 million in the buildings, which it will then lease to PALFINGER AG. The new Group headquarters is designed to accommodate 300 employees; the staff is expected to be relocated in 2015.

Innovation

Apart from numerous other innovations, PALFINGER presented the strongest and largest loader crane in the Group's history, combining the advantages of knuckle boom cranes and mobile cranes, on the occasion of the important trade fair bauma 2013, which took place in Munich in April. In line with the new umbrella brand strategy, all exhibited products bore the uniform PALFINGER logo.

In February, PALFINGER established a joint venture in Italy specializing in the development, production and distribution of access platforms. Since then, Palfinger Platforms Italy s.r.l. has expanded the existing product portfolio of PALFINGER access platforms through the manufacture of reasonably priced truck bodies with easy-to-use technology. This step is expected to open up the high-volume market segment for trucks weighing up to 3.5 tonnes, in which PALFINGER had not been represented before. The first platforms were sold at the bauma trade fair in April.

LEGAL CHANGES WITHIN THE PALFINGER GROUP

GRI G4-13: Significant changes regarding the organization

In 2012, PALFINGER started to adjust its organization under company law to its current management structure to optimize the Group's structure. This project was continued in 2013.

With effect as of 1 January 2013, Madal Palfinger Holding Ltda., Sao Paulo, Brazil, was merged into Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul, Brazil. With effect as of the same date, MBB Palfinger GmbH, Ganderkesee, Germany, transferred 100 per cent of its shares in Interlift, Inc. to Palfinger USA, Inc.,Tiffin, USA, making Interlift the latter's wholly-owned subsidiary.

In addition, the following companies in the USA were transformed into LLCs and/or renamed as of 1 July 2013: Interlift, Inc. has since been called Palfinger Liftgates, LLC. Omaha Standard, Inc. was transformed into a limited liability company under the name of Omaha Standard, LLC. PalFleet Truck Equipment, Co. was transformed into PalFleet Truck Equipment Company, LLC.

On 27 August 2013, Palfinger Marine- und Beteiligungs-GmbH, Salzburg, Austria, transferred Palfinger CIS GmbH, Salzburg, and its subsidiaries to Palfinger Area Units GmbH, Salzburg, by way of a demerger and takeover.

In February 2013, Palfinger Platforms Italy s.r.l. was founded in Bolzano, Italy, as an 80 per cent subsidiary of Palfinger European Units GmbH, Salzburg. The remaining 20 per cent in the company are held by Sky Aces S.r.l., Mirandola, Italy.

On 19 February 2013, Palfinger Marine- und Beteiligungs-GmbH, Salzburg, acquired 40 per cent of the shares in Palfinger Marine Pte. Ltd, Singapore, from the non-controlling shareholder Ascendon Engineering Pte. Ltd., Singapore. This made Palfinger Marine Pte. Ltd. a wholly owned subsidiary of Palfinger Marine- und Beteiligungs-GmbH.

In April, Palfinger Marine- und Beteiligungs-GmbH took over the minority shares in Ned-Deck Marine B.V., which made it the sole shareholder of that company. Moreover, Ned-Deck Marine B.V. was renamed Palfinger Ned-Deck B.V. in May.

On 13 June 2013, another 20 per cent in Nimet Srl, Lazuri, Romania, was taken over, partly through acquisition and partly through a capital increase. Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag, Bulgaria, now holds a total of 60 per cent of the shares in Nimet Srl.

With a view to the acquisition of parts of the business of MCT ENG, Palfinger Dreggen Korea, Limited was founded on 9 July 2013 as a wholly-owned subsidiary of Palfinger Marine- und Beteiligungs-GmbH. The company's registered office is in Sacheon, South Korea.

In September 2013, a sales office representing PALFINGER AG was set up in Shanghai, China.

The sales office of PALFINGER AG in St. Petersburg, Russia, which had originally been founded for the purpose of building up the Group's operations in Russia, was wound up in October 2013. Meanwhile, the local PALFINGER companies in Russia have taken over all the activities performed by that office.

On 1 October 2013, the liaison office of Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg, was registered in Istanbul, Turkey.

Also in October of 2013, 60 per cent of the shares in Palfinger Koch Metalúrgica Ltda. were taken over by Palfinger Dreggen do Brasil Ltda.

Under the articles of association dated 24 October 2013, PALFINGER AG, Salzburg established Palfinger systems units GmbH, Salzburg, as a wholly-owned subsidiary.

On 14 November 2013, Palfinger systems units GmbH, Salzburg, signed a purchase contract with Palfinger Privatstiftung, Salzburg, to acquire 85 per cent of the shares in Palfinger systems GmbH, Salzburg. In turn, Palfinger systems GmbH holds a 50 per cent share in Palfinger Entraco systems Solution BV, Spijkenisse, Netherlands. In addition, Palfinger systems units GmbH signed the contracts for obtaining a dominant position in the three companies of the Megarme Group in Dubai, Abu Dhabi and Qatar at the end of November. The acquisitions of Palfinger systems GmbH and the Megarme Group were closed in January 2014.

In October, Palfinger SLS Holding Pte. Ltd., Singapore, was set up as a wholly-owned subsidiary of PALFINGER AG. The company is being used as a holding company for the acquisition of shares in SANY Lifting. The framework agreements for this transaction were signed on 10 December 2013. The closing regarding the closer cooperation with SANY is scheduled to take place in the upcoming months after the necessary official authorizations have been obtained.

At the end of the year, Palfinger Marine- und Beteiligungs-GmbH, Salzburg, transferred its interest of 99.9 per cent in Palfinger Cranes India Pvt. Ltd., Chennai, India, within the Group, namely to Palfinger Area Units GmbH, Salzburg.

INFORMATION ACCORDING TO SEC. 243A OF THE BUSINESS CODE

As at 31 December 2013, the issued share capital of PALFINGER AG was EUR 35.7 million, divided into 35,730,000 no-par-value bearer shares. Each PALFINGER share entitles its holder to one vote.

As at 31 December 2013, PALFINGER AG held 328,090 own shares.

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

As at 31 December 2013, the Palfinger family directly or indirectly held approx. 65 per cent of the shares in PALFINGER AG. Around 34 per cent of the PALFINGER shares were in free float.

There are no PALFINGER shares with special rights of control.

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

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

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

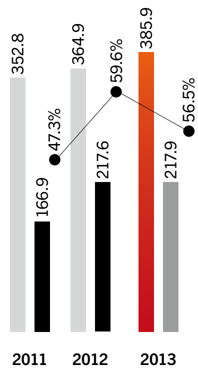
No agreement on compensation in the event of a public takeover bid has been entered into between PALFINGER AG and the members of the Management Board and the Supervisory Board.

FINANCIAL POSITION, CASH FLOWS AND RESULT OF OPERATIONS

- Total assets and equity increased in 2013
- Free cash flows of EUR 31.6 million due to investment cash outflows not yet effected
- EBIT margin of 7.6 per cent reflects growing profitability

Financial position

Total assets increased by 4.4 per cent as compared to the previous year and amounted to EUR 849.5 million (previous year: EUR 813.6 million) as at 31 December 2013. This was due primarily to the expansion of business volume and the acquisitions made, and also reflected a revenue-related rise of EUR 10.1 million, or 6.1 per cent, in net working capital to EUR 176.5 million (previous year: EUR 166.3 million) as at 31 December.



EQUITY AND NET DEBT
(EUR million)

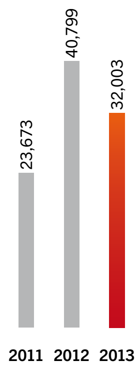
Equity
Net debt
● Gearing (in per cent)

Effects from acquisitions resulted in an increase of EUR 7.2 million, or 1.7 per cent, in **non-current assets** to EUR 429.2 million (previous year: EUR 422.0 million). The satisfactory expansion of business volume was also reflected in the EUR 28.7 million rise in **current assets** (7.3 per cent) from EUR 391.6 million to EUR 420.3 million.

In recent years, average **net working capital** relative to revenue has been optimized. This was to a large extent made possible by targeted measures to improve the key ratio of current capital, paying special attention to inventories, accounts receivable and accounts payable. Although business was expanded further in 2013, at 17.6 per cent the key ratio remained close to the previous year's low level of 16.2 per cent.

The 5.8 per cent increase in **equity** from EUR 364.9 million to EUR 385.9 million was primarily due to the positive consolidated result after income tax, which amounted to EUR 48.7 million. Factors lowering equity were the payment of a dividend and exchange rate effects. The equity ratio came to 45.4 per cent (previous year: 44.8 per cent).

In the 2013 financial year, no long-term funding agreements were entered into. As a consequence, **non-current liabilities** decreased from EUR 268.8 million to EUR 252.9 million (shortened duration due to lapse of time). **Current liabilities** increased accordingly. 94.5 per cent of PALFINGER's total capital employed has been secured on a long-term basis.



NET INVESTMENT
(EUR thousand)

Given that net debt was kept at the previous year's level and equity was higher, the **gearing ratio** improved from 59.6 per cent on the 2012 reporting date to 56.5 per cent as at 31 December 2013. The acquisitions made in 2014 in the Marine and CIS business areas and the capital interlinking with SANY are expected to significantly raise the gearing ratio in the first half of 2014.

ABBREVIATED CONSOLIDATED BALANCE SHEET EUR million	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2011**
Non-current assets	429.2	422.0	391.8
Current assets	420.3	391.6	348.0
Total assets	**849.5**	**813.6**	**739.8**
Equity	385.9	364.9	352.8
Non-current liabilities	252.9	268.8	161.0
Current liabilities	210.7	179.9	226.0
Total equity and liabilities	**849.5**	**813.6**	**739.8**

Cash flows

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

In the 2013 financial year, **cash flows from operating activities** amounted to EUR 62.5 million, compared to EUR 55.4 million in the previous year. This change was caused by the improved earnings situation and lower tax payments.

Cash outflows from investing activities decreased considerably to EUR 39.7 million as compared to EUR 70.6 million in 2012. The main reason for this reduction was the fact that the cash effect of the intended acquisitions will not become apparent until 2014.

The described effects arising from the cash flows from operating activities and investing activities resulted in **free cash flows** of EUR 31.6 million in the 2013 financial year after –EUR 3.1 million in 2012.

In the 2012 financial year, **cash flows from financing activities** were positive, amounting to EUR 24.5 million. This was mainly due to the issue of the promissory note loan with a volume of EUR 77.5 million.
At –EUR 30.4 million, cash flows from financing activities were negative in the 2013 reporting period, mainly due to the repayment of investment financing.

FREE CASH FLOWS EUR million	**Jan–Dec 2013**	**Jan–Dec 2012**	**Jan–Dec 2011**
Cash flows from operating activities	62.5	55.4	37.7
Cash flows from investing activities	(39.7)	(70.6)	(34.6)
	22.8	**(15.2)**	**3.1**
Adjusted interest on borrowings after tax	8.8	12.1	8.6
Free cash flows	**31.6**	**(3.1)**	**11.7**

Result of operations

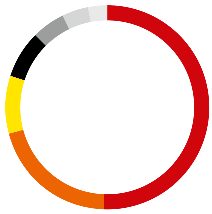
Since the beginning of the 2013 financial year, the income statement has been prepared using the cost of sales method. Given that this method is used by the majority of companies within the industry, it has been chosen in order to improve comparability in light of the PALFINGER Group's increasingly international operations. The previous year's figures shown in this Report have also been presented in this format, and reconciliation has been made in the notes to the consolidated financial statements.

Consolidated financial statements, Notes to the consolidated income statement
Page 148

In the 2013 financial year, **revenue** increased by 4.9 per cent to EUR 980.7 million (previous year: EUR 935.2 million). With a share of 66.4 per cent (previous year: 66.0 per cent), the EUROPEAN UNITS segment was the main contributor to revenue. The European Union remained the Group's most important sales market, accounting for 50.8 per cent of revenue (previous year: 53.7 per cent). North America's share in revenue stabilized at 20.2 per cent (previous year: 20.6 per cent). Central and South America as well as CIS again managed to increase their shares in revenue in 2013.

2013 REVENUE BY REGION
(in per cent)

- 50.8% European Union
- 20.2% North America
- 9.2% Central and South America
- 7.3% Far East
- 5.4% CIS
- 4.3% Rest of Europe
- 2.8% Africa and Middle East



As business operations were stepped up, the **cost of sales** rose from EUR 717.4 million to EUR 744.7 million, resulting in an increase in the **gross profit margin** from 23.3 per cent to 24.1 per cent.

Structural costs, engendered by the areas research and development, sales and administration, rose from EUR 162.5 million to EUR 174.7 million. This increase was brought about primarily by the acquisitions made in 2012 and 2013.

EBIT remained at a high level and amounted to EUR 74.1 million in the 2013 financial year (previous year: EUR 68.5 million). This was mainly due to the continued positive development of earnings in the AREA UNITS segment and in the globally operating Marine business area. Due to PALFINGER's consistent cost management, the EMEA area, which was stagnating in terms of revenue, was nevertheless highly profitable. In addition, the acquisition of a higher interest in Nimet had a positive one-off effect. The EBIT margin was raised from 7.3 per cent in 2012 to 7.6 per cent.

Income tax expenses came to 20.3 per cent, which was higher than in the previous year (15.4 per cent) but still at a low level. The tax burden rose due to positive one-time effects in the previous year from the capitalization of loss carry forwards from turnaround projects.

In line with PALFINGER's dividend policy and on the basis of the current earnings situation, the Management Board is going to propose to the Annual General Meeting that a **dividend** of one third of the net result for the period, hence EUR 0.41 per share, be distributed this year (previous year: EUR 0.38 per share).

ABBREVIATED CONSOLIDATED INCOME STATEMENT EUR million	**Jan–Dec 2013**	**Jan–Dec 2012**	**Jan–Dec 2011**
Revenue	980.7	935.2	845.7
EBITDA	105.5	98.0	96.8
EBITDA margin	10.8%	10.5%	11.4%
EBIT	74.1	68.5	67.9
EBIT margin	7.6%	7.3%	8.0%
Consolidated net result for the period	44.0	40.4	42.0
Earnings per share (EUR)	1.24	1.14	1.19
Dividend per share (EUR)	0.41*	0.38	0.38

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

The **return on capital employed (ROCE)** decreased from 10.2 per cent in the previous year to 9.8 per cent.

RETURN ON CAPITAL EMPLOYED EUR million	**Jan–Dec 2013**	**Jan–Dec 2012**	**Jan–Dec 2011**
EBIT	74.1	68.5	67.9
Adjusted income tax expense	(15.6)	(12.2)	(12.4)
NOPLAT	**58.5**	**56.3**	**55.5**
Non-current assets	425.6	406.9	386.3
Non-current financial assets	(3.9)	(6.0)	(4.4)
Non-current operating assets*	**421.7**	**400.9**	**381.9**
Inventories	209.0	200.5	179.2
Current receivables and other current assets (excluding securities)	173.5	147.6	127.2
Tax receivables	3.2	1.8	0.4
Non-current and current provisions	(49.3)	(53.7)	(56.0)
Deferred tax liabilities	(7.5)	(7.3)	(11.2)
Tax liabilities	(4.4)	(3.3)	(3.8)
Other non-current and current liabilities	(152.4)	(134.3)	(117.0)
Net working capital*	**172.1**	**151.3**	**118.8**
Capital employed*	**593.9**	**552.2**	**500.7**
ROCE	**9.8%**	**10.2%**	**11.1%**

*Annual average.

TREASURY

Liquidity management is one of the central responsibilities of the Treasury department. PALFINGER's paramount financing principle is to ensure sufficient liquidity at all times.

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

Other significant responsibilities of the Corporate Treasury department include the effective management of foreign exchange and interest rate risks, and central control of global insurance solutions.

The Group's global financial management is based on uniform Group principles and guidelines. On the level of the subsidiaries, the heads of finance are responsible for compliance with the treasury guidelines. All processes are transparent and traceable; every single measure is documented and supported by state-of-the-art IT infrastructure.

Cash and liquidity management

The sovereign debt crisis in the euro area and the debate about raising the debt ceiling in the USA are only two examples of issues responsible for high volatility on the money markets, capital markets and foreign exchange markets in the 2013 financial year.

PALFINGER ensured sufficient liquidity supply for 2013 by issuing a promissory note loan in October 2012, which also resulted in an extension of the capital commitment of financial liabilities.

Additional liquidity reserves were created to ensure the continuous solvency of the PALFINGER Group to an even higher extent. New approved credit lines were agreed upon and expiring financing lines were extended. Also in 2013, new long-term financing agreements were entered into to finance acquisitions.

The current acquisitions were financed through investment funding under the Export Financing Scheme of Oesterreichische Kontrollbank AG and through promised long-term bilateral bank funding with the core financing partners.

RISK REPORT

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

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

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

Risk management system

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

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

Risk issues

The current risk exposure of the PALFINGER Group is strongly influenced by developments in the market. In Europe, economic uncertainty continues to have a detrimental impact on the order books. Measures to promote the further internationalization of the Group present PALFINGER with the challenge of meeting various legal and cultural requirements in the respective countries. The establishment and expansion of the young business units harbours the risk of increasing complexity.

A key success factor for PALFINGER is the ability to make quick adjustments and decisions on the basis of solid data. Under the Group-wide risk management system of PALFINGER AG, the risk areas are divided into four main categories:

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

EXTERNAL RISKS

Economic trends

After the turbulence of previous years, the euro area seems to have almost overcome the recession thanks to the recovery of leading economies such as Germany and France. Latest forecasts point to a minor contraction of the economy in 2013 and a return to growth in 2014. However, there is lingering uncertainty for PALFINGER and its markets, calling for high flexibility in the Company's further market cultivation. The current situation still harbours numerous risks that may have a negative impact on the economic upswing, among them the tense situation in the Middle East, the developments in Northern Africa and political tensions between Europe and the USA as well as between China and Japan.

PALFINGER has been responding to this impact that the economy has on PALFINGER's risks and opportunities by continuously reviewing its positioning as well as by increasing flexibility and adjusting resources. At the moment, for instance, the market portfolio is being further expanded and diversified through targeted acquisitions and other growth initiatives in new markets in order to make PALFINGER less dependent on individual core markets and generate sustainable, profitable growth.

China, the economic powerhouse, may also impact the European sales market. Like other industries, the loader crane sector could see PALFINGER's competitors in Europe being taken over by large Chinese corporations, thereby securing access to core markets. These developments would massively change the competitive environment. The partnership with SANY is designed to promote the development of the Chinese market, while at the same time giving PALFINGER an even greater lead over its Chinese competitors in the existing core markets.

Even though PALFINGER is extremely well-positioned, there are economic and balance-sheet risks that, should the market environment deteriorate again, individual intangible assets will have to be further adjusted to the changed valuations (impairment) or that investments may not amortize as planned.

STRATEGIC RISKS

Strategy

The strategic guidelines of innovation, internationalization and flexibility were further developed in the period under review. PALFINGER continues to exploit market opportunities in order to take over appealing acquisition targets after carrying out an in-depth review. The developments throughout previous financial years confirm the significance of this strategic approach aimed at reducing dependence on individual regions and industries. However, it does harbour the risk of increasing complexity. The integration of the acquisitions made over the past few years is not fully concluded, which means that additional costs may become necessary for integration and market development.

Entering and penetrating the market in new areas not only requires one-time investments but also brings the challenge of having to meet different legal requirements and overcome entry barriers.

PALFINGER has identified the greatest growth potential for its products as being in the BRIC countries and has continuously pursued its expansion strategy. In order to tap into the huge potential of the Chinese sales market, a joint venture was established with SANY in 2012. In the period under review, the partnership with SANY was developed further and reinforced by entering into an agreement on mutual participations in each other's companies.

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

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

Product portfolio

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

With the expansion of its marine crane business, PALFINGER has firmly established itself in a customer segment with great future potential that also supports further internationalization and profitability enhancement. The growing order volume in the project business has also increased project risks. This is a field in which PALFINGER has only limited previous experience to rely on. In the case of large-scale projects, concentration risks may occur as well.

Organization and corporate culture

Strong growth and product adjustments to meet various local customer demands have been reflected in the development of fixed costs over previous years. To become more efficient and flexible, PALFINGER also analyzes the feasibility of organizational structures that have evolved over time. The greatest priority in this regard is given to measures aimed at further standardizing and optimizing business processes, to allow PALFINGER to realize synergies and cost savings as planned.

The Asian and the BRIC markets are going to become more significant for PALFINGER, which will require adjustments and changes to be made in the entire organization. In this connection, open-mindedness and the willingness to recognize, understand and especially accept other work approaches and cultures are important at all levels. Moreover, language barriers are another obstacle to be overcome.

INTERNAL RISKS RELATING TO VALUE CREATION

Development

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

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

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

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

Procurement

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

In the year under review, quality and price remained 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 risk management and supplier management systems to monitor its suppliers' performances.

In order to keep delivery times as short as possible, inventories were built up in some areas (e.g. India, CIS), thereby running the risk of excessively locking up capital and creating obsolete inventory.

Production

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

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

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

Sales and services

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

INTERNAL RISKS RELATING TO SUPPORTING PROCESSES

Finance and accounting

Due to the repercussions of the financial crisis in Europe and the USA, it is still essential for PALFINGER to have a flexible capital structure. Despite the enhanced economic environment, raising capital is something that may become difficult. The option of financing relevant growth projects from the Company's own resources could therefore prove to be a competitive advantage.

Despite the improving economy in Europe, the risk of bad-debt losses will have to be reckoned with in the future as well. The objective of the existing accounts receivable management is to reduce credit risks in advance. Terms of payment are agreed upon on the basis of financial information about the buyers. The risk of losses on doubtful receivables is further limited by means of bad-debt insurance cover for the individual accounts receivable.

As a consequence of PALFINGER's international business operations, there are complex liquidity risks, interest rate risks and foreign currency risks. These are controlled 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 a targeted manner. Thanks to medium-to-long-term planning, potential finance requirements can be coordinated with the partners at an early stage. A Group-wide project was launched in the 2009 financial year to sustainably reduce capital employed in order to counteract this risk. This project has been continued and has made a substantial contribution to optimizing financing.

The determination of credit limits and the amount of refinancing costs of credit institutions and banks depend on their assessment of PALFINGER's future perspective. Therefore, PALFINGER maintains close contacts with its banking partners in order to be able to give them a comprehensive picture of the current situation at all times.

Foreign currency risk

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

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

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

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

Interest rate risk
The greater financing need has increased the impact that changes in interest rates have on the net financial result of the PALFINGER Group, which is why hedging against interest rate risks has become increasingly important. This hedging applies to the floating-rate part of the financing instruments. The interest rate exposure of these loans is hedged in part by interest rate swaps and in part by interest rate caps. In the case of an interest rate swap, the floating rate is converted into a fixed rate, thus fixing the cost of interest for the term of the swap. The interest rate cap puts an upper limit on interest payments. Until the interest rate cap is reached, the market interest rate is used for calculating interest payments. If the market interest rate exceeds the cap determined, PALFINGER will receive a payment from its counterparty.

Due to unprecedented low interest rate levels, PALFINGER has used interest rate swaps to convert floating-rate financing agreements, mostly long-term instruments, into fixed-rate financing instruments.

Risks relating to balance sheet preparation
The necessary use of estimates and judgements in the fields of non-financial assets, deferred tax assets, measurements of inventories and receivables, provisions for pensions, severance payments and anniversary bonuses, as well as provisions for guarantees and warranties have a direct impact on the presentation of the Group's assets and earnings. The steadily increasing requirements imposed by regulators have increased the complexity of financial reporting.

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

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

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

Human resources
PALFINGER regards its employees as the major factor in successfully achieving its objectives. Special planning as well as frequent staff reviews and training programmes ensure that there will be well-trained staff to fill future open positions. In connection with the persisting volatility of the markets, the development of flexible working time models remains an important issue that will be given even greater priority in the future, with a clear focus on maintaining top-quality staff. Local and demographic conditions may limit the availability of skilled labour for the value-creation sites. PALFINGER tries to train sufficient skilled labour by carrying out apprentice training programmes.

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

Information technology
Most of the processes within the Company rely on IT. In particular, operational and strategic management decisions depend on information generated by these systems. A failure of these systems and processes poses a risk for PALFINGER. Intensive training programmes may cause higher expenses in the short term. Internal and external experts maintain and further optimize the IT infrastructure across the entire Group.

PALFINGER's growing international operations have increased the relevance of IT security. The Company has implemented a range of technical measures for security and protection to minimize the risks of data misuse and data loss.

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

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

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

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

RISK EVALUATION
Risk report
Page 69
The risk report contains the identification of risks, including the definitions of the individual risks and their evaluations.

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

INFORMATION AND COMMUNICATION

With regard to the accounting process, the major accounting and valuation methods are laid down in a corporate manual, which is regularly updated, and these methods have to be mandatorily implemented by the local units. As a supplement to the external accounting manual revised in 2012, a controlling manual was prepared in the 2013 financial year. This manual regulates and unifies all relevant internal reporting processes, thus achieving standardization, which in turn simplifies internal processes and eliminates the need for additional coordination. The manual is available to the entire finance and controlling organization throughout the Group.

A Group-wide standardized monthly reporting system with an automatic SAP interface guarantees that the management team has an overview of the Group's performance. Twice a year, a report on the control system is presented to the Audit Committee of the Supervisory Board.

AUDITS AND CONTROLS

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

It has been agreed with the Audit Committee of the Supervisory Board that the internal control system of PALFINGER AG is adequate. However, continuous efforts are being made to raise the effectiveness, efficiency and precision of the entire system. Internal control is monitored through regular reports presented to the Audit Committee and through checks made by the internal auditing department, which closely cooperates with the responsible Management Board members and managing directors.

RESEARCH, DEVELOPMENT AND INNOVATION

- Numerous new product models in 2013; 66 active patents
- Significant innovations to improve safety and efficiency
- Global R&D structures facilitate specific development using synergies
- Cooperation projects with institutions and partners promote exchange and further development

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

PALFINGER's Group-wide research and development centre, which houses several R&D departments and centres of excellence, is located at the Austrian business location in Köstendorf. This facilitates a better use of synergies when developing modular products relating to more than one business unit. Additional R&D departments have been established at various international sites. The centres of excellence, a global product management structure and the use of uniform manufacturing and production standards enable PALFINGER to optimally cater to customer requirements even in the case of development projects across different business areas.

Software for the management of product data and product lifecycles has been gradually implemented throughout the Group since 2011. Moreover, during the reporting period, PALFINGER continued with its transition to 3D software and carried out value analyses parallel to target costing in order to support sourcing.

For several years now, PALFINGER's strategic innovation focus has been placed on further development in the field of mechatronics.

Mechatronics
In this field, the focus in 2013 was on accelerating and enhancing organizational development and holistic mechatronical thinking. On the basis of an evaluation of the Group's "fitness" in terms of mechatronics on all levels of value creation, including strategic suppliers, PALFINGER took targeted measures during the reporting period in order to further develop the organization and processes.

Patents
The PALFINGER Group currently holds 66 active patents, utility models and special registered designs for the protection of functional design elements.

In 2013, PALFINGER invested EUR 28.9 million in research and development, which corresponds to 2.9 per cent of the Company's total revenue.

Safe and efficient products

In many ways, research, development and innovation also improve sustainability.

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

Value-creation strategy, Eco-efficiency in production
Page 85

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

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

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

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

PRODUCT SAFETY AND ACCIDENT PREVENTION

Numerous innovations focus on user safety. Their objective is to prevent accidents, including those that might be caused by improper use of the products. PALFINGER has been working on special solutions for dangerous fields of application where higher safety criteria have to be met. The innovations created in the 2013 financial year are described in detail in the following.

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

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

The number of accidents while using PALFINGER products that resulted in injuries of varying severity has declined in recent years. Unfortunately, two fatal accidents happened in the reporting period, one in Australia and one in France.

GRI G4-PR 2: Incidents of non-compliance with safety provisions

ACCIDENTS WITH PALFINGER PRODUCTS	2013	2012	2011
Fatal accidents*	2	0	1
Accidents causing injuries of varying severity	5	5	9
Penalties imposed by court on grounds of accidents	0	0	0
Pending complaints (being tried) on grounds of accidents with products (as at 31 Dec)	5	6	6
Convictions	0	0	0

*Irrespective of fault.

Developments in 2013

LOADER CRANES

With the new development of the PK 200002 L-SH at the beginning of the year, PALFINGER closed the gap between the knuckle boom crane and the mobile crane. In contrast to the conventional knuckle boom crane, a long arm design was chosen for this new model, which also introduces many innovative solutions – such as a novel profile design that dramatically reduces the crane's deadweight and substantially enhances stability.

For the North American market, PALFINGER started to develop a new wallboard crane series. The first model has already been introduced to the market. Two EL models for use in building materials handling were developed specifically for customers in the Middle East.

In the 2013 financial year, PALFINGER also completed the PSC service crane series in North America by adding three additional models. All models boast the outstanding PALFINGER features and are considered best in class.

The Sany Palfinger joint venture has already presented five completely new stiffboom crane models that take into account the specific needs of the Chinese market. Moreover, tried and tested PALFINGER knuckle boom cranes have been adjusted to the regional requirements.

EPSILON TIMBER AND RECYCLING CRANES

For timber and recycling cranes, a new cabin was developed. In the future, it will be available for all onroad models produced by PALFINGER EPSILON. Alongside its new design, it also features various improvements that enhance work comfort. Specifically for use in recycling, a new side-mounted high seat with a smaller slewing radius and a new crane and stabilizer control valve were devised.

A harvester model and a forwarder model mounted on a CAT excavator have been adjusted for use in Brazil.

TRUCK MOUNTED FORKLIFTS

In the field of truck mounted forklifts, PALFINGER has been focussing, since 2011, on lowering lifecycle costs, enhancing product reliability, and standardization. In 2013, the 2-t-extension mast model, which in the meantime is being manufactured in line production, was given a facelift and equipped with features substantially improving ease of use and safety. New features were also added to the scissor-type models with a fixed mast to improve safety and reduce lifecycle costs. A newly developed folding wheel version renders additional safety belts on the truck superfluous and makes daily work easier for the driver.

CONTAINER HANDLING SYSTEMS

In 2013, PALFINGER launched PAD Control (Pro Active Drive) for container handling systems. This feature minimizes the risk of improper operation, thereby increasing safety and user comfort.

Moreover, the Synchron product series was reviewed on the basis of the POP (Palfinger Origin Protection) and SAM (Secured Advanced Mounting) concepts presented in 2012. With the aim of increasing efficiency for assemblers and dealers, assembly kits focusing on quicker, easier and safer assembly were revised.

In the period under review, the Power Range was introduced to the market in Asia. PALFINGER's T30 model is the strongest hookloader in the Asian market.

In North America, the focus was on light-weight construction and increased performance. Alternative construction techniques and the use of high-tension steel increased the loading and unloading speed of the new model and lowered its product weight by approx. 450 kg.

TAIL LIFTS

In 2013, the innovative tail lift MBB C 750 L with a lifting capacity of 750 kg was presented. It is a product from the price-sensitive and important segment of light-weight commercial vehicles and also takes into account the tendering business.

In the reporting period, the MBB PALFINGER premium product, a double-fold retractable tail lift, was upgraded as well. Apart from numerous enhancements regarding control and cylinder protection, the assembly concept was revolutionized. In the future, this concept will also be used for other retractable tail lifts produced by PALFINGER.

The new optional feature GPS-GeoFencing contributes to improved safety of both the driver and the cargo. In addition, new diagnostic software for MBB Control allows for quicker and more extensive diagnoses in the service area and expanded programming options.

PALFINGER presented a lift for passengers with reduced mobility, the MBB TRAINLIFT TRB 1200, designed especially for the Russian market. It features a higher lifting height of 120 cm and is also suitable for use in extremely low temperatures.

ACCESS PLATFORMS

The Access Platforms area boasted several innovations that caused an international sensation in the reporting period. The first highlight was the presentation of the new P900 access platform with a working height of 90 m on a 48-t-chassis and a basket load of up to 700 kg.

Energy efficiency was also an important aspect of the new flagship of the jumbo category: An electric load moment control system in combination with a twin pump facilitates an exact setting of oil pressure and volume, thus avoiding any unnecessary expenditure of energy.

Another technical highlight is the P650i, an access platform that is highly insulated for up to 750,000 V and has a working height of up to 65 m. Equipped with a fibreglass basket jib, an optoelectronic communication system and a hydraulically operated high-pressure insulater washing system, this product meets all the requirements of this demanding market segment.

Moreover, Palfinger Platforms Italy was founded during the reporting period in order to add the so-called Smart Class to the Group’s segment of access platforms. Four new platform models have been placed on the market since February 2013, featuring working heights ranging from 14 to 24 m. These highly cost-effective products are impressive due to their ease of use, cost-effective maintenance and high levels of quality and reliability.

In North America, several new insulated models and a product adapted to regional needs were presented. Enhanced light-weight construction using aluminium lowers lifecycle costs because the lower product weight reduces fuel consumption.

RAILWAY SYSTEMS

Railway Systems is an area characterized by individual projects calling for a high level of innovative power.

A special crane model to be mounted on the roof of the vehicle was developed specifically for the Russian railway market. With this development, PALFINGER has responded to the increasing importance of the Russian market.

PALFINGER devised special service cranes for the Royal Clock Tower in Mecca, the world's second-highest building in operation. These cranes are used for maintenance and repair work on the oversized clocks, lamps, LEDs and the building's structure.

Specifically in order to meet the strict provisions applicable for trams, a fully synthetic insulated working basket was developed for two existing access platform models. This feature is necessary for working on the catenary during rain when the current is not switched off.

MARINE CRANES

In the reporting period, a new crane series was put on the market. Moreover, PALFINGER developed another model for heavy-duty use in the maritime field.

Since 2012, PALFINGER MARINE has been working on the development of universally useable software for static calculations of marine cranes. The software meets all criteria prescribed by the relevant maritime certifying bodies. It allows for calculations in line with the applicable guidelines, taking into consideration maritime influences.

WIND CRANES

2013 saw the first delivery of a turnkey package of wind cranes made by PALFINGER. Not only was the crane itself supplied, but the installation and the final class certification were carried out as well. Avoiding the risk of a rotor blade collision proved to be a big challenge, which was met through redundant control combined with a direct signal transmission to and from the wind energy plant. A special emergency drive concept had to be developed for the passenger transport function.

In the field of large cranes, battery-powered emergency drives and winches with constant tension irrespective of the state of the sea were supplied.

