



Report of the Executive Board
of
PALFINGER AG
Salzburg, FN 33393 h
on the
authorization of the Executive Board, subject to the approval of
the Supervisory Board,
to acquire own shares via the stock exchange as well as over the counter and
to sell acquired own shares other than via the stock exchange or by public offer
(agenda item 6 – Authorization of the Executive Board to acquire own shares)

Pursuant to sec. 65 para. 1b of the (Austrian) Companies Act (AktG) in conjunction with sec. 170 para. 2 of the Companies Act and sec. 153 para. 4 sentence 2 of the Companies Act, the Executive Board of PALFINGER AG, headquartered in Bergheim, hereby submits the following report to the Annual General Meeting of PALFINGER AG to be held on 20 March 2019.

1. PALFINGER AG (hereinafter referred to as “Company”), with headquarters in Bergheim and business address at 5101 Bergheim near Salzburg, Lamprechtshausener Bundesstrasse 8, entered into the commercial register under file number FN 33393 h, presently has a share capital of EUR 37,593,258, divided into 37,593,258 no-par-value bearer shares.
2. The Executive Board of the Company intends to propose the following resolution to the Annual General Meeting of 20 March 2019 regarding agenda item 6:
 - a) Pursuant to sec. 65 para. 1 sub-para. 8 as well as para. 1a and para. 1b of the Companies Act, the Executive Board is authorized to acquire no-par-value bearer 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, also from individual shareholders or a single shareholder; said authorization is to remain valid for a period of 30 months from 20 March 2019, i.e. until 19 September 2021. The

consideration payable may not be lower than EUR 10.00 (ten euros) per share or higher than EUR 100.00 (one hundred euros) per share. Trading in own shares shall be excluded as a purpose of the acquisition. The authorization may be exercised in full or in part or in several tranches and in pursuit of one or several purposes by the Company, a subsidiary (sec. 189a sub-para. 7 of the [Austrian] Business Code [UGB]) or third parties for the Company's account.

- b) The Executive 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. If shares are acquired over the counter, the proportionate selling right may be excluded (exclusion of reverse subscription right).
 - c) The Executive Board is authorized, for a period of five years from the date of this resolution, pursuant to sec. 65 para. 1b of the Companies Act, subject to the approval of the Supervisory Board, to adopt a resolution on a method of selling and/or using own shares other than by sale via the stock exchange or by public offer, applying the rules on the exclusion of the shareholders' subscription rights with the necessary modifications, and to determine the conditions of sale. The authorization may be exercised in full or in part or in several tranches and in pursuit of one or several purposes by the Company, a subsidiary (sec. 189a sub-para. 7 of the Business Code) or third parties for the Company's account.
 - d) Moreover, the Executive Board is authorized, subject to the approval of the Supervisory Board, to reduce share capital, if necessary, by redeeming these own shares pursuant to sec. 65 para. 1 sub-para. 8 last sentence in conjunction with sec. 122 of the Companies Act without any further resolution by the AGM being required. The Supervisory Board is authorized to resolve on amendments to the Articles of Association which result from the redemption of shares.
3. Regarding the potential acquisition of own shares over the counter pursuant to sec. 65 para. 1 sub-para. 8 of the Companies Act as well as, pursuant to sec. 65 para. 1b of the Companies Act, the sale of own shares acquired pursuant to sec. 65 para. 1 sub-para. 8 of the Companies Act other than via the stock exchange or by public offer, the Executive Board is obliged to submit a written report explaining

the reason for the exclusion of the subscription right or, in the event of an acquisition over the counter, for the exclusion of the proportionate selling right (exclusion of reverse subscription right) pursuant to sec. 65 para. 1b of the Companies Act in conjunction with sec. 170 para. 2 of the Companies Act and sec. 153 para. 4 sentence 2 of the Companies Act.

