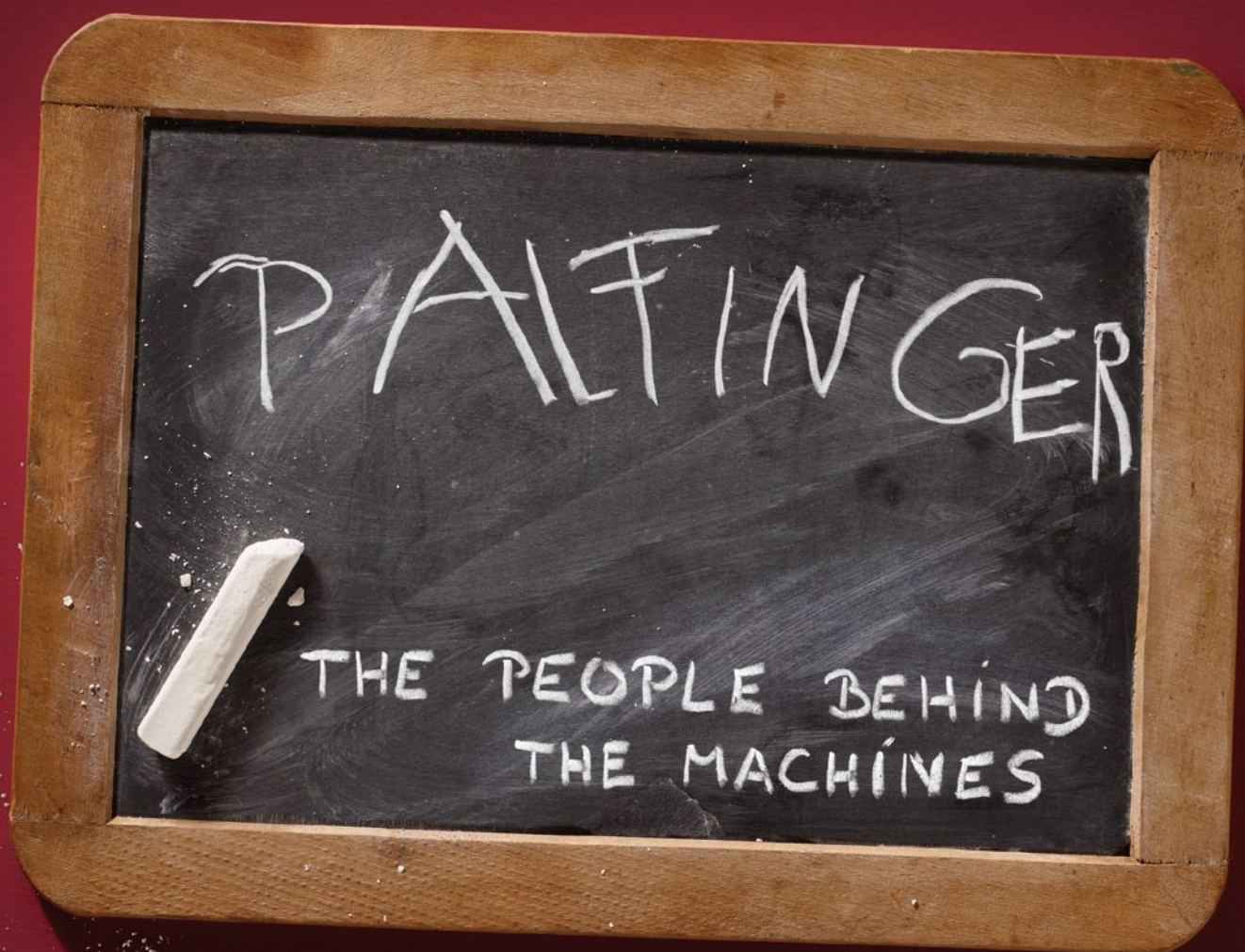


# 08/09

SUSTAINABILITY REPORT



**PALFINGER**

“What would you like to be when you grow up?  
Most children want to become doctors, teachers, actresses ...  
Last year when my daughter was asked this question in kindergarten she  
wrote on the blackboard: I want to be a PALFINGER like my mummy.”