With a view to the high demands regarding lifespan (>20 years), PALFINGER stepped up its use of high-grade stainless steel and enhanced coating systems with layer thicknesses of up to 650 µm.

OFFSHORE CRANES

With the takeover of PALFINGER DREGGEN at the end of 2012, PALFINGER added offshore cranes to its product portfolio. All projects are customer-oriented. Innovations developed in the course of these projects are also used in other products.

In the 2013 financial year, these included a wire luffing crane with an overturning moment of 2,000 metre tonnes, the use of shock absorbers to reduce dynamic loads, and cranes with an explosion protection certificate in accordance with the latest international standards.

LAUNCH & RECOVERY SYSTEMS

The product portfolio of the Launch & Recovery Systems unit generally contributes to an increase in safety. In 2013, PALFINGER developed more efficient and safer davit systems for lifeboats, which also allow for easy mounting on ships or offshore platforms. Moreover, new systems were developed for the global oil and gas industry. The focus was on long lifespans and low lifecycle costs.

TRUCK BODIES

The standardization of truck bodies is well underway and has increased flexibility at the interfaces. Moreover, numerous innovations were implemented with a view to further enhancing product quality, simplifying assembly and operation, and increasing performance and safety. The use of new materials has improved cost effectiveness for customers.

SERVICES

In 2013, PALFINGER intensified its service approach by improving existing services and launching new initiatives. One example is the new service manual for cranes published in Germany. PALDIAG, the diagnostic software for cranes, was also developed further.

PALFINGER University, established for dealers, service partners and service employees, is based on new e-learning and skill management software. At the end of 2013, more than 1,200 participants had registered at this platform.

In late 2013, the web application PALCODE was presented to the market. Its purpose is to support dealers, fleet managers and end customers in the case of status or error messages.

An electronic parts catalogue was established for the Access Platforms business unit and for cranes in South America. The catalogue, which makes it easy to find the right spare parts, replaces the former spare parts catalogues in pdf format.

Cooperation projects

PALFINGER carries out cooperation projects with universities, universities of applied sciences and technical colleges for purposes of research and development, to exchange and transfer knowledge and for training purposes, in order to develop human resources and recruit new staff. In addition, the Group cooperates with university and non-university centres of excellence in the field of mechatronics, mechanical engineering, material technology and materials science.

An exchange of experience, information and technology along the entire value-creation chain is intensively supported by cooperation with other industrial companies as well as with suppliers and customers. Employees of the PALFINGER Group regularly attend events, are members of standardization bodies and interest groups, and represent PALFINGER at trade conferences and innovation meetings. PALFINGER employees also act as lecturers at educational facilities.

VALUE-CREATION STRATEGY

- Value-creation strategy of business areas revised
- Value-creation processes aligned with business models
- Manufacturing for third parties reinforces competitiveness
- Systematic problem-solving processes improve quality management systems

Within the scope of its value-creation strategy, PALFINGER has attached great importance to the existing value-creation landscape since 2012. In the 2013 financial year, with the strategic goal of increasing the global balance relating to production and customer proximity, the material flows via the business areas EMEA, Marine, North America and CIS were reviewed and optimization projects were derived from the results.

Significant changes, Further development of the Marine business area
Page 60

These results indicate that additional potential can be tapped through the adjustment of production sites and production technologies in Europe. PALFINGER is capable of producing first-rate products at a high rate of productivity, with reliable delivery, in Eastern European countries, whereas product and process innovation primarily takes place in Western Europe. This combination is laid down in the value-creation strategy and is being supported by the establishment of centres of excellence. Additional value creation needs to be built up in proximity to PALFINGER's customers. In the period under review, investments were made primarily in the Marine business area in Korea and Brazil.

In South America, the principle of lean management was implemented in 2013, resulting quickly in first successes. The objective for the coming years is to achieve continuous process improvement in all units.

PALFINGER started a lean administration initiative in 2013 with the objective of making structural costs more transparent and optimizing them on a long-term basis. The initiative focused on efficiency, effectiveness and transparency in administrative and production-related business processes. Moreover, more than 180 employees in all business units were trained in the MMM© process analysis method, giving staff on site the opportunity to make an active contribution to solving problems and optimizing processes on a daily basis. In connection with lean administration, qualitative and quantitative process enhancements are being implemented step by step in all units.

Contract manufacturing

A cornerstone of PALFINGER's value-creation strategy is contract manufacturing, which helps to reduce throughput times. This gives the Company substantial leverage for reducing inventory levels and the risk of obsoleteness. The success of these efforts is reflected in PALFINGER's workshop inventory levels, which have been continuously going down.

Quality management

Quality management requirements change in line with market needs. Resource-efficient production, fast responses to market fluctuations and the increasing need for individual product solutions are important factors in PALFINGER's ability to secure and further expand its leading position.

PALFINGER has a well-established quality management system that serves as the basis for future developments and process optimizations. In this connection, the continuous enhancement process relies on standards such as business policy, the management manual, process instructions with workflow descriptions, checklists and working instructions. Additional management tools such as risk and process management also use the standards and documentation of the quality management system and, in doing so, develop it further. Utilizing synergies between quality management system audits and process analyses has become essential for PALFINGER. By taking this management approach, PALFINGER is ahead of applicable management standards, which will provide for such an approach for the first time in a revised version in 2015.

In 2013, to further enhance the quality management system, PALFINGER invested, in particular, in the establishment of formal problem-solving processes through training programmes, process facilitation and active monitoring. Moreover, additional plants obtained certifications. In the 2013 financial year, a focus was placed, among other things, on reducing guarantee and warranty expenses, integrating mechatronics into the management system, and supporting the joint venture in China.

In the past three years, guarantee and warranty expenses were lowered by approx. 30 per cent. In 2013 alone, Group-wide expenses were 17 per cent below the level of 2012. Thus quality costs have been reduced by approx. 42 per cent since 2010.

In mechatronics – a field that is increasingly gaining in importance – a consistent quality control system had to be set up in 2013. For that purpose, a broad range of processes including those of product development, the establishment of support software and procurement, and even electrical installation were analyzed in internal audits.

Within the scope of the Chinese joint venture Sany Palfinger, the first structures for an operational quality management system were created. Together with the value-creation process, the quality-relevant audits and acceptance procedures were defined; an ISO 9001 certification is already in the pipeline.

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

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Manufacturing for third parties

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

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

In the past four years, PALFINGER has succeeded in meeting many challenges and has even outstripped some of its own goals in this field. In 2013, manufacturing for third parties doubled its contribution to revenue, primarily on the basis of the measures taken in 2012, when intensive work was done to set up key accounts. During this process, some prototypes became ready for production start. A priority in 2013 was the stabilization of production and the expansion of the product range for existing external customers. The acquisition of new customers was improved through a separate distribution outlet.

For 2014, PALFINGER plans once again to expand business significantly in this field, which will require a further adjustment of organizational structures. In the future, PALFINGER will not only provide external customers with test beds for cylinders but will also have an analysis centre available for defective parts.

Eco-efficiency in production

EFFICIENT USE OF RAW MATERIALS

GRI G4-EN 1: Materials used by weight

At PALFINGER, raw materials account for approx. 12 per cent of total costs, which is why their optimum use is essential for economic success. In terms of weight, the most important raw materials used in manufacturing PALFINGER products are steel (65,096 tonnes in 2013) and aluminium (1,852 tonnes in 2013). The lion's share of PALFINGER's product groups are made of steel; aluminium is used primarily for tail lifts.

GRI G4-EN 4: Energy consumption outside the organization

One of the reasons why raw materials account for such a high percentage of total costs is that production sometimes requires a great deal of energy and causes a high degree of greenhouse gas emissions, provided that it takes place in countries participating in the emissions trading scheme. According to Ecoinvent (version 2.2, 2010), one tonne of steel, depending on the rate of secondary steel and the alloy, requires approx. 2.5 to 20 MWh of energy, causing the emission of approx. 0.4 to 4.5 tonnes of CO_2 equivalents. In the case of a market mix of primary and secondary aluminium, one tonne of aluminium has an energy demand of approx. 38 MWh and causes 8.4 tonnes of CO_2 equivalents.

PALFINGER makes every effort to continuously optimize its waste cuttings and rejections to reduce the amount of steel scrap. Waste cuttings are produced exclusively at production plants; indicators are regularly reviewed and improved by adequate measures. In 2013, numerous sites were once again able to record improvements. It should be noted that in many cases the scope remaining for further improvement is very small. Therefore, the focus is on maintaining the good standards already achieved. A benchmark comparison of production sites is not feasible, as the products manufactured and the working steps are difficult or even impossible to compare.

GRI G4-EN 23: Waste

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

Production site	2011	2012	2013
Fast RSQ Barneveld* (NL)		1.0%	1.0%
NDM Barneveld* (NL)		1.0%	1.0%
Bergen* (NO)			1.5%
Caussade (FR)	31.0%	32.8%	30.1%
Caxias do Sul (BR)	24.2%	26.2%	25.0%
Cerritos (US)	3.5%	3.5%	3.3%
Chennai (IN)	1.0%	1.1%	0.8%
Cherven Brjag (BG)	28.2%	27.1%	26.8%
Council Bluffs (US)	28.8%	24.5%	20.0%
Hanoi* (VN)		7.3%	2.1%
Lazuri* (RO)			9.8%
Lengau (AT)	24.1%	23.7%	23.6%
Maribor (SI)	28.9%	28.7%	28.8%
Shenzhen (CN)	26.0%	23.5%	21.5%
Tenevo (BG)	5.0%	4.0%	3.2%

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

2013
2012
2011

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

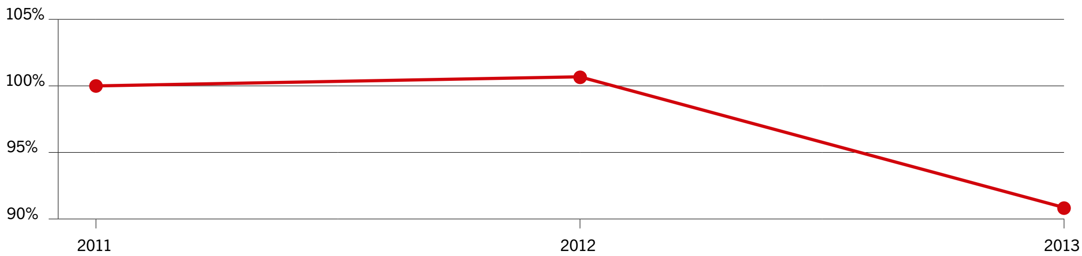
For details on the developments at the individual sites, please see PALFINGER's website.

HAZARDOUS WASTE

At PALFINGER production plants, primarily the following hazardous waste is produced: waste from paint jobs, electroplating sludge, hydraulic oil, as well as lubricants and coolants. In the 2013 financial year, PALFINGER scored further success in reducing this type of waste: The total volume was decreased in comparison with 2012 – despite a rise in the production output. In 2013, 2,180 tonnes of hazardous waste were produced, as compared to 2,270 tonnes in 2012.

GRI G4-EN 23: Waste

INDEX: HAZARDOUS WASTE PER PRODUCTION OUTPUT FROM 2011 TO 2013*



*Volumes 2011 = 100%.
The figures recorded for the individual sites were weighted according to the volume of hazardous waste produced.

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

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

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

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production

ENERGY EFFICIENCY

PALFINGER is not an energy-intensive enterprise; its energy costs make up 1.8 to 2.2 per cent of total costs. By continuously optimizing energy efficiency, PALFINGER aims to reduce this percentage even further. The largest energy consumers are paint shops, electroplating, heating of plant floors and offices, cutting machines (laser and plasma cutting machines), compressed air, lighting, welding and filling, as well as crane testing and various metal-working processes. All in all, PALFINGER achieved an improvement of its energy-efficiency record in 2012 and 2013. Despite the expansion of production and the addition of new sites, total energy consumption was even lower than in 2012.

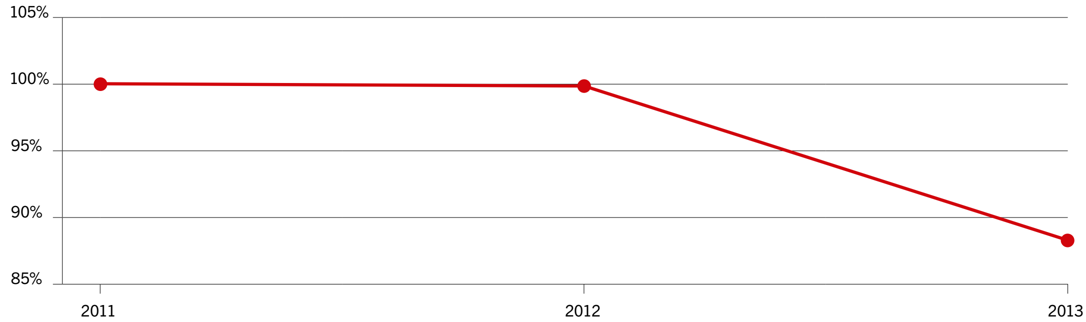
PALFINGER's energy saving manual is a comprehensive collection of energy-efficiency measures. The manual offers tailor-made best-practice examples for all the relevant corporate sectors. In 2013, the importance of the energy saving manual was communicated intensively to all of PALFINGER's executives in charge of environmental reporting. In the middle of the reporting year, the first PALFINGER energy saving workshop was held at the Chinese site, and further targeted energy-saving measures are planned for 2014.

GRI G4-EN 6: Reduction of energy consumption

By the same token, the Green Initiative was launched in 2013 to increase staff awareness at all PALFINGER sites. Posters were put up in the offices and production facilities showing effective ways of saving energy in everyday operations, with the aim of sensitizing the staff for these issues. The central facility manager successfully completed his training as European Energy Manager in 2013; additional specific energy saving measures are planned for 2014.

GRI G4-EN 5: Energy intensity

INDEX: ENERGY CONSUMPTION PER PRODUCTION OUTPUT FROM 2011 TO 2013*



* Energy consumption 2011 = 100%.
Average change in total energy consumption per production output of the various production sites.
The sites were weighted according to the amount of their absolute energy consumption.

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

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

ENVIRONMENTAL MANAGEMENT

PALFINGER and its teams at all sites the world over aspire to increase efficiency and minimize the environmental impact of their operations. However, environmental management may take different forms at individual sites. Some sites, such as Lengau and Köstendorf in Austria as well as Caussade in France, already have certified ISO 14001 environmental management systems in place. Moreover, the Lengau and Köstendorf plants are also certified according to the European Eco-Management and Audit Scheme (EMAS) and each plant has its own energy manager. At the end of 2013, a total of 23 per cent of PALFINGER's employees were working at sites with certified environmental management systems in place.

All PALFINGER sites operate at least in accordance with the minimum standards of an environmental management system. Moreover, since 2013 each manufacturing and assembly plant has had one staff member in charge of environmental reporting. The revised draft of PALFINGER's environmental guideline prepared in 2013 stipulates that every site must have an environmental team, uniform reporting of key figures, and a continuous improvement process, including targets and a programme of measures. The environmental guideline comprises the issues of energy efficiency, resource efficiency, waste, water, environmental law and emergency preparedness and response. The review of local environmental management teams within the scope of internal audits is also governed in this guideline.

On a Group-wide basis, key figures were defined for environmental issues, namely a selection of those key figures that are reported locally as part of environmental management. Some of them are reported to the Group on a monthly basis, some on a quarterly basis. They comprise the issues of energy, hazardous waste and waste cuttings. In the future, the sites will have the opportunity to use a best-practice pool to exchange information electronically within the Group on measures that have been successfully carried out.

In the course of calls for tenders in the period under review, PALFINGER defined potential Group-wide minimum standards relating to the acquisition of new plants for central and environmentally relevant processes. This concerns, in particular, paint shops, electroplating, offices and production floors, welding as well as engines in general, compressed air and ventilation systems – issues that will be reflected in the expanded investment guideline that PALFINGER is currently preparing.

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

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HUMAN RESOURCES

GRI G4-10: Employment profile

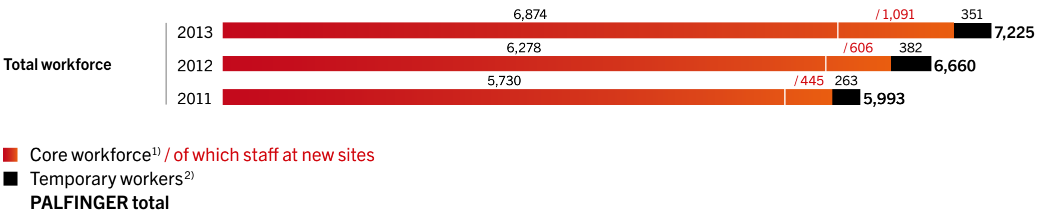
GRI G4-LA 1: Total number of employees and employee turnover

- Number of employees continued to rise due to acquisitions
- Strong commitment to employee training
- Increased safety: Staff absences due to accident more than halved, no fatalities since 2006
- Priority topic: Promotion of women

In the 2013 financial year, the number of persons employed by the PALFINGER Group once again rose as a result of PALFINGER's continued growth. As at 31 December 2013, the PALFINGER Group employed a total of 6,874 staff members in its 55 fully consolidated Group companies. This means that 596 additional jobs were created, which corresponds to an increase of approx. 9 per cent compared to 2012.

In the course of the expansion and reinforcement of business operations through acquisitions, PALFINGER has paid great attention to retaining employees with the Company and to creating new jobs. Consequently, the acquisitions have contributed to an increase in the headcount.

EMPLOYMENT TREND



1) Headcounts as at 31 Dec. The number of employees rose in almost all regions.
2) 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, 6,573 staff members were employed by PALFINGER. In addition, 367 temporary workers (on average) were employed to cover capacity bottlenecks.

EMPLOYEES BY REGION
(Annual average 2013)

- 41% Western Europe
- 33% Eastern Europe
- 15% North America
- 6% South America
- 5% Asia

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

The overall employment trend in 2013 was also reflected in the individual regions: In companies that have been part of the PALFINGER Group for a long time, the headcount remained stable. The number of employees was increased primarily through the acquisitions made. The regional trends are described in detail on PALFINGER's website.

Attractive jobs for employees with individual responsibility

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

EMPLOYEE TURNOVER AND RECRUITING

Employee turnover in the Group was 10.3 per cent in the 2013 reporting period, corresponding to a slight decline as compared to the previous year's figure of 11.4 per cent. This figure includes all staff leaving including staff retiring as compared to the total staff employed, temporary workers excluded. At 10.5 per cent, the turnover rate among women was slightly higher than the average rate. For information on the trends observed in the individual regions, please see PALFINGER's website.

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

EMPLOYEE TURNOVER RATE [1]	2013	2012	2011
Number of staff leaving PALFINGER during the year	628	493	662
of which women	69	n.a. [2]	81
Number of staff leaving in % of total workforce	10.3%	11.4%	11.8%

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

WORKING HOURS AND REMUNERATION

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

In 2013, the number of overtime hours worked increased to an annual average of 52 hours per employee. Overtime was more frequent in highly project-related areas, such as the business unit Marine Cranes, and in Asian countries. The average residual leave rose moderately compared to 2011, from 30.5 to 43.9 hours per staff member as at 31 December 2013.

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

APPRAISAL INTERVIEWS

Regular appraisal interviews are designed to harmonize the individual goals pursued by employees with those pursued by PALFINGER and also improve the quality of work and cooperation as a whole. At the same time, they give PALFINGER the opportunity to promote its employees' individual skills in the best possible manner.

GRI G4-LA 11: Employees receiving regular reviews

In 2011, appraisal interviews took place with 34.4 per cent of the staff of the non-productive sector of production, in R&D departments and in product management, as well as in the specialized areas of sales, service and marketing and in general administration. So far, employees in the directly productive sector of PALFINGER have not yet been included in the survey for this key indicator. In 2012, 28.2 per cent of PALFINGER's employees had an appraisal review and in 2013, 47.5 per cent were invited at least once to such an interview with their superiors.

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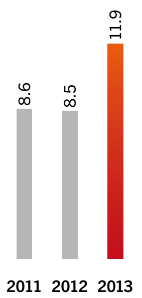
In line with its corporate values, PALFINGER also pays attention to its employees' needs outside their place of work. In addition to the Group-wide Living Wages initiative, regional measures have been taken in order to support employees regarding their pensions or health insurance as well as in cases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



TRAINING HOURS PER EMPLOYEE*

*FTEs; figures adjusted to exclude sites with insufficient data material.

Skilled labour

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

APPRENTICES

The training concept implemented by the PALFINGER Group starts with taking responsibility for initial vocational training. In Austria, PALFINGER has for many years set the benchmark with its apprentice training programmes. In the 2013 financial year, 64 apprentices were trained in Austria, primarily mechanical, production, mechatronic and construction engineers, welders and industrial business management assistants, out of which 47 graduated with distinction from the part-time vocational school for apprentices; several top rankings were, for example, achieved in the "Lehrlingsaward Oberösterreich" (Apprentice Award of Upper Austria). The "Lehre mit Matura" (apprenticeship and upper secondary school leaving certificate) scheme, with currently 22 participants, has also proven highly successful. In 2013, the business area EMEA attached great priority to the development of promising young talent under the motto "Give youth a chance".

GRI G4-LA 9: Hours of training per employee

At the international locations, PALFINGER also imparts its own know-how to train skilled labour in a targeted manner. In Bulgaria, Slovenia and Brazil, for example, government-certified training programmes are carried out in cooperation with local technical colleges where, as in the successful Austrian system of apprentice training, theoretical know-how is taught at school while, at the same time, practical training lasting several months is provided at a PALFINGER plant. In Germany, the technical training of apprentices was expanded as well, so that now skilled workers are being trained at almost all sites. In 2013, 175 employees worldwide participated in PALFINGER apprenticeships or similar programmes.

EXECUTIVE TRAINING

Being able to deploy highly qualified staff at the right place at the right time is of the essence for the Group on an international level.

The Palfinger Global Leadership Program, an internal staff development programme, ensures that employees with potential management skills receive the best possible preparation for their future top management positions. In 2013, 13 participants from eight different nations took part in this programme.

Another effort in support of existing executives in their individual career development was the Company Leadership Programme, which ran until September 2013. Priority topics included leadership (self-leadership and leadership of employees and teams) and communication as an executive. 25 per cent of the attendees of this course were women.

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

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

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

In 2013, 31 expatriates and four fly-ins facilitated a comprehensive transfer of know-how between headquarters and local companies as well as among local companies. In the year under review, PALFINGER also developed pioneering secondment standards designed to make a substantial contribution to success in the future.

GRI G4-LA 10: Programmes for skills management

PALFINGER VALUES

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

Health and safety

OCCUPATIONAL SAFETY AND ACCIDENT PREVENTION

The safety of its employees is extremely important to PALFINGER, and its accident prevention efforts have proven effective. Staff absence due to industrial accidents has decreased notably in recent years. In 2011 and 2012, it came to 0.22 per cent and 0.25 per cent, respectively, of regular working time, whereas in the 2013 financial year the figure decreased further to 0.19 per cent. A positive trend can be observed in all regions. Since 2006, no PALFINGER employee has suffered a fatal accident on the job.

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

STAFF ABSENCE DUE TO INDUSTRIAL ACCIDENTS IN % OF REGULAR WORKING TIME	2013	2012	2011*
Western Europe	0.22%	0.29%	0.23%
Eastern Europe	0.31%	0.23%	0.19%
North America	0.02%	0.46%	0.48%
South America	0.45%	0.33%	0.37%
Asia	0.05%	0.22%	0.05%
Group	**0.19%**	**0.25%**	**0.22%**

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

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

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

UNIFORM GLOBAL SAFETY BENCHMARKS

PALFINGER's various sites all over the world do their reporting on accidents in accordance with a variety of definitions as stipulated in the respective countries. This means that benchmarks cannot necessarily be compared; some plants, for instance, factor in commuting accidents. PALFINGER strives to harmonize accident indicators in all countries. In 2013, a minimum standard was defined. Henceforth, not only staff absence due to industrial accidents but also the number and severity of accidents in each plant will be reported in a uniform manner. Experience at our exemplary sites has shown that consistent reporting further increases awareness concerning accident prevention.

HEALTH AND GENERAL STAFF ABSENCE

General staff absence at PALFINGER was around 4 per cent during the past three reporting periods, recently showing a slightly positive trend: While in 2012 Group-wide staff absence was 4.16 per cent, the figure dropped to 3.96 per cent in 2013. Percentages and trends vary from region to region.

This indicator allows for conclusions both about the employees' health and about corporate culture, as staff absence is to a great extent influenced by staff motivation and holiday provisions. As a general rule, staff absence of between 3 and 4 per cent is not uncommon in the field of manufacturing and represents a comparatively good figure.

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

PALFINGER considers the reduced staff absence a result of its commitment to health and the design of the working environment. As a responsible employer and also with a view to having a healthy and productive team in the long term, well-balanced employees are important to PALFINGER.

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

Since the beginning of 2012, PALfit support has been available to every Austrian site, assisting them in the implementation of health management and targeted measures. Numerous initiatives such as the SIPCAN health check, MediMouse, physiotherapy or sports campaigns were organized in 2013 at the Austrian sites in Salzburg, Lengau, Elsbethen and Köstendorf, in Ainring and Löbau in Germany and in Maribor, Slovenia.

G4-LA 5: Occupational health and safety programmes

For more details, please see PALFINGER's website.

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

Diversity

Diversity is a topic of great importance at PALFINGER. Diversity means, amongst other things, a variety and heterogeneity of groups of persons as well as multifacetedness of staff and comprises six dimensions: age, disability, ethnicity, gender, religion and sexual orientation. Every single person is confronted with diversity in their daily work lives and private lives.

Information on how employees with disabilities are integrated into the PALFINGER Group is available on PALFINGER's website.

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

GENERATIONS

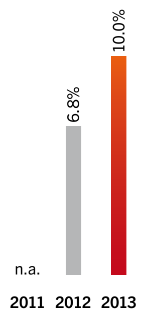
In recent years, the average age structure within the PALFINGER Group has changed, primarily in connection with the new sites. The general trend shows that the number of employees aged 56 and older has increased compared to the previous years.

Details on regional developments are available on PALFINGER's website.

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

Information on the PALplus project at the Lengau site in Austria is available on PALFINGER's website.

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



SHARE OF EMPLOYEES OVER 56
(in per cent)

GENDER

As is typical for the industry, the percentage of women within the PALFINGER Group is rather low. Overall, the number of women employed has grown slightly. Depending on the site, however, it varies greatly: At manufacturing sites, the majority of employees, primarily in production-related jobs, are men. This explains the notable drop in the percentage of women in North America and Asia in recent years. At administration and distribution sites, on the other hand, the contingent of women is above average, 19.3 per cent of the total staff.

GRI G4-LA 12: Diversity and equal opportunity

The percentage of women in management positions rose moderately from 2012 to 2013 and is now 12.9 per cent. However, in 2013 there was not a single woman among the members of the Management Board and the Supervisory Board. In recent years, most of the training programmes for management included women. Among the three participants in the trainee programme, there was one woman. A total of 29 participants attended the three executive training courses, four of whom were woman. PALFINGER intends to increase the number of female executives taking part in these PALFINGER training programmes in the future.

GRI G4-10: Employment profile

GRI G4-LA 12: Diversity and equal opportunity

PERCENTAGE OF WOMEN	2013	2012	2011
Group	10.8%	10.6%	11.0%
Management positions	12.9%	12.5%	11.6%

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.

Campaigns designed to increase the percentage of women

PALFINGER supports campaigns to raise the interest of girls in technical professions. For several years now, Austrian sites have been taking part in a Girls' Day, on which girls visit the workplace of their parents, relatives or friends to get an inside view of their occupational activities. This initiative is intended to encourage girls to also consider technical professions when deciding on a career path. In the future, PALFINGER also plans to specifically address female high-school and university students in the recruiting process.

In 2013, PALFINGER created a Diversity Circle to raise awareness and also to discuss specific topics and derive measures. The first Diversity Circle was held in October 2013 under the motto "Women – Short in Supply at PALFINGER?!". A panel gathered reasons for the low percentage of women at PALFINGER and, as a precise measure – in addition to the measures already in place – agreed to focus on women returners in order to raise the quota of women. The feedback on the first Diversity Circle was highly positive; a follow-up event is planned for the first quarter of 2014 on the topic "Women in Management Positions – Quota or Success?!".

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 analyzed; no significant differences appeared in the past two years. Henceforth, these results will also be discussed at the Diversity Circle.

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.

MANAGEMENT TEAMS WITH LOCAL MANAGING DIRECTORS

GRI G4-LA 12: Diversity and equal opportunity

PALFINGER appreciates and benefits from the diversity within the Group resulting from its global business operations. An example of intercultural diversity is the Norwegian site in Bergen, where 83 staff members from 22 nations work together successfully. In order to better coordinate different points of view specific to different countries, PALFINGER has established strong local management teams. It is one of PALFINGER's basic principles to hire mainly local staff.

PERFORMANCE BY SEGMENT

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

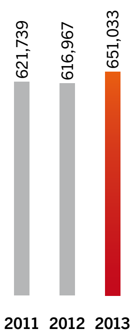
GRI G4-8: Markets

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

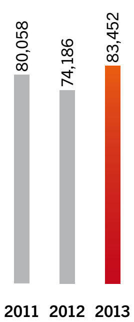
SEGMENTS 2013	**Revenue** EUR thousand	**Revenue** in %	**EBIT** EUR thousand	**EBIT** in %
EUROPEAN UNITS	651.0	66.4%	83.5	112.6%
AREA UNITS	329.6	33.6%	11.4	15.4%
VENTURES	–	–	(20.3)	(27.3%)
Consolidation			(0.5)	(0.7%)
PALFINGER Group	**980.7**	**100.0%**	**74.1**	**100.0%**

EUROPEAN UNITS

- Declining revenue in Europe reflects economic environment
- Marine business area continues to grow, also through acquisitions
- Innovations, optimized processes and productivity have positive impact



DEVELOPMENT OF SEGMENT REVENUE
(EUR thousand)



DEVELOPMENT OF SEGMENT EBIT
(EUR thousand)

The EUROPEAN UNITS segment comprises the area EMEA (Europe, Middle East, Africa and Australia) under which the business units Loader Cranes, EPSILON Timber and Recycling Cranes, Tail Lifts, Access Platforms, Container Handling Systems, Truck Mounted Forklifts, Railway Systems, Production, the distribution company in Germany and the associated subsidiaries are subsumed, and the transregional Marine business area, which is composed of the five business units Marine Cranes, Wind Cranes, Offshore Cranes, Launch & Recovery Systems and After Sales & Service. Since January 2014, the new business area Palfinger systems, which is composed of the two companies Palfinger systems and Megarme, has been part of this segment as well.

Business development in 2013

In the 2013 financial year, the EUROPEAN UNITS segment reported revenue of EUR 651.0 million. This increase as compared to the previous year's figure of EUR 617.0 million was caused primarily by the positive effect from the acquisitions made. In Europe, it was primarily the first half of 2013 that was marked by weak performance; later the market environment was less tense and demand revived. In the business units Loader Cranes, Railway Systems and Production and in the production company in Germany, revenue and earnings were kept at the previous financial year's level during the reporting period. However, as far as EPSILON Timber and Recycling Cranes, Tail Lifts, Access Platforms and Container Handling Systems were concerned, PALFINGER had to accept a decline compared to the high levels achieved in the previous year. The quality of earnings was upheld in spite of poor market conditions.

In the global Marine business area, PALFINGER achieved outstanding growth during the reporting period, both in revenue and earnings, on the basis of the initiatives launched in 2012. Since December 2012, PALFINGER DREGGEN has been included in this segment as part of the Marine business area.

Significant changes
Page 60

The production company Nimet Srl, the majority of which was taken over at the end of the second quarter of 2013, and MCT ENG, a company acquired at the end of the third quarter, have been part of this segment since June and September 2013, respectively.

At EUR 83.5 million, the segment's EBIT was 12.5 per cent higher than in 2012, when it amounted to EUR 74.2 million. This increase is attributable primarily to the acquisitions made. At 12.8 per cent, the segment's EBIT margin is still at a satisfactory level.

EUR thousand	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Segment revenue	152,472	163,575	146,909	154,011	153,111	167,793	158,256	171,873
Segment EBIT	21,617	21,854	14,676	16,039	20,708	23,944	17,605	21,195

LOADER CRANES

In the business unit Loader Cranes, PALFINGER reported declines in markets usually posting high revenue, namely Germany, France and Sweden, in 2013. While performance in Southern Europe remained at the very low level achieved in previous years, PALFINGER recorded positive developments in Denmark, Great Britain and Finland. In addition, gains in revenue were generated in Austria and Switzerland. During the reporting period, PALFINGER kept business in Eastern Europe at the same level as in the previous year. In the second half of 2013, core markets, in particular Germany, started to show signs of a slight recovery. PALFINGER estimates that this was due also to the changeover to the new Euro 6 emission standard for trucks. Despite the poor development, PALFINGER succeeded in stepping up productivity in this business unit.

EPSILON TIMBER AND RECYCLING CRANES

Slight declines in revenue were also recorded in the business unit EPSILON Timber and Recycling Cranes in 2013. The level of earnings continues to be remarkably good. Brazil, Russia and North America, which are young markets for this product group, made positive contributions to earnings. In cooperation with the respective business areas, strategies for further market development are being devised. The order situation in recent months has been highly satisfactory in this business unit.

TAIL LIFTS

Another business unit to record declines in revenue in 2013 was Tail Lifts. The existing product portfolio was enhanced in order to better meet market needs. In the third quarter, two new products were presented to the market. The changeover to the Euro 6 standard stimulated the market in the fourth quarter of the year, primarily in Germany.

ACCESS PLATFORMS

This business unit also suffered a decline in revenue as compared to 2012. Performance in Southern Europe remained weak, but increases were recorded in France and Turkey. In addition, the joint venture established in Italy in order to develop the mid-market segment for small trucks already showed a positive impact in the second half of the year. PALFINGER also sees potential for this segment in other regions, for instance CIS.

CONTAINER HANDLING SYSTEMS

Despite the challenging market situation and a decline in revenue, PALFINGER's business unit Container Handling Systems generated a clearly positive contribution to earnings, proving the sustainable nature of the turnaround achieved. In order to be increasingly able to cater to international markets, intense product development efforts are being made.