4. The Executive Board of the Company must have the prior approval of the Supervisory Board to acquire own shares over the counter, and it must have the approval of the Supervisory Board to sell own shares, acquired by the Company, other than via the stock exchange or by public offer. The Executive 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.
5. The acquisition of own shares via the stock exchange as well as over the counter, also from individual shareholders or a single shareholder, also excluding the proportionate selling right of the other shareholders, may be carried out for any purpose permitted by law and whenever an objectively different treatment of shareholders is feasible and/or expedient and an objective justification for the exclusion of the proportionate selling right thus exists. An objective differentiation/justification also and particularly applies in the following cases:
 - a) Any attempt on the part of one or more of the Company's shareholders to sell a substantial shareholding carries the risk that the price of the Company's shares may deteriorate (possibly to a substantial degree). This would not only harm the Company's shareholders but also the Company's ability to obtain capital market financing. Such a scenario can be prevented by the Company acquiring, over the counter, for example by way of block trading, the shares of the shareholder(s) wishing to sell their shares.
 - b) The Company intends to continue its growth in Austria and abroad. Such growth may also take the form of acquiring other enterprises or operations. The Executive Board is to be given greater flexibility and the opportunity to act in a timely manner in the event of future company acquisitions. To this end it may be necessary to have the requisite acquisition currency, in the form of own shares, quickly at the Company's disposal. Moreover, it may be beneficial for the Company to offer own shares as full or partial consideration

for acquiring other assets if or when the seller prefers to receive the purchase price, in whole or in part, in Company shares rather than in cash. For these purposes the Company should be enabled to acquire own shares by way of over the counter block trading from individual shareholders or a single shareholder.

- c) Within the scope of an employee stock option programme yet to be launched, the Company is to be authorized to give, against payment or for free, Company shares to employees, executives and members of the Executive Board / management of the Company and its affiliated companies, in order to strengthen the loyalty of executives and other employees to the Company and increase their commitment to and identification with the Company's objectives and goals. In order to be able to give the shares required for such purpose, against payment or for free, in good time and in the requisite numbers, to employees, executives and members of the Executive Board / management of the Company and its affiliated companies, the Company is to be enabled to acquire own shares over the counter by block trading from individual shareholders or a single shareholder.
6. The own shares acquired pursuant to sec. 65 para. 1 sub-para. 8 and para. 1a and para. 1b of the Companies Act may be sold by the Company in any lawful manner whatsoever in pursuit of one or more purposes, other than via the stock exchange or by public offer and by excluding the shareholders' subscription rights. Any over the counter sale/use of own shares, also excluding the shareholders' subscription rights, needs to be an option for the Executive Board whenever an objectively different treatment of shareholders is feasible and/or expedient and an objective justification for the over the counter sale/use of own shares and the related exclusion of the selling right thereby exists. An objective differentiation/justification also and particularly applies in the following cases:
- a) Any attempt on the part of the Company to sell a large number of own shares via the stock exchange or by public offer carries the risk that the price of the Company's shares may deteriorate (possibly to a substantial degree). This would not only harm the Company's shareholders but also the Company's ability to obtain capital market financing. Such a scenario can be prevented

by the Company selling, over the counter, own shares, excluding the shareholders' subscription rights.

- b) The Company intends to continue to grow in Austria and abroad. This growth may also take the form of acquiring other businesses or enterprises. The acquisition of businesses, enterprises or business units may take the legal structure of a purchase of certain assets (and liabilities) of a business, enterprise or business unit (asset deal) or it may take the form of an acquisition of shares in a company (share deal). Both types of acquiring businesses, enterprises or business units (the asset deal and the share deal) are hereinafter collectively referred to as company acquisitions.