## Key Figures

### ECONOMY (TEUR)

	2009	2008	2007
<b>Income (direct economic value generated)</b>	<b>507,729</b>	797,132	700,597
<b>Monetary flows to stakeholders</b>			
• Suppliers (operating costs)	373,166	529,039	450,316
• Employees (wages and salaries)	149,177	167,003	141,183
• Investors (dividend, incl. interest expenses)	27,650	34,810	26,008*
- of which equity suppliers	17,288	28,231	21,684
- of which debt suppliers	10,362	6,579	4,324
• Public authorities (taxes)	1,896	23,584	25,715
• Donations and sponsorships	390	615	512
<b>Economic value retained</b>	<b>(44,160)</b>	42,696	57,376

\* difference to data stated in previous report due to inclusion of dividend distributed to minority shareholders

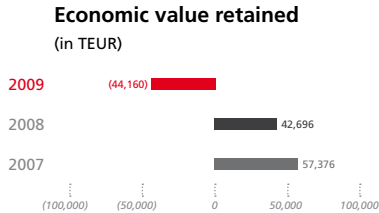
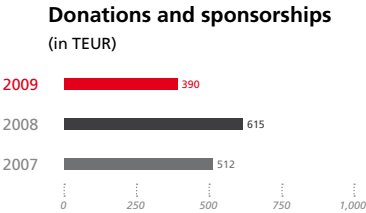
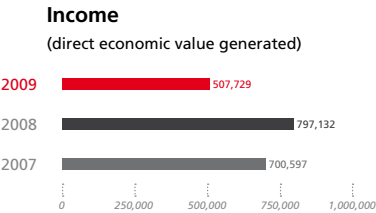
### HUMAN RESOURCES

	2009	2008	2007
Employees including temporary workers (31 Dec)	4,366	4,468	4,479
Share of temporary workers in total workforce in %	0.3 %	1.9 %	6.6 %
Employees leaving the Company in % of total workforce	20.4 %	16.3 %	12.4 %
Staff absence due to industrial accidents	0.5 %	0.7 %	n/a
Training hours per staff member	15.8	8.4	20.1
Share of employees aged 50 years and older in %	20.0 %	18.3 %	16.3 %
Share of women in %	10.5 %	10.1 %	9.8 %

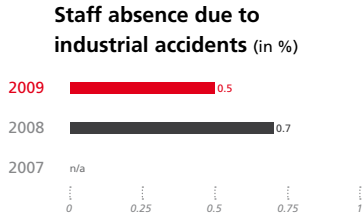
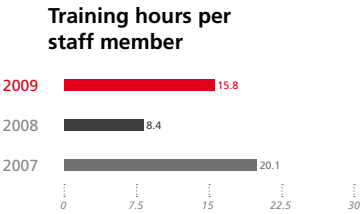
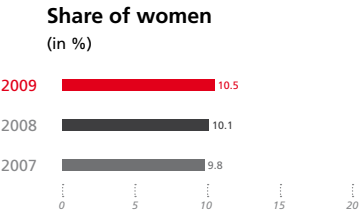
### ENVIRONMENT

	2009	2008	2007
CO <sub>2</sub> emissions from production per tonne of product manufactured in t	1.67	0.74	0.58
Transports in tkm	65,874,513	84,346,340	97,273,501
Discarded metal/scrap per tonne of product manufactured in %	31.8 %	28 %	28.1 %
Hazardous waste in t	1,585	1,690	1,561
Water consumption per tonne of product manufactured in m <sup>3</sup>	3.93	1.78	1.64
Use of high-quality steel (≥ S890) in %	37.4 %	42.3 %	30.2 %
Share of bio-hydraulic oil in total purchases in %	11.4 %	4.1 %	5.9 %

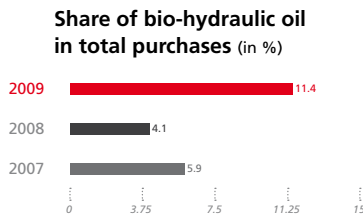
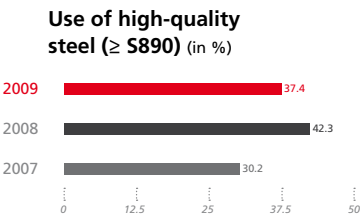
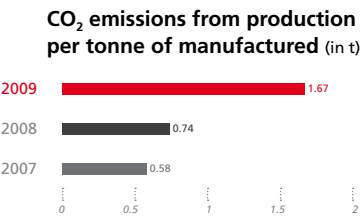
ECONOMY



HUMAN RESOURCES



ENVIRONMENT



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# Foreword

## DEAR READERS,

Sustainability at PALFINGER is not just something we pay lip service to but a programme to which we are dedicated – a fact that becomes evident in particular in difficult economic times. Social and ecological issues together with economic aspects are what significantly shape sustainable profitable growth. Despite the enormous slump in revenue and earnings suffered in 2009, sustainable economic performance matters to us. It is not short-term profit optimisation we pursue.