TRUCK MOUNTED FORKLIFTS

In the business unit Truck Mounted Forklifts, revenue and earnings declined, primarily in the second half of 2013. As market development in Germany, the main market for this product, remained uncertain, incoming orders failed to meet expectations. In order to further promote this product group and to balance out the volatility of some geographical markets, PALFINGER continues to work on broadening its customer base, also outside Germany. Additional potential is seen in new markets such as Poland or South Africa.

RAILWAY SYSTEMS

In Railway Systems, which is a trendsetting business unit for PALFINGER in terms of innovation and technological development, the revenue level achieved in 2012 was increased slightly. The highly satisfactory order level gives reason to expect that this unit's contributions to earnings will be even higher in the future. PALFINGER sees substantial growth potential, primarily in international markets; sizeable orders were already placed with PALFINGER in China and in the Arab countries in 2013. In Europe, also, the expected investments in the public sector as well as product enhancements and increased service competence are expected to enable further growth.

MARINE

In the period under review, the Marine business area and its five units recorded the expected growth in revenue and good operating results. The strong revenue increases were made possible primarily by the acquisition of PALFINGER DREGGEN in the previous year and the large-scale orders placed in the offshore area. Moreover, a substantial contribution to earnings was made by the business unit Marine Cranes. The continuous development of distribution and assembly structures, such as the acquisition of the production partner in Korea and the establishment of Palfinger Dreggen do Brasil, has also brought new impetus to the business unit Wind Cranes and is facilitating the fulfilment of large-scale orders.

Significant changes, Further development of the Marine business area
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PRODUCTION

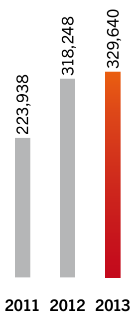
A higher capacity utilization than in the previous year and the positive effect from the acquisition of Nimet have resulted in an improvement of this unit's contribution to earnings. Moreover, further process enhancements in production have had a positive impact on earnings. Manufacturing for third parties was expanded further, even though the market environment was difficult.

SEGMENT SHARE IN GROUP RESULT	in % of Group	**2013** EUR thousand	**2012** EUR thousand
External revenue	66.4%	651,033	616,967
EBITDA	102.4%	108,017	97,265
Depreciation, amortization and impairment	78.3%	24,565	23,079
EBIT	112.6%	83,452	74,186
Segment assets	73.3%	622,947	570,256
Segment liabilities	34.0%	157,410	132,263
Investments in intangible assets and property, plant and equipment	71.7%	27,754	38,768
EBIT margin		12.8%	12.0%
Average payroll during the reporting period*	66.0%	4,341	4,023
Employee turnover		6.3%	9.0%

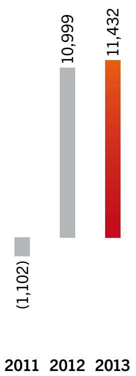
*Consolidated Group companies excluding equity shareholdings and temporary workers.

AREA UNITS

- 34 per cent share in revenue and positive result in the AREA UNITS
- CIS, North America and Asia continue to report growth
- Importance of cooperation with SANY in China increases



DEVELOPMENT OF SEGMENT REVENUE
(EUR thousand)



DEVELOPMENT OF SEGMENT EBIT
(EUR thousand)

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

PALFINGER has been promoting the continuous further development of the non-European business areas through its own initiatives, partnerships and acquisitions. In the period under review, as in the previous year, these areas showed extremely positive development and – considering the weaknesses in many European markets – made the PALFINGER Group's good performance possible.

Business development in 2013

Revenue generated by the AREA UNITS segment increased by 3.6 per cent, from EUR 318.2 million in 2012 to EUR 329.6 million in the reporting period. Consequently, areas outside Europe now account for 33.6 per cent of consolidated revenue. Growth was boosted primarily by the business areas North America, CIS, and Asia and Pacific with nearly all of their product groups.

As cooperation with SANY developed positively, PALFINGER managed to expand its market share primarily in Asia, achieving revenue growth of over 70 per cent. Gains in revenue and earnings were also reported in the other business areas.

As a result of the extremely positive development of recent years, PALFINGER has reported a positive operating result for the segment since the beginning of 2012, despite investments in less-developed areas. In the 2013 financial year, the segment's EBIT improved by 3.9 per cent, from EUR 11.0 million in the previous year to EUR 11.4 million.

EUR thousand	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Segment revenue	71,437	77,589	76,238	92,984	72,660	81,539	82,709	92,732
Segment EBIT	834	2,185	3,168	4,812	1,906	1,941	3,427	4,158

NORTH AMERICA

In North America, the previous year's good level was slightly exceeded in terms of revenue. This was made possible primarily by the product groups access platforms and service bodies, and by the sales network. The satisfactory order situation in the field of cranes suggests that this product segment's contributions to earnings will be even higher in the future.

SOUTH AMERICA

South America has been proving itself as a significant future market for the PALFINGER Group since mid-2012. In the reporting period, revenue remained at the highly satisfactory level achieved in the previous year, and profitability was further enhanced through optimization measures in the production and administration processes. Additional growth is to be expected, for instance as a result of the upcoming large-scale sports events in Brazil. Moreover, PALFINGER is consistently pursuing the introduction of additional products such as EPSILON timber and recycling cranes, access platforms, tail lifts and passenger lifts, and the further improvement of the local loader crane series.

ASIA AND PACIFIC

The business area Asia and Pacific recorded substantial increases in revenue in 2013, even though revenue is still at a low level. The start-up of the Chinese joint venture with SANY is progressing as planned. In order to bolster this successful cooperation, capital interlinking between the groups was planned in the period under review. The development of both the dealer network and local value creation in China has brought increasing success and will be further pursued consistently. Moreover, the market introduction of additional product groups in all Asian countries is already being planned.

INDIA

In India, revenue remained at a low level due to the difficult market situation. The downward tendency of economic growth and liquidity bottlenecks in infrastructure projects were clearly noticeable in 2013. PALFINGER will continue with the adjustment of the distribution organization to comply with local requirements. The start-up costs were lowered through optimization measures. In January of 2014, a local market expert joined the management team.

CIS

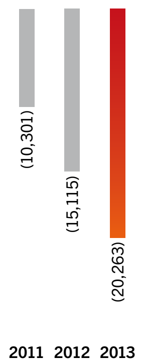
Following extraordinarily strong increases in revenue in 2012, PALFINGER once again exceeded the previous year's high level in the reporting period. Moreover, the enhanced processes and increases in productivity led to an exceptional augmentation of earnings. Judging by the incoming orders, this positive trend is likely to continue. In addition to new local product developments in the field of loader cranes, PALFINGER is also taking steps to promote the introduction of other PALFINGER products into the Russian market. The construction measures required to double production capacities at INMAN were started in the third quarter of 2013. The takeover of PM-Group Lifting Machine will contribute to the further expansion of this business area.

SEGMENT SHARE IN GROUP RESULT	in % of Group	**2013** EUR thousand	**2012** EUR thousand
External revenue	33.6%	329,640	318,248
EBITDA	17.3%	18,237	17,416
Depreciation, amortization and impairment	21.7%	6,805	6,417
EBIT	15.4%	11,432	10,999
Segment assets	28.8%	244,960	242,414
Segment liabilities	25.3%	117,427	116,686
Investments in intangible assets and property, plant and equipment	28.3%	10,954	13,945
EBIT margin		3.5%	3.5%
Average payroll during the reporting period*	34.0%	2,230	2,126
Employee turnover		19.2%	16.8%

* Consolidated Group companies excluding equity shareholdings and temporary workers.

VENTURES

- Expansion of the joint ventures with SANY
- Growth strategy for the Marine business area continued
- Planned introduction of all product groups in the business areas



DEVELOPMENT OF EBIT
(EUR thousand)

Significant changes
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The VENTURES unit is composed of all major strategic projects for the future pursued by the PALFINGER Group up to their operational maturity. As the projects included in the VENTURES unit do not generate revenue, the costs of such projects are reported.

Business development in 2013

In the 2013 financial year, the most important projects for the PALFINGER Group's continued strategic development were associated with the two joint ventures with SANY and the related market development in China, Russia and Europe.

Another priority was to continue the growth strategy of the Marine business area in Korea, Brazil, Singapore and Europe. Several projects in this connection were successfully concluded in the reporting period. In the fourth quarter, the takeover of a majority stake in Palfinger systems GmbH and in the Megarme Group was agreed upon. Moreover, in order to expand activities in the CIS countries, an agreement was reached on the acquisition of a majority shareholding in the Russian PM-Group Lifting Machine.

Projects for the international roll-out of various product groups, starting from Europe, are also supported by the VENTURES unit. Potential is seen primarily in South America, Russia and China.

EBIT for this unit for 2013 was –EUR 20.3 million, as compared to –EUR 15.1 million in 2012. This development reflects the investments in growth markets and underlines PALFINGER's strategic alignment with a view to continued internationalization, innovation and flexibility.

EUR thousand	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Unit EBIT	(3,873)	(3,681)	(3,218)	(4,343)	(4,204)	(4,549)	(4,479)	(7,031)

SHARE IN GROUP RESULT	in % of Group	2013 EUR thousand	2012 EUR thousand
EBITDA	(19.2%)	(20,263)	(15,115)
EBIT	(27.3%)	(20,263)	(15,115)
Average payroll during the reporting period*	0%	2	26
Employee turnover		0%	0%

*Consolidated Group companies excluding equity shareholdings and temporary workers.

KEY EVENTS AFTER THE BALANCE SHEET DATE

The closing of the acquisitions of Palfinger systems GmbH and the Megarme Group took place on 14 January 2014.

Beyond that, after the end of the 2013 financial year, there have been no material post-reporting events that would have led to a different presentation of the Group's financial position, cash flows or result of operations.

OUTLOOK

- Uncertainty in Europe confirms internationalization strategy
- Focus on strengthening strategic success factors
- Consolidation of the growth achieved and further steps
- Positive development expected in 2014

The persistently challenging market environment in the 2013 financial year has confirmed the importance of the three strategic pillars of the PALFINGER Group – internationalization, innovation and flexibility. Without PALFINGER's consistent efforts in these areas over many years, the growth recorded by the Group in the reporting period would not have been possible. PALFINGER will therefore continue to pursue its long-term Group strategy in order to generate sustainable, profitable growth in the future as well.

In the 2013 financial year, the expansion of the PALFINGER Group – also through inorganic growth – was continued at a rapid pace. Therefore, 2014 will be a year of consolidation, in which the focus will be kept on steps towards growth, to be taken primarily in South America and also in the Marine business area. The two joint ventures with SANY have been successful ever since they started operations approximately one year ago. PALFINGER now regards the planned mutual shareholdings as a cornerstone for the further expansion of the proven cooperation. Moreover, SANY Lifting is an attractive investment. For SANY, the close cooperation with PALFINGER also signifies an important step towards the global market; the interlinking will thus strengthen both groups of companies.

One of the big challenges to be faced in the years to come will be to provide the necessary management resources in support of the planned growth in the areas. Trainee programmes will contribute to meeting this challenge, as will the positioning of PALFINGER as an exemplary employer and as a regional brand in all business areas. PALFINGER has also launched numerous initiatives to further reduce staff absence days due to illness and accidents. As a consequence, the employees' motivation will be boosted and costs will be saved.

The Group's flexibility will be continuously developed in all fields. Order-based procurement, manufacturing and assembly have enabled PALFINGER to respond to order fluctuations quickly without running the risk of locking up excessive capital by increasing inventories. PALFINGER will continue to pursue its expansion course consistently, above all in the acquired companies.

Another factor facilitating the Group's economic success is PALFINGER's consistent focus on efficient and ecological production. In the 2014 financial year, the introduction of an environmental guideline at the individual sites will establish a continuous improvement process for the efficient use of energy and raw materials.

The diversity of PALFINGER's products, the Group's expansion through acquisitions and its increasing internationalization make complexity management an essential focus for the Group. Therefore, PALFINGER continues to pursue its Group-wide value-creation project launched in 2012, with the objective of enhancing the Group's major competitive advantage – its global organization – for the future.

In the second half of 2013, PALFINGER recorded an increase in demand, also in the European core markets. Considerable growth potential is still seen in the areas outside Europe and the global Marine business area. This development and PALFINGER's trend monitoring suggest a positive development in the 2014 financial year. As a consequence, the management expects a double-digit increase in revenue, coming from both organic and inorganic growth. For the first time in the history of the Company, this would mean revenue beyond the 1 billion euro threshold.

PALFINGER sees the potential to increase consolidated annual revenue to approx. EUR 1.8 billion by 2017. The Company intends to reach this goal primarily by boosting the introduction of the entire product portfolio in the BRIC markets. The Marine business area harbours great potential as well. The management plans to reach this long-term revenue target through organic as well as inorganic growth.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2013

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DEC 2013

GRI G4-EC 1: Direct economic value generated and distributed

GRI G4-EC 4: Financial assistance received from government

CONSOLIDATED INCOME STATEMENT[1)]

EUR thousand	Note	Jan–Dec 2013	Jan–Dec 2012
Revenue	28	980,673	935,215
Cost of sales	30, 36, 37, 38, 39	(744,689)	(717,381)
Gross profit		**235,984**	**217,834**
Other operating income	29, 36	12,262	15,706
Research and development costs	31, 36, 38, 39	(22,153)	(20,076)
Distribution costs	32, 36, 38, 39	(73,827)	(69,431)
Administrative costs	33, 36, 38, 39	(78,723)	(73,033)
Other operating expenses	34, 36	(9,459)	(6,873)
Income from associated companies	35	10,037	4,327
Earnings before interest and taxes – EBIT		**74,121**	**68,454**
Interest income	40	769	598
Interest expenses for financial liabilities	40	(10,187)	(7,277)
Other interest expenses	40	(2,177)	(8,249)
Exchange rate differences	40	(1,436)	(466)
Other financial result	40	32	665
Financial result		**(12,999)**	**(14,729)**
Result before income tax		**61,122**	**53,725**
Income tax expense	11, 41	(12,388)	(8,269)
Result after income tax		**48,734**	**45,456**
attributable to			
shareholders of PALFINGER AG (consolidated net result for the period)		**44,038**	**40,409**
non-controlling interests		**4,696**	**5,047**
EUR			
Earnings per share (undiluted and diluted)	58	1.24	1.14
Dividend per share	59	0.41[2)]	0.38

1) The presentation has been adjusted (see Note (14) Adjustments with retrospective effect and Note (36) to the consolidated income statement).
2) Proposal of the Management Board to the Supervisory Board for presentation to the Annual General Meeting for resolution.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan–Dec 2013	Jan–Dec 2012
Result after income tax		**48,734**	**45,456**
Amounts that will not be reclassified to the income statement in future periods			
Remeasurements acc. to IAS 19	63	(1,332)	(2,730)
Deferred taxes thereon		265	663
Amounts that will be reclassified to the income statement in future periods			
Unrealized profits (+)/losses (–) from foreign currency translation		(16,230)	(3,309)
Unrealized profits (+)/losses (–) from foreign currency translation of associated companies		27	(48)
Deferred taxes thereon		416	329
Effective taxes thereon		403	0
Unrealized profits (+)/losses (–) from cash flow hedge	60		
Changes in unrealized profits (+)/losses (–)		1,504	(2,578)
Deferred taxes thereon		(64)	2
Effective taxes thereon		(303)	643
Realized profits (–)/losses (+)		368	(391)
Deferred taxes thereon		217	(57)
Effective taxes thereon		(308)	154
Other comprehensive income after income tax		**(15,037)**	**(7,322)**
Total comprehensive income		**33,697**	**38,134**
attributable to			
shareholders of PALFINGER AG		**29,449**	**33,225**
non-controlling interests		**4,248**	**4,909**

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	31 Dec 2013	31 Dec 2012
Non-current assets			
Intangible assets	1, 17, 18, 42	173,707	165,440
Property, plant and equipment	2, 17, 43	218,371	208,776
Investment property	3, 44	369	387
Investments in associated companies	35, 45	12,955	14,977
Other non-current assets	48	1,746	1,401
Deferred tax assets	11, 21, 46	20,206	25,112
Non-current financial assets	6, 26, 47	1,871	5,910
		429,225	**422,003**
Current assets			
Inventories	4, 20, 49	215,445	202,519
Trade receivables	5, 6, 19, 50	163,792	141,240
Other current receivables and assets	52	21,557	17,441
Tax receivables	11	3,093	3,287
Current financial assets	6, 26, 51	433	2,599
Cash and cash equivalents	6, 53	15,965	24,476
		420,285	**391,562**
Total assets		**849,510**	**813,565**
Equity			
Share capital	54	35,730	35,730
Additional paid-in capital	7, 55	30,727	30,616
Treasury stock	56	(1,790)	(1,858)
Retained earnings	58, 59	331,013	299,895
Foreign currency translation reserve	57	(20,929)	(5,983)
Total equity of the shareholders of PALFINGER AG		**374,751**	**358,400**
Non-controlling interests		11,163	6,474
Total equity		**385,914**	**364,874**
Non-current liabilities			
Liabilities from puttable non-controlling interests	6, 10, 24, 61	17,370	18,999
Non-current financial liabilities	6, 62	184,681	204,777
Non-current provisions	6, 8, 9, 22, 25, 63	38,592	34,610
Deferred tax liabilities	11, 46	7,652	7,388
Other non-current liabilities	64	4,561	3,019
		252,856	**268,793**
Current liabilities			
Current financial liabilities	6	51,219	44,463
Current provisions	9, 23, 65	12,351	13,046
Tax liabilities	11	5,172	3,609
Trade payables and other current liabilities	6, 66	141,998	118,780
		210,740	**179,898**
Total equity and liabilities		**849,510**	**813,565**

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to the shareholders of PALFINGER AG									
					Retained earnings						
EUR thousand	Note	Share capital	Additional paid-in capital	Treasury stock	Other retained earnings	Remeasurements acc. to IAS 19	Valuation reserves acc. to IAS 39	Foreign currency translation reserve	Total	Non-controlling interests	Equity
As at 1 Jan 2012		**35,730**	**30,477**	**(2,009)**	**287,194**	**(1,054)**	**(664)**	**(3,065)**	**346,609**	**6,171**	**352,780**
Total comprehensive income											
Result after income tax		0	0	0	40,409	0	0	0	40,409	5,047	45,456
Other comprehensive income after income tax											
Unrealized profits (+)/losses (–) from foreign currency translation	57	0	0	0	0	0	0	(2,918)	(2,918)	(110)	(3,028)
Remeasurements acc. to IAS 19	63	0	0	0	0	(2,039)	0	0	(2,039)	(28)	(2,067)
Unrealized profits (+)/losses (–) from cash flow hedge	60	0	0	0	0	0	(2,227)	0	(2,227)	0	(2,227)
		0	**0**	**0**	**0**	**(2,039)**	**(2,227)**	**(2,918)**	**(7,184)**	**(138)**	**(7,322)**
		0	**0**	**0**	**40,409**	**(2,039)**	**(2,227)**	**(2,918)**	**33,225**	**4,909**	**38,134**
Transactions with shareholders											
Dividends		0	0	0	(13,437)	0	0	0	(13,437)	(3,850)	(17,287)
Reclassification non-controlling interests	10, 59, 61	0	0	0	(8,229)	0	0	0	(8,229)	(669)	(8,898)
Other changes	7, 55	0	139	151	(58)	0	0	0	232	(87)	145
		0	**139**	**151**	**(21,724)**	**0**	**0**	**0**	**(21,434)**	**(4,606)**	**(26,040)**
As at 31 Dec 2012		**35,730**	**30,616**	**(1,858)**	**305,879**	**(3,093)**	**(2,891)**	**(5,983)**	**358,400**	**6,474**	**364,874**
As at 1 Jan 2013		**35,730**	**30,616**	**(1,858)**	**305,879**	**(3,093)**	**(2,891)**	**(5,983)**	**358,400**	**6,474**	**364,874**
Total comprehensive income											
Result after income tax		0	0	0	44,038	0	0	0	44,038	4,696	48,734
Other comprehensive income after income tax											
Unrealized profits (+)/losses (–) from foreign currency translation	57	0	0	0	0	0	0	(14,970)	(14,970)	(414)	(15,384)
Remeasurements acc. to IAS 19	63	0	0	0	0	(1,033)	0	0	(1,033)	(34)	(1,067)
Unrealized profits (+)/losses (–) from cash flow hedge	60	0	0	0	0	0	1,414	0	1,414	0	1,414
		0	**0**	**0**	**0**	**(1,033)**	**1,414**	**(14,970)**	**(14,589)**	**(448)**	**(15,037)**
		0	**0**	**0**	**44,038**	**(1,033)**	**1,414**	**(14,970)**	**29,449**	**4,248**	**33,697**
Transactions with shareholders											
Dividends	56	0	0	0	(13,448)	0	0	0	(13,448)	(3,500)	(16,948)
Reclassification non-controlling interests	10, 59, 61	0	0	0	1,035	0	0	0	1,035	(342)	693
Addition non-controlling interests		0	0	0	0	0	0	0	0	4,701	4,701
Disposal non-controlling interests		0	0	0	(870)	0	0	24	(846)	(384)	(1,230)
Other changes	7, 55	0	111	68	(18)	0	0	0	161	(34)	127
		0	**111**	**68**	**(13,301)**	**0**	**0**	**24**	**(13,098)**	**441**	**(12,657)**
As at 31 Dec 2013		**35,730**	**30,727**	**(1,790)**	**336,616**	**(4,126)**	**(1,477)**	**(20,929)**	**374,751**	**11,163**	**385,914**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan–Dec 2013	Jan–Dec 2012
Result before income tax		**61,122**	**53,725**
Write-downs (+)/write-ups (–) of non-current assets	39	31,380	29,003
Gains (–)/losses (+) on the disposal of non-current assets		(114)	(2,717)
Interest income (–)/interest expenses (+)	40	11,499	14,928
Income from associated companies		(10,037)	(4,327)
Expenses for stock option programme		21	39
Changes in liabilities from puttable non-controlling interests		96	(787)
Other non-cash income (–)/expenses (+)		(158)	(3,090)
Increase (–)/decrease (+) of assets		(44,736)	(18,080)
Increase (+)/decrease (–) of provisions		2,100	596
Increase (+)/decrease (–) of liabilities		23,439	3,280
Cash flows generated from operations		**74,612**	**72,570**
Interest received		769	598
Interest paid		(11,026)	(7,497)
Dividends received from associated companies		3,934	2,380
Income tax paid		(5,790)	(12,657)
Cash flows from operating activities	13	**62,499**	**55,394**
Cash receipts from the sale of intangible assets and property, plant and equipment		6,748	11,856
Cash payments for the acquisition of intangible assets and property, plant and equipment		(38,450)	(40,320)
Cash payments for the acquisition of subsidiaries net of cash acquired*		(7,081)	(11,435)
Cash payments for the acquisition of subsidiaries in previous years	63	(1,194)	(30,739)
Cash payments for investments in associated companies		0	(18)
Cash receipts from the sale of subsidiaries net of cash disposed of		0	809
Cash receipts from the sale of associated companies in previous years		0	922
Cash receipts from the sale of securities		42	0
Cash payments for the acquisition of securities		0	(173)
Cash payments for/cash receipts from other assets		222	(1,480)
Cash flows from investing activities		**(39,713)**	**(70,578)**
Dividends to shareholders of PALFINGER AG		(13,447)	(13,437)
Dividends to non-controlling shareholders		(3,500)	(3,850)
Cash payments for the acquisition of own shares	56	0	(6)
Advance payments for the sale of non-controlling interests		1,700	0
Cash payments for the acquisition of non-controlling interests		(2,580)	(5,397)
Cash receipts from the exercise of options under the stock option programme		200	291
Repayment of loans for acquisitions		(19,549)	0
Long-term refinancing of redemptions and maturing short-term loans		0	50,000
Issue of promissory note loans		0	77,500
Repayment of maturing promissory note loans		0	(43,500)
Cash payments for/cash receipts from other financial liabilities	62	6,826	(37,091)
Cash flows from financing activities		**(30,350)**	**24,510**
Total cash flows		**(7,564)**	**9,326**

*See scope of consolidation.

EUR thousand		2013	2012
Funds as at 1 Jan	53, 13	**24,476**	**15,137**
Effects of foreign exchange differences		(947)	13
Total cash flows		(7,564)	9,326
Funds as at 31 Dec	53, 13	**15,965**	**24,476**

OPERATING SEGMENTS

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

EUROPEAN UNITS

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

- Business area EMEA
- Business area Marine

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

In addition, this segment comprises the transregional Marine business area, composed of the five business units Marine Cranes, Wind Cranes, Offshore Cranes, Launch & Recovery Systems and After Sales & Service, which is managed from Europe.

AREA UNITS

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

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

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

The business areas outside Europe are for the most part still being developed, reinforced by the Group's own initiatives and acquisitions. This is where the PALFINGER Group focuses on pursuing its internationalization and growth strategies.

VENTURES

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

Amounts stated

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

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 Group-internal deliveries and services.

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

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

Unallocated amounts

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

EUR thousand	EUROPEAN UNITS Jan–Dec 2012	AREA UNITS Jan–Dec 2012	VENTURES Jan–Dec 2012	Consolidation Jan–Dec 2012	Unallocated amounts Jan–Dec 2012	Total Jan–Dec 2012
External revenue	616,967	318,248	0	0	0	**935,215**
Intra-Group revenue	69,163	37	0	(69,200)	0	**0**
Total revenue	686,130	318,285	0	(69,200)	0	**935,215**
Depreciation, amortization and impairment	(23,079)	(6,417)	0	0	0	**(29,496)**
thereof impairment	0	0	0	0	0	**0**
EBIT	74,186	10,999	(15,115)	(1,616)	0	**68,454**
Segment assets	570,256	242,414	0	(60,490)	61,385	**813,565**
thereof investments in associated companies	14,977	0	0	0	0	**14,977**
Segment liabilities	132,263	116,686	0	(60,490)	260,232	**448,691**
Investments in intangible assets and property, plant and equipment	38,768	13,945	0	0	0	**52,713**

EUR thousand	EUROPEAN UNITS Jan–Dec 2013	AREA UNITS Jan–Dec 2013	VENTURES Jan–Dec 2013	Consolidation Jan–Dec 2013	Unallocated amounts Jan–Dec 2013	Total Jan–Dec 2013
External revenue	651,033	329,640	0	0	0	**980,673**
Intra-Group revenue	84,266	31	0	(84,297)	0	**0**
Total revenue	735,299	329,671	0	(84,297)	0	**980,673**
Depreciation, amortization and impairment	(24,565)	(6,805)	0	0	0	**(31,370)**
thereof impairment	(400)	0	0	0	0	**(400)**
EBIT	83,452	11,432	(20,263)	(500)	0	**74,121**
Segment assets	622,947	244,960	0	(59,965)	41,568	**849,510**
thereof investments in associated companies	12,955	0	0	0	0	**12,955**
Segment liabilities	157,410	117,427	0	(59,965)	248,724	**463,596**
Investments in intangible assets and property, plant and equipment	27,754	10,954	0	0	0	**38,708**

The following table shows revenue broken down by product segment:

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Cranes	623,651	561,256
Hydraulic systems	357,022	373,959
Total	**980,673**	**935,215**

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

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

INFORMATION ON GEOGRAPHICAL AREAS

Non-current assets can be broken down as follows:

EUR thousand	31 Dec 2013	31 Dec 2012
Intangible assets		
Austria	44,528	41,397
Germany	36,384	36,085
USA	20,580	21,858
France	16,710	16,622
Russia	16,541	18,791
Romania	12,211	0
Norway	11,143	12,813
Netherlands	5,972	7,181
Other foreign countries	9,638	10,693
	173,707	**165,440**
Property, plant and equipment		
Austria	68,421	75,314
USA	32,051	33,093
Bulgaria	26,838	25,588
Slovenia	22,939	25,166
Germany	18,558	20,303
Romania	9,305	0
Brazil	6,445	5,652
Korea	5,724	0
Canada	4,962	5,439
France	4,659	5,038
Russia	4,649	2,396
Other foreign countries	13,820	10,787
	218,371	**208,776**
Investment property		
Germany	369	387
	369	**387**
Deferred tax assets		
Austria	5,998	6,148
Foreign countries	14,208	18,964
	20,206	**25,112**
Other non-current assets		
Austria	803	799
Brazil	354	223
Russia	203	0
India	126	92
Germany	73	110
France	73	79
Other foreign countries	114	98
	1,746	**1,401**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

PALFINGER AG is a publicly listed company headquartered in 5020 Salzburg, Austria, Franz-Wolfram-Scherer-Strasse 24. The main business activity is the production and sale of innovative lifting solutions for use on commercial vehicles and ships.

The consolidated financial statements of PALFINGER AG for the year ended 31 December 2013 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 obligated 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. With the exception of Palfinger Cranes India Pvt. Ltd., India, the financial statements of the individual Austrian and foreign companies included in the consolidated financial statements were prepared as at the reporting date of the consolidated financial statements. For Palfinger Cranes India Pvt. Ltd., India, a reconciliation statement as at 31 December was prepared.

Uniform accounting and valuation criteria were applied within the Group. The consolidated financial statements were prepared on the assumption that the Company would continue as a going concern. For the sake of a clearer presentation, items were aggregated for the purposes of the consolidated balance sheet, the consolidated income statement, the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows. The same items were then listed and explained separately in the notes, following the principle of materiality. In general, when preparing these consolidated financial statements, the historical cost system was applied. Exceptions were made for derivate financial instruments, financial assets available for sale, contingent purchase price obligations and liabilities from puttable non-controlling interests. These items were valued at fair value.

The consolidated balance sheet was structured in accordance with IAS 1, separating current from non-current assets and liabilities. Assets and liabilities were classified as current if they were likely to be realized or balanced within twelve months of the balance sheet date. The consolidated income statement was prepared according to the 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 2013 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, Austria. The consolidated financial statements for the year ended 31 December 2013 were released for submission to the Supervisory Board on 31 January 2014 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 2013.

CONSOLIDATION PRINCIPLES

Scope of consolidation

PALFINGER AG prepares the consolidated financial statements for the PALFINGER Group. The consolidated financial statements comprise the financial statements of PALFINGER AG and the financial statements of the companies controlled by PALFINGER AG as at 31 December of each year. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

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

Joint ventures are included in the consolidated financial statements on a proportionate basis.

The number of companies included in the consolidated financial statements developed as follows:

	2013			2012		
Change in number of consolidated companies	Full consolidation	Proportionate consolidation	Equity consolidation	Full consolidation	Proportionate consolidation	Equity consolidation
As at 1 Jan	**50**	**3**	**5**	**43**	**0**	**4**
Initial consolidation in the reporting period						
Newly founded companies	5	0	0	4	3	0
Acquisitions	0	0	0	5	0	1
Acquisitions in stages	1	0	(1)	0	0	0
Deconsolidation in the reporting period	0	0	0	(2)	0	0
Combinations	(1)	0	0	0	0	0
As at 31 Dec	**55**	**3**	**4**	**50**	**3**	**5**

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

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2013	Direct investment[2] in per cent 2012	Indirect investment[3] in per cent 2013	Indirect investment[3] in per cent 2012	Curr.[4]
Fully consolidated companies						
PALFINGER AG, Salzburg (AT)						EUR
Composite Works, LLC, Oklahoma City (US)	ETI	63.48	63.48	50.78	50.78	USD
Dreggen BG LLC, Kaliningrad (RU)	DREG	100.00	100.00	100.00	100.00	RUB
EPSILON Kran GmbH., Salzburg (AT)	PEU	65.00	65.00	65.00	65.00	EUR
Equipment Technology, LLC, Oklahoma City (US)	PUSA	80.00	80.00	80.00	80.00	USD
Fast RSQ B.V., Barneveld (NL)	NDM	80.00	80.00	80.00	79.20	EUR
Fast RSQ Vietnam Co., Ltd., Hung Yen (VN)	FRSQ	100.00	100.00	80.00	79.20	VND
Guima Palfinger S.A.S., Caussade (FR)	PMB	80.00	80.00	80.00	80.00	EUR
INMAN ZAO, Ishimbay (RU)	PCIS	100.00	100.00	100.00	100.00	RUB
Madal Palfinger S.A., Caxias do Sul (BR)	PSAG	99.64	99.64	99.64	99.64	BRL
MBB Palfinger s.r.o., Bratislava (SK)	MBB	100.00	100.00	100.00	100.00	EUR
MBB Inter S.A.S., Silly en Gouffern (FR)	MBB	100.00	100.00	100.00	100.00	EUR
MBB Interlift N.V., Erembodegem (BE)	MBB	100.00	100.00	100.00	100.00	EUR
MBB Palfinger GmbH, Ganderkesee (DE)	PEU	100.00	100.00	100.00	100.00	EUR
Ned-Deck Marine Vietnam Co. Ltd., Hanoi (VN)	NDM	100.00	100.00	100.00	99.00	USD
Nimet Srl, Lazuri (RO)	PPT	60.00	40.00[5]	60.00	40.00[5]	RON
Omaha Standard, LLC, Council Bluffs (US)	PUSA	100.00	100.00	100.00	100.00	USD
PalAir GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	USD
Palfinger Area Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Asia Pacific Pte. Ltd., Singapore (SG)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger CIS GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Crane Rus LLC, St. Petersburg (RU)	PARUS	100.00	100.00	80.00	80.00	RUB
Palfinger Cranes India Pvt. Ltd., Chennai (IN)	PAUG/PAP	100.00	100.00	100.00	100.00	INR
Palfinger Dreggen AS, Bergen (NO)	PMB	100.00	100.00	100.00	100.00	NOK
Palfinger Dreggen Do Brasil Ltda, Rio de Janeiro (BR)	DREG	100.00	100.00	100.00	100.00	BRL
Palfinger Dreggen Korea Limited, Sacheon (KR) (initial consolidation: 9 July 2013)	PMB	100.00	–	100.00	–	KRW
Palfinger Dreggen Pte. Ltd., Singapore (SG)	DREG	100.00	100.00	100.00	100.00	SGD
Palfinger European Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Europe GmbH, Salzburg (AT)	PMB	100.00	100.00	100.00	100.00	EUR
Palfinger GmbH, Ainring (DE)	PP/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Gru Idrauliche S.r.l., Bolzano (IT)	PEU	100.00	100.00	100.00	100.00	EUR
Palfinger, Inc., Niagara Falls (CA)	PNAG	100.00	100.00	100.00	100.00	USD
Palfinger Koch Metalúrgica Ltda., Cachoeirinha (BR) (initial consolidation: 3 October 2013)	PDB	60.00	–	60.00	–	BRL
Palfinger Liftgates, LLC (US) (formerly Interlift, Inc.)	PUSA	100.00	100.00	100.00	100.00	USD
Palfinger Marine- und Beteiligungs-GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Marine d.o.o., Maribor, Maribor (SI)	PMB	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Pte. Ltd., Singapore (SG)	PMB	100.00	60.00	100.00	60.00	SGD
Palfinger Marine Services AS, Rosendal (NO)	PMB	100.00	100.00	100.00	100.00	NOK
Palfinger Marine Services B.V., Elst (NL)	PMB	100.00	100.00	100.00	100.00	EUR
Palfinger Ned-Deck B.V., Barneveld (NL) (formerly Ned-Deck Marine B.V.)	PMB	100.00	99.00	100.00	99.00	EUR
Palfinger North America GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms GmbH, Krefeld (DE)	MBB/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	PMB	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms Italy s.r.l., Bolzano (IT) (initial consolidation: 12 February 2013)	PEUG	80.00	–	80.00	–	EUR
Palfinger Proizvodnja d.o.o., Maribor (SI)	PMB	100.00	100.00	100.00	100.00	EUR
Palfinger Proizvodna Tehnologija Hrvatska d.o.o., Delnice (HR)	PMB	100.00	100.00	100.00	100.00	HRK
Palfinger Russland GmbH, Salzburg (AT)	PCIS	80.00	80.00	80.00	80.00	EUR
Palfinger (Shenzhen) Ltd., Shenzhen (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger South America GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger SLS Holding Pte. Ltd., Singapore (SG) (initial consolidation: 25 October 2013)	PAG	100.00	–	100.00	–	EUR
Palfinger systems units GmbH, Salzburg (AT) (initial consolidation: 24 October 2013)	PAG	100.00	–	100.00	–	EUR
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul (BR)	MP	100.00	100.00	99.64	99.64	BRL
Palfinger USA, Inc., Tiffin (US)	PNAG	100.00	100.00	100.00	100.00	USD
PalFleet Truck Equipment Company, LLC, Birmingham (US)	OSI	100.00	100.00	100.00	100.00	USD
Ratcliff Palfinger Ltd., Welwyn Garden City (UK)	PMB	100.00	100.00	100.00	100.00	GBP

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2013	Direct investment[2] in per cent 2012	Indirect investment[3] in per cent 2013	Indirect investment[3] in per cent 2012	Curr.[4]
Companies consolidated on a proportionate basis						
Sany Palfinger SPV Equipment Co., Ltd., Changsha (CN)	PAP	50.00	50.00	50.00	50.00	CNY
Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)	PEUG	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
Companies consolidated using the equity method						
Dreggen (Hong Kong) Company Limited, Hong Kong	DREG	33.00	33.00	33.00	33.00	HKD
Palfinger Argentina S.A., Buenos Aires (AR)	MP	100.00	100.00	99.64	99.64	ARS*
Palfinger France S.A., Étoile sur Rhône (FR)	PEU	49.00	49.00	49.00	49.00	EUR
STEPA Farmkran Gesellschaft m.b.H., Elsbethen (AT)	PEU	45.00	45.00	45.00	45.00	EUR

*Company not fully consolidated due to negligible importance.