In case of a company acquisition, the consideration paid need not only be in the form of money but it could also be in the form of shares in the acquiring company. This may be both in the interest of Company as the buyer and in the interest of the seller. Company acquisitions in which the seller transfers the company (or interests in the company) to the Company as a contribution in kind in exchange for new shares – in the case at hand from the authorized capital – will result in an increase in the share capital and hence in the equity of the Company. While the acquisition of a company through payment of a cash purchase price may result in a high liquidity outflow from the Company, company acquisitions against contributions in kind show no liquidity outflow from the acquiring company but, on the contrary, increase its equity. There may also be some cases in which, for strategic reasons, it becomes necessary and expedient for the seller of the company to acquire a small interest in the Company or for the seller to demand an interest in the Company in return.

The restrictions on the acquisition of own shares – to a total of 10 per cent of the share capital of the Company (for nearly all cases pursuant to sec. 65 of the Companies Act) – prevent a seller from acquiring a significant interest in the Company in this way. If the Company acquired the own shares at an earlier date and the share price has risen since, this will result in a financial advantage when using own shares as consideration for a company acquisition; because when the consideration for the company acquisition is assessed, the own shares to be offered as (part of the) consideration are, as a rule,

recognized at the current (average) share price or, at most, the higher intrinsic value but not at the lower historical cost.

A company acquisition in which the company or shares in the company are transferred to the Company against contributions in kind with the exclusion of the subscription rights of the remaining shareholders is generally accepted as objective justification for the exclusion of the subscription rights. With regard to its planned growth, the Company has an interest in facilitating a company acquisition against contributions in kind excluding the subscription rights of shareholders while at the same time protecting the Company's liquidity. Giving consideration in the form of own shares allows the Company to act with the necessary promptness and flexibility in such transactions.

The sale of own shares other than via the stock exchange or by public offer, excluding the subscription rights of shareholders, is necessary in company acquisitions because, on the one hand, it is the only way for the Company to guarantee the acquisition of a company against contributions in kind without liquidity outflows and, on the other hand, because the seller is often only prepared to transfer the company or shares thereof if the seller receives an interest in the Company that is of equivalent value. From the Company's point of view, it may be necessary for strategic or organizational reasons to include the seller in the Group as a shareholder. In the case of company acquisitions against contributions in kind, the seller, in its capacity as the party making the contribution in kind, can only achieve the desired interest if the seller alone receives the new shares; after all, a seller wants to obtain a (percentage) interest in the Company that corresponds to the value of its company in proportion to the enterprise value of the Company and which gives the seller adequate voting rights (and thus participation rights) in the Company.

- c) The explanations in b) above apply *mutatis mutandis* not just to the acquisition of enterprises but also to the acquisition of certain other assets (in particular real property). When acquiring such other assets, it may be advantageous and/or necessary for the Company to offer own shares as consideration, for example if the seller prefers receiving shares of the Company as the entire or part of the consideration rather than cash.

Moreover, it may be necessary for the Company for strategic or organizational reasons to include the seller as a shareholder in the Company. The use of own shares reduces the Company's liquidity requirements for such an investment/acquisition and accelerates implementation thereof as the Company can use its own shares rather than having to create new shares.

- d) Selling or using own shares allows the Company to handle, on a case-to-case basis, a special need for capital and/or financing at a lower cost than it would incur if it took out external financing. When the company acquisition or a real property or another financial need of the Company (such as the expiry of a loan) requires funding, then, given the amount required and/or the time frame within which the amount required must be found, and given the general and specific market and share price developments and the trading volumes available at the stock exchange, it may not always be possible to cover the financing requirement sufficiently or in good time by the sale of own shares via the stock exchange or by public offer.

The envisaged authorization of the Executive Board to resolve on another method of sale, also excluding the shareholders' subscription rights, enables the Executive Board quickly and flexibly to seize opportunities offered for the over the counter sale blocks of own shares at an adequate price. This is very important for the Company because it needs to be in a position to utilize every market opportunity quickly and flexibly and to obtain the required capital/financing rapidly and at favourable terms.