As the management of an international Group, which had continuously generated record results, we are virtually obligated to accept social responsibility, also with regard to our employees. There is no denying that the success achieved in the past few years would not have been possible without the unrelenting commitment and strong entrepreneurial spirit of our employees.

Of course we also had to take numerous measures in order to adjust the PALFINGER Group as well as its structures to the changed market environment. In addition to strict cost optimisation programmes, we tried to tackle the situation by reducing overtime accrued and untaken holiday, introducing flexible working time models and short-time work, and employees renouncing a part of their remuneration – instead of primarily laying off staff and closing plants. Despite a decline in capacity utilisation of more than 50, for many months now, we have had approximately 20 percent more staff in our employ than required. Moreover, PALFINGER has carried out education and training programmes, with the support of local authorities, to enhance the skills and qualifications of our staff during the present crisis. Budget cuts did not affect the global “health budget” of employees, as the challenging situation and the emotional burden they faced called for particular support.

This unique situation has reinforced our focus on what is essential, which is why PALFINGER has stepped up its capital expenditure in the greening of production and products. In line with our aim of reducing greenhouse gas emissions, we subjected all of our Austrian plants to a professional vulnerability analysis carried out by the Climate Alliance in 2009, following which we qualified as a Climate Alliance enterprise. Moreover, a Green Initiative was launched in North America, dealing with environmentally friendly plants and eco sales arguments. The challenge of the years to come will be finding a global common denominator for sustainability, for example in the form of minimum standards.

We are highly appreciative of the cohesion among the members of the PALFINGER family – a significant cornerstone of our success. For this reason we deliberately chose the slogan “The people behind the machines” for this Sustainability Report. By doing so, we would like to put our 4,400 employees in the limelight and also take this opportunity to thank them for their commitment.

In order to highlight the significance of Corporate Social Responsibility (CSR), we had a third-party application level check of this Sustainability Report carried out by accredited experts against the requirements of the Global Reporting Initiative (GRI) G3 Guidelines and received an application level of A+. On behalf of the entire Management Board I would like to invite you to see for yourself what we have done in the past few years and what we are planning to do in the future in terms of sustainability.



Herbert Ortner, CEO



# PALFINGER AG

## Mission Statement

PALFINGER STANDS FOR INNOVATIVE LIFTING, LOADING, AND HANDLING SOLUTIONS AT EACH INTERFACE OF THE TRANSPORT CHAIN. WITH OUR MARKET KNOW-HOW, OUR TECHNOLOGICAL SKILLS, AND THE COMMITMENT OF OUR STAFF WE ENABLE OUR CUSTOMERS ALL OVER THE WORLD TO BE MORE SUCCESSFUL. SUSTAINABLE ACTIONS OPTIMISE PRODUCTS AND PROCESSES AND SIGNIFICANTLY CONTRIBUTE TO THE ECONOMIC SUCCESS OF PALFINGER.

INNOVATION IS THE RESULT OF OUR PASSION FOR THE PERMANENT IMPROVEMENT OF PRODUCT, PROCESS, AND ORGANISATION. IT ENSURES PALFINGER'S MARKET LEADERSHIP AND ALLOWS IT TO ACCESS NEW BUSINESS FIELDS THAT BROADEN THE BASE OF THE BUSINESS.

INTERNATIONALISATION ENSURES THAT OUR CUSTOMERS IN 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, AND OPTIMISING PRODUCTION AND LOGISTICS COSTS.

DIVERSIFICATION ENSURES OUR INDEPENDENCE FROM SECTOR-SPECIFIC FLUCTUATIONS, GENERATES ADDITIONAL POTENTIAL FOR GROWTH AND CROSS-SELLING, AND GUARANTEES OUR SALES PARTNERS AN OPTIMISED PRODUCT PORTFOLIO.