1) Controlling company:

DREG = Palfinger Dreggen AS, Bergen (NO)
ETI = Equipment Technology, LLC, Oklahoma City (US)
FRSQ = Fast RSQ B.V., Barneveld (NL)
MBB = MBB Palfinger GmbH, Ganderkesee (DE)
MP = Madal Palfinger S.A., Caxias do Sul (BR)
NDM = Palfinger Ned-Deck B.V., Barneveld (NL)
OSI = Omaha Standard, LLC, Council Bluffs (US)
PAG = PALFINGER AG, Salzburg (AT)
PAP = Palfinger Asia Pacific Pte. Ltd., Singapore (SG)
PARUS = Palfinger Russland GmbH, Salzburg (AT)
PAUG = Palfinger Area Units GmbH, Salzburg (AT)
PCIS = Palfinger CIS GmbH, Salzburg (AT)
PDB = Palfinger Dreggen Do Brasil Ltda, Rio de Janeiro (BR)
PEU = Palfinger Europe GmbH, Salzburg (AT)
PEUG = Palfinger European Units GmbH, Salzburg (AT)
PMB = Palfinger Marine- und Beteiligungs-GmbH, Salzburg (AT)
PNAG = Palfinger North America GmbH, Salzburg (AT)
PP = Palfinger Platforms GmbH, Krefeld (DE)
PPT = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)
PSAG = Palfinger South America GmbH, Salzburg (AT)
PSV = Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)
PUSA = Palfinger USA, Inc., Tiffin (US)

2) From the point of view of the controlling company
3) From the point of view of PALFINGER AG
4) Curr. = functional currency
5) Consolidated at equity in 2012

NEWLY FOUNDED COMPANIES

On 12 February 2013, Palfinger Platforms Italy s.r.l., Bolzano, Italy, was founded. Palfinger European Units GmbH, Salzburg, holds 80 per cent of the shares in this company.

On 9 July 2013, Palfinger Dreggen Korea Limited, Sacheon, Korea, was registered. Palfinger Marine- und Beteiligungs-GmbH, Salzburg, holds 100 per cent of the shares in this company, which was used as a special purpose vehicle for the acquisition of the business of MCT Engineering Co., Ltd., Sacheon, Korea. For further details, please see “Acquisitions in 2013”.

On 3 October 2013, Palfinger Koch Metalúrgica Ltda., Cachoeirinha, Brazil, was founded. Palfinger Dreggen Do Brasil Ltda., Rio de Janeiro, Brazil, holds 60 per cent of the shares in this company.

On 24 October 2013, Palfinger systems units GmbH, Salzburg, was founded as a wholly-owned subsidiary of PALFINGER AG. The company, which was entered into the commercial register on 13 November, is to serve as the future holding company for the newly acquired units under the “Palfinger Systems” business model. For further details, please see “Acquisitions in 2014”.

On 25 October 2013, Palfinger SLS Holding Pte. Ltd., Singapore, was founded. PALFINGER AG, Salzburg, holds 100 per cent of the shares in this company, which was established for the purpose of implementing the acquisition of 10 per cent of the shares in SANY Lifting (operating units of the Sany Heavy Industries Group). For further details, please see “Acquisitions in 2014”.

REORGANIZATIONS

These reorganizations did not have any impact on the scope of consolidation:
As at 1 January 2013, Madal Palfinger Holding Ltda., São Paulo, Brazil, was merged into Madal Palfinger S.A., Caxias do Sul, Brazil.

As at 1 July 2013, the US subsidiaries Interlift, Inc., Omaha Standard, Inc. and Palfleet Truck Equipment, Co. were transformed into LLCs. At the same time, Interlift, Inc. was renamed Palfinger Liftgates, LLC. This made it possible to form a tax group and to ensure that there was no need for impairment of the losses carried forward.

Under PALFINGER’s project to optimize the Group’s structure, which was already launched in 2012, PALFINGER’s organizational structure under company law is being adjusted to the current management structure and the Group is being subdivided into investment companies and operating companies.

With effect as of 1 January 2013, MBB Palfinger GmbH, Ganderkesee, Germany, transferred 100 per cent of the shares in Interlift, Inc., Cerritos, USA, to Palfinger USA, Tiffin, USA.

Under the demerger agreement of 27 August 2013, 100 per cent of the shares held by Palfinger Marine- und Beteiligungs-GmbH in Palfinger CIS GmbH were demerged into Palfinger Area Units GmbH with retrospective effect as of 1 January 2013.

On 19 December 2013, the 99.99 per cent interest in Palfinger Cranes India Pvt. Ltd., Chennai, India, was transferred to Palfinger Area Units GmbH, Salzburg, by Palfinger Marine- und Beteiligungs-GmbH, Salzburg.

ACQUISITIONS IN 2013

Nimet Srl

PALFINGER previously held a 40 per cent stake in the company Nimet Srl, Lazuri, Romania, carried at equity. On 13 June 2013, an additional 20 per cent of the shares were acquired from the previous majority owner, giving PALFINGER a controlling interest in Nimet Srl of 60 per cent.

This move has contributed to the stabilization of value-creation processes in components manufacturing and to the continuous further development of manufacturing technology, and will create necessary resources for the future.

MCT Engineering

On 26 August 2013, PALFINGER signed a contract with the Korean company MCT Engineering Co., Ltd., Sacheon, Korea, a longstanding partner and supplier of PALFINGER DREGGEN. Under an asset deal, Palfinger Dreggen Korea, Limited, Sacheon, Korea, took over a part of MCT's business in connection with the production of marine and offshore cranes. The transaction was closed on 29 October 2013.

The purpose of this acquisition was to support the growth of the Marine business area. The company produces marine and offshore cranes, handling cranes and special custom cranes.

For PALFINGER, this takeover is another strategic step in support of the expansion of its Marine business area, securing both capacities and marine know-how – a basic requirement for obtaining the numerous certifications required. Moreover, Korea is among the most important offshore markets in Asia.

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

EUR thousand	**2013**
Purchase price paid in cash	7,166
Unilateral capital increase	2,600
Fair value of interests already held	8,320
Pro-rata net assets of non-controlling interests	4,287
Subtotal	**22,373**
Net assets	(16,322)
Goodwill	**6,050**

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 and the brand, have been analyzed in detail.

The goodwill generated cannot be used for tax purposes.

The fair value measurement of the previously held 40 per cent stake in the company Nimet Srl, Lazuri, Romania, which was carried out in the course of the initial consolidation, resulted in income of EUR 7,162 thousand, which was reported as income from associated companies.

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

EUR thousand	**Fair value**
Non-current assets	
Intangible assets	6,567
Property, plant and equipment	13,247
Deferred tax assets	1
Other non-current assets	1
	19,816
Current assets	
Inventories	3,554
Trade receivables	5,176
Other current assets	447
Cash and cash equivalents	85
	9,262
Non-current liabilities	
Non-current financial liabilities	5,445
Non-current provisions	254
Deferred tax liabilities	1,032
	6,730
Current liabilities	
Current financial liabilities	475
Current provisions	151
Tax liabilities	41
Trade payables and other current liabilities	5,359
	6,025
Net assets	**16,322**

The trade receivables taken over have a gross value of EUR 5,259 thousand. The bad-debt allowance for probable bad-debt is EUR 83 thousand.

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

Net cash flows from the acquisitions were as follows:

EUR thousand	**2013**
Cash flows from operating activities	
Transaction costs	(222)
Cash flows from investing activities	
Purchase price paid in cash	(7,166)
Cash and cash equivalents	85
Net cash flows from the acquisitions	**(7,303)**

Pro forma disclosures

From the time of their initial consolidation until the end of the reporting period the two companies acquired contributed EUR 16,355 thousand to the consolidated revenue of PALFINGER AG and EUR 660 thousand to the consolidated net result for the period.

If the transactions had been made with effect from 1 January 2013, the consolidated net result for the period of PALFINGER AG would have been as follows:

EUR thousand	**Jan–Dec 2013 stated**	**Jan–Dec 2013 pro forma**
Revenue	980,673	995,571
Result after income tax	48,734	49,375
Earnings per share in EUR	1.24	1.26

ACQUISITIONS IN 2014

The following acquisitions were agreed upon and the contracts signed in 2013, but they were not closed in the financial year under review. Therefore, the respective amounts have not yet been included in the consolidated financial statements for the year ended 31 December 2013.

Palfinger systems

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

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

As an innovation leader, PALFINGER has thus strengthened its presence in the marine sector. With its worldwide production and service structures, PALFINGER is able to contribute to the continued development of the market with these products.

In the course of the acquisition of Palfinger systems, subordinate mezzanine capital of EUR 12,992 thousand was taken over. Prior to the takeover by PALFINGER AG, the minority shareholder renounced its claim to repayment, by means of a waiver including a clause, until the point in time when Palfinger systems GmbH, as the issuer, generates positive net results for the period. However, repayment by the issuer is possible at any time. It becomes mandatory as soon as Palfinger systems GmbH posts a positive net result for the period, the issuer is able to provide the necessary liquidity and PALFINGER AG resolves to pay a dividend. Until revival of the repayment obligation, the mezzanine capital will be subject to interest based on the 3-month EURIBOR interest rate plus a mark-up of 100 base points. As soon as the repayment obligation is revived, the mezzanine capital will be subject to interest based on the 3-month EURIBOR plus a mark-up of 500 base points, which will be increased to 800 base points one year after revival of the repayment obligation. It is currently impossible to predict the development of the results of Palfinger systems GmbH; therefore, when entering the mezzanine capital in the books in the course of the takeover, it was reported at a low fair value.

Moreover, in a letter of intent, Palfinger systems GmbH intended the minority shareholder the payment of a disproportional dividend. The objective was to grant, on a gradual basis, the shareholder a disproportionally high participation in the company's profits by 31 December 2025. However, the actual distribution of profits is subject to the decision of the Annual General Meeting and is resolved upon on a year-by-year basis depending on the unit's actual financial position, cash flows and result of operations. The company is under no obligation to pay a dividend. With its majority interest of 85 per cent, PALFINGER AG fully benefits from any increase in the company's value.

As neither the mezzanine capital nor the disproportional dividend arrangement provides for an obligation to supply liquid funds, these instruments meet the criteria for the classification as equity instruments laid down in IAS 32. Therefore, future payments will also be presented as part of the distribution of profits.

Megarme

On 25 November 2013, the contracts for the acquisition of the Megarme Group were signed. The takeover of 70 per cent of the shares in the Megarme Group was closed on 14 January 2014. The minority shareholders hold a put option regarding the remaining 30 per cent, entitling them to offer the remaining shares to PALFINGER. This obligation is reported under liabilities from puttable non-controlling interests.

The Megarme Group specializes in the service business and is composed of three companies in the Arab region: in Dubai, Abu Dhabi and Qatar. It provides rope access technologies applied by rope access professionals. The solutions provided by the Megarme Group supplement the innovative solutions of Palfinger systems GmbH and will facilitate and accelerate the company's market entry, primarily in the Arab region.

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

Henceforth, Palfinger systems GmbH and the Arab Megarme Group will expand PALFINGER's portfolio for the shipping and offshore industries.

Both companies offer special systems for accessing and performing repair and maintenance work on ships and oil rigs, including interior and exterior cleaning, rust and paint removal, recoating, inspection and repairs.

PALFINGER will provide not only innovative special access products of Palfinger systems but also the required highly qualified Megarme service personnel, making the newly available solutions an interesting alternative to the comparatively expensive and time-consuming scaffolding.

At the time of acquisition, the accumulated purchase price for both acquisitions, which mutually depend on each other, was allocated on the basis of the preliminarily estimated fair values as follows:

EUR thousand	**2013**
Purchase price paid in cash	17,772
Liabilities from puttable non-controlling interests	8,346
Subtotal	**26,119**
Net assets	(12,808)
Goodwill	**13,310**

The potential non-controlling interests from the mezzanine capital and the disproportional dividend are not included in the purchase price allocation, as their fair values are only marginal.

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 and the brand, have been analyzed in detail.

The goodwill generated cannot be used for tax purposes.

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

EUR thousand	**Fair value**
Non-current assets	
Intangible assets	8,270
Property, plant and equipment	10,757
Investments in associated companies	436
Deferred tax assets	32
Non-current financial assets	579
Other non-current assets	87
	20,162
Current assets	
Inventories	11,971
Trade receivables	6,973
Other current assets	1,211
Cash and cash equivalents	239
	20,394
Non-current liabilities	
Non-current financial liabilities	4,816
Non-current provisions	1,243
Deferred tax liabilities	74
	6,132
Current liabilities	
Current financial liabilities	7,326
Current provisions	761
Tax liabilities	224
Trade payables and other non-current liabilities	13,304
	21,615
Net assets	**12,808**

The trade receivables taken over have a gross value of EUR 7,590 thousand. The impairment loss for probable bad debt is EUR 617 thousand.

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

Net cash flows from the acquisitions were as follows:

EUR thousand	**2013**
Cash flows from operating activities	
Transaction costs	(132)
Cash flows from investing activities	
Purchase price paid in cash	(17,772)
Cash and cash equivalents	239
Net cash flows from the acquisitions	**(17,666)**

SANY's lifting business

PALFINGER and SANY agreed to expand their partnership by way of acquiring a 10 per cent economic interest in each other's companies. On 10 December 2013, the framework agreements for the acquisition of 10 per cent in the SANY's lifting business were signed. SANY Lifting is the unit within the SANY Group that specializes in mobile, tower and crawler cranes. The purchase price will be approx. EUR 110 million.

In turn, SANY Heavy Industries will acquire an interest of 10 per cent in PALFINGER AG. Half of the stake in PALFINGER AG to be acquired by SANY Heavy Industries (1,863,258 shares) is to take the form of new shares issued to SANY from the authorized capital of PALFINGER AG; the other half of the stake is to be effected through the acquisition of existing shares from the Palfinger family. The price payable by SANY will be EUR 29 per share.

The transaction is scheduled to be closed within the next months as soon as the official and formal approvals have been obtained.

PM-Group Lifting Machine

On 18 December 2013, PALFINGER signed the contract regulating the takeover of the majority of shares in the Russian PM Group Lifting Machine. The transaction is scheduled to be closed within the next months as soon as the official approvals have been obtained.

PM-Group Lifting Machine, headquartered in St. Petersburg, is an important Russian producer of cranes for timber and recycling. With the two brands Velmash and Solombalsky, it produces and distributes a broad range of timber and recycling cranes. The group's portfolio also includes loader cranes, stationary cranes, container handling systems and customized solutions.

For PALFINGER, this takeover means an important step in its expansion of business activities in Russia, enabling the Company to offer an extended product range and enhanced service to its customers. Moreover, sales opportunities for PM products are seen in other CIS countries.

ACQUISITIONS IN 2012

The amounts stated for the acquired net assets of the companies acquired in 2012 remained unchanged; no adjustments had to be made. For details on the acquisitions made in 2012, please refer to the 2012 consolidated financial statements.

NON-CONTROLLING INTERESTS

On 19 February 2013, Palfinger Marine- und Beteiligungs-GmbH acquired the remaining 40 per cent of the shares in Palfinger Marine Pte. Ltd. Singapore, at a purchase price of EUR 1,230 thousand. This made Palfinger Marine- und Beteiligungs-GmbH the sole shareholder. The difference between the purchase price and the adjustment of the non-controlling interests in the amount of EUR 870 thousand was directly recorded in equity as retained earnings.

On 27 November 2013, an additional 15 per cent in Guima Palfinger S.A.S., Caussade, France, were sold to the current minority shareholder Compagnie Generale Vincent, Étoile sur Rhône, France, at a purchase price of EUR 1,700 thousand, increasing the non-controlling interest from 20 per cent to 35 per cent. PALFINGER still holds control over the company. The transaction, which entered into force on 1 January 2014, has no impact on the present consolidated financial statements.

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

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

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

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

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

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

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

Joint ventures are included in the consolidated financial statements on a proportionate basis. The respective share held by PALFINGER in the assets and liabilities of joint ventures is included in the consolidated financial statements. The statement of comprehensive income of the PALFINGER Group includes the share in the income and expenses of the joint ventures on a proportionate basis. The same valuation and equity consolidation principles that apply to fully consolidated companies also apply to joint ventures.

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

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

Currency translation within the Group

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

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

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

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

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

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

	Exchange rate as at		Average exchange rate	
1 euro equals	31 Dec 2013	31 Dec 2012	Jan–Dec 2013	Jan–Dec 2012
BRL	3.2576	2.7036	2.8791	2.5220
GBP	0.8337	0.8161	0.8475	0.8137
NOK	8.3630	7.3483	7.8266	7.4840
RMB	8.3491	8.2207	8.1769	8.1461
RUB	45.3246	40.3295	42.4441	40.2354
USD	1.3791	1.3194	1.3300	1.2932

FAIR VALUE MEASUREMENT

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

The fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value, it is assumed that the transaction in the course of which the asset is sold or the liability transferred takes place either on the principal market for the asset or liability or, if there is no principal market, on the most advantageous market. PALFINGER measures fair values by taking into account all assumptions that the market participants would use as a basis for pricing and proceeding on the assumption that the market participants would act in their own best economic interest.

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

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

The fair values recognized or reported are categorized on the basis of the lowest level of input applied, as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

ACCOUNTING AND VALUATION MEASURES

(1) Intangible assets

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

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

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

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

GOODWILL

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

In order to perform impairment tests, goodwill is allocated to cash-generating units. The essential standard applied for determining whether a unit qualifies as a cash-generating unit is the assessment of its technical and commercial independence in the generation of income. The impairment test of the cash-generating unit is carried out by comparing the amortized carrying amount (including the allocated goodwill) to the higher of either the fair value less costs to sell or the value in use.

When determining the recoverable amount, assumptions regarding future development and estimates are made that might not occur as predicted.

The value in use is calculated as the present value of relevant estimated future cash flows before tax for the next four to five years on the basis of the data obtained from internal medium-term corporate planning. Medium-term corporate planning is prepared every second year. In the years in which no medium-term corporate planning is done, the estimated cash flows are adjusted on the basis of a deviation analysis. 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.

The fair value less costs to sell is determined in line with the medium-term corporate planning approved by the Management Board on the basis of the cash flows before tax of the next four to five years. Medium-term corporate planning is prepared every second year. In the years in which no medium-term corporate planning is done, the estimated cash flows are adjusted on the basis of a deviation analysis. After the detailed planning period, calculations are made using a perpetual annuity on the basis of the previous year's assumptions. The forecast cash flows are discounted to the net present value using the discounted cash flow method. The weighted average cost of capital (WACC) customary in the market and adjusted to specific risks is applied as the discount rate. 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 IFRS 3, goodwill once written down for impairment can no longer be recovered.

RESEARCH AND DEVELOPMENT

Research expenses are reported in the income statement when incurred.

Development expenses made with a view to a significant further development of a product or a process are capitalized if the product or process is feasible both from a technological and commercial point of view, the development is marketable, the expenses can be measured reliably and PALFINGER has sufficient resources to complete the development project. All other development expenses are recognized in the income statement when incurred.

Capitalized development expenses of closed projects are reported at cost less accumulated amortization. As long as a development project is not yet completed, an impairment test of the capitalized amounts accrued is carried out annually or more frequently if circumstances indicate that an impairment loss might have occurred.

(2) Property, plant and equipment

Items of property, plant and equipment are reported at cost, adjusted for straight-line depreciation. Besides direct costs, production costs also contain appropriate proportions of materials and manufacturing overhead costs and, in the case of qualifying assets, also borrowing costs. General administrative expenses are not capitalized.

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

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

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

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

In the case of asset disposals, the difference between the carrying amounts and the net realizable value is recognized in the income statement in either other operating income (realizable value higher than carrying amount) or other operating expenses (realizable value lower than carrying amount).

GOVERNMENT GRANTS

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

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

A government grant is not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received.

LEASING

In line with IAS 17, the allocation of a leased asset to the lessor or lessee is based on the transfer of all material risks and rewards incidental to ownership of the asset.

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

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

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

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

Investment property is measured at cost less accumulated depreciation. Depreciation on the building is performed on a straight-line basis over a period of 25 years. The fair value of investment property is determined on the basis of internal calculations.

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

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

(5) Contract manufacturing
Receivables from projects and sales in this connection are recognized in accordance with the percentage of completion. Projects are characterized by the fact that they are agreed on the basis of individual contractual terms with fixed prices. The percentage of completion is determined by means of the cost-to-cost method. Reliable estimates of the total costs of the contracts, the selling prices and the actual costs incurred are available on a monthly basis. The estimated profits from the contracts are realized in proportion to calculated sales. When applying the cost-to-cost method, sales and contract revenue are recognized in proportion of the manufacturing costs actually incurred to the expected total costs. Losses are booked through the income statement as soon as they are identified. For technological and financial risks that might occur during the remaining term of the project, an individual estimate is made for each contract and the corresponding amounts are reported in estimated total costs. Imminent losses resulting from the measurement of projects not yet invoiced are immediately recorded as expenses. Imminent losses are realized if total contract costs are likely to exceed the contract revenue.

(6) Financial instruments

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

When they are recognized initially, financial assets are measured at fair value. In the case of financial investments that are not recognized at fair value through the income statement, transaction costs are recognized as well. These costs are directly allocable to the acquisition of the assets.

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

The fair value of financial instruments is 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. The fair value is frequently identical to the market price, and therefore its calculation is based on market information available at the balance sheet date. The values listed may diverge from values realized later due to varying determinants.

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.

SECURITIES AND OTHER SHAREHOLDINGS

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

LOANS

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

RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

LIABILITIES

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

LIABILITIES FROM PUTTABLE NON-CONTROLLING INTERESTS

Liabilities from puttable non-controlling interests are measured at the fair value of the interests held by the non-controlling shareholders in the subsidiaries. The fair value is calculated internally using acknowledged calculation models on the basis of market interest rates of identical assets with the same duration. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.

PROVISIONS

The financial instruments contained in the provisions are measured at fair value. The fair value is calculated internally using acknowledged calculation models on the basis of market interest rates of identical assets with the same duration. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments that do not satisfy the criteria for hedge accounting laid down in IAS 39 are classified as held for trading according to IAS 39 and recognized at their fair values through the income statement.

CASH FLOW HEDGE

In order to minimize the risk of fluctuations with respect to payments received in the future, expected foreign currency income in US dollars for the following financial year is hedged in the PALFINGER Group by means of forward foreign exchange contracts. The special hedge accounting principles as stipulated by IAS 39 are applied to ensure compensation on an accrual basis for the effects of hedged transactions and the hedging instrument in the income statement. The market value of forward contracts arising from the valuation of forward contracts at the balance sheet date after deduction of deferred taxes is reported in the balance sheet under 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.

(7) Stock option programme

The Annual General Meeting on 25 March 2009 resolved to set up a stock option programme in the form of an equity-settled plan for members of the Supervisory and Management Boards and to grant 250,000 stock options under this programme to Alexander Exner, former Chairman of the Supervisory Board (retired from the Supervisory Board on 30 March 2011), Supervisory Board member Alexander Doujak (member and Chairman of the Supervisory Board from 13 December 2010 to 9 December 2013), and to Management Board members Herbert Ortner, Wolfgang Pilz and Martin Zehnder.

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

The following applies to the 2009 stock option programme: The entitled holders were/are entitled to exercise one stock option in exchange for one share each at an exercise price of EUR 10.12. The holders were/are entitled to exercise the stock options (one half each) on two exercise dates. In order to exercise stock options on exercise date 1 in 2012, the average ratio of earnings before taxes (EBT) and revenue for each of the three balance sheet dates preceding the exercise date, as reported in the consolidated financial statements of PALFINGER AG, had to be at least 3 per cent; in order to exercise stock options on exercise date 2 in 2014, the corresponding ratio must be at least 5 per cent.

The maximum number of shares available for subscription is equivalent to the number of options issued. In the case of an EBT ratio of less than 3 per cent or 5 per cent, respectively, holders were/are not entitled to exercise options or subscribe to shares. With an EBT ratio of 3 or 5 per cent, entitled persons had/have the right to exercise 25 per cent of their stock options on the relevant exercise date. In the case of an EBT ratio exceeding 3 or 5 per cent, the number of stock options that a holder was/is entitled to exercise on the relevant exercise date rose/rises in linear progression up to an EBT ratio of 7 per cent (exercise date 1 in 2012) or 11 per cent (exercise date 2 in 2014).

The Annual General Meeting on 31 March 2010 resolved to grant 50,000 stock options to Christoph Kaml, member of the Management Board.

The following applies to the 2010 stock option programme: Each stock option may be exercised in exchange for one share at an exercise price of EUR 16.57. The stock options may be exercised (one half each) at two exercise dates. In order to be able to exercise stock options, the average ratio of earnings before taxes (EBT) and revenue as reported in the consolidated financial statements of PALFINGER AG must have been at least 4 per cent (exercise date 1 in 2013) or 5 per cent (exercise date 2 in 2015) for each of the three balance sheet dates preceding the date the option is exercised.

The maximum number of shares available for subscription is equivalent to the number of options issued. If the EBT ratio is less than 4 or 5 per cent, no options may be exercised and there is no entitlement to subscription. If the EBT ratio is 4 or 5 per cent, the entitled person enjoys the right to exercise 25 per cent of his stock options at the relevant exercise date. If the EBT ratio exceeds 4 or 5 per cent, the number of stock options that may be exercised by a person at the relevant exercise date rises in linear progression up to an EBT ratio of 9 or 11 per cent.

The fair value of the options granted is recognized as an employee benefits expense and offset against additional paid-in capital in equity. The fair value is determined at the date the option is granted and expensed over a period during which the employees acquire the unconditional entitlement to the options granted (vesting period). A Monte Carlo simulation is used to determine the fair value of options, taking into account the terms and conditions on which the options were granted. The amount, which is to be reported as an expense, is adjusted to take into account the effect of anticipated employee turnover in order to reflect the expected actual number of options that may be exercised in the future.

In 2013, 12,500 options were exercised under the 2010 stock option programme; the remaining options from the 2010 programme, which could have been exercised in 2013, lapsed. Given that the former Chairman Alexander Doujak retired from the Supervisory Board, his stock options under the 2009 stock option programme no longer exist. Thus, changes in stock options were as follows:

	Herbert Ortner		Christoph Kaml		Wolfgang Pilz		Martin Zehnder		Alexander Exner		Alexander Doujak		Total	
Development of stock options	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
As at 1 Jan	40,000	80,000	50,000	50,000	25,000	50,000	25,000	50,000	0	10,000	15,000	30,000	155,000	270,000
Options exercised	0	(10,000)	(12,500)	0	0	(6,250)	0	(6,250)	0	(2,500)	0	(3,750)	(12,500)	(28,750)
Options lapsed	0	(30,000)	(12,500)	0	0	(18,750)	0	(18,750)	0	(7,500)	(15,000)	(11,250)	(27,500)	(86,250)
As at 31 Dec	40,000	40,000	25,000	50,000	25,000	25,000	25,000	25,000	0	0	0	15,000	115,000	155,000
Exercise price of options exercised		10.12	16.57			10.12		10.12		10.12		10.12		
Share price at date of exercise		18.01	20.46			18.01		18.01		19.71		17.72		

The remaining options are as follows:

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

*Valuation model used: Monte Carlo simulation.

(8) Long-term employment benefits

DEFINED BENEFIT PLANS

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

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.

Employees whose employment contract is governed by Austrian law and whose employment status started before 1 January 2003 are entitled to a severance payment if their contract is terminated by the employer or if they leave the company early for good cause, provided that their employment lasted for three years without interruptions. In addition, if their employment lasted for at least ten years, they are entitled to a severance payment upon any kind of termination of employment when they have reached the statutory pensionable age. The amount of the severance payment depends on the amount of the remuneration paid at the time of termination and the length of service.

Provisions for pensions and other post-employment benefits as well as for severance payments and anniversary bonuses are valued using the projected unit credit method. Under this method, anticipated benefits are distributed over the working lifespan of the employees until retirement. Anticipated future salary increases are taken into account. The amounts of the provisions are determined on the basis of an actuarial opinion prepared by an actuary as at the balance sheet date. The discount rate is determined on the basis of the yield of first-class, fixed-interest industrial bonds, i.e. a rating of AA or higher. The terms of these bonds correspond to the expected maturities of the defined benefit plans.

According to IAS 19, remeasurements are recognized in the balance sheet 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 to such defined contribution plans are recognized as expenses in the period for which they are paid.

OTHER LONG-TERM EMPLOYMENT BENEFITS

Other long-term employment benefits refer primarily to collective bargaining commitments for payment of anniversary bonuses depending on years of service for the employees of Austrian and Slovenian companies. In accordance with IAS 19, remeasurements are recognized as employee benefits expenses in the income statement if they relate to provisions for anniversary bonuses.

A bonus agreement was concluded with the members of the Management Board for the achievement of a long-term increase in corporate value; these bonuses will be paid out in 2016 provided that the agreed benchmarks are achieved. This obligation is contained in other non-current provisions.

A long-term bonus agreement for executives has been in place since 2013; these bonuses will be paid out in 2018 provided that the agreed benchmarks are achieved. This obligation is contained in other non-current provisions.

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

(10) Liabilities from puttable non-controlling interests
Puttable or fixed-term interests held by non-controlling shareholders of subsidiaries constitute financial liabilities and are reported under liabilities from puttable non-controlling interests. At first, the liabilities are recognized at fair value, which, as a rule, corresponds to the fair value of the interest held by the non-controlling shareholder in the subsidiary at the time the obligation was entered into. Provided that the other shareholders are the beneficial owners of the interests, the results and payments are still attributed to the non-controlling interests. At the balance sheet date, they are reclassified to liabilities, and differences, if any, between the non-controlling interest and the obligation are presented under retained earnings. If, however, the other shareholders are not the beneficial owners, they are presented as an accelerated acquisition and measurement subsequent to initial recognition is made through the income statement.

(11) Income tax
Tax receivables and tax liabilities are offset when they relate to the same tax authority and the Company has a right to offset the items.

According to the liability method, deferred tax is reported on temporary differences between the amounts recognized under IFRS and those recognized in the tax balance sheet as well as on tax-loss carry forwards. Temporary differences are reported whenever they give rise to deferred tax liabilities. Deferred tax assets are only recognized if it is probable that the relevant tax benefits will actually be realized.

Deferred tax is calculated using the tax rate expected to apply at the balance sheet date when the temporary differences reverse. As a rule, all changes in taxes result in tax expenses and/or income. Taxes on items reported in other comprehensive income are reported in other comprehensive income. Taxes on items directly reported in equity are directly recognized in equity.

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

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

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

(14) Adjustments with retrospective effect

PALFINGER AG is an internationally operating manufacturing company. On an international level, particularly in the manufacturing industry, the presentation of income statements prepared using the cost of sales method is by far more frequently used and has a higher informative value than the previously used total cost method. This circumstance has now been taken into account by changing the format of the consolidated income statement. With the new format, the results of the operations of PALFINGER AG are being presented in a more reliable and relevant manner. The consolidated income statements prepared according to the total cost method and the cost of sales method have been reconciled in the notes to the consolidated income statement. A reconciliation of the results from the cost of sales method to the total cost method is presented in Note (36).