- e) The Company is to be given the option to give, against payment or for free, own shares to employees, executives and members of the Executive Board / management of the Company and its affiliated companies within the scope of an intended employees stock option programme. This requires an over the counter sale/use of own shares while excluding the shareholders' subscription rights.
- f) The Company aims to increase liquidity in trading with its shares, to which end it intends to extend the number of shares in free float and to widen its shareholder structure. It should therefore be able to sell own shares to selected investors, over the counter and excluding the shareholders' subscription

rights, with a view to enlarging the block of free floating shares and expanding its shareholder structure.

7. The exclusion of subscription rights and the sale of own shares other than via the stock exchange or by public offer is in the interest of the Company and thus, ultimately, in the interest of the shareholders, also and in particular for the reasons stated in Item 6 a) to f). In order to achieve these interests it is appropriate, necessary and reasonable to exclude the subscription rights.

The purposes stated in Item 6 a) and f) (avoiding a negative effect on the Company's share price, increasing the number of shares in the free float, expanding the shareholder structure, improving liquidity in trading the Company shares) can be achieved only when the Company can flexibly dispose of its own shares and, when using them, is not bound to selling via the stock exchange or by public offer and does not have to offer own shares to its own shareholders (especially since the latter would only strengthen the current shareholder structure).

Authorising the Executive Board to sell own shares other than via the stock exchange or by public offer while excluding the shareholders' subscription rights is appropriate and necessary in order to ensure that own shares will be realized in the best possible way and/or to achieve optimal financing and transaction terms and/or to obtain necessary funds within a tight time schedule, especially for the purposes stated in Item 7 b) to d).

The exclusion of subscription rights in the event that priority is given to employees, executives and members of the Executive Board when issuing shares is justified under sec. 153 para. 5 of the Companies Act.

Even if the exercise of this selling authorization of the Executive Board and the exclusion of the shareholders' subscription rights may be of disadvantage for some shareholders, this disadvantage would be very limited especially since the sale of own shares does not normally entail the risk of diluting the shareholders' shareholdings and since the shares to be acquired and sold are limited to 10 per cent of the Company's share capital.

Balancing the Company's special interest (i) in a stable price of its shares and/or (ii) in the acquisition of an enterprise or parts thereof or another asset and/or (iii) in the timely and low-cost fulfilment of a capital and financing requirement and/or (iv) in the creation and maintenance of a balanced shareholder structure, on the one hand, and the present shareholders' interest in preserving their proportionate stake in the Company, on the other hand, the Executive Board arrive at the conclusion that the authorization to sell own shares over the counter by excluding the shareholders' subscription rights is proportionate.

8. When selling own shares acquired pursuant to sec. 65 para. 1 sub-para. 8 and para. 1a and para. 1b of the Companies Act other than via the stock exchange or by public offer, the Executive Board must publish a report justifying, among other things, the sales price of the shares (sec. 65 para. 1b in conjunction with sec. 171 para. 1 of the Companies Act) no later than two weeks prior to the resolution of the Supervisory Board (whose approval is required for a sale other than via the stock exchange or by public offer).

As described above, it should be again pointed out in this connection that the sale of own shares as well as their acquisition other than via the stock exchange or by public offer and the exclusion of the shareholders' subscription rights are subject to the approval of the Supervisory Board. In such cases the Executive Board of the Company may not take a decision unilaterally.

9. In summing up, the Executive Board of PALFINGER AG arrives at the conclusion that authorizing the Executive Board of the Company to acquire own shares over the counter, also from individual shareholders or a single shareholder, or, subject to the approval of the Supervisory Board, to sell own shares acquired pursuant to sec. 65 para. 1 sub-para. 8 and para. 1a and para. 1b of the Companies Act other than via the stock exchange or by public offer, as well as the exclusion of the shareholders' subscription rights are in full compliance with legal requirements.

Bergheim near Salzburg, 18 February 2019

The Executive Board

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Andreas Klauser
CEO

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Martin Zehnder

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Felix Strohbichler