## PALFINGER at a Glance

In 2009 the PALFINGER Group achieved revenues in the amount of EUR 505.4 million, which corresponds to a decline of approximately 36 percent compared to the previous year's figure. Not taking into account inorganic growth generated through acquisitions, revenue went down by approximately 45 percent against the backdrop of the global economic crisis; EBIT turned negative; however the loss was limited to EUR – 5.0 million.

PALFINGER has a sound financial basis. With an equity ratio of 49.7 percent and a gearing ratio of a moderate 52.0 percent, the Group has sufficient leeway to shape its further course.

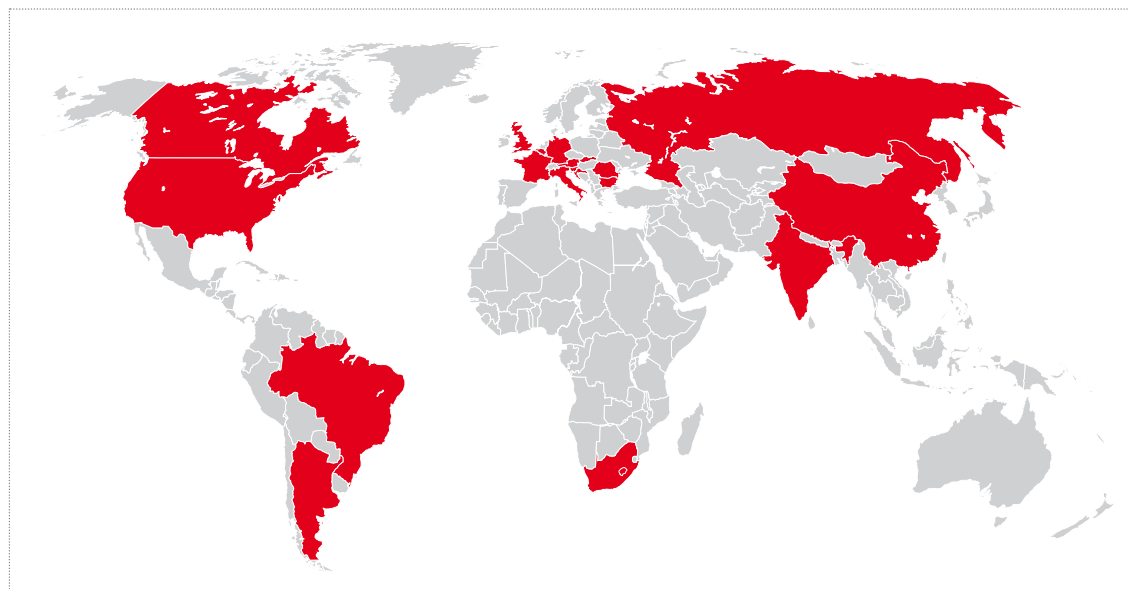
TEUR

ASSETS	31 Dec 2009	31 Dec 2008	LIABILITIES	31 Dec 2009	31 Dec 2008
Non-current assets	<b>312,755</b>	307,720	Consolidated equity	<b>288,387</b>	303,473
Current assets	<b>312,755</b>	307,720	Minority interests	<b>3,890</b>	6,412
			Non-current liabilities	<b>163,321</b>	82,096
			Current liabilities	<b>132,375</b>	249,350
			<b>Total equity</b>		
<b>Total assets</b>	<b>587,973</b>	<b>641,331</b>	<b>and liabilities</b>	<b>587,973</b>	<b>641,331</b>

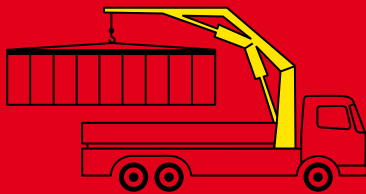
For more detailed information on our financial ratios please refer to our Annual Report 2009.

The PALFINGER Group is headquartered in Bergheim, Salzburg, Austria, and as of 31 December 2009 comprised 46 companies in 20 countries. The Group operates 24 manufacturing and assembly sites, a global sales and service network with approximately 4,000 outlets, and more than 200 independent dealers in more than 130 countries on all continents.