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

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

The application of **IFRS 13 Fair Value Measurement** became mandatory for the first time for the period starting on 1 January 2013. IFRS 13 lists the criteria to be met when determining the fair value and has no material impact on the consolidated financial statements. The first-time application of IFRS 13 results in additional information to be disclosed in the notes.

The amended standard **IAS 1 Financial Statement Presentation** resulted in a revised presentation of the statement of comprehensive income. The individual items of other comprehensive income are to be divided into items that will not be reclassified to the income statement and items that will be reclassified to the income statement if certain criteria are met. The statement of comprehensive income has been adjusted accordingly.

In June 2011, the IASB published amendments of **IAS 19 Employee Benefits**, providing detailed guidance in particular regarding the accounting requirements for post-employment benefits. As a result of the removal of options and smoothing mechanisms, the full net obligation arising from defined benefit plans has to be recognized in the balance sheet. Consequently, actuarial gains and losses , which are now referred to as remeasurements, will henceforth be immediately recognized in other comprehensive income and can no longer be recycled later. In addition, non-vesting past service cost has to be recognized immediately in profit or loss. Moreover, the disclosure obligations in connection with defined benefit plans were expanded. The new standard was adopted by the European Commission on 5 June 2012, and its application is to be mandatory for the first time in financial years starting on or after 1 January 2013.

As PALFINGER already recognizes actuarial gains and losses directly in other comprehensive income if they relate to provisions for pensions and other post-employment benefits or for severance payments, only slight changes in the accounting of defined benefit plans will become necessary. However, in the financial statements for the year ended 31 December 2013, additional disclosures such as a sensitivity analysis will be required for the material actuarial assumptions and parameters.

The amendment of **IAS 36 Impairments** regarding the recoverable amount disclosures for non-financial assets was adopted by the European Commission on 19 December 2013. Application of the new provisions is mandatory for periods beginning on or after 1 January 2014. However, PALFINGER has applied this amendment ahead of time. The amendment removes the unintended consequences of IFRS 13 for the disclosure obligations according to IAS 36 and requires the disclosure of the fair values of assets or cash-generating units only if an impairment loss or the reversal of an impairment loss was recognized for such assets during the financial year.

The following new, revised and/or supplemented IASB standards and IFRS IC interpretations, whose application was mandatory for the first time in the 2013 financial year, are of no relevance for the consolidated financial statements of PALFINGER AG:

Standards/interpretations	Mandatory application	Endorsement status
IAS 12 Income Taxes – Recovery of Underlying Assets (published in: December 2010)	1 January 2013	Endorsed in December 2012
IFRS 1 Government Loans (published in: March 2012)	1 January 2013	Endorsed in March 2012
IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (published in: December 2011)	1 January 2013	Endorsed in December 2012
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (published in: September 2011)	1 January 2013	Endorsed in December 2012
Improvements to IFRS (2009–2011) (published in: May 2012)	1 January 2013	Endorsed in March 2013

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

Standards/interpretations	Mandatory application
IAS 19 Defined Benefit Plans: Employee Contributions (published in: November 2013)	1 July 2014
IAS 27 Separate Financial Statements (published in: May 2011)	1 January 2014
IAS 28 Investments in Associates and Joint Ventures (published in: May 2011)	1 January 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities (published in: December 2011)	1 January 2014
IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (published in: June 2013)	1 January 2014
IFRS 9 Financial Instruments: Classification and Measurement (published in: November 2009)	1 January 2015
IFRS 9 Financial Instruments: Hedge Accounting (published in: November 2013)	1 January 2015
IFRS 10 Consolidated Financial Statements (published in: May 2011)	1 January 2014
IFRS 11 Joint Arrangements (published in: May 2011)	1 January 2014
IFRS 12 Disclosure of Involvement with Other Entities (published in: May 2011)	1 January 2014
IFRIC 21 Levies	1 January 2014
Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
Improvements to IFRS (2010–2012) (published in: December 2013)	1 July 2014
Improvements to IFRS (2011–2013) (published in: December 2013)	1 July 2014

In May 2011, the IASB issued three new standards dealing with the treatment of subsidiaries in consolidated financial statements, joint arrangements and the disclosure of interests in other entities. **IFRS 10 Consolidated Financial Statements** provides for a new and more comprehensive definition of the term "control" with the purpose of creating a uniform basis for defining the scope of consolidation. According to the new concept, an investor controls an investee when the investor has the power to decide on relevant processes, has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IAS 27 will henceforth only contain provisions on the accounting of interests in subsidiaries in separate financial statements.

The new standard **IFRS 11 Joint Arrangements**, which supersedes IAS 31, governs the accounting of joint operations and joint ventures. In future, joint ventures are to be posted in the consolidated financial statements using the equity method pursuant to IAS 28; the option of proportionate consolidation will no longer apply.

IFRS 12 contains the necessary disclosures regarding interests in subsidiaries, joint arrangements and interests in associates, which still have to be posted pursuant to IAS 28. The information to be disclosed is significantly more comprehensive than previously prescribed under IAS 27, 28 and 31.

The European Commission endorsed these standards on 11 December 2012. The application of these new standards within the EU will become mandatory at the latest for financial years starting on or after 1 January 2014. PALFINGER will apply the new standards starting from that point in time.

The impact of the amendment of consolidation standards with respect to joint ventures is currently being reviewed by PALFINGER. The Company does not expect the new, revised and/or supplemented standards to have any major impact on its consolidated financial statements. The application of IFRS 12 will make it necessary to disclose additional information 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.

(16) Purchase price allocations

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

(17) Impairment of non-financial assets

The impairment tests performed by PALFINGER regarding goodwill, intangible assets with indefinite useful lives and uncompleted capitalized development projects are based on calculations of the value in use, for the purpose of which a discounted cash flow model was applied. The recoverable amount strongly depends on the discount rates used under the discounted cash flow model and the expected future cash inflows.

Further details on the impairment of non-financial assets are presented in Note (42) Intangible assets and Note (43) Property, plant and equipment.

(18) Development expenditure

Development expenditure is capitalized in accordance with the accounting and valuation method presented. The initial capitalization of these costs is based on the management's assessment that the development's feasibility from a technical and economic point of view is proven. This is usually the case when a product development project has reached a specific milestone of an existing project management model. For the purpose of determining the amount to be capitalized, the management makes assumptions on the amount of the expected future cash flows from the project, the discount rates to be applied and the time period in which the expected future benefits are to be received. On 31 December 2013, the carrying amount of the capitalized development expenditure was EUR 21,306 thousand (previous year: EUR 17,657 thousand) and included primarily development services in cranes, access platforms, tail lifts, services and railway systems. The impairment test is geared to the benefit of the individual assets, irrespective of the profit expectations of the entire area.

(19) Measurement of receivables

Besides standardized measurement of receivables on the basis of experience regarding days overdue and country risk, the probability of receiving payment is taken into consideration by means of specific bad-debt allowances. In doing so, primarily previous experience with the respective customers, their creditworthiness and available collateral, if any, are taken into account.

In the 2013 financial year, bad-debt allowances amounting to EUR 5,474 thousand (previous year: EUR 6,248 thousand) were reported.

(20) Measurement of inventories

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

Further details on impairment losses recognized for inventories are presented in Note (49) Inventories.

(21) Deferred tax assets

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

Further details on deferred taxes are disclosed in Note (46) Deferred tax assets and liabilities.

(22) Pensions, severance payments and anniversary bonuses

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

The future increases in wages and salaries as well as pension payments are based on the anticipated future inflation rates for the respective countries.

Further details on the assumptions used are presented in Note (63) Non-current provisions.

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

In the 2013 financial year, the provisions for guarantee and warranty expenses amounted to EUR 11,527 thousand (previous year: EUR 12,124 thousand).

(24) Liabilities from puttable non-controlling interests
This item comprises puttable and fixed-term interests that are reported at fair value. As their fair value depends on the development of earnings of the entities concerned, a change in fair value may become necessary should the development be different than expected. These estimates are based on the medium-term corporate strategic planning of the PALFINGER Group.

For details, please refer to Note (61) and the explanations regarding financial instruments.

(25) Other non-current provisions
The item other non-current provisions comprises purchase price portions not yet fallen due that depend on the future development of the earnings of the acquired entities. Therefore, a change in the expected underlying values may result in an adjustment of the reported values through profit and loss. These estimates are based on the medium-term corporate strategic planning of the PALFINGER Group.

For details, please refer to Note (63) and the explanations regarding financial instruments.

(26) Cash flow hedge
For the purposes of cash flow hedge accounting, a high probability of the respective cash flows' actually occurring is assumed.

(27) Changes in estimates
No major changes in estimates were made in the 2013 financial year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(28) Revenue

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
European Union	498,151	502,290
Rest of Europe	42,045	40,885
North America	198,510	192,675
Central and South America	89,771	82,673
CIS	53,012	44,382
Middle East and Africa	27,724	17,363
Far East	71,460	54,947
Total	**980,673**	**935,215**

Thanks to the consistent implementation of PALFINGER's internationalization strategy, revenue generated outside Europe has been continuously rising. This is why the revenue achieved in the areas went up significantly, primarily as a result of the Marine business area's higher growth. Europe saw a recovery in the second half of 2013, and the acquisition of Nimet also contributed to higher revenue.

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

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Revenue invoiced	928,835	915,164
Revenue from contract manufacturing	51,838	20,051
Total	**980,673**	**935,215**

Revenue from contract manufacturing rose primarily as a consequence of the successful integration of Palfinger Dreggen AS, Bergen, Norway, and the large-scale offshore orders obtained.

(29) Other operating income

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Income from the disposal of intangible assets and property, plant and equipment	366	3,243
Income from the reversal of impairment losses on intangible assets and property, plant and equipment	0	455
Income from the reversal of provisions	1,678	2,648
Income from charges for services	3,075	3,868
Exchange rate differences	2,872	2,101
Insurance income	1,119	168
Rental income	864	557
Miscellaneous other operating income	2,288	2,666
Total	**12,262**	**15,706**

In 2013, other operating income of EUR 1,678 thousand (previous year: EUR 2,648 thousand) related to the reversal of a purchase price liability from acquisitions, as the local results generated by the unit make the utilization of this liability unlikely.

Income from the disposal of intangible assets as well as property, plant and equipment primarily concern disposals of other plants as well as fixtures, fittings and equipment in the USA and, in the previous year, the sale of real property in Austria and France.

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

(30) Cost of sales

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Changes in inventories and own work capitalized	20,472	582
Materials and external services	(525,586)	(494,718)
Employee benefits expenses	(155,892)	(145,610)
Depreciation, amortization and impairment	(22,364)	(19,094)
Outgoing freight costs	(14,597)	(12,182)
Guarantees and warranties	(9,433)	(12,625)
Repairs and maintenance	(6,619)	(6,293)
Rentals and leases	(4,908)	(3,923)
Commissions	(4,813)	(4,180)
Temporary workers and other third-party services	(4,744)	(4,306)
Energy infrastructure	(4,010)	(3,050)
Travel expenses	(3,229)	(2,478)
Vehicle fleet	(2,293)	(2,513)
Miscellaneous other expenses	(6,673)	(6,991)
Total	**(744,689)**	**(717,381)**

Cost of sales increased at a lower rate than revenue. Due to higher capacity utilization, efficiency was enhanced.

(31) Research and development costs

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Changes in inventories and own work capitalized	7,026	4,783
Materials and external services	(1,001)	(950)
Employee benefits expenses	(22,178)	(19,039)
Depreciation, amortization and impairment	(1,204)	(1,062)
Income from research grants	1,178	1,267
Consultancy services	(1,831)	(1,519)
Temporary workers and other third-party services	(1,712)	(1,508)
Travel expenses	(933)	(852)
Miscellaneous other expenses	(1,498)	(1,196)
Total	**(22,153)**	**(20,076)**

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

Amortization of development costs in the amount of EUR 2,877 thousand (previous year: EUR 1,947 thousand) is reported under cost of sale. Therefore, total research and development expenses come to EUR 25,030 thousand (previous year: EUR 22,223 thousand), hence 2.5 per cent (previous year: 2.4 per cent) of revenue.

In 2013, development costs totalling EUR 6,704 thousand (previous year: EUR 5,373 thousand) were capitalized, resulting in total investments (additions plus research and development costs) of EUR 28,857 thousand (previous year: EUR 25,449 thousand), hence 2.9 percent (previous year: 2.7 per cent) of revenue.

(32) Distribution costs

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Changes in inventories and own work capitalized	(152)	(96)
Materials and external services	(1,332)	(2,055)
Employee benefits expenses	(43,927)	(40,956)
Depreciation, amortization and impairment	(4,088)	(4,028)
Advertising, representation and market costs	(6,913)	(6,224)
Travel expenses	(5,722)	(5,028)
Temporary workers and other third-party services	(2,703)	(1,681)
Vehicle fleet	(2,463)	(2,470)
Transport costs	(1,490)	(1,684)
Consultancy services	(1,279)	(1,564)
Office and IT expenses	(1,241)	(1,353)
Miscellaneous other expenses	(2,517)	(2,292)
Total	**(73,827)**	**(69,431)**

Other expenses under distribution costs rose mainly as a result of an increase in travel expenses and third-party services, owing to the increased internationalization of the Group.

(33) Administrative expenses

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Changes in inventories and own work capitalized	0	69
Materials and external services	(375)	(749)
Employee benefits expenses	(40,669)	(36,958)
Depreciation, amortization and impairment	(3,714)	(5,312)
Consultancy services	(9,359)	(6,557)
Temporary workers and other third-party services	(6,200)	(5,667)
Office and IT expenses	(3,863)	(3,861)
Travel expenses	(2,832)	(2,521)
Vehicle fleet	(2,555)	(2,511)
Advertising, representation and market costs	(2,134)	(2,182)
Rentals and leases	(1,936)	(1,771)
Taxes other than those on income	(1,782)	(1,695)
Insurance	(1,737)	(1,707)
Miscellaneous other expenses	(1,567)	(1,611)
Total	**(78,723)**	**(73,033)**

The rise in other expenses under administrative expenses is connected with PALFINGER's international acquisition projects.

FEES CHARGED BY THE AUDITOR

For services provided in the 2013 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 2013	Jan–Dec 2012
Audit of the consolidated financial statements and related certification services (including reviews)	(754)	(785)
of which Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	(276)	(187)
Tax advice	(160)	(79)
Other services	(278)	(13)
Total	**(1,192)**	**(877)**

(34) Other operating expenses

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Losses on the disposal of intangible assets and property, plant and equipment	(294)	(366)
Losses on bad debt and impairment losses	(280)	(178)
Exchange rate differences	(4,982)	(1,833)
Damage costs	(1,043)	(305)
Miscellaneous other operating expenses	(2,860)	(4,191)
Total	**(9,459)**	**(6,873)**

EUR 760 thousand in damage costs concerns hail and storm damage in the USA.

(35) Income from associated companies

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

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Share in the net result for the period	2,794	4,158
Income from the disposal of associated companies	81	169
Income from revaluation of investments in associated companies due to acquisition	7,162	0
Total	**10,037**	**4,327**

The income from the revaluation of investments in associated companies in the amount of EUR 7,162 thousand results from the remeasurement of the 40 per cent share previously held in Nimet Srl, Lazuri, Romania, due to the obtaining of control over the company. The fair value of interests already held of 40 per cent amounts to EUR 8,320 thousand. This is a non-recurring Level 2 fair value measurement. The fair value of interests already held was determined on the basis of the transaction price payable for the newly acquired shares.

(36) Reconciliation of the results from the cost of sales method to the total cost method

As of the 2013 financial year, the consolidated income statement is no longer being prepared using the total cost method but according to the cost of sales method. The reconciliation from one method to the other is as follows:

Jan–Dec 2012

	Changes in inventories and own work capitalized	Materials and external services	Employee benefits expenses	Depreciation, amortization, and impairment	Other income	Other expenses	Total
Cost of sales	582	(494,718)	(145,610)	(19,094)	0	(58,541)	(717,381)
Other operating income	0	0	0	0	16,253	(547)	15,706
Research and development costs	4,783	(950)	(19,039)	(1,062)	1,267	(5,075)	(20,076)
Distribution costs	(96)	(2,055)	(40,956)	(4,028)	0	(22,296)	(69,431)
Administrative expenses	69	(749)	(36,958)	(5,312)	0	(30,083)	(73,033)
Other operating expenses	0	0	0	0	0	(6,873)	(6,873)
Total	**5,338**	**(498,470)**	**(242,563)**	**(29,496)**	**17,520**	**(123,417)**	**(871,088)**

Jan–Dec 2013

	Changes in inventories and own work capitalized	Materials and external services	Employee benefits expenses	Depreciation, amortization, and impairment	Other income	Other expenses	Total
Cost of sales	20,472	(525,586)	(155,892)	(22,364)	0	(61,319)	(744,689)
Other operating income	0	0	0	0	12,262	0	12,262
Research and development costs	7,026	(1,001)	(22,178)	(1,204)	1,178	(5,974)	(22,153)
Distribution costs	(152)	(1,332)	(43,927)	(4,088)	0	(24,328)	(73,827)
Administrative expenses	0	(375)	(40,669)	(3,714)	0	(33,965)	(78,723)
Other operating expenses	0	0	0	0	0	(9,459)	(9,459)
Total	**27,346**	**(528,294)**	**(262,666)**	**(31,370)**	**13,440**	**(135,046)**	**(916,590)**

(37) Materials and external services

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Cost of materials	(493,389)	(472,819)
Cost of external services	(34,905)	(25,651)
Total	**(528,294)**	**(498,470)**

For details on the impairment losses on inventories reported under cost of materials, see Note (49) 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.

(38) Employee benefits expenses

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Wages and salaries	(204,050)	(188,777)
Expenses for severance payments	(2,707)	(1,746)
Pension expenses	(1,939)	(2,260)
Expenses for statutory social security contributions and other pay-related contributions	(43,033)	(39,953)
Other employee benefits	(10,937)	(9,827)
Total	**(262,666)**	**(242,563)**

Expenses for severance payments include payments made to external severance pay funds for employees, totalling EUR 561 thousand (previous year: EUR 503 thousand).

Pension expenses include expenses under defined contribution plans amounting to EUR 1,811 thousand (previous year: EUR 2,143 thousand).

EUR 21 thousand (previous year: EUR 39 thousand) in employee benefits expenses relating to the granting of stock options as part of the stock option programme and in accordance with IFRS 2 were reported in the 2013 financial year.

(39) Depreciation, amortization and impairment expenses

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Depreciation and amortization	(30,970)	(29,496)
Impairment	(400)	0
Total	**(31,370)**	**(29,496)**

The development of depreciation, amortization and impairment is discussed in detail in Note (42) Intangible assets, Note (43) Property, plant and equipment and Note (44) Investment property.

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(40) Interest result and other financial result

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

Jan–Dec 2012		Financial instruments acc. to IAS 39		Financial instruments acc. to IAS 39					
EUR thousand	Total	Loans and receivables	At amortized cost	Available for sale	Held for trading/ other derivatives	Other non-current provisions	Non-current provisions acc. to IAS 19	Finance lease	Redemption earn-out
Interest income	598	559	0	0	0	0	39	0	0
Interest expenses from financial liabilities	(7,277)	0	(7,215)	0	0	0	0	(62)	0
Other interest expenses	(8,249)	0	(24)	0	(251)	(2,126)	(1,030)	0	(4,818)
Interest result	**(14,928)**	**559**	**(7,239)**	**0**	**(251)**	**(2,126)**	**(991)**	**(62)**	**(4,818)**
Income from the disposal of financial assets	133	0	0	133	0	0	0	0	0
Loss from the disposal of financial assets	(293)	(185)	0	(108)	0	0	0	0	0
Write-up of financial assets	825	0	0	38	787	0	0	0	0
Exchange rate differences	(466)	(366)	(55)	0	(45)	0	0	0	0
Net result	**199**	**(551)**	**(55)**	**63**	**742**	**0**	**0**	**0**	**0**
Net financial result	**(14,729)**	**8**	**(7,294)**	**63**	**491**	**(2,126)**	**(991)**	**(62)**	**(4,818)**

Jan–Dec 2013		Financial instruments acc. to IAS 39		Financial instruments acc. to IAS 39					
EUR thousand	Total	Loans and receivables	At amortized cost	Available for sale	Held for trading/ other derivatives	Other non-current provisions	Non-current provisions acc. to IAS 19	Finance lease	Redemption earn-out
Interest income	769	666	0	0	0	103	0	0	0
Interest expenses from financial liabilities	(10,187)	0	(9,846)	0	0	0	0	(341)	0
Other interest expenses	(2,177)	0	(167)	0	(414)	(668)	(928)	0	0
Interest result	**(11,595)**	**666**	**(10,013)**	**0**	**(414)**	**(565)**	**(928)**	**(341)**	**0**
Income from the disposal of financial assets	42	0	0	42	0	0	0	0	0
Write-up of financial assets	3	0	0	3	0	0	0	0	0
Impairment of financial assets	(13)	0	0	(13)	0	0	0	0	0
Exchange rate differences	(1,436)	(665)	(75)	0	(696)	0	0	0	0
Net result	**(1,404)**	**(1,505)**	**(75)**	**32**	**144**	**0**	**0**	**0**	**0**
Net financial result	**(12,999)**	**(839)**	**(10,088)**	**32**	**(270)**	**(565)**	**(928)**	**(341)**	**0**

In the previous year, other interest expenses primarily related to the payment of higher interest in connection with the redemption of the earn-out obligation Marine, as well as interest cost for provisions.

(41) 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 2013	Jan–Dec 2012
Effective tax expense (–)/income (+)	(7,239)	(10,326)
thereof from previous years	(92)	160
Deferred tax expense (–)/income (+)	(5,149)	2,057
thereof from the recognition of tax-loss carry forwards from previous years	175	2,046
thereof due to tax rate changes	151	212
thereof from the adjustment of tax-loss carry forwards	(1,734)	0
Total	**(12,388)**	**(8,269)**

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

The Group's effective tax rate in relation to the result before income tax was 20.3 per cent (previous year: 15.4 per cent).

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Result before income tax	61,122	53,725
Income tax expense	(12,388)	(8,269)
Effective tax rate	**20.3%**	**15.4%**

CALCULATION OF THE EFFECTIVE TAX RATE

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

EUR thousand	31 Dec 2013	31 Dec 2012
Result before income tax	**61,122**	**53,725**
Tax rate payable by the Group	25.0%	25.0%
Book income tax expense	**15,281**	**13,431**
Adjustment to foreign tax rates	(411)	81
Tax-reducing factors		
Research and education allowances	(502)	(380)
Government grants	(305)	(493)
Tax rate changes	(39)	(15)
Tax-free income from investments	(2,509)	(1,082)
Other income not subject to tax	(580)	(110)
Recognition and use of loss carry forwards from previous years	(175)	(2,046)
Income tax from previous years	(501)	(177)
Valuation of investments and intra-Group transfers of investments	(2,147)	(2,712)
	(6,758)	**(7,015)**
Tax-increasing factors		
Tax rate changes	190	227
Non-capitalized loss carry forwards	740	117
Impairment of loss carry forwards	1,734	0
Non-tax-deductible expenses	764	683
Minimum taxes	97	123
Income tax from previous years	593	17
Non-deductible withholding taxes	54	68
Valuation of investments	104	537
	4,276	**1,772**
Income tax expense	**12,388**	**8,269**

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(42) Intangible assets

The following table shows the movement in intangible assets:

EUR thousand	Goodwill	Intangible assets with indefinite useful lives	Development expenditure	Brands, customer base and order backlog	Other intangible assets	Total
Acquisition cost						
As at 1 Jan 2012	**92,874**	**21,503**	**15,332**	**45,612**	**14,438**	**189,759**
Corporate acquisitions and disposals	13,568	0	966	0	(5)	14,529
Additions	0	0	5,373	0	1,120	6,493
Disposals	0	0	0	(3,487)	(38)	(3,525)
Reclassifications	0	0	402	0	173	575
Foreign currency translation	416	(161)	(28)	(142)	(202)	(117)
As at 31 Dec 2012	**106,858**	**21,342**	**22,045**	**41,983**	**15,486**	**207,714**
As at 1 Jan 2013	**106,858**	**21,342**	**22,045**	**41,983**	**15,486**	**207,714**
Corporate acquisitions	6,050	5,125	0	1,397	116	12,688
Additions	0	4	6,704	0	2,346	9,054
Disposals	0	0	0	0	(923)	(923)
Reclassifications	0	0	(4)	0	8	4
Foreign currency translation	(3,658)	(960)	(217)	(1,525)	(372)	(6,732)
As at 31 Dec 2013	**109,250**	**25,511**	**28,528**	**41,855**	**16,661**	**221,805**
Accumulated amortization and impairment						
As at 1 Jan 2012	**0**	**0**	**2,450**	**25,535**	**11,402**	**39,387**
Corporate acquisitions and disposals	0	0	0	0	(6)	(6)
Amortization	0	0	1,947	4,081	1,291	7,319
Reversal of impairment losses	0	0	0	(455)	0	(455)
Disposals	0	0	0	(3,487)	(38)	(3,525)
Foreign currency translation	0	0	(9)	(293)	(144)	(446)
As at 31 Dec 2012	**0**	**0**	**4,388**	**25,381**	**12,505**	**42,274**
As at 1 Jan 2013	**0**	**0**	**4,388**	**25,381**	**12,505**	**42,274**
Corporate acquisitions	0	0	0	0	71	71
Amortization	0	0	2,877	3,667	1,500	8,044
Disposals	0	0	0	0	(880)	(880)
Reclassifications	0	0	(7)	0	7	0
Foreign currency translation	0	0	(36)	(1,075)	(300)	(1,411)
As at 31 Dec 2013	**0**	**0**	**7,222**	**27,973**	**12,903**	**48,098**
Carrying amounts as at 31 Dec 2012	**106,858**	**21,342**	**17,657**	**16,602**	**2,981**	**165,440**
Carrying amounts as at 31 Dec 2013	**109,250**	**25,511**	**21,306**	**13,882**	**3,758**	**173,707**

Additions to other intangible assets relate to patents, licenses and software.

GOODWILL

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

EUR thousand	31 Dec 2013	31 Dec 2012
Business area EMEA cash-generating unit	49,670	43,792
Business area Marine cash-generating unit	40,750	42,222
ETI cash-generating unit	5,328	5,569
Business area CIS cash-generating unit	12,259	13,777
Business area South America cash-generating unit	1,243	1,498
Total	**109,250**	**106,858**

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

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

EUR thousand	31 Dec 2013	31 Dec 2012
Business area EMEA cash-generating unit		
MBB brand	5,840	5,840
Nimet brand	5,026	0
Business area North America (excl. ETI) cash-generating unit		
Dealer network	5,896	6,163
OMAHA STANDARD brand	1,608	1,680
American Roll-off brand	501	522
ETI cash-generating unit		
ETI brand	4,130	4,316
Business Area CIS cash-generating unit		
INMAN brand	2,510	2,821
Total	**25,511**	**21,342**

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

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

The recoverable amount of the cash-generating units is determined by calculating a value in use on the basis of an estimate of the future cash flows. Cash flow projections are based on the financial budgets prepared by the management for a period of four years. Thus, corporate planning is based on previous results as well as on current forecasts of future market developments. The cash flows generated after this four-year period are extrapolated at a constant rate.

Strategic corporate planning is a process that is only carried out every other year, which is why a deviation analysis was performed in 2013. This analysis was based on the actual values recorded in 2013 and rolling wave planning for 2014. Whenever a material deviation from the plan was identified, planning was adjusted accordingly. In the case of non-material deviations, the future results planned for were adjusted in accordance with the deviation from the plan.

The discount rates applied are in accordance with customary, weighted average 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	**2013**	**2012**
Business area EMEA cash-generating unit	8.8	8.4
Business area Marine cash-generating unit	8.8	8.4
Business area North America (excl. ETI) cash-generating unit	11.5	8.5
ETI cash-generating unit	11.5	8.5
Business area CIS cash-generating unit	15.1	15.0
Business Area South America cash-generating unit	24.6	–

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

The sensitivity analysis also determined that if the EBITs for the years 2014 to 2017 decrease by 10 per cent, provided that all other parameters remain unchanged, the carrying amounts will still be covered and there is no need for impairment.

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

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

DEVELOPMENT EXPENDITURE

In the 2013 financial year, PALFINGER capitalized development expenditure of EUR 6,704 thousand (previous year: EUR 5,373 thousand) as internally generated intangible assets.

BRANDS, CUSTOMER BASE AND ORDER BACKLOG

In the course of the purchase price allocation for the acquisition of Nimet, EUR 5,125 thousand was capitalized for brands, and EUR 1,397 thousand for customer base and order backlog.

In the 2013 financial year, customer bases and order backlogs in the amount of EUR 2,732 thousand (previous year: EUR 3,025 thousand) were consumed.

OTHER INTANGIBLE ASSETS

Investments in other intangible assets amounted to EUR 2,346 thousand (previous year: EUR 1,120 thousand) for concessions, patents and licences.

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(43) Property, plant and equipment

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

EUR thousand	Land and buildings	Undeveloped land	Plant and machinery	Other plant, fixtures, fittings and equipment	Prepayments and assets under construction	Total
Acquisition cost						
As at 1 Jan 2012	**152,147**	**3,378**	**134,360**	**51,499**	**7,659**	**349,043**
Corporate acquisitions and disposals	(252)	0	548	1,298	12	1,606
Additions	6,650	5,317	5,401	17,911	10,941	46,220
Government grants	(178)	0	(283)	(145)	0	(606)
Disposals	(18,805)	(223)	(3,215)	(10,031)	(187)	(32,461)
Reclassifications	10,591	(733)	3,553	333	(14,319)	(575)
Foreign currency translation	(946)	(35)	(1,087)	(241)	(51)	(2,360)
As at 31 Dec 2012	**149,207**	**7,704**	**139,277**	**60,624**	**4,055**	**360,867**
As at 1 Jan 2013	**149,207**	**7,704**	**139,277**	**60,624**	**4,055**	**360,867**
Corporate acquisitions	7,144	0	6,435	1,050	299	14,928
Additions	3,530	(6)	6,050	7,961	12,118	29,653
Additional capitalization	145	0	0	0	0	145
Disposals	(224)	(5,309)	(3,314)	(3,044)	(13)	(11,904)
Reclassifications	2,250	(505)	3,719	927	(6,395)	(4)
Foreign currency translation	(2,316)	(18)	(2,689)	(1,364)	(163)	(6,550)
As at 31 Dec 2013	**159,736**	**1,866**	**149,478**	**66,154**	**9,901**	**387,135**
Accumulated depreciation and impairment						
As at 1 Jan 2012	**44,300**	**25**	**76,628**	**31,314**	**2**	**152,269**
Corporate acquisitions and disposals	(147)	0	305	616	0	774
Depreciation	5,316	9	10,325	6,508	0	22,158
Disposals	(13,493)	0	(2,773)	(5,603)	(2)	(21,871)
Foreign currency translation	(357)	(1)	(713)	(168)	0	(1,239)
As at 31 Dec 2012	**35,619**	**33**	**83,772**	**32,667**	**0**	**152,091**
As at 1 Jan 2013	**35,619**	**33**	**83,772**	**32,667**	**0**	**152,091**
Corporate acquisitions	238	0	1,145	298	0	1,681
Depreciation	5,094	9	11,109	6,698	0	22,910
Impairment	400	0	0	0	0	400
Additional capitalization	0	0	0	3	0	3
Disposals	(95)	0	(2,757)	(2,420)	0	(5,272)
Reclassifications	0	0	(15)	15	0	0
Foreign currency translation	(687)	(2)	(1,776)	(584)	0	(3,049)
As at 31 Dec 2013	**40,569**	**40**	**91,478**	**36,677**	**0**	**168,764**
Carrying amounts as at 31 Dec 2012	**113,588**	**7,671**	**55,505**	**27,957**	**4,055**	**208,776**
Carrying amounts as at 31 Dec 2013	**119,167**	**1,826**	**58,000**	**29,477**	**9,901**	**218,371**

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

Land and buildings include the real property values of developed properties amounting to EUR 22,516 thousand (previous year: EUR 18,021 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 9,304 thousand (previous year: EUR 3,733 thousand).

In 2012, a plot of land was purchased for the construction of new Group headquarters. In 2013, it was decided that a related company of the Palfinger family would be put in charge of the construction and rental of Group headquarters. Therefore, the land was sold to this company in 2013 and a lease agreement was concluded for a period of 20 years. Rent was determined on the basis of an independent expert opinion identifying the current market value. PALFINGER AG has a pre-emptive right to this plot of land. This transaction does not have a material effect on the results recorded by PALFINGER AG.

In addition to the acquisition of the property in 2012, a purchase option agreement was concluded, obligating and/or authorizing PALFINGER to acquire additional plots of land, amounting to approx. 19,000 m^2 in total, after five or ten years, respectively, following the planned rezoning of the plots of land. The financial obligation to acquire these additional properties amounts to EUR 4,353 thousand plus an adjustment for inflation up to the date of exercise of the purchase option. This option was not passed on to the related company of the Palfinger family.

In the period under review, borrowing costs on qualifying assets in the amount of EUR 13 thousand (previous year: EUR 21 thousand) were capitalized. Provided that there is no specific financing agreement, the weighted interest rate on borrowings applied by the PALFINGER Group in the amount of 3.15 per cent (previous year: 3.1 per cent) is used.

In the 2013 financial year, no government grants in accordance with IAS 20 were taken into account as reductions of acquisition and/or manufacturing costs.

(44) Investment property

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

EUR thousand	2013	2012
Acquisition cost		
As at 1 Jan	**816**	**816**
As at 31 Dec	**816**	**816**
Accumulated depreciation and impairment		
As at 1 Jan	**429**	**411**
Depreciation	18	18
As at 31 Dec	**447**	**429**
Carrying amounts as at 31 Dec	**369**	**387**

As at 31 December 2013, the fair value of investment property, determined on the basis of calculations made internally, amounted to EUR 587 thousand (previous year: EUR 607 thousand). 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 61 thousand (previous year: EUR 61 thousand), and directly attributable operating expenses from the lease of investment property were EUR 18 thousand (previous year: EUR 18 thousand).