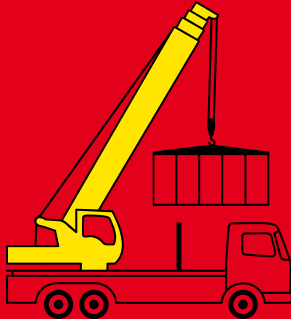
### CORPORATE LOCATIONS



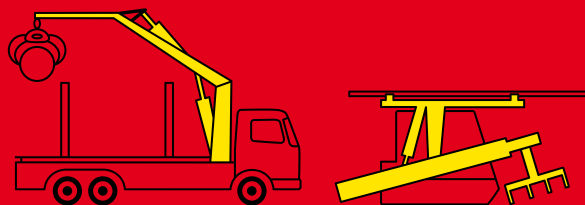




**CRANE**  
truck-mounted knuckle  
boom cranes



**MADAL** telescopic cranes



**EPSILON** timber and recycling cranes



**OMAHA STANDARD**  
truck bodies and  
pick-up tail lifts



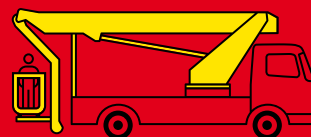
**PALIFT, AWE**  
container handling systems



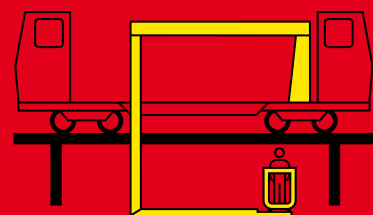
**CRAYLER**  
transportable forklifts



**MBB/RATCLIFF**  
tail lifts and passenger lifts



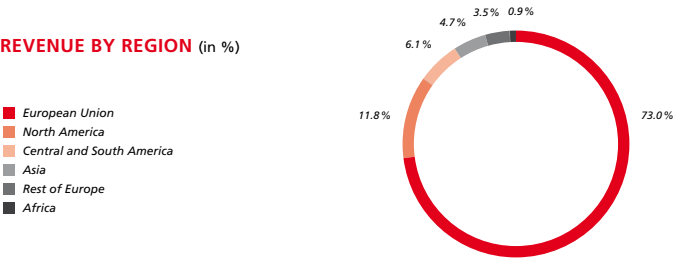
**PLATFORMS**  
access platforms



**RAILWAY**  
rail transport systems solutions

At present approximately 92 percent of our revenues are generated outside Austria, with the European Union being the primary market with sales of 73 percent. Our sales in North America more than doubled thanks to inorganic growth and at the end of 2009 amounted to approximately 12 percent of total revenues.

REVENUE BY REGION (in %)



PALFINGER is considered to be the technology and innovation leader. For knuckle boom cranes, timber and recycling cranes, as well as container handling systems PALFINGER is the number one in the global market and for transportable forklifts and tail lifts the worldwide number two. Moreover, the Company is the leading specialist in high-tech railway applications and access platforms in Europe. The Group's global position with its well-diversified product portfolio and its financial basis allow the Group to make use of opportunities even in the current difficult market environment.

In the past few years our diversification strategy has been supported by the following acquisitions.

Acquisition	Product focus	Plants in	Date of acquisition
P&R	Steel components	Croatia	19 September 2007
MBB	Tail lifts	Germany, Belgium, Great Britain, France, Slovakia, USA	7 December 2007
ELEVANT unit of WUMAG GmbH	Access platforms (up to 103 m)	3 plants in Germany	14 August 2008
Omaha Standard + Omaha Standard Distributions	Truck bodies and pick-up tail lifts	10 plants in the USA	3 November 2008
AWE	Container handling systems	2 plants in the USA	9 July 2009
ETI	Access platform (up to 15 m; isolated)	5 plants in the USA	9 April 2010

Through these acquisitions we were also able to expand our existing product portfolio with local products and reduce the dependence on the construction industry and the related industry cycles. AWE and ETI have not been included in the scope of this Sustainability Report as they were acquired in the current period under review or later.

## Corporate Governance

Pursuant to the Austrian Companies Act (AktG) the Management Board of PALFINGER AG manages the Company under its own responsibility in such a manner as is in the best interest of the Company, taking into consideration the interests of the employees and of the shareholders as well as the public interest. Loyalty toward 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.