(45) Investments in associated companies

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

EUR thousand	2013	2012
As at 1 Jan	**14,977**	**13,060**
Additions	0	18
Share in the net result for the period	2,875	4,327
Dividends	(3,934)	(2,380)
Foreign currency translation	27	(48)
Disposals	(990)	0
As at 31 Dec	**12,955**	**14,977**

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

EUR thousand	31 Dec 2013	31 Dec 2012
Non-current assets	2,872	13,098
Current assets	48,226	53,071
Non-current liabilities	818	6,216
Current liabilities	22,289	26,942

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Revenue	109,875	131,219
Result after income tax	6,434	7,843

(46) Deferred tax assets and liabilities

Deferred taxes comprise the following:

EUR thousand	31 Dec 2013	31 Dec 2012
Deferred tax assets		
Non-current assets		
Intangible assets – different useful lives	55	438
Intangible assets – tax deductible goodwill	2,121	2,244
Property, plant and equipment – different useful lives	169	417
Non-current financial assets – financial asset write-downs not yet taxed	7,191	7,989
Other non-current assets	74	89
	9,610	**11,177**
Current assets		
Inventories – elimination of intercompany profits, differences in tax measurement of manufacturing costs	3,970	3,505
Trade receivables – differences in tax measurement of impairment losses	757	885
Other current assets – severance payments not yet taxed	304	367
	5,031	**4,757**
Non-current liabilities		
Non-current provisions – different recognition of employee benefits provisions IAS 19	5,162	4,979
of which deferred taxes directly recognized in other comprehensive income	1,423	1,091
Other non-current liabilities	1,063	359
of which deferred taxes directly recognized in other comprehensive income	910	0
	6,225	**5,338**
Current liabilities		
Current financial liabilities – lease financing	0	189
Current provisions – different recognition of provisions for guarantee expenses	1,882	2,116
Trade payables and other current liabilities	1,561	1,592
	3,443	**3,897**
	24,309	**25,169**
Deferred tax liabilities		
Non-current assets		
Intangible assets – acquisitions, development expenditure	(15,994)	(15,488)
Property, plant and equipment – different useful lives	(7,353)	(7,485)
	(23,347)	**(22,973)**
Current assets		
Inventories – differences in tax measurement of manufacturing costs	(252)	(310)
Trade receivables – contract manufacturing (POC)	(2,610)	(2,122)
Other current assets – differences in tax measurement	(649)	(1,629)
of which deferred taxes directly recognized in other comprehensive income	(47)	288
	(3,511)	**(4,061)**
Non-current liabilities		
Non-current provisions	(229)	(758)
of which deferred taxes directly recognized in other comprehensive income	(1)	(2)
	(229)	**(758)**
Current liabilities		
Current provisions – different recognition of provisions for guarantee expenses	(599)	(599)
Trade payables and other current liabilities	(533)	(70)
	(1,132)	**(669)**
	(28,219)	**(28,461)**
Deferred tax assets on loss carry forwards	**16,464**	**21,016**
Deferred taxes	**12,554**	**17,724**
thereof		
deferred tax assets	20,206	25,112
deferred tax liabilities	(7,652)	(7,388)

Deferred taxes contain deferred tax assets directly recognized in other comprehensive income of EUR 2,061 thousand (previous year: EUR 753 thousand) and deferred tax liabilities directly recognized in other comprehensive income of – EUR 224 thousand (previous year: –EUR 623 thousand).

The following table presents deferred taxes broken down by country:

EUR thousand	31 Dec 2013	31 Dec 2012
Austria	5,998	7,741
Belgium	3	3
Brazil	436	906
Bulgaria	129	126
Canada	175	180
China	1,154	535
Croatia	143	285
France	3,272	3,312
Germany	2,123	4,761
Great Britain	(452)	(62)
India	102	121
Italy	21	15
Netherlands	(940)	(1,241)
Norway	(694)	(992)
Romania	(977)	0
Russia	(577)	(845)
Singapore	2	3
Slovakia	3	0
Slovenia	123	440
USA	2,685	2,627
Vietnam	(175)	(191)
Total	**12,554**	**17,724**

Tax-loss carry forwards are comprised of the following:

	Non-capitalized loss carry forwards		Capitalized loss carry forwards	
EUR thousand	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Loss carry forwards subject to expiry				
within one year	189	0	372	467
within two years	97	0	252	567
within three years	0	0	499	353
within four years	0	0	1,313	84
within five years	0	0	1,569	584
in more than five years	12,802	13,731	18,582	18,288
Loss carry forwards not subject to expiry	20,140	12,813	28,547	46,965
Total	**33,228**	**26,544**	**51,134**	**67,308**

For tax-loss carry forwards of EUR 33,228 thousand (previous year: EUR 26,544 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.

In order to accelerate the utilization of losses carried forward, tax groups were formed in Germany and the USA in 2013.

For deferred tax liabilities from withholding taxes in the amount of EUR 628 thousand (previous year: EUR 328 thousand), no deferred tax liabilities were recognized according to IAS 12.39, as PALFINGER is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(47) Non-current financial assets

Non-current financial assets are comprised of the following:

EUR thousand	31 Dec 2013	31 Dec 2012
Loans	761	4,790
Securities	1,110	1,120
Total	**1,871**	**5,910**

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

(48) Other non-current assets

Other non-current assets are the following:

EUR thousand	31 Dec 2013	31 Dec 2012
Employer's pension liability reinsurance	1,531	1,383
Deferred expenses	204	2
Miscellaneous other non-current assets	11	16
Total	**1,746**	**1,401**

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

(49) Inventories

Inventories are shown below:

EUR thousand	31 Dec 2013	31 Dec 2012
Materials and production supplies	78,284	79,309
Work in progress	64,296	60,511
Finished goods and goods for resale	71,617	61,458
Prepayments	1,248	1,241
Total	**215,445**	**202,519**

Inventories increased primarily as a result of higher revenue generated in the areas outside Europe and also due to the acquisition of Nimet.

EUR 814 thousand (previous year: EUR 1,187 thousand) in inventories was valued at net realizable value.

In the 2013 financial year, a reversal of an impairment in inventories of EUR 1,227 thousand (previous year: EUR 411 thousand) was made and recognized as cost of sales.

(50) Trade receivables

Trade receivables are as follows:

EUR thousand	31 Dec 2013	31 Dec 2012
Receivables from contract manufacturing	12,764	7,953
Invoiced receivables	151,028	133,287
Total	**163,792**	**141,240**

Invoiced receivables increased primarily as a result of higher revenue generated in the business areas Marine, CIS and Asia, and also due to the acquisition of Nimet.

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

EUR thousand	31 Dec 2013	31 Dec 2012
Costs incurred for contract manufacturing	14,272	23,364
Plus profits recognized	5,984	6,657
Advances received	(7,492)	(22,068)
Receivables from contract manufacturing	**12,764**	**7,953**

Receivables from contract manufacturing increased primarily as a result of highly profitable projects of the Railway Systems business unit as well as large projects in the Marine business area.

Based on experience, allowances for doubtful debts of EUR 5,474 thousand (previous year: EUR 6,248 thousand) were made to take into account insolvency risks. These allowances are the following:

	Specific bad-debt allowances		Standardized bad-debt allowances	
EUR thousand	**2013**	**2012**	**2013**	**2012**
As at 1 Jan	**3,524**	**3,228**	**2,724**	**2,275**
Change in scope of consolidation	82	230	0	877
Allocation	628	535	700	919
Use	(559)	(146)	(111)	(82)
Reversal	(197)	(300)	(961)	(1,276)
Reclassification	(18)	55	18	25
Foreign currency translation	(206)	(78)	(150)	(14)
As at 31 Dec	**3,254**	**3,524**	**2,220**	**2,724**

(51) Current financial assets

Current financial assets are shown below:

EUR thousand	31 Dec 2013	31 Dec 2012
Financing receivables from associated companies	0	4
Derivative financial instruments	295	1,310
Other financing receivables	138	1,285
Total	**433**	**2,599**

(52) Other current receivables and assets

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

EUR thousand	31 Dec 2013	31 Dec 2012
Receivables relating to social security and other taxes	8,165	5,538
Other receivables	8,751	6,061
Deferred expenses and indemnification	4,641	5,842
Total	**21,557**	**17,441**

(53) 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 2013	31 Dec 2012
Cash in hand	364	404
Cash at banks	15,601	24,072
Total	**15,965**	**24,476**

As at 31 December 2013, there were no restraints on the disposal over funds.

(54) Share capital

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

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

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

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

The movements in shares outstanding are shown below:

Shares	2013	2012
As at 1 Jan	**35,389,410**	**35,361,160**
Buyback of own shares	0	(500)
Exercise of stock options	12,500	28,750
As at 31 Dec	**35,401,910**	**35,389,410**

(55) Additional paid-in capital

Additional paid-in capital comprises appropriated and non-appropriated additional paid-in capital as well as reserves according to IFRS 2.

RESERVE ACCORDING TO IFRS 2

The fair values of the options granted within the framework of the stock option programme are recognized as employee benefits expenses over the vesting period. The reserve according to IFRS 2 reflects accumulated employee benefits expenses up to 31 December 2013. When the stock options lapse, they will be set off against retained earnings.

The reserve according to IFRS 2 is as follows:

EUR thousand	2013	2012
As at 1 Jan	**111**	**152**
Allocation	21	39
Use	(37)	(80)
Reversal	(9)	0
As at 31 Dec	**86**	**111**

The following table shows the movement in stock options:

Number of stock options	2013	2012
As at 1 Jan	**155,000**	**270,000**
Options lapsed	27,500	86,250
Options exercised	12,500	28,750
As at 31 Dec	**115,000**	**155,000**

(56) Treasury stock

As at 31 December 2013, holdings of treasury stock amounted to 328,090 shares (previous year: 340,590 shares).

At the Extraordinary General Meeting of 3 November 2011, according to sec. 65 para. 1 (8) as well as paras. 1a and 1b of the Companies Act, the Management Board was authorized to acquire no-par-value bearer or registered shares of the Company, in an amount not exceeding 10 per cent of the share capital of the Company via the stock exchange as well as over the counter, with said authorization to remain valid for a period of 30 months from the date of adoption of the resolution. The consideration payable may not be lower than EUR 1.00 per share or higher than EUR 50.00 per share. The Management Board of PALFINGER AG may resolve on the acquisition of shares via the stock exchange but must subsequently inform the Supervisory Board of such resolution. The acquisition of shares over the counter is subject to the prior approval of the Supervisory Board.

Moreover, the Management Board was authorized, for a period of five years according to sec. 65 para. 1b of the Companies Act, subject to the approval of the Supervisory Board, to resolve on a method of selling and/or using own shares other than by sale via the stock exchange or by public offer, also excluding the repurchase right (reverse subscription right) of shareholders, and to determine the conditions of sale.

(57) Foreign currency translation reserve

The change in the foreign currency translation reserve, broken down by currency, is shown in the following table:

EUR thousand	2013	2012
BRL	(4,248)	(2,219)
GBP	(236)	149
NOK	(2,319)	66
RMB	(184)	(155)
RUB	(3,515)	887
USD	(3,447)	(1,489)
Other	(997)	(157)
Total change	**(14,946)**	**(2,918)**

(58) 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 2013 financial year, the weighted average number of shares outstanding amounted to 35,399,403 shares (previous year: 35,383,062 shares).

On the basis of the consolidated net result for the period, amounting to EUR 44,038 thousand (previous year: EUR 40,409 thousand), undiluted earnings per share were EUR 1.24 (previous year: EUR 1.14). Due to the low dilutive effect of the stock option programme, diluted earnings per share were identical with undiluted earnings per share.

(59) Retained earnings

Retained earnings increased by EUR 1,035 thousand (previous year: decrease of EUR 6,213 thousand) owing to the redemption of the remaining puttable non-controlling interests in the NDM Group and the remeasurement of the interests in the ETI Group. The remaining reclassification of the non-controlling interest concerns the current results of the companies. For details on liabilities from puttable non-controlling interests, see Note (61).

DIVIDEND PER SHARE

The following dividends were resolved upon and paid to the shareholders of PALFINGER AG:

	Total EUR thousand	Number of shares	Dividend per share
Dividend resolved for the 2012 financial year (Annual General Meeting of 6 March 2013)	13,448	35,389,410	0.38
Dividend resolved for the 2011 financial year (Annual General Meeting of 8 March 2012)	13,437	35,361,160	0.38

In order to distribute the net profit for 2013 reported in the financial statements of PALFINGER AG in accordance with the Business Code, the Management Board will make the following proposal to the Annual General Meeting of 12 March 2014:

	EUR thousand
Net profit for 2013 of PALFINGER AG	14,795
Profit carry forward from 2012	141,221
Total net profit	156,016
Dividend proposed (EUR 0.41 per share)	14,515
Remaining net profit	**141,501**

(60) 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 reserve are presented in the following table:

EUR thousand	2013	2012
Change in unrealized profits (+)/losses (–)	1,136	(1,933)
of which from		
interest rate swaps	1,061	(2,934)
forward foreign exchange contracts	75	1,001
Realized profits (–)/losses (+)	278	(294)
of which from		
interest rate swaps	868	60
forward foreign exchange contracts	(590)	(354)
Total change	**1,414**	**(2,227)**

(61) Liabilities from puttable non-controlling interests

As at 31 December 2012, PALFINGER held 100 per cent of the preferred share capital and 90 per cent of the ordinary share capital, hence 99 per cent of the share capital of the NDM Group. The voting rights of the remaining 10 per cent of the share capital were held by PALFINGER under a trust structure. Another 2 per cent of the ordinary share capital of the NDM Group was acquired on 26 March 2013 and the remaining 8 per cent was acquired at the beginning of April.

The following table shows the movement in liabilities from puttable non-controlling interests:

EUR thousand	2013	2012
As at 1 Jan	**18,999**	**16,045**
Interest cost	318	251
Increase through profit and loss	96	0
Reversal through profit and loss	0	(787)
Redemption	(1,364)	(3,384)
Increase directly in equity	400	6,874
Reversal directly in equity	(1,079)	0
As at 31 Dec	**17,370**	**18,999**

(62) Non-current financial liabilities

On 18 October 2012, PALFINGER issued promissory note loans with maturities of three, five and seven years and a total volume of EUR 77.5 million in order to optimize the Group’s financing structure and increase the diversification of financing partners.

Deferred interest expenses are contained in current financial liabilities.

The average interest rate is the average interest burden in per cent relating to the average carrying amount in the financial year, after interest and currency hedging have been taken into account. In 2013, this value amounted to 3.15 per cent (previous year: 3.1 per cent).

(63) Non-current provisions

The following table shows non-current provisions:

EUR thousand	31 Dec 2013	31 Dec 2012
Pension provisions	7,486	7,012
Provisions for severance payments	15,977	14,281
Anniversary bonus provisions	3,828	3,544
Other non-current provisions	11,301	9,773
Total	**38,592**	**34,610**

PENSION PROVISIONS

PALFINGER is committed by the terms of individual contracts with certain employees to provide supplementary retirement pensions payable after their retirement. The amounts of these pensions are calculated on the basis of length of service and remuneration at the time of retirement.

EUR thousand	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Net present value of defined benefit obligation	8,410	8,036	5,835	6,402	5,772
Fair value of plan assets	(924)	(1,024)	0	0	0
Pension provision	**7,486**	**7,012**	**5,835**	**6,402**	**5,772**
Experience adjustments of pension provisions	150	125	30	(41)	(44)

EUR thousand	2013	2012
Net present value of defined benefit obligation as at 1 Jan	**8,036**	**5,835**
Change in scope of consolidation	0	34
Addition	0	1,226
Current service cost	128	117
Interest cost	301	330
Gains (–)/losses (+) from remeasurements	440	885
Benefits paid	(491)	(391)
Foreign currency translation	(4)	0
Net present value of defined benefit obligation as at 31 Dec	**8,410**	**8,036**

EUR 291 thousand in remeasurements concerns changes in financial assumptions.

Plan assets consist of a pension fund with a renowned insurance company.

EUR thousand	2013	2012
Fair value of plan assets as at 1 Jan	**1,024**	**0**
Addition	0	1,129
Expected return on plan assets	36	39
Gains (+)/losses (–) from remeasurements	(54)	0
Actual benefits paid by fund	(82)	(144)
Fair value of plan assets as at 31 Dec	**924**	**1,024**

The expected return on plan assets (no active market) amounted to EUR 36 thousand (previous year: EUR 39 thousand); the actual return came to –EUR 18 thousand (previous year: EUR 39 thousand).

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

EUR thousand	Jan–Dec 2013	Jan–Dec 2012
Employee benefits expenses		
Current service cost	(128)	(117)
Interest expenses		
Interest cost	(265)	(291)
Net pension cost	**(393)**	**(408)**

Valuation was based on the following parameters:

	Age of retirement		Interest rate (p.a.)		Pension increase (p.a.)	
	2013	2012	2013	2012	2013	2012
Austria	65 years	65 years	3.5%	3.75%	1.5%	1.5%
Germany	63 years	63 years	3.5%	3.75%	1.5%	1.5%
France	60–62 years	60–62 years	3.5%	3.75%	1.5%	1.5%

The change in the interest rate is based on the remeasurement necessitated by the change in the economic environment.

As at 31 December 2013, the average duration of defined benefit pension obligations from pension commitments was 14.8 years.

The calculation of pension provisions was performed as at 31 December 2013 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-à-vis insurance companies.

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	
EUR thousand	**+ 1%**	**– 1%**
Interest rate	(1,074)	1,341
Pension increase	1,166	(971)

PROVISION FOR SEVERANCE PAYMENTS

Severance payments are one-time settlements required under labour law, payable to employees on termination of employment by the employer or by mutual agreement or on retirement. They are calculated on the basis of the length of service and the amount of remuneration. The amount of the provisions for severance payments was calculated in accordance with actuarial principles.

EUR thousand	**31 Dec 2013**	**31 Dec 2012**	**31 Dec 2011**	**31 Dec 2010**	**31 Dec 2009**
Net present value of defined benefit obligation	15,977	14,281	11,653	11,136	9,438
Experience adjustments of provisions for severance payments	317	(67)	836	58	(953)

EUR thousand	**2013**	**2012**
Net present value of defined benefit obligation as at 1 Jan	**14,281**	**11,653**
Change in scope of consolidation	254	0
Current service cost	901	664
Interest cost	533	549
Gains (–)/losses (+) from remeasurements	844	1,845
Benefits paid	(836)	(430)
Net present value of defined benefit obligation as at 31 Dec	**15,977**	**14,281**

EUR 3 thousand in remeasurements concerns changes in demographic assumptions and EUR 518 thousand concerns changes in financial assumptions.

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

EUR thousand	**Jan–Dec 2013**	**Jan–Dec 2012**
Employee benefits expenses		
Current service cost	(901)	(664)
Interest expense		
Interest cost	(533)	(549)
Net cost for severance payments	**(1,434)**	**(1,213)**

Valuation was based on the following parameters:

	Interest rate (p.a.)		**Salary increases (p.a.)**		**Employee turnover discount**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Austria	3.5%	3.75%	3.0%	3.0%	2.0%	2.0%
Slovenia	3.5%	3.75%	3.0%	3.0%	2.0%	2.0%
Bulgaria	3.5%	3.75%	5.0%	5.0%	age-related 5% to 20%	age-related 5% to 20%
South Korea	4.0%	–	5.0%	–	10.0%	–

Changes in the interest rate are based on the remeasurement necessitated by the changed economic environment.

As at 31 December 2013, the average duration of defined benefit obligations from severance payments was 14.62 years.

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.

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	
EUR thousand	**+ 1%**	**– 1%**
Interest rate	(2,035)	2,465
Salary increase	2,366	(1,996)

ANNIVERSARY BONUS PROVISIONS

Provisions for anniversary bonuses derived from collective bargaining and/or company agreements were calculated using the same parameters (with the exception of the employee turnover discount) as for the provision for severance payments.

The following table shows the movements in anniversary bonus provisions:

EUR thousand	**2013**	**2012**
As at 1 Jan	**3,545**	**3,265**
Allocation	309	270
Interest cost	130	151
Use	(156)	(141)
As at 31 Dec	**3,828**	**3,545**

OTHER NON-CURRENT PROVISIONS

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

EUR thousand	2013	2012
As at 1 Jan	**9,773**	**26,704**
Corporate acquisitions	0	931
Allocation	2,809	5,629
Interest cost	566	2,126
Use	(1,103)	(23,021)
Reversal	(1,678)	(2,660)
Reclassification	58	0
Foreign currency translation	876	64
As at 31 Dec	**11,301**	**9,773**

At the beginning of 2012, other provisions contained a contingent consideration from previous years not yet fallen due in the amount of EUR 21,049 thousand, which was paid on 21 November 2012. This purchase price portion was dependent on the net profit of the business acquired and was originally to have become due and payable in 2016. The carrying amount of the portion of the purchase price not yet fallen due amounted to EUR 23,021 thousand as at the payment date and resulted in a payment of EUR 27,839 thousand. The ensuing difference results from payment of the interest cost, which is why an amount of EUR 4,818 thousand was recognized earlier in the 2012 financial year; originally, this amount was to have been accrued over the entire duration up until 2016.

As in 2012, the reversal of the provision results primarily from the remeasurement of purchase price obligations, given that on the basis of the local results of the units, utilization of the provision is unlikely.

As at the balance sheet date, there was a contingent consideration, agreed upon in 2012, of EUR 2,534 thousand from the acquisition of subsidiaries. This consideration depends on the future EBITDA of the units. It is expected that these purchase price shares will be paid in 2015 as well as in 2019.

Moreover, other non-current provisions contain other non-current employee benefits provisions of EUR 7,558 thousand (previous year: EUR 4,897 thousand).

(64) Other non-current liabilities

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

(65) Current provisions

The movements in current provisions are shown in the following:

	Provision for guarantee and warranty expenses		Other current provisions	
EUR thousand	2013	2012	2013	2012
As at 1 Jan	**12,124**	**11,296**	**922**	**990**
Change in scope of consolidation	151	367	0	0
Allocation	4,195	2,706	429	485
Use	(4,569)	(2,069)	(309)	(549)
Reversal	(226)	(146)	(181)	(187)
Reclassification	0	0	0	(135)
Foreign currency translation	(148)	(30)	(37)	318
As at 31 Dec	**11,527**	**12,124**	**824**	**922**

(66) Trade payables and other current liabilities

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

EUR thousand	31 Dec 2013	31 Dec 2012
Trade payables	78,100	68,092
Liabilities to associated companies	13	266
Advances received on orders	21,592	12,316
Liabilities to employees	21,826	19,704
Liabilities relating to social security and other taxes	12,354	11,375
Other liabilities	7,061	6,151
Deferred income	1,052	876
Total	**141,998**	**118,780**

Liabilities to employees, amounting to EUR 21,826 thousand (previous year: EUR 19,704 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 7,061 thousand (previous year: EUR 6,151 thousand), relate to debtors with credit balances and miscellaneous other liabilities.

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(67) FINANCIAL INSTRUMENTS

The reconciliation of the carrying amounts for each category under IAS 39 to fair values is shown in the following table:

			Measured acc. to IAS 17	Measured acc. to IAS 39					
				At amortized cost		At fair value			
						Recognized in other comprehensive income		Recognized in the income statement	
EUR thousand	Carrying amount 31 Dec 2013	No financial instrument/ recognition acc. to IAS 27	At amortized cost	Loans and receivables	At amortized cost	Available for sale	Hedging derivatives	Held for trading/ other derivatives	Carrying amounts of financial instruments 31 Dec 2013
Non-current assets									
Non-current financial assets	1,871	0	0	761	0	1,110	0	0	1,871
thereof									
Level 2 fair value					0	1,110	0	0	
Current assets									
Trade receivables	163,792	12,764	0	151,028	0	0	0	0	151,028
Current financial assets	433	0	0	138	0	0	192	103	433
thereof									
Level 2 fair value						0	192	103	
Other current receivables and assets	21,557	12,806	0	8,751	0	0	0	0	8,751
Cash and cash equivalents	15,965	0	0	15,965	0	0	0	0	15,965
Total assets	**203,618**	**25,570**	**0**	**176,643**	**0**	**1,110**	**192**	**103**	**178,048**
Non-current liabilities									
Liabilities from puttable non-controlling interests	17,370	13,740	0	0	0	0	0	3,630	3,630
thereof									
Level 3 fair value								3,630	
Non-current financial liabilities	184,681	0	9,764	0	174,100	0	817	0	184,681
Non-current provisions	38,592	36,058	0	0	0	0	0	2,534	2,534
thereof									
Level 3 fair value								2,534	
Other non-current liabilities	4,561	3,792	0	0	769	0	0	0	769
Current liabilities									
Current financial liabilities	51,219	0	795	0	49,067	0	1,357	0	51,219
thereof									
Level 2 fair value						0	1,357	0	
Trade payables and other current liabilities	141,998	56,824	0	0	85,174	0	0	0	85,174
Total liabilities	**438,421**	**110,414**	**10,559**	**0**	**309,110**	**0**	**2,174**	**6,164**	**328,007**

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			Measured acc. to IAS 17	Measured acc. to IAS 39					
				At amortized cost		At fair value			
						Recognized in other comprehensive income		Recognized in the income statement	
EUR thousand	Carrying amount 31 Dec 2012	No financial instrument/ recognition acc. to IAS 27	At amortized cost	Loans and receivables	At amortized cost	Available for sale	Hedging derivatives	Held for trading/ other derivatives	Carrying amounts of financial instruments 31 Dec 2012
Non-current assets									
Non-current financial assets	5,910	0	0	4,790	0	1,120	0	0	5,910
thereof									
Level 2 fair value					0	1,120	0	0	
Current assets									
Trade receivables	141,240	7,953	0	133,287	0	0	0	0	133,287
Current financial assets	2,599	0	0	1,289	0	0	320	990	2,599
thereof									
Level 2 fair value						0	320	990	
Other current receivables and assets	17,441	11,380	0	6,061	0	0	0	0	6,061
Cash and cash equivalents	24,476	0	0	24,476	0	0	0	0	24,476
Total assets	**191,666**	**19,333**	**0**	**169,903**	**0**	**1,120**	**320**	**990**	**172,333**
Non-current liabilities									
Liabilities from puttable non-controlling interests	18,999	15,579	0	0	0	0	0	3,420	3,420
thereof									
Level 3 fair value								3,420	
Non-current financial liabilities	204,777	0	11,036	0	190,724	0	3,017	0	204,777
Non-current provisions	34,610	30,380	0	0	0	0	0	4,230	4,230
thereof									
Level 3 fair value								4,230	
Other non-current liabilities	3,019	3,019	0	0	0	0	0	0	0
Current liabilities									
Current financial liabilities	44,463	0	767	0	42,491	0	1,157	48	44,463
thereof									
Level 2 fair value						0	1,157	48	
Trade payables and other current liabilities	118,780	44,271	0	0	74,509	0	0	0	74,509
Total liabilities	**424,648**	**93,249**	**11,803**	**0**	**307,724**	**0**	**4,174**	**7,698**	**331,399**

The fair value of forward foreign exchange contracts is determined by calculating the present value of cash flows on the basis of the current interest yield curves of the respective currencies from observable market data as well as the current exchange rates at the valuation date.

In the case of interest rate swaps, the fair value is determined by calculating the present value of cash flows on the basis of the current interest yield curves of the respective currencies from observable market data.

Interest rate caps are measured by calculating the present value of cash flows on the basis of the current interest yield curves as well as interest rate volatilities of the respective currencies from observable market data.

Securities are measured at the current rate at the valuation date.

Material risks of non-performance relating to financial assets and liabilities are accounted for on the basis of ratings as a deduction from the calculated value.

The carrying amounts of assets and current liabilities correspond to the market values, as they either have short-term maturities or have floating interest rates. Default risks are accounted for by adequate impairments. The carrying amounts of non-current financial liabilities in the amount of EUR 184,681 thousand (previous year: EUR 204,777 thousand) more or less correspond to the market values (Level 2) of EUR 184,348 thousand (previous year: EUR 205,553 thousand) as they mostly carry floating interest rates. Interest rate swaps held to hedge against interest rate exposure are reported at market value.

In the 2013 financial year, income from the disposal of securities amounted to EUR 42 thousand (previous year: EUR 133 thousand) and is reported in other financial result (cf. Note (40) Interest result and other financial result).

The following table shows the movement in Level 3 fair values:

EUR thousand	31 Dec 2013	31 Dec 2012
As at 1 Jan	**7,650**	**25,214**
Corporate acquisitions	0	4,230
Interest cost	560	2,223
Redemption	(204)	(23,230)
Reversal through profit and loss	(1,781)	(787)
Increase through profit and loss	96	0
Foreign currency translation	(157)	0
As at 31 Dec	**6,164**	**7,650**

Result in the income statement	Jan–Dec 2013	Jan–Dec 2012
Interest expenses	(656)	(2,223)
Financial income	103	787
Other operating income	1,678	0
Unrealized gain/loss for financial instruments held on the balance sheet date	1,125	536

In the 2013 financial year, no financial instruments were reclassified to or from Level 3.

Valuation methods and inputs when determining Level 3 fair values:

Financial instruments	Valuation method	Inputs
Liabilities from puttable non-controlling interests	Discounted cash flow method	Risk-adjusted pre-tax interest rate, results of strategic corporate planning
Non-current provisions	Discounted cash flow method	Risk-adjusted pre-tax interest rate, results of strategic corporate planning

Sensitivity analysis for significant, unobservable inputs when determining Level 3 fair values:

		Change in fair value	
EUR thousand	Change in assumption	Increase	Decrease
Interest rate	+/–1%	(102)	105
Projected profit measure	+/–10%	527	(527)

Capital management

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

Net debt of PALFINGER is controlled centrally in consultation with the corporate treasury department, whose main responsibilities include long-term guaranteed liquidity in support of business operations, an efficient use of banking and financial services and limiting financial risks while optimizing revenue and costs. Central synergy effects and local opportunities are taken into consideration as well.

PALFINGER controls its capital structure taking into consideration the change in economic framework conditions, the strategic projects agreed upon and the internal equity ratio and gearing ratio targets. A promissory note loan was issued in order to leverage on the historically low interest rates in 2012, which made it possible to refinance maturing funding and extend capital commitment.

Liquidity management was further optimized by expanding the automated cash pooling solution in the USA and in Europe. Flexibility in funding was also increased by expanding credit lines. When agreeing on credit lines, PALFINGER continues to pay attention to their long-term availability.

In order to maintain this capital structure, PALFINGER pursues a consistent dividend policy based on the consolidated net result for the previous year. In accordance with PALFINGER's long-term dividend policy of distributing one third of the consolidated net result for the period to its shareholders, a dividend of EUR 0.38 per share was paid in 2013.

PALFINGER monitors its capital using the gearing ratio, which corresponds to the ratio of net debt and equity, as well as the equity ratio. In the long term, an equity rate of more than 50 per cent and a gearing ratio below 50 per cent are desirable. Net debt of EUR 217,565 thousand (previous year: EUR 217,565 thousand) includes non-current and current financial assets and the cash holdings as well as non-current and current financial liabilities. Equity of EUR 385,914 thousand (previous year: EUR 364,874 thousand) corresponds to the equity reported according to IFRS.

Financial risks

The main focus of PALFINGER, in accordance with its own treasury guidelines, is on minimizing financial risks, which are individually enumerated in the following.

1. LIQUIDITY RISK

Liquidity risk describes the necessity of having sufficient funds available at any time in order to meet obligations when they come due. The tasks of liquidity risk management therefore are the analysis of the exposure and the consistent safeguarding of liquidity through liquidity planning, maintenance of sufficient credit lines and sufficient diversification of lenders.

Managing the liquidity risk is the responsibility of the Group's treasury department, which uses efficient cash management systems for this purpose. Group-wide cash reporting ensures the transparency necessary to control funds in a targeted manner. Medium-to-long-term planning allows PALFINGER to identify any financial need that may arise and coordinate this need with its banking partners at an early stage. The use of cash pooling solutions in Europe and America facilitates an efficient control and Group-wide distribution of the required liquidity.

In order to extend the maturities of the financial liabilities and diversify PALFINGER's financing partners, the acquisitions carried out and the loans maturing in 2013 were refinanced through long-term loans. These facilities entered into in 2013 have maturities of up to five years.

Another measure to ensure liquidity is the maintenance of long-term unutilized credit lines with PALFINGER's banking partners. The existing financing agreements have been extended and have durations of up to three years.

The contractual remaining time to maturity of undiscounted cash flows is broken down as follows:

EUR thousand	31 Dec 2012	< 1 year	1–5 years	> 5 years
Financial liabilities	**274,329**	**55,980**	**212,226**	**6,123**
Liabilities from puttable non-controlling interests	**4,243**	**0**	**4,243**	**0**
Provisions for financial instruments	**7,232**	**0**	**3,757**	**3,475**
Trade payables and other liabilities				
Trade payables	68,092	68,092	0	0
Other liabilities for financial instruments	6,417	6,417	0	0
	74,509	**74,509**	**0**	**0**
Total	**360,313**	**130,489**	**220,226**	**9,598**

EUR thousand	31 Dec 2013	< 1 year	1–5 years	> 5 years
Financial liabilities	**251,220**	**56,081**	**188,948**	**6,191**
Liabilities from puttable non-controlling interests	**4,147**	**0**	**4,147**	**0**
Provisions for financial instruments	**4,818**	**0**	**1,934**	**2,884**
Trade payables and other liabilities				
Trade payables	78,869	78,100	769	0
Other liabilities for financial instruments	7,074	7,074	0	0
	85,943	**85,174**	**769**	**0**
Total	**346,128**	**141,255**	**195,798**	**9,075**

2. CREDIT RISK

Credit risk is the risk of loss due to a contracting party's default in payment or non-payment. The Group counters this risk by establishing internal limits for contracting parties – determined through internal solvency analyses – and taking out adequate insurance. Credit risk is limited to the amounts reported in the balance sheets.

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

The following is a breakdown of trade receivables overdue:

EUR thousand	31 Dec 2013	31 Dec 2012
Receivables not yet due	**125,584**	**107,755**
Receivables impaired		
Overdue for less than 30 days	23,069	20,663
Overdue for more than 30 days but less than 60 days	7,327	8,776
Overdue for more than 60 days but less than 90 days	924	1,549
Overdue for more than 90 days but less than 120 days	2,345	571
Overdue for more than 120 days	4,543	1,926
	38,208	**33,485**
Total	**163,792**	**141,240**

Other receivables do not include any receivables overdue. In the case of receivables not yet due there is no indication of bad-debt losses.

When investing funds, only banks with investment grade ratings are chosen. Credit risk is limited to the amounts reported in the balance sheet.

3. FOREIGN EXCHANGE RISK

Foreign exchange risk is a form of risk that arises from the change in price of one currency against another. The value of a financial instrument may be affected by changes in the currency exchange rate.