As of the balance sheet date 31 December 2009, the Management Board of PALFINGER AG was composed of four members, with Herbert Ortner acting as CEO since June 2008. As of the same date the Supervisory Board consisted of five members elected by the Annual General Meeting and three members delegated by the Works Council. Kurt Stiassny resigned from the Supervisory Board with effect as of 6 November 2009 for professional as well as personal reasons.

Management Board	End of term of office
<b>Herbert Ortner</b> (CEO, CMO)	30 June 2013
<b>Christoph Kaml</b> (CFO)	31 December 2011
<b>Wolfgang Pilz</b> (CMO)	31 January 2014
<b>Martin Zehnder</b> (COO)	31 December 2010

Supervisory Board	End of term of office
<b>Alexander Exner</b> (Chairman)	AGM 2014
<b>Hubert Palfinger jun.</b> (Deputy Chairman)	AGM 2010
<b>Hubert Palfinger</b>	AGM 2014
<b>Kurt Stiassny</b>	6 November 2009
<b>Peter R. Scharler</b>	AGM 2012
<b>Alexander Doujak</b>	AGM 2011
<b>Johann Mair*</b>	*
<b>Alois Weiss*</b>	*
<b>Gerhard Gruber*</b>	*

\*delegated by the Works Council

At the Annual General Meeting of 31 March 2010 Hubert Palfinger jun. was re-elected and Wolfgang Anzengruber and Peter Pessenlehner elected to the Supervisory Board. Peter R. Scharler resigned from the Board as of the same date.

The remuneration system in place for Management Board members includes fixed elements and profit-related payments. Profit-related remuneration is based on targets that are set in agreement with the individual Management Board members, on the one hand, and the fundamental financial ratios of the PALFINGER Group – revenue growth, profit before tax, and ROCE, on the other. In 2009 the variable pay of Management Board members amounted to approximately 14 percent of their annual remuneration on an average. The members of the Supervisory Board received no remuneration for their services in the 2009 financial year. For detailed information on remuneration please refer to the Annual Report 2009.

The Group also uses a variable bonus system, including targets set by the Group as a whole or by Group divisions and also by individual project targets. Approximately 15 percent of the total workforce has a right to payments under this system. For directly productive staff, there is also a variable performance bonus geared to the issues of productivity, delivery reliability, and quality for which approximately 40 percent of the workforce are eligible.

PALFINGER is committed to the rules of the Austrian Corporate Governance Code ([www.corporate-governance.at](http://www.corporate-governance.at)), satisfies the requirements of the binding L-rules (Legal Requirement) and adheres to all C-rules (Comply or Explain) with the following two exceptions: Rule No. 53 Independent Members of the Supervisory Board, Rule No. 39 Supervisory Board Committees. For details please see our Annual Report 2009, p. 17 et seq.

In accordance with legal provisions this commitment is evaluated by an external auditor. The evaluation result confirms that corporate governance is genuinely put into practice at PALFINGER. The audited, evaluated questionnaire is made available to all interested parties on the Company's homepage ([www.palfinger.com](http://www.palfinger.com)).

In principle, PALFINGER takes on an active role when shaping standards and guidelines concerning products through its membership in various associations. For many years now we have been a member of the Austrian Working Group for Corporate Governance. PALFINGER is also supportive of creating the right environment to promote competitiveness, but shies away from party politics. No donations were made to any parties or politicians in the period under review.

PALFINGER has been included in the Austrian Sustainability Index (VÖNIX) ever since this share index was established by VBV Pensionskasse and is listed as an above-average stock in sustainable funds according to the FER SRI AG Ratio. In addition to our cooperation projects with local education organisations and institutes, we have been a long-standing partner of AMREF and ICEP – the Institute of Cooperation for Development Projects – as well as its corporAID initiative. PALFINGER is a member of the Austrian CSR network respACT.

In the period under review PALFINGER received numerous awards. In the following you will find a selection of awards received; for further information please go to our website [www.palfinger.com](http://www.palfinger.com):

- 2009 Wiener Börse Sustainability Award
- 2008 Austrian Sustainability Reporting Award (ASRA)
- 2008 Journalist Award for transparent and professional communication
- Numerous national and international prizes and awards for our annual reports published in the past few years, such as AAAtrend Austria, LIA London, Golden Drum Slovenia, ARC New York, NYF New York, and LACP America
- OBS Award 2009 for the best PR photo of the year, which was presented in a prominent location at the New York Times Square

## Sustainability at PALFINGER – An Overview of Our Values

Within the process of preparing the sustainability report 2007/2008, PALFINGER subscribed to several principles in the categories fair economy, people, and environmental protection. In the light of the current economic framework we discussed these principles again and came to the conclusion that they are still valid. It is an undisputed fact that social and green trends will continue to play an important part in co-determining what successful, sustainable economic performance means. The principles listed in the following give an overview of the prime green and social issues and the opportunities and risks arising from them for PALFINGER.

The firm rooting of principles on sustainable development within PALFINGER is being improved continuously. We coordinate our global sites via the PALFINGER Group guidelines. In 2009 we consolidated them into 28 guidelines which also include our sustainability principles. For more information on how our green and social principles are embedded and reviewed throughout the Group see Chapter Major Corporate Processes on page 72.

The progress of our sustainable development is mapped by providing the relevant indicators and reporting on the implementation of the measures indicated in our previous report. Moreover, new measures have been defined in the individual areas. An overview of all measures is presented in the Chapter Sustainability Programme on page 81. A summary of the major trends and developments of the period under review is presented at the beginning of each chapter.

### FAIR ECONOMY

#### FINANCIAL SECURITY OF EMPLOYEES

##### **All our staff should be paid a guaranteed minimum income.**

Our full-time employees should have an income sufficient to live on, in other words to meet the most important needs for themselves and their families. This is in particular true of unskilled labourers, such as cleaning staff, general labourers, etc.

##### **Payment under collective wage agreements and/or standards as customary in the respective country**

We do not pay our employees below minimum wages/salaries. In regions which are officially exempt from national minimum wages/salaries we still follow the collective wage agreements that are customary in a country.

##### **Assistance in case of hardship**

We provide help and assistance if an employee's family has been dealt a severe blow.

##### **Successful employees participate in successful times.**

If the Company is particularly successful, bonuses are distributed to all the staff of a successful site on the basis of common criteria.

## **PURCHASING**

### **Local sourcing strategy**

Our local sourcing strategy aims at using available resources in the country where they occur so as to be able to respond quickly and flexibly to our customers' needs. Furthermore, additional expenses for logistics, packaging, transports, etc. should be avoided as far as possible.

**Our suppliers should fulfil basic social and ecological standards. Sustainable development should be carried out in cooperation with our suppliers.**

Eco-social criteria in purchasing are to promote sustainable development in cooperation with our suppliers.

## **PREVENTION OF CORRUPTION**

**Our employees refuse to accept gifts beyond a certain scope. Remuneration strictly follows legal and/or fiscal standards in terms of accounting and payment.**

It goes without saying that we observe this principle even though other companies pay out part of the remuneration untaxed, which some employers and employees think is to their advantage. We are firmly committed to upholding this principle even if this constitutes a disadvantage in the short run as some employees may choose to leave the Company to take up a job in another business where this scheme is practised.

## **FAIR TAXES**

### **Business management before tax aspects**

Each business site must be profitable and pay off, which naturally includes regional fiscal framework conditions. We have to be transparent at all times and not let internal transactions to obtain tax relief mar that.

### **Internal transfer prices correspond to market prices.**

Internal services between the sites are charged at market prices. We do not artificially push up prices for internal services at sites which have lower tax rates due to regional legislation, which keeps our administrative efforts low and maintains internal competition.

### **Commitment to Austria as the Group's headquarters**

A significant part of our tax payments is made in Austria, where also a large share of our value creation takes place. This signifies that we are strongly committed to the country where our Group headquarters is located.

## **DONATIONS AND SPONSORSHIPS**

### **Long-term commitment**

We show long-term commitment for charitable projects, thus creating a sustainable environment for support.

### **100 percent of the funds are received.**

Projects are funded without the money seeping away in administration and organisation. All donations made must be received by the intended target groups in their entirety.

### **Success monitoring for donations and sponsorships**

Commitment means that we make an additional review of the successful deployment of the funds provided.

### **Donations communicated to our staff**

Our employees should take pride in our social commitment.

## UNITING MARKET SUCCESS AND SUSTAINABILITY

### SUSTAINABLE PRODUCTS

#### **"It's so easy!" PALFINGER removes burdens – from people and the environment**

Our products make work easier. Innovations make lifting and loading faster, safer, and more comfortable. Innovative solutions relieve the environment. We want the best possible transport solutions, while at the same time considering safety and ecology.