The Group's international activities account for payment transactions in different currencies. Through local value creation, excessive amounts of foreign exchange items are minimized by way of natural hedges. The resulting foreign exchange exposure is hedged using adequate hedging instruments. Foreign exchange cash flows from operations are hedged by means of 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-currency risk sensitivity analysis

Transactions that are carried out in a currency other than the respective functional currency may have an impact on foreign exchange risks. In the case of fair-value and cash-flow hedges, the changes in the values of the underlying transaction and the hedging transaction caused by changes in the exchange rate are almost completely offset in the same period in the income statement. Accordingly, these financial instruments are not linked to currency risks with an impact on profit or loss, or equity.

The impact of a hypothetical foreign exchange movement on profit or loss and equity is identified within the scope of a sensitivity analysis. This analysis assumes that the major exchange rates against the euro either strengthen or decrease by 10 per cent as at the balance sheet date, while all other variables remain constant. The following table shows the impact of a 10 per cent appreciation or depreciation of the major exchange rates against the euro:

31 Dec 2012		**+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	(588)	(2,894)	(3,482)	718	3,537	4,255
GBP	(27)	(557)	(584)	33	681	714
BRL	(385)	(370)	(755)	471	452	923
SGD	2	0	2	(3)	0	(3)
CNY	(129)	0	(129)	157	0	157
RUB	(360)	(315)	(675)	440	385	825
INR	(290)	0	(290)	354	0	354
CAD	(40)	0	(40)	49	0	49
NOK	(141)	0	(141)	173	0	173
SEK	1	0	1	(1)	0	(1)
HRK	(208)	0	(208)	254	0	254
JPY	1	0	1	(2)	0	(2)
Foreign currency sensitivities	**(2,164)**	**(4,136)**	**(6,300)**	**2,643**	**5,055**	**7,698**

31 Dec 2013		**+10%**			**–10%**	
EUR thousand	**Impact on profit or loss**	**Impact on equity**	**Total impact**	**Impact on profit or loss**	**Impact on equity**	**Total impact**
USD	270	(3,955)	(3,685)	(330)	4,834	4,504
GBP	3	(545)	(542)	(3)	666	663
BRL	(144)	(307)	(451)	177	375	552
SGD	114	0	114	(140)	0	(140)
CNY	(146)	0	(146)	178	0	178
RUB	(986)	(404)	(1,390)	1,206	494	1,700
INR	0	(337)	(337)	0	412	412
NOK	352	(3,959)	(3,607)	(431)	4,839	4,408
SEK	1	0	1	(1)	0	(1)
HRK	(138)	0	(138)	169	0	169
RON	(695)	0	(695)	850	0	850
Foreign currency sensitivities	**(1,369)**	**(9,507)**	**(10,876)**	**1,675**	**11,620**	**13,295**

The calculation is made on the basis of the original and derivative financial instruments in non-functional currency as at the balance sheet date. Foreign currency translation effects from intra-group accounts receivable and accounts payable were reported in profit or loss; any effects from non-current intra-group receivables that are a part of the net investment in foreign operations (IAS 21.15) as well as any changes in the cash flow hedging reserve were recognized in equity. Foreign currency translation effects caused by the conversion of the financial statements of foreign subsidiaries into the Group currency, the euro, are not taken into account.

4. INTEREST RATE RISK

Changing interest rates have an impact on the economic value of financial instruments (in particular when interest rates are fixed for a long term) and on the net interest income or expense resulting from these financial instruments. This impact constitutes the interest rate risk in its two forms – risk of change in value and net interest income risk.

The risk of change in value results in a depreciation of financial assets or an appreciation of financial liabilities. Changing values have a more pronounced impact if interest rates are fixed for long periods than in the case of floating-interest arrangements.

The net interest income risk is manifested in higher interest expenses for financial liabilities or lower interest income on financial assets. This risk mainly concerns financial instruments for which floating (short-term) interest rates have been fixed.

Monitoring and managing interest rate risks is part of the regular treasury reporting in the Group. The floating-rate exposure of the Group's financing is hedged by interest rate swaps of EUR 137.2 million (previous year: EUR 139.2 million) and by interest rate caps of EUR 50.0 million (previous year: EUR 50.0 million).

The sensitivity analysis is made on the basis of PALFINGER's floating-interest financial liabilities. A hypothetic increase in floating interest rates by 100 base points or one percentage point per year would raise PALFINGER's interest expenses by EUR 351.6 thousand (previous year: EUR 342.3 thousand).

Hedging

HEDGING FOR FUTURE CASH FLOWS (CASH FLOW HEDGE)

The foreign exchange risks of PALFINGER AG primarily result from receivables from Group companies in a foreign currency. This exposure is primarily hedged through forward foreign exchange contracts.

The sale of foreign currencies in forward foreign exchange contracts constitutes a hedge against the income from operations in foreign currencies. The result of the underlying transaction runs in the opposite direction of the result of the forward transaction. Assessment and risk analysis of the outstanding hedges are carried out regularly (mark to market). Hedges pertain to those cash flows that are expected within the next twelve months at the latest.

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.

In thousand	Nominal amount in contract currency 31 Dec 2013		Nominal amount in contract currency 31 Dec 2012		Mark-to-market valuation (EUR) 31 Dec 2013	Mark-to-market valuation (EUR) 31 Dec 2012
Forward foreign exchange contracts						
sell USD/buy EUR	USD	2,500	USD	18,000	67	319
sell USD/buy NOK	USD	65,812	USD	0	(447)	0
Interest rate swaps	EUR	137,220	EUR	139,220	(1,602)	(4,173)
Total					**(1,982)**	**(3,854)**

The market value of hedges is reported as a cash flow hedge according to IAS 39. Valuation gains or losses as at the balance sheet date are to be directly recognized in equity. As soon as the underlying transactions are carried out, the accumulated gains/losses are reversed from other comprehensive income and recognized in the income statement.

Any amounts relating to cash flow hedges that were recorded in other comprehensive income and those realized are illustrated in the statement of comprehensive income.

HEDGING OF FUNDS (HELD FOR TRADING)

Derivative financial instruments which the Group uses for the hedging of funds and which do not meet the criteria of hedge accounting under IAS 39 with regard to documentation and effectiveness are classified as held for trading. Changes in the fair values of these financial instruments are recognized in the income statement.

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

In thousand	Nominal amount in contract currency 31 Dec 2013		Nominal amount in contract currency 31 Dec 2012		Mark-to-market valuation (EUR) 31 Dec 2013	Mark-to-market valuation (EUR) 31 Dec 2012
Currency swaps						
sell USD/buy EUR	USD	15,800	USD	20,000	116	(53)
buy RUB/sell EUR	RUB	150,000	RUB	54,500	(20)	4
sell EUR/buy NOK	EUR	0	EUR	1,083	0	93
sell USD/buy NOK	USD	434	USD	12,187	7	898
Interest rate caps	EUR	50,000	EUR	50,000	0	0
Total					**103**	**942**

Valuation gains/losses from currency swaps amount to –EUR 840 thousand (previous year: EUR 145 thousand) and are reported in the amount of –EUR 840 thousand (previous year: –EUR 44 thousand) under exchange rate difference in the financial result.

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

Other liabilities and risks

OPERATING LEASES

Liabilities for the use of assets not recognized in the balance sheet (buildings, production facilities, fixtures, fittings and equipment) will presumably amount to EUR 2,211 thousand (previous year: EUR 2,261 thousand) for the 2014 financial year and EUR 7,881 thousand (previous year: EUR 4,440 thousand) for the following four years and EUR 17,823 thousand (previous year: EUR 1,259 thousand) in more than five years. This increase in liabilities in comparison with the previous year results from the lease agreement entered into with the related company of the Palfinger family.

In the reporting period, minimum lease payments from operating leases in the amount of EUR 2,409 thousand (previous year: EUR 2,410 thousand) were reported as expenses.

FINANCE LEASES

The property, plant and equipment leased relates to a company aircraft with a carrying amount of EUR 10,226 thousand (previous year: EUR 11,475 thousand). In the 2012 financial year, new finance leases were entered into totalling EUR 11,803 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 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Up to one year	999	954	795	767
Between one and five years	10,275	11,861	9,764	11,036
More than five years	0	0	0	0
Total	**11,274**	**12,815**	**10,559**	**11,803**
Minus any future finance costs	(715)	(1,012)		
Present value of finance lease liabilities	**10,559**	**11,803**		

Other financial obligations

In connection with the joint venture Sany Palfinger SPV Equipment Co., Ltd., financial obligations of RMB 82.5 million, corresponding to EUR 9.9 million as at the reporting date, will become due and payable in 2014. Any foreign exchange differences are recognized in the balance sheet.

OTHER DISCLOSURES

Disclosures of business transactions with related parties

At PALFINGER, related parties are broken down into associated companies and joint ventures, key management and other related parties. The associated companies and joint ventures are listed in the statement of investments. The term key management comprises the Supervisory and Management Boards of PALFINGER AG. Other related parties primarily include businesses controlled by the key management and businesses controlling associated companies.

All transactions with associated companies, joint ventures and with enterprises controlling associated companies are carried out for the provision of goods and services. Transactions carried out with the key management result from the provision of consultancy services. Transactions carried out with other related parties primarily relate to the delivery of goods and the provision of consultancy services as well as to an acquisition made in 2014. Further details on acquisitions may be found in the notes under "Acquisitions in 2014".

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

The following table contains transactions with 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 Note "Disclosures concerning governing bodies and employees".

	Associated companies and joint ventures		Supervisory Board		Other related parties	
EUR thousand	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Receivables	6,451	7,911	0	0	8,452	873
Liabilities	686	359	383	100	959	754
Revenue	51,564	51,577	0	0	4,417	884
Other operating income	347	537	0	0	147	1,914
External services	(91)	(95)	(977)	(300)	(2,194)	(2,236)
Materials	(1,558)	(3,351)	0	0	0	(21)
Interest income	82	117	0	0	2	0

Receivables from associated companies and joint ventures include trade receivables of EUR 5,686 thousand (previous year: EUR 3,645 thousand).

Of the liabilities to associated companies and joint ventures of EUR 686 thousand (previous year: EUR 359 thousand), EUR 30 thousand (previous year: EUR 340 thousand) resulted from the provision of goods and services.

Since 1 October 2012, the present Group headquarters has been rented at an arm's length price by a company of the majority shareholder under a lease agreement that may be terminated by PALFINGER AG at the end of each quarter upon six months' notice.

The plot of land acquired in 2012 in the course of the construction of new Group headquarters in Bergheim was sold to a related company of the Palfinger family in 2013 at a price of approx. EUR 5.2 million. This company will complete the construction of the building and then rent it to PALFINGER AG.

For the payment of a contingent purchase price obligation, EUR 27,839 thousand was paid to a related party in 2012. For further details, see Note (63) Non-current provisions.

Receivables from other related parties include receivables in the amount of EUR 3,875 thousand, collateralized by a plot of land.

In the course of the acquisition of Palfinger systems GmbH in 2014, a purchase price of EUR 1 was paid. Non-current assets totalling EUR 8,948 thousand and working capital of EUR 2,850 thousand were taken over. Details on acquisitions may be found in the notes under "Acquisitions in 2014".

Disclosures concerning governing bodies and employees

EMPLOYEES

The average number of employees in the PALFINGER Group (including the Management Board) during the financial year was 6,573 (previous year: 6,175). At the balance sheet date there were 6,874 Group employees (previous year: 6,270).

The average number of employees in companies included on a proportionate basis was 178 (previous year: 107).

SUPERVISORY BOARD

In the 2013 financial year, the following individuals were either appointed, or delegated by the Works Council, to serve on the Supervisory Board:

- Hubert Palfinger jun., Chairman since 9 December 2013[1)]
- Hannes Palfinger, Deputy Chairman[1)]
- Wolfgang Anzengruber
- Peter Pessenlehner[2)]
- Heinrich Dieter Kiener
- Gerhard Gruber (Works Council)
- Johann Mair (Works Council)[2)]
- Alois Weiss (Works Council)

1) Member of the Audit, Nomination and Remuneration Committees.
2) Member of the Audit Committee.

Up to 9 December 2013, Alexander Doujak was Chairman of the Supervisory Board and a member of the Audit, Nomination and Remuneration Committees.

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

MANAGEMENT BOARD

- Herbert Ortner, CEO
- Christoph Kaml, CFO
- Wolfgang Pilz, CMO
- Martin Zehnder, COO

Total remuneration of the Management Board in the 2013 financial year, including ancillary costs, was EUR 3,421 thousand (previous year: EUR 2,186 thousand) and is broken down as follows:

	Fixed salary		Stock option programme		Performance-related remuneration	
EUR thousand	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2012	Jan–Dec 2013	Jan–Dec 2012
Herbert Ortner	518	504	5	8	572	198
Christoph Kaml	387	360	8	18	425	152
Wolfgang Pilz	323	314	3	5	425	152
Martin Zehnder	327	318	3	5	425	152
Total	**1,555**	**1,496**	**19**	**36**	**1,847**	**654**

For the short-term performance-related remuneration of Management Board members, provisions totalling EUR 1,378 thousand (previous year: EUR 666 thousand) were formed.

In addition, a bonus agreement was concluded with the members of the Management Board for achieving a long-term increase in corporate value; these bonuses will be paid out in 2016 provided that the agreed benchmarks are achieved. In the 2013 financial year, provisions of EUR 2,703 thousand (previous year: EUR 2,176 thousand) were recognized in the income statement.

For benefits payable after termination of employment, EUR 39 thousand (previous year: EUR 32 thousand) were reported as current service cost in the 2013 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 148 thousand (previous year: EUR 219 thousand), for the remaining employees to EUR 655 thousand (previous year: EUR 926 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 18 thousand (previous year: 18 EUR thousand).

Key events after the balance sheet date

Details on the acquisition carried out in 2014 may be found in the notes under "Acquisitions in 2014".

Beyond that, after the end of the 2013 financial year, there have been no material post-reporting events that would have led to a different presentation of the Group's financial position, cash flows or result of operations.

Salzburg, 31 January 2014

The Management Board of PALFINGER AG

Herbert Ortner m.p. Chief Executive Officer	Christoph Kaml m.p. Chief Financial Officer
Wolfgang Pilz m.p. Chief Marketing Officer	Martin Zehnder, m.p. Chief Operating Officer

STATEMENT OF LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated financial statements for the year ended 31 December 2013 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 2013 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 2013 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 2013 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, 31 January 2014

The Management Board of PALFINGER AG

Herbert Ortner m.p.
Chief Executive Officer

Christoph Kaml m.p.
Chief Financial Officer

Wolfgang Pilz m.p.
Chief Marketing Officer

Martin Zehnder m.p.
Chief Operating Officer

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of PALFINGER AG, Salzburg, for the financial year from 1 January 2013 to 31 December 2013. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year ended 31 December 2013, and the notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND FOR THE ACCOUNTING SYSTEM

The Company's management is responsible for the Group's accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under sec. 245a UGB (Austrian Business Code). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY AND DESCRIPTION OF TYPE AND SCOPE OF THE STATUTORY AUDIT

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

OPINION

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 31 December 2013 and of its financial performance and its cash flows for the financial year from 1 January 2013 to 31 December 2013 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

COMMENTS ON THE CONSOLIDATED MANAGEMENT REPORT

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to sec. 243a UGB are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to sec. 243a UGB are appropriate.

Salzburg, 31 January 2014

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Thomas Haerdtl m.p.	ppa Elisabeth Völker m.p.
Certified public accountant	Certified public accountant

REPORT OF THE SUPERVISORY BOARD

In the 2013 financial year, the Supervisory Board performed all duties assigned to it by law and by the Company's Articles of Association. Four Supervisory Board meetings were held, on 11 February, 3 June, 16 September and 9 December, and attended by the Management Board. The Management Board informed the Supervisory Board regularly, both in writing and verbally, about the course of business and the position of the Company and of the Group companies. The Chairman of the Supervisory Board communicated regularly with the Chairman of the Management Board, also outside the scope of the Supervisory Board meetings, in order to confer with him concerning the Company's strategy, business development and risk situation.

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

PALFINGER AG's financial statements for the year ended 31 December 2013 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 2013. 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 2013 and the management report for the 2013 financial year, thereby adopting the 2013 financial statements of PALFINGER AG according to sec. 96 para. 4 of the Companies Act. The Supervisory Board has approved the consolidated financial statements of the Company and the consolidated management report prepared according to sec. 244 et seq. of the Business Code. The Supervisory Board has evaluated and approved the proposal of the Management Board with respect to the distribution of profits for the 2013 financial year.

The Supervisory Board would like to express its thanks and recognition to the members of the Management Board and all staff members of the PALFINGER Group for their outstanding commitment and achievements in the 2013 financial year.

Salzburg, 17 February 2014

Hubert Palfinger jun.
Chairman of the Supervisory Board

SUSTAINABILITY INDEX

SUSTAINABILITY INDEX

MATERIALITY ANALYSIS

In mid-2013, in a comprehensive, multi-stage process, PALFINGER analyzed the material aspects that are of central strategic importance to the Company from both an internal and external point of view. In a first step, the members of the top management and important Group representatives, assisted by an external auditor, identified the stakeholders and topics, evaluating 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).

GRI G4-18: Defining the report content

A description of the stakeholder groups identified is available on PALFINGER's website.

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

The process of internal evaluation of the most important topics was subsequently applied to the stakeholders. To this end, first of all a prioritization of all stakeholders was made. Then, a qualitative survey was carried out among selected representatives of interest groups and stakeholder groups. The response rate was 52.5 per cent. Through this method, the interests of these groups were identified as well, enabling PALFINGER to take their needs into account in all of its activities and communications. In the future, such surveys will take place regularly and form the basis for the stakeholder dialogues.

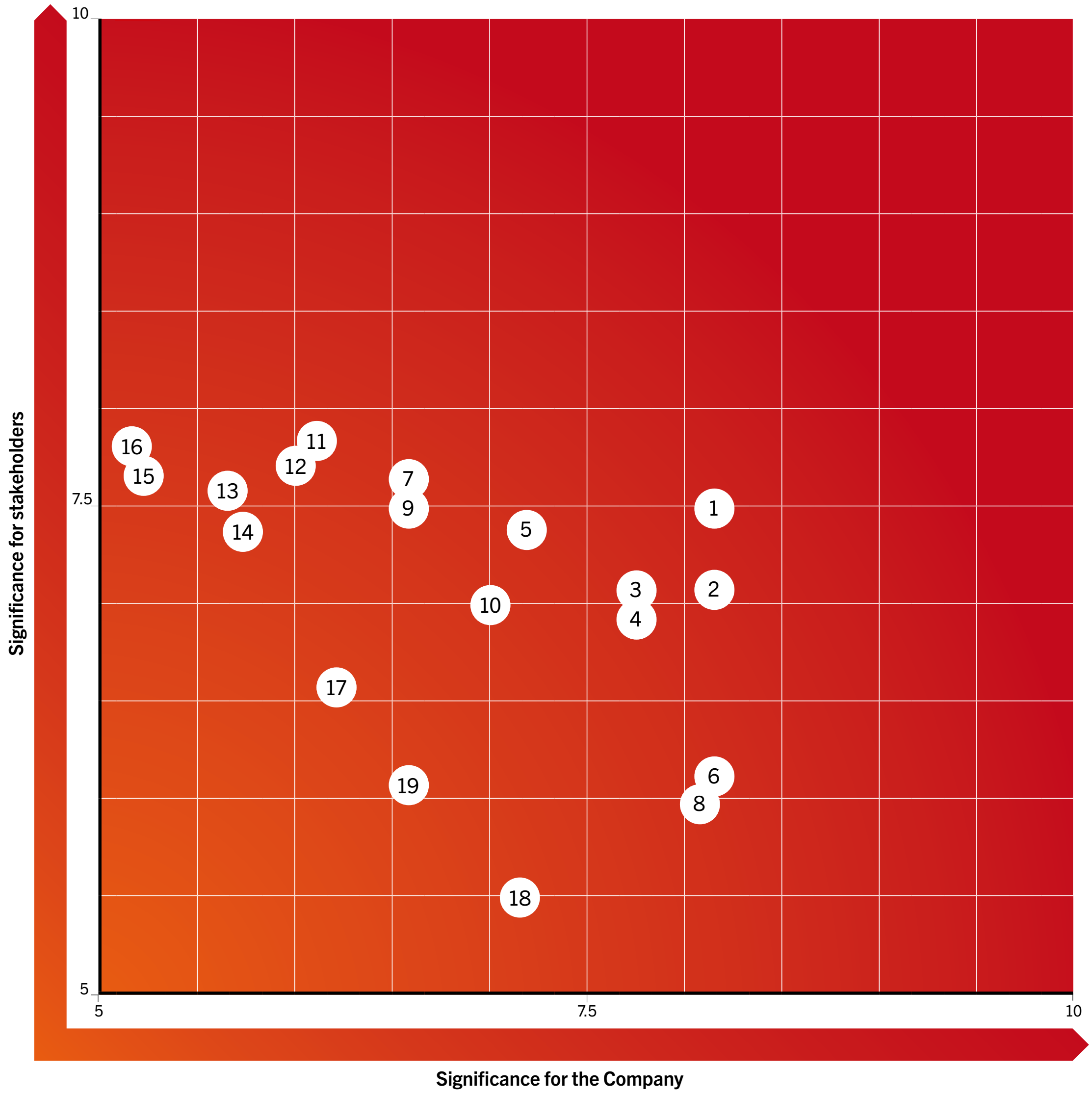
GRI G4-19: Material aspects

The results of the most recent survey have been mapped in the updated materiality matrix and are reflected throughout this Report on the 2013 financial year. A detailed description as well as the topics' correspondence with the aspects under the Global Reporting Initiative (GRI) is available on PALFINGER's website.

www.palfinger.ag/ en/sustainability/ management/ materiality-analysis

GRI G4-19: Material aspects

MATERIALITY MATRIX



1 Customer satisfaction
2 Research and development
3 Training and education
4 Product safety
5 Demand for raw material
6 Product quality
7 Compliance with legislation
8 Products for ecological and social purposes
9 Occupational health and safety
10 Viability of core business
11 Avoiding waste
12 Corporate ethics and competition law
13 Independence of the Supervisory Board
14 Diversity and equal opportunity
15 Code of Conduct
16 Avoiding discharge of hazardous substances
17 Sustainability in the supply chain
18 Efficient and environmentally friendly products
19 Optimum lifecycle costs

SUSTAINABLE PRODUCTS

Product quality, customer satisfaction
According to the survey, customer satisfaction should be accorded highest priority at PALFINGER. The products should be made to last and be low in maintenance.

Product safety
PALFINGER's products should be distinguished by utmost safety, beyond statutory requirements. The prevention of accidents during use should be a primary goal.

Efficient and environmentally friendly products, optimum lifecycle costs
Measured over their lifecycles, PALFINGER products should be the most economical solution available. They should be low in weight. The products should stand out due to their low need for energy and operating supplies when in operation. Hazardous substances should be avoided, for instance by the use of halogene-free cables or components without chrome VI coatings. Operating supplies such as hydraulic oils or lubricants should have minimal environmental impact. It should be easy to recycle the products at the end of their lifecycles.

Products for ecological and social purposes
PALFINGER should strive for successful product innovations for use in the environmental and social fields. This has already been achieved in the case of cranes for wind energy plants and access systems for people with disabilities.

Research and development
PALFINGER should continue to invest in research and development.

HUMAN RESOURCES

Education and training
PALFINGER should invest in the further education and training of its employees.

Occupational health and safety
PALFINGER should protect its employees against accidents and promote their health.

Diversity and equal opportunity
PALFINGER should offer all employees the same opportunities – irrespective of age, gender and personal background.

Attractive employer
PALFINGER should attract the best employees in the labour market and keep employee turnover low.

ENVIRONMENT

Demand for raw materials
In production, PALFINGER should use raw materials such as steel and aluminium efficiently.

Avoiding waste and discharge of hazardous substances
At its sites, PALFINGER should avoid waste and potentially hazardous substances or ensure their safe storage and disposal. There should not be any discharge of hazardous substances during product use.

Energy efficiency
PALFINGER should optimize energy consumption in production continuously, thus reducing costs and emissions.

SUSTAINABLE AND FAIR BUSINESS OPERATIONS

Viability of the core business
PALFINGER should see to it that its business model remains viable in the long term.

Corporate ethics, compliance with legislation and competition law, independence of the Supervisory Board, Code of Conduct
PALFINGER should act in an ethically correct manner: comply with competition law, avoid corruption, pay taxes as required, comply with legal provisions. The Company should be governed properly – for instance by ensuring the independence of the Supervisory Board. PALFINGER should commit itself to clear values and objectives and act accordingly.

Sustainability in the supply chain
PALFINGER should take an interest in whether suppliers pay attention to environmental protection and social responsibility. PALFINGER should give preference to suppliers who show commitment in these fields.

SUSTAINABILITY REPORT PROFILE AND BOUNDARIES

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

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

GRI G4-28, G4-29, G4-30: Report profile

Given that all aspects of sustainability are treated in the present Annual Report, it is the PALFINGER Group's first integrated annual report. Relevant sustainability aspects that are not described in this Report have been published on the corporate website of PALFINGER AG at www.palfinger.ag/en/sustainability. Comprehensive reporting on sustainability topics thus results from this Integrated Annual Report 2013 and the sustainability disclosures made on PALFINGER's website. The GRI index provides references to the relevant documents.

The Integrated Annual Report 2013 compares all figures for the year 2013 to those for the previous year 2012. Comparisons of key performance indicators (KPIs) are presented at least over a period of three years (2011–2012–2013). Each of the biennial sustainability reports published by the PALFINGER Group so far presented a four-year trend. This was changed and simplified in the course of the integration process.

The previous Sustainability Report of PALFINGER AG was published on 12 June 2012 and is also available on the Group's website. Starting with the current Report, an integrated annual report, containing reporting on sustainability aspects, is to be published every year. The topics to be reported on will be selected on the basis of the materiality analysis, a process carried out in 2013, and will also be oriented on the topics already identified as material in previous sustainability reports. New inputs will also result from the discussions of the sustainability team with representatives from various departments and from stakeholder dialogues.

Materiality analysis
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As a matter of principle, all fully consolidated companies have also been included in PALFINGER's sustainability reporting. In the field of human resources, employment figures regarding headcounts and FTEs including temporary workers have been presented in a comprehensive manner while all other employment indicators for companies that were added to the Group in the reporting period have not yet been included.

Environmental data comprises **all manufacturing and assembly sites** that were already part of the PALFINGER Group prior to the 2013 reporting year. These were:
Lengau (AT), Köstendorf (AT), Elsbethen (AT), Löbau (DE), Seifhennersdorf (DE), Krefeld (DE), Ganderkesee (DE), Caussade (FR), NDM Barneveld (NL), Fast RSQ Barneveld (NL), Bergen (NO), Welwyn Garden City (GB), Cadelbosco (IT), Maribor (SI), Marine Maribor (SI), Delnice (HR), Cherven Brjag (BG), Tenevo (BG), Niagara Falls (CA), Tiffin (US), Council Bluffs (US), Trenton (US), Cerritos (US), Caxias do Sul (BR), Shenzhen (CN), Chennai (IN), Hanoi (VN), Ishimbay (RU), Salavat (RU), Lazuri (RO).

As **corporate headquarters and/or distribution and administration sites**, the following locations that already were part of the PALFINGER Group before the 2013 financial year and their absolute energy values were included in the reporting:
Salzburg (AT), Abstatt (DE), Ainring (DE), Ebersbach (DE), Bratislava (SK), Cotia (BR), Erembodegem (BE), Hamburg (DE), Merklingen (DE), Pfaffenhofen (DE), Rosendal (NO), St. Petersburg (RU), Veenendaal (NL), Silly en Gouffern (FR), Singapore (SG), Marine Singapore (SG).

The manufacturing, distribution, administration and assembly sites acquired or founded in 2013 will be included in the reporting starting from 2014.

Due to the large number of sites, it was not possible to present data for each site individually in this Report. Rather, the data for the regions Western and Eastern Europe, North and South America, and Asia, was combined or the overall data for PALFINGER was presented.

Material changes refer primarily to the presentation of specific indicators on eco-efficient production. While in previous reports, these indicators were presented in relation to one tonne of product weight, they are now weighted according to the production output of the individual sites. This makes it easier to compare the data – also for the purposes of internal sustainability management for individual manufacturing and assembly sites.

GRI INDEX

GRI G4-32: Report profile

According to the criteria of the Global Reporting Initiative ("Core"), all general standard disclosures and the specific standard disclosures for all aspects of relevance according to the materiality analysis have been described in this Report on the basis of G4 indicators. Moreover, additional indicators have also been treated. The following index contains the relevant references.

www.palfinger.ag/ en/sustainability/ commitment

References to the principles of the UN Global Compact have been listed here as well. The detailed progress report for the UN Global Compact is available on PALFINGER's website.

GENERAL STANDARD DISCLOSURES

General standard disclosures	Short description of information disclosed	Reference to page number in the Integrated Annual Report or to online information*
Strategy and analysis		
G4-1	Statement from the most senior decision-maker of the organization	Annual Report: Foreword by the CEO pp. 6–7
Organizational profile		
G4-3	Organizational profile: Brands, products and services	Annual Report: PALFINGER at a glance pp. 12–13
G4-4	Product overview	Annual Report: PALFINGER at a glance pp. 12–13
G4-5	Organizational profile: The organization's headquarters	Annual Report: PALFINGER at a glance pp. 12–13
G4-6	Overview of most significant operations	Annual Report: Corporate locations of the PALFINGER Group pp. 224–225
G4-7	Nature of ownership and legal form	Annual Report: The PALFINGER shares p. 40 et seq.
G4-8	Markets	Annual Report: Industry review p. 47 et seq., Customer and dealer network pp. 52–53, Performance by segment p. 96 et seq.; Online information: Human rights aspects regarding the use of products p. 30
G4-9	Organizational profile: Scale of the organization	Annual Report: PALFINGER at a glance pp. 12–13
G4-10 & UNGC Principle 3	Employment profile	Annual Report: Human resources p. 89 et seq.; Online information: Employment trend at PALFINGER p. 16 et seq.; Omission: Only the total number of employees was broken down by gender.
G4-11 & UNGC Principle 3	Number of employees covered by collective bargaining agreements	Online information: Human rights p. 29
G4-12	Description of supply chain	Annual Report: Suppliers and purchasing pp. 54–55
G4-13	Changes in shareholder structure, changes in the supply chain, Significant organizational changes	Annual Report: The PALFINGER shares – Significant changes p. 40 et seq., Suppliers and purchasing – Procurement factors, markets and strategies p. 54 et seq., Legal changes within the PALFINGER Group p. 62 et seq.
G4-14 & UNGC Principle 7	Precautionary principle	Online information: Progress report for the UN Global Compact p. 61 et seq.
G4-15	Self-commitment to voluntary initiatives	Online information: Commitment p. 55
G4-16	Active memberships	Online information: Commitment p. 55

* Page numbers refer to the pdf document.

General standard disclosures	Short description of information disclosed	Reference to page number in the Integrated Annual Report or to online information*
Identified material aspects and boundaries		
G4-17	Entities included in the consolidated financial statements	Annual Report: Companies of the PALFINGER Group IBC p. 227
G4-18	Defining the report content	Annual Report: Materiality analysis p. 204 et seq.; Online information: Materiality analysis pp. 40–41
G4-19	Material aspects: Economic performance, materials, energy, effluents and waste, products and services, supplier environmental assessment, employment, occupational health and safety, training and education, diversity and equal opportunity, supplier assessment for labour practices, human rights – investment, freedom of association and collective bargaining, supplier human rights assessment, anti-corruption, anti-competitive behaviour, compliance, customer health and safety, product and service labelling	Annual Report: Strategic priorities in 2013 – Sustainability p. 19 et seq., Materiality analysis p. 204 et seq.; Online information: Materiality analysis pp. 40–41
G4-20	Boundary within the organization for each material aspect	Annual Report: Suppliers and purchasing pp. 54–55, Sustainability report profile and boundaries pp. 207–208; Online information: Materiality analysis pp. 40–41
G4-21	Boundary outside the organization for each material aspect	Annual Report: Suppliers and purchasing pp. 54–55, Sustainability report profile and boundaries pp. 207–208; Online information: Materiality analysis pp. 40–41
G4-22	Restatements of reported information	Annual Report: How to use this Integrated Annual Report p. 4
G4-23	Changes in the scope and aspect boundaries	Online information: Materiality analysis pp. 40–41
Stakeholder engagement		
G4-24	List of stakeholders	Online information: Stakeholder management p. 42 et seq.
G4-25	Selection of stakeholders	Online information: Stakeholder management p. 42 et seq.
G4-26	Stakeholder engagement	Online information: Stakeholder management p. 42 et seq.
G4-27	Results of stakeholder engagement	Online information: Stakeholder management p. 42 et seq.

* Page numbers refer to the pdf document.

General standard disclosures	Short description of information disclosed	Reference to page number in the Integrated Annual Report or to online information*
Report profile		
G4-28	Reporting period	Annual Report: Sustainability report profile and boundaries pp. 207–208
G4-29	Previous report	Annual Report: Sustainability report profile and boundaries pp. 207–208
G4-30	Reporting cycle	Annual Report: Sustainability report profile and boundaries pp. 207–208
G4-31	Contact to sustainability management	Annual Report: General information IBC p. 229; Online information: Contact p. 56
G4-32	GRI index	Annual Report: GRI index p. 209 et seq.
G4-33	External assurance	Annual Report: Independent assurance statement p. 216 et seq.
Governance		
G4-34	Governance structure and governance bodies, sustainability committees	Annual Report: Corporate governance report p. 28 et seq.; Online information: Sustainability management p. 38, Sustainability process and structure p. 39
G4-35 through G4-55	Governance structure of the organization, role and responsibility of the highest governance body, remuneration	Not mandatory in accordance with "Core". Nevertheless, some information is reported "comprehensively" as follows: Annual Report: Corporate governance report p. 28 et seq.; Online information: Sustainability management p. 38, Sustainability process and structure p. 39
Ethics and integrity		
G4-56 & UNGC Principle 10	Code of Conduct	Annual Report: Fair business – Group guidelines and Code of Conduct p. 33
G4-57 & UNGC Principle 10	Internal and external mechanisms on compliance and integrity	Not mandatory in accordance with "Core". Nevertheless, some information is reported "comprehensively" as follows: Annual Report: Fair business – Group guidelines and Code of Conduct p. 33
G4-58 & UNGC Principle 10	Reporting concerns about integrity	Annual Report: Fair business – Integrity Line p. 33

* Page numbers refer to the pdf document.

SPECIFIC STANDARD DISCLOSURES

List identified aspects	List specific standard disclosures related to each identified material aspect and DMA	Reference to page number in the Integrated Annual Report or to online information*	Omission and/or deviating presentation
	Information on DMA (Disclosures on Management Approach) and sustainability programme	Online information: Sustainability management p. 38, Sustainability programme 2014 p. 47 et seq.	
Category: Economic			
Economic performance	**G4-EC 1:** Direct economic value generated and distributed	Annual Report: Taxes and subsidies p. 34, Consolidated financial statements for the year ended 31 Dec 2013 p. 106 et seq.; Online information: Monetary flows to stakeholders pp. 4–5	The description is limited to the economic performance.
	G4-EC 4: Financial assistance received from government	Annual Report: Taxes and subsidies p. 34; Consolidated financial statements for the year ended 31 Dec 2013 p. 106 et seq.; Online information: Monetary flows to stakeholders pp. 4–5	The presentation covers subsidies, investment grants and R&D grants. Tax relief has been included in the EC 1 indicator.
Indirect economic impacts	**G4-EC 8:** Significant indirect economic impacts, including the extent of impact	Annual Report: Long-term Group strategy – IWI study p. 16 et seq.	
Category: Environmental			
Materials & UNGC Principles 7, 8	**G4-EN 1:** Materials used by weight or volume	Annual Report: Eco-efficiency in production – efficient use of raw materials p. 85	The description is limited to the economic value.
Energy & UNGC Principles 7, 8	**G4-EN 3:** Energy consumption within the organization	Online information: Energy consumption at PALFINGER p. 6 et seq. and DMA	
Energy & UNGC Principles 7, 8	**G4-EN 4:** Energy consumption outside the organization	Annual Report: Eco-efficiency in production – efficient use of raw materials p. 85; Online information: Energy consumption outside the organization p. 8 et seq., Environmentally compatible products p. 35 et seq.	An estimate is presented for the most important raw materials, steel and aluminium. Due to the variety of products and their uses, it is impossible to provide information on the absolute energy consumption of the products.
Energy & UNGC Principles 7, 8	**G4-EN 5:** Energy intensity	Annual Report: Eco-efficiency in production – Energy efficiency p. 87; Online information: Energy efficiency p. 8 et seq.	
Energy & UNGC Principles 7, 8	**G4-EN 6:** Reduction of energy consumption	Annual Report: Eco-efficiency in production – Energy efficiency p. 87; Online information: Energy efficiency p. 8 et seq.	The reduction is described exclusively in a qualitative manner.

* Page numbers refer to the pdf document.

List identified aspects	List specific standard disclosures related to each identified material aspect and DMA	Reference to page number in the Integrated Annual Report or to online information*	Omission and/or deviating presentation
Category: Environmental			
Energy & UNGC Principles 7, 8	**G4-EN 7:** Reductions in energy requirements of products	Online information: Reductions in energy requirements of PALFINGER products p. 10, Energy consumption during product use pp. 35–36	Due to the diversity of products and their uses, the measures are described in qualitative terms.
Effluents and waste & UNGC Principles 7, 8	**G4-EN 23:** Waste	Annual Report: Eco-efficiency in production – Efficient use of raw materials pp. 85–86; Online information: Efficient use of raw materials p. 6, Reduction of hazardous waste p. 11 et seq.	Production waste eligible for recycling is not presented in absolute figures but rather expressed as a waste cuttings rate. Due to the relevance of this information, only hazardous waste is reported on. Hazardous waste is properly collected by the disposal contractor, which also confirms the disposal process.
Products and services & UNGC Principle 9	**G4-EN 27:** Mitigation of environmental impacts of products	Annual Report: Research, development and innovation – Safe and efficient products p. 78.; Online information: Measures to mitigate environmental impacts of products p. 14, Environmentally compatible products p. 35 et seq.	
Supplier environmental assessment & UNGC Principles 7, 8	**G4-EN 32:** Environmental protection in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers pp. 56–57 and DMA; Online Information: Ecological impacts in the supply chain p. 14	
Supplier environmental assessment & UNGC Principles 7, 8	**G4-EN 33:** Environmental protection in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers pp. 56–57; Online information: Ecological impacts in the supply chain pp. 14–15, Impacts on labour practices in the supply chain p. 28 and DMA	The focus is on a description in qualitative terms.
Category: Social			
Employment	**G4-LA 1:** Total number of employees and employee turnover	Annual Report: Human resources pp. 89–90; Online information: Total number of employees and employees turnover p. 16 et seq.	Employee turnover and retirements are presented; newly hired employees are not included due to the recent transition to GRI G4 and due to the previous change in reporting systems.

* Page numbers refer to the pdf document.

List identified aspects	List specific standard disclosures related to each identified material aspect and DMA	Reference to page number in the Integrated Annual Report or to online information*	Omission and/or deviating presentation
Category: Social			
Occupational health and safety	**G4-LA 5:** Occupational health and safety programmes	Annual Report: Health and safety pp. 93–94; Online information: Occupational health management p. 19 et seq.	Occupational health and safety programmes of the Company are presented in general terms; a presentation in quantitative terms is not possible at the moment.
Occupational health and safety	**G4-LA 6:** Industrial accidents, occupational diseases and lost days	Annual Report: Health and safety pp. 93–94; Online information: Lost days, occupational safety and accident prevention pp. 21–22	Due to the recent transition to GRI G4 and the previous change in reporting systems, no presentation by gender is included.
Training and education	**G4-LA 9:** Hours of training per employee	Annual Report: Skilled labour pp. 91–92; Online information: Skilled labour pp. 23–24	Due to the recent transition to GRI G4 and the previous change in reporting systems, no presentations by gender and employee category are included.
Training and education	**G4-LA 10:** Programmes for skills management	Annual Report: Skilled labour pp. 91–92; Online information: Skilled labour pp. 23–24	Transition assistance programmes for the management of career endings resulting from retirement or termination of employment are not reported on.
Training and education	**G4-LA 11:** Employees receiving regular reviews	Annual Report: Attractive jobs for employees with individual responsibility pp. 90–91; Online information: Communication with employees p. 24	Due to the recent transition to GRI G4 and the previous change in reporting systems, no presentations by gender and employee category are included.
Diversity and equal opportunity & UNGC Principle 6	**G4-LA 12:** Diversity and equal opportunity	Annual Report: Governing bodies of the Company and method of operation of the Management Board and Supervisory Board pursuant to sec. 243b para. 2 of the Business Code p. 28, Diversity pp. 94–95; Online information: Equal opportunity p. 25 et seq.	Percentages of employees in various age groups are indicated in the categories 0–30, 30–56, 56+. Due to the recent transition to GRI G4 and the previous change in reporting systems, no presentation by employee category is included.
Supplier assessment for labour practices & UNGC Principles 2–6	**G4-LA 14:** Occupational health and safety in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers pp. 56–57; Online information: Assessment of labour practices in the supply chain p. 27	
Supplier assessment for labour practices & UNGC Principles 2–6	**G4-LA 15:** Occupational health and safety in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers pp. 56–57; Online information: Assessment of labour practices in the supply chain p. 27	The focus is on a description in qualitative terms.

* Page numbers refer to the pdf document.

List identified aspects	List specific standard disclosures related to each identified material aspect and DMA	Reference to page number in the Integrated Annual Report or to online information*	Omission and/or deviating presentation
Category: Social			
Human rights – Investment & UNGC Principle 1	**G4-HR 1:** Human rights in investment agreements	Annual Report: Long-term Group strategy p. 16; Online information: Human rights p. 30	The focus is placed on a qualitative description of the activities.
Freedom of association and collective bargaining & UNGC Principle 3	**G4-HR 4:** Operations where the right to exercise the freedom of assembly may be at risk	Online information: Freedom of assembly p. 29	
Supplier human rights assessment & UNGC Principle 2	**G4-HR 11:** Human rights in the supply chain	Annual Report: Suppliers and purchasing – Sustainability among suppliers pp. 56–57; Online information: Impacts on labour practices in the supply chain p. 31	The focus is on a description in qualitative terms.
Anti-corruption & UNGC Principle 10	**G4-SO 3:** Operations assessed	Annual Report: Fair business – Internal audits p. 33	The presentation includes the operations assessed.
Anti-corruption & UNGC Principle 10	**G4-SO 4:** Anti-corruption communication	Annual Report: Fair business – Welcome package p. 34	The presentation contains a description without any quantitative disclosures.
Anti-corruption & UNGC Principle 10	**G4-SO 5:** Incidents of corruption	Annual Report: Fair business – Compliance violations p. 34	
Anti-competitive behaviour	**G4-SO 7:** Competition law	Annual Report: Fair business – Compliance violations p. 34	
Compliance	**G4-SO 8:** Significant fines	Annual Report: Fair business – Compliance violations p. 34	
Customer health and safety	**G4-PR 1:** Products for which health and safety impacts are assessed	Online information: Safety assessment, product labelling p. 33	
Customer health and safety	**G4-PR 2:** Incidents of non-compliance with safety provisions	Annual Report: Safe and efficient products p. 78; Online information: Safety assessment, product labelling p. 33	Accidents during use
Customer health and safety	**G4-PR 3:** Product information	Online information: Safety assessment, product labelling p. 33	The presentation focuses on the aspect of safe use.
Product and service labelling	**G4-PR 5:** Survey measuring customer satisfaction	Annual Report: Customers and dealer network pp. 52–53	The customer survey is described in qualitative terms.

* Page numbers refer to the pdf document.

To the Board of PALFINGER AG

INDEPENDENT ASSURANCE REPORT

Limited assurance over disclosures and data in the Integrated Annual Report 2013 of PALFINGER AG

Engagement

GRI G4-33: Report profile

We were requested to perform a limited assurance engagement related to disclosures and data in the "Integrated Annual Report 2013" (hereafter **"Report"**) of PALFINGER AG.

Our limited assurance covered web content available at www.palfinger.ag. The information is available in a pdf at https://www.palfinger.ag/-/media/Corporate/Sustainability/reports/webreport2013.pdf?as=1&la=en. In case that the reviewed pages contain links to other pages, we point out that we did not review the content of the other pages.

Our assurance engagement is based on the GRI G4 CORE Option. The scope of our audit is documented in the GRI Index.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

The "General Conditions of Contract for the Public Accounting Professions"[1)], are binding for this engagement. According to that, our liability is limited and an accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence the maximum liability towards PALFINGER AG and any third party together is EUR 726,730 in the aggregate.

Limitations to our Review

- Our limited assurance engagement did not include the chapter "Consolidated financial statements".
- We did not test data derived from external surveys, we only verified that relevant disclosures and data are correctly quoted in the Report.
- We did not perform any assurance procedures on data, which were subject of the annual financial audit. We merely checked that data was presented in accordance with the GRI Guidelines.
- Limited assurance over prospective information was not subject to our engagement.

Criteria

The information included in the Report was based on the criteria applicable in the year 2013 (**"The Criteria"**), consisting of:

- GRI Sustainability Reporting Guidelines G4, CORE Option[2)]

We assessed the information in the Report against these criteria. We believe that these criteria are suitable for our assurance engagement.

Management responsibilities

PALFINGER AG's management is responsible for the preparation of the Report and the company website information therein in accordance with the criteria mentioned above. This responsibility includes designing, implementing and maintaining internal control. Those are relevant to the preparation of the Report to eliminate material misstatements.

Our responsibilities

It is our responsibility to express a conclusion on the information included in the Report as well as the additional webbased information documented in a separate pdf on the basis of the limited assurance engagement.

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000[3)] and the Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC), which includes requirements in relation to our independence.

What we did to form our conclusion

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. The assurance engagement was conducted at the Client's headquarters in Salzburg. Our main procedures were:

- Obtained an overview over the industry as well as the characteristics and governance of the organization;
- Interviewed a selection of Group and functional senior managers and executives to understand key expectations and identify systems, process and internal controls processes to support them;
- Reviewed Group level, Board and Executive documents to assess awareness and priority to understand how progress is tracked;
- Examined risk management and governance processes related to sustainability and critical evaluation of the representation in the report;
- Performing analytical procedures at Group level;
- Performance of site visits in Salzburg to review progress and obtain evidence of performance. In addition we reviewed data samples at site level for completeness, reliability, accuracy and timeliness;
- Preparation of the assurance over sustainability data at foreign sites through local EY assurance teams;
- 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)] und GRI;
- Challenged a sample of statements and claims in the Report against our worksteps and the GRI principles;
- Reviewed whether the GRI G4 Guidelines were consistent with 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 Report were not prepared, in accordance with the criteria identified above.

Vienna, 31 January 2014

ERNST & YOUNG Wirtschaftsprüfungsgesellschaft m.b.H.

Brigitte Frey m.p. ppa. Christine Jasch m.p.

1) version of 21 February 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

2) https://www.globalreporting.org/reporting/g4/Pages/default.aspx

3) International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or reviews of Historical Financial Information (ISAE3000), effective for assurance statements dated after January 1, 2005.

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 p. 24.

SERVICE

DEFINITION OF PERFORMANCE INDICATORS

ECONOMY

Capital employed
reflects capital investment and is calculated as
- intangible assets
- plus property, plant and equipment, shareholdings
- and net current assets

Earnings per share
is the ratio of the consolidated net result for the period to the weighted average number of shares outstanding

EBIT
(Earnings Before Interest and Taxes)

EVA
(Economic Value Added) indicates the Company's economic profit:
- ROCE minus WACC
- multiplied by average capital employed

Free cash flows
is the net amount of cash available to service internal or external borrowing:
- cash flows generated from operations
- plus interest on borrowings
- minus tax shield on interest on borrowings

Gearing ratio
is a measure relating to the Company's debt:
- ratio of net debt and
- equity in per cent

Net debt
is calculated as
- non-current and current financial liabilities

minus
- long-term and short-term securities
- long-term loans
- cash and cash equivalents

NOPLAT
(Net Operating Profit Less Adjusted Taxes) is composed of
- EBIT
- minus taxes on EBIT

ROCE
(Return on Capital Employed) shows the rate of return generated on capital invested in the Company:
- ratio of NOPLAT to
- average capital employed (from reporting date of previous year to reporting date of current year) in per cent

ROE
(Return on Equity) is a measure of the Company's profitability that presents earnings in relation to equity employed:
- ratio of after-tax earnings and
- average equity as a percentage

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

Working capital
is the net surplus of current assets over current liabilities

HUMAN RESOURCES

Employee turnover

Employee turnover is defined as the ratio of the number of employees that have left the Company during a year to the total headcount as at the reporting date. It is expressed as a percentage.

ENVIRONMENT

Index: Energy consumption per production output

This indicator shows the degree to which the energy input is utilized. It takes into account electricity, fuel (petrol, diesel, kerosene, CNG) and heating energy (fuel oil, natural gas, liquid gas, propane, butane). The energy input is determined in relation to the output of each individual site. The index makes it possible to compare individual sites despite different output units: The energy efficiency in 2011 has been defined as 100 per cent. A lower rate in a subsequent year means higher efficiency (i.e. less energy per output). To calculate the energy efficiency for the entire Group, the mean value (energy efficiency of all sites) is weighted by the energy consumption of each site.

Index: Hazardous waste per production output

The volume of hazardous waste is measured at each site. The applicable regional laws determine whether a certain type of waste is classified as hazardous. In order to compare individual sites and calculate a Group value, the volume of hazardous waste is determined in relation to the output volume of the individual production site and an index is formed (2011 = 100 per cent). In calculating Group-wide indexes, the various production sites are weighted by the volume of waste produced in the year under review.

Suppliers with excellent and good environmental management

Suppliers are classified according to how many elements of environmental management they have in place. These elements include, for example, a certified environmental management system, environmental aspects in planning processes, review of environmental impact, environmental programmes and environmental targets or training programmes.

Share of PALFINGER products used for ecological and social purposes in Group revenue

This indicator shows which opportunities for innovation and marketing sustainable product applications have and how they are used. PALFINGER lifting solutions for ecological purposes and industries comprise special products for the railway, offshore, biomass and recycling sectors. Social purposes include access systems and marine rescue systems. Other PALFINGER products, such as truck mounted knuckle boom cranes, some of which are sold to biomass producers, fire brigades or the recycling industry, are excluded.

CORPORATE LOCATIONS OF THE PALFINGER GROUP

AUSTRIA

PALFINGER AG
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
EPSILON Kran GmbH.
• Christophorusstrasse 30, 5061 Elsbethen/Glasenbach
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
PalAir GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Area Units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger CIS GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Europe GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
• Moosmühlstrasse 1, 5203 Köstendorf
• Kapellenstrasse 18, 5211 Friedburg
Palfinger European Units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger GmbH
• Betriebsstrasse I / Objekt 9, 2482 Münchendorf
Palfinger Marine- und Beteiligungs-GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
• Moosmühlstrasse 1, 5203 Köstendorf
Palfinger North America GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Russland GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Sany International Mobile Cranes Sales GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger South America GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger systems units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
STEPA Farmkran Gesellschaft m.b.H.
• Christophorusstrasse 28, 5061 Elsbethen/Glasenbach

ARGENTINA

Palfinger Argentina S.A.
• Av. Corrientes 327, 3°Piso, Buenos Aires

BELGIUM

MBB Interlift N.V.
• Industrielaan 4, 3e Industriezone, 9320 Erembodegem

BRAZIL

Palfinger Dreggen Do Brasil Ltda
• Lauro Muller 116, NBIO/Suite 2405, Torre do Rio Sul, Botafogo CEP 22290-160, Rio de Janeiro
Palfinger Koch Metalúrgica Ltda.
• Av. Tancredo Neves 470 A, Distrito Industrial, CEP 94930-540, Cachoeirinha
Madal Palfinger S.A.
• Rua Flavio Francisco Bellini 350, CEP 95098–170, Caxias do Sul
• Estrada do Embu, 485 – Jardim São Vicente, CEP 06713–100, Cotia
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda
• Rua Emilio Ribas 189, CEP 95032–350, Caxias do Sul

BULGARIA

Palfinger Produktionstechnik Bulgaria EOOD
• 5980 Cherven Brjag
• 8672 Tenevo

CANADA

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

CHINA

PALFINGER AG Changsha Rep Office
• Room 716 Building 2 Xiangyu Center, 249 Wuyi Ave, Furong District, Changsha, Hunan
Dreggen (Hong Kong) Company Limited
• Room 1603, Kwong Kin Trade Center, 5 Kin Fat Street, Tuen Mun, N.T., Hong Kong
PALFINGER AG Shanghai Rep Office
• Room 227, 2299 Yan'An Road West, Changning District, Shanghai Municipality
Palfinger (Shenzhen) Ltd.
• Block 5, Northern Yongfa Technological Park, District B, Chuandong Industrial Park, Dao Yan Chuan Chaoyang Road, Song Gang Street, Bao An District, Shenzhen
Sany Palfinger SPV Equipment Co., Ltd.
• No. 168 West Jinzhou Road, Jinzhou New Area, Changsha, Hunan

CROATIA

Palfinger Proizvodna Tehnologija Hrvatska d.o.o.
• Lučićka Cesta 1, 51300 Delnice

DENMARK

Palfinger Marine Denmark, Filial af Palfinger Marine- und Beteiligungs-GmbH, Austria
• Kystvejen 100, a4, 5330 Munkebo

FRANCE

A.C.I. SARL
• Avenue Descartes, 33370 Artigues près Bordeaux
Caridro Atlantique Sarl
• 9, Rue James Joule, 44400 Rezé
Caridro Centre Sarl
• 28, Rue Emile Leconte, 45140 Ingré
Caridro Ouest S.A.S.
• ZA de la Longueraie, 56140 Saint Abraham
Caridro Val de Loire Sarl
• 10, Allée Rolland Pilain ZA Even Parc – St Malo, 37320 Esvres sur Indre
Guima Herblay Sarl
• 4, Rue Édouard Branly, 95220 Herblay
Guima Palfinger S.A.S.
• 29A, Avenue des Tourondes, 82300 Caussade
Guima Provence Sarl
• Route de Marseille, 83170 Brignoles
Guima Sud Ouest Sarl
• 277, Chemin de Bordevielle, 31790 Saint Sauveur
JCB Poids Lourds Sarl
• ZI de l'Alouette – BP 12, 62801 Lievin
MBB Inter S.A.S.
• Rue de l'Eglise, 61310 Silly en Gouffern
Nord Benne SARL
• Avenue Kuhlmann – BP 106, 59373 Loos Cedex
Palfinger France S.A.S.
• ZA Les Basseaux – BP 73, 26802 Étoile sur Rhône Cedex
Palfinger Service Annecy Sarl
• 329, Route de Valparc, 74330 Poisy
Palfinger Service Paris Sarl
• 24 Avenue Condorcet, 91240 Saint Michel sur Orge
Sand SARL
• ZAC Deux Vallées, 10, Avenue des Mineurs, 54910 Valleroy

GERMANY

MBB Palfinger GmbH
• Fockestrasse 53, 27777 Ganderkesee-Hoykenkamp
Palfinger GmbH
• Feldkirchener Feld 1, 83404 Ainring
• Rauheckstrasse 4, 74232 Abstatt
• Industriestrasse 4, 89188 Merklingen
• Düsseldorfer Strasse 100, 47809 Krefeld
• Johann-Andreas-Schubert-Strasse 6, 02730 Ebersbach
• Brachwitzer Strasse 20, 06118 Halle/Saale
• Färberstrasse 2, 85276 Pfaffenhofen a. d. Ilm
• Bullerdeich 59, 20537 Hamburg
• Fernstrasse 31, 15741 Bestensee
Palfinger Platforms GmbH
• Düsseldorfer Strasse 100, 47809 Krefeld
• Äußere Bautzner Strasse 47, 02708 Löbau
• Halbendorfer Strasse 4, 02782 Seifhennersdorf
• Johann-Andreas-Schubert-Strasse 6, 02730 Ebersbach

GREAT BRITAIN

Ratcliff Palfinger Ltd.
• Bessemer Road, Welwyn Garden City, Herts AL7 1ET

INDIA

Palfinger Cranes India Pvt. Ltd.
• 37, Varadarajapuram, Nazarathpet, Poonamallee, Chennai – 600 123

ITALY

Palfinger Gru Idrauliche S.r.l.
• Via Dante Aleghieri 50, 42023 Cadelbosco di Sopra
Palfinger Platforms Italy s.r.l.
• Piazza Verdi Nr. 43, 39100 Bolzano
• Via Enrico De Nicola Nr. 31, 41122 Modena

NETHERLANDS

Fast RSQ B.V.
• Ambachtsweg 10, 3771 MG Barneveld
Palfinger Ned-Deck B.V.
• Ambachtsweg 10, 3771 MG Barneveld
Palfinger Marine Services B.V.
• Arsenaal 9, 3905 NN Venendaal
• Vissersweg 38, 3922 GH Elst Ut

NORWAY

Palfinger Dreggen AS (formerly Bergen Group Dreggen AS)
• Hegrenesveien 17A, 5042 Bergen
Palfinger Marine Services AS
• Skalegato 50, Box 134, 5486 Rosendal

ROMANIA

Nimet Srl
• Strada Targului 103, 137121 Lazuri, Dambovita

RUSSIA

Dreggen BG LLC
• D.Donskogo St., 17, Office 20, 236000, Kaliningrad
INMAN ZAO
• 69 Pervomayskaya Street, City of Salavat, 453250, Respublika Bashkortostan
• 2 Pervootkryvateley Baschkirskoy Nefti, 453210, Ishimbay, Respublika Bashkortostan
Palfinger Crane Rus LLC
• Parkovaya Ulitza, 7, 196084, St. Petersburg
PALFINGER SANY Cranes ooo
• Office Center Delovoy, Business Center Alekseevskaya Bashnya, Raketny Bulvar 16, 7th floor, 129164, Moscow

SINGAPORE

Palfinger Dreggen Pte. Ltd.
• 2 Toh Guan Road East, Naigai Nitto Building #03-2A, Singapore 608837
Palfinger Asia Pacific Pte. Ltd.
• 3 International Business Park #05-25/26 Nordic European Centre Singapore 609927
Palfinger Marine Pte. Ltd.
• 79 Joo Koon Circle, Singapore 629107
Palfinger SLS Holding Pte. Ltd.
• 4 Battery Road, #25-01, Bank of China Building, Singapore 049908

SLOVAKIA

MBB Palfinger s.r.o.
• Tovarenska 14, 81571 Bratislava

SLOVENIA

Palfinger Marine d.o.o., Maribor
• Špelina Ulica 22, 2000 Maribor
Palfinger Proizvodnja d.o.o.
• Jaskova 18, 2001 Maribor

SOUTH KOREA

Palfinger Dreggen Korea Limited
• 20, Waeguk-kiup-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do

TURKEY

Palfinger Sany International Mobile Cranes Sales GmbH Irtibat Bürosu
• Hakkı Yeten Cad. Selenium Plaza 10C Kat:6, 34349 Fulya, Beşiktaş, Istanbul

USA

Composite Works, LLC
• 341 NW 122nd Street, Oklahoma City, OK 73114, Oklahoma
Equipment Technology, LLC
• 341 NW 122nd Street, Oklahoma City, OK 73114, Oklahoma
Palfinger Liftgates, LLC
• 15939 Piuma Avenue, Cerritos, CA 90703, California
Omaha Standard, LLC
• 3501 South 11th Street, Council Bluffs, IA 51501, Iowa
• 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey
Palfinger, Inc.
• 3450 Lakeside Drive, Suite 110, Miramar, FL 33027, Florida
Palfinger USA, Inc.
• 4151 West State Route 18, Tiffin, OH 44883, Ohio
PalFleet Truck Equipment Company, LLC
• 2490 Pinson Valley Parkway, Birmingham, AL 35217, Alabama
• 5178 Old Dixie Highway, Forest Park, Atlanta, GA 30297, Georgia
• 4101 Trailer Drive, Charlotte, NC 28269, North Carolina
• 3030 Irving Boulevard, Dallas, TX 75247, Texas
• 2770 Bluff Road, Indianapolis, IN 46225, Indiana
• 5620 Fern Valley Road, Louisville, KY 40228, Kentucky
• 2109 South 35th Street, Council Bluffs, IA 51501, Iowa
• 1801 Lebanon Pike, Nashville, TN 37210, Tennessee
• 4151 West State Route 18, Tiffin, OH 44883, Ohio

VIETNAM

Fast RSQ Vietnam Co., Ltd.
• Road 206, Section A, Pho Noi A Industrial Park, Van Lam District, Hung Yen
Ned-Deck Marine Vietnam Co. Ltd.
• 7 Phan Huy Chu, Hoan Kiem, Hanoi
• Road D2, Area D, IZ Pho Noi A, Hung Yen

GRI G4-6: Overview of most significant operations

As at 31 December 2013

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GRI G4-17: Entities included in the consolidated financial statements

PALFINGER AG
Austria, Salzburg

- 100% **Palfinger Marine- und Beteiligungs-GmbH** – Austria, Salzburg
  - 100% **Palfinger Europe GmbH** – Austria, Salzburg
    - 65% **EPSILON Kran GmbH.** – Austria, Salzburg – 35% STEINDL KRANTECHNIK Gesellschaft m.b.H. et al.
    - 45% **STEPA Farmkran Gesellschaft m.b.H.** – Austria, Elsbethen – 55% STEINDL KRANTECHNIK Gesellschaft m.b.H.
    - 100% **MBB Palfinger GmbH** – Germany, Ganderkesee-Hoykenkamp
    - 100% **MBB Palfinger s.r.o.** – Slovakia, Bratislava
    - 100% **MBB Inter S.A.S.** – France, Silly en Gouffern
    - 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% **Palfinger Gru Idrauliche S.r.l.** – Italy, Bolzano
    - 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 and Olivier Billon
      - 99.8% **Caridro Atlantique Sarl** – France, Rezé – 0.2% Olivier Billon
      - 54.17% **Caridro Centre Sarl** – France, Ingré – 45.83% Codepar
      - 40% **Caridro Val De Loire Sarl** – France, Esvres – 60% L. Charpentier
      - 100% **A.C.I. SARL** – France, Artigues près Bordeaux
      - 40% **Sand SARL** – France, Valleroy – 60% Sand family
      - 60% **Nord Benne SARL** – France, Loos Cedex – 40% Parmentier family
      - 100% **JCB Poids Lourds Sarl** – France, Lievin
      - 100% **Palfinger Service Annecy Sarl** – France, Poisy
      - 100% **Palfinger Service Paris Sarl** – France, Saint Michel sur Orge
      - 100% **Guima Sud Ouest Sarl** – France, Saint Sauveur
      - 100% **Guima Herblay Sarl** – France, Herblay
      - 100% **Guima Provence Sarl** – France, Brignoles
  - 100% **Ratcliff Palfinger Ltd.** – Great Britain, Welwyn Garden City
  - 80% **Guima Palfinger S.A.S.** – France, Caussade – 20% Group 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 Proizvodnja Tehnologija Hrvatska d.o.o.** – Croatia, Delnice
  - 100% **Palfinger Marine Services B.V.** – Netherlands, Elst
  - 100% **Palfinger Dreggen AS** – Norway, Bergen
  - 100% **Palfinger Dreggen Do Brasil Ltda** – Brazil, Rio de Janeiro
  - 60% **Palfinger Koch Metalúrgica Ltda.** – Brazil, Cachoeirinha – 40 % Koch Metalúrgica S/A
  - 100% **Bergen Group Dreggen Pte. Ltd.** – Singapore, Singapore
  - 100% **Dreggen BG LLC** – Russia, Kaliningrad
  - 33.34% **Dreggen (Hong Kong) Company Limited** – Hong Kong – 66.66% Ng Kwong Wing et al.
  - 100% **Palfinger Marine Services AS** – Norway, Rosendal
  - 100% **Palfinger Dreggen Korea Ltd.** – South Korea, Sacheon-si
  - 100% **Palfinger Ned-Deck B.V.** – Netherlands, Barneveld
  - 100% **Ned-Deck Marine Vietnam Co. Ltd.** – Vietnam, Hanoi
  - 80% **Fast RSQ B.V.** – Netherlands, Barneveld – 20% Matthijs van der Ham
  - 100% **Fast RSQ Vietnam Co., Ltd.** – Vietnam, Hung Yen
  - 100% **Palfinger Marine d.o.o., Maribor** – Slovenia, Maribor
  - 100% **Palfinger Marine Pte. Ltd.** – Singapore, Singapore
- 100% **Palfinger Area Units GmbH** – Austria, Salzburg
  - 100% **Palfinger North America GmbH** – Austria, Salzburg
  - 100% **Palfinger, Inc.** – Canada, Niagara Falls
  - 100% **Palfinger USA, Inc.** – USA, Tiffin
  - 100% **Palfinger Liftgates, LLC** – USA, Cerritos
  - 100% **Omaha Standard, LLC** – USA, Council Bluffs
  - 100% **Palfleet Truck Equipment Company, LLC** – USA, Tiffin
  - 80% **Equipment Technology, LLC** – USA, Oklahoma City – 20% Neuberger family & Glenn Smith
  - 63.48% **Composite Works, LLC** – USA, Oklahoma City – 36.52% Custom Composites, LLC et al.
  - 100% **Palfinger South America GmbH** – Austria, Salzburg
  - 99.64% **Madal Palfinger S.A.** – Brazil, Caxias do Sul – 0.36% Retail shareholders
  - 100% **Palfinger-Tercek Indústria de Elevadores Veiculares Ltda** – Brazil, Caxias do Sul
  - 100% **Palfinger Argentina S.A.** – Argentina, Buenos Aires
  - 100% **Palfinger Asia Pacific Pte. Ltd.** – Singapore, Singapore
  - 100% **Palfinger (Shenzhen) Ltd.** – China, Shenzhen
  - 50% **Sany Palfinger SPV Equipment Co., Ltd.** – China, Changsha – 50% Sany Automobile Hoisting Machinery Co Ltd.
  - 99.99% **Palfinger Cranes India Pvt. Ltd.** – India, Chennai – 0.01% Palfinger Asia Pacific Pte. Ltd.
  - 100% **Palfinger CIS GmbH** – Austria, Salzburg
  - 100% **INMAN ZAO** – Russia, Ishimbay
  - 80% **Palfinger Russland GmbH** – Austria, Salzburg – 20% Kraftinvest Beteiligungs-GmbH
  - 100% **Palfinger Crane Rus LLC** – Russia, St. Petersburg
- 100% **Palfinger European Units GmbH** – Austria, Salzburg
  - 80% **Palfinger Platforms Italy s.r.l.** – Italy, Bolzano – 20% Sky Access Srl.
  - 50% **Palfinger Sany International Mobile Cranes Sales GmbH** – Austria, Salzburg – 50% SANY Belgium Holding S.A.
  - 100% **PALFINGER SANY Cranes ooo** – Russia, Moscow
- 100% **Palfinger SLS Holding Pte. Ltd.** – Singapore, Singapore
- 100% **PalAir GmbH** – Austria, Salzburg
- 100% **Palfinger systems units GmbH** – Austria, Salzburg

Legend:
- fully consolidated (integrated into sustainability reporting)
- at equity
- on a proportionate basis

As at 31 December 2013

GENERAL INFORMATION

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

www.palfinger.ag

STAKEHOLDER AND INVESTOR RELATIONS

Company Spokesperson:
Hannes Roither
Phone +43 662 4684-2260
Fax +43 662 4684-2280
h.roither@palfinger.com

Sustainability Management:
Julia Ganglbauer
Phone +43 662 4684-2262
Fax +43 662 4684-2280
j.ganglbauer@palfinger.com
Daniela Werdecker (on maternity leave)

GRI G4-31: Contact to sustainability management

Corporate Communications:
Claudia Rendl
Phone +43 662 4684-2261
Fax +43 662 4684-2280
c.rendl@palfinger.com

CONSULTING AND OVERALL CONCEPT
Scholdan & Company

CONSULTING SUSTAINABILITY ASPECTS
Denkstatt GmbH

DESIGN AND CREATIVE CONCEPT
Rahofer Werbeagentur

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PALFINGER AG
FRANZ-WOLFRAM-SCHERER-STRASSE 24
5020 SALZBURG
AUSTRIA