#### **PALFINGER can change the industry**

We are open towards new ideas and technologies, creating new system solutions for our customers that make working with our products easier and reduce the impact on the environment.

#### **Climate protection as applied to products**

We need to continue to improve the ratio between lifting power and deadweight. Our goal is to reduce the deadweight of all our products. Low deadweight brings down the exhaust emissions of the LGV.

#### **Product ecology should create added value in the market**

It is the aim of product ecology to strengthen PALFINGER as a brand. The pioneering role of the Company and of its products is to be underlined. Our products are not only the best because of their technical performance. They offer a total package and are also our customers' first choice from an ecological point of view.

#### **Environmental protection is a definite criterion for the development of our products.**

This includes aspects such as weight reduction, freedom from hazardous substances, recyclability, and energy-efficient use.

### SUSTAINABLE MARKETS

#### **Ecology and social responsibility are major market trends in support of our diversification strategy.**

Environmental aspects significantly shaped our market success even in the past. The eco-boom was manifested, for example, on the recycling market – a trend from which we clearly stand to profit with our recycling cranes and hookloaders. General social trends also open up new market opportunities. Our passenger lifts are totally in line with the trend towards accessibility. We are also planning to make wise use of opportunities offered by existing ecological and social trends in the future.



## OUR FOCUS IS ON PEOPLE

### TEMPORARY WORKERS

**Temporary workers are fully-fledged members of the PALFINGER staff.**

They receive the same incentive bonuses and are treated as equal staff members in all other respects. PALFINGER's aim is to keep the loyalty of the temporary workers at a high level. In only a few exceptional cases do their rights differ from those of permanent staff (e.g. meal allowance and annual bonus).

### GENDER

#### **Mixed teams are more productive**

Mixed teams are a valuable asset for PALFINGER. If PALFINGER fails to recruit a sufficient number of women, the Company will lose potential.

#### **Equal pay for work of equal value**

Staff who do the same work should also be paid the same salary. PALFINGER does not differentiate between men and women in this respect.

### EMPLOYEES WITH DISABILITIES

#### **Meaningful jobs for staff with disabilities**

PALFINGER employs staff with disabilities provided that they can be fully integrated in the production process and thus gain recognition and appreciation. Suitable framework conditions are created – for instance bonuses are adjusted to individual capabilities.

## ENVIRONMENTAL PROTECTION AT PALFINGER

### ENVIRONMENTAL PROTECTION IN PRODUCTION

#### **Environmental protection is truly embedded throughout the entire organisation**

Environmental protection is of substantial value to us. What counts, however, is the strategic perspective: the environmental measures we take should also result in economic advantages in the medium term.

#### **We respect regional and global minimum standards**

We want to be examples when it comes to regional environmental standards. Minimum criteria are defined for regions (South America, Eastern and Western Europe, etc.) and some environmental standards apply globally.

#### **Environmental protection makes us stand out**

We see ecological responsibility as an integral part of our lives and go much further than simply meeting standards. This makes environmental protection our unique selling proposition, which is also communicated accordingly.

#### **Energy and resources should be used efficiently. In contrast to the general periods of 3 to 5 years, amortisation periods of 10 years are allowed for measures focusing on an increase in eco-efficiency.**

Ecological measures are regarded as reasonable if they are amortised within a period of 10 years.

## **CLIMATE PROTECTION REGARDING BUILDINGS**

The following principles supplement our general principles on efficiency (cf. introduction to the chapters on environmental protection p. 44 et seq.).

### **Ecological building strategy**

Ecology is to play a strategic role in the construction of buildings, ensuring that our buildings are not merely purpose-built.

### **Orientation towards meeting the highest regional construction standards**

Take insulation as an example: Insulation should meet regional standards or, if possible, even exceed them.

## **CLIMATE PROTECTION IN TRANSPORT**

### **CO<sub>2</sub> as an element of our value-creation strategy**

The shifting of production activities between our sites impacts transport. In the future, climate protection will be considered in all changes of our value creation strategy. This will also bring cost advantages in the medium term.

## **ORGANISATION OF SUSTAINABLE DEVELOPMENT**

### **SUSTAINABILITY MANAGEMENT**

#### **Our management supports sustainability**

Environmental protection and social responsibility need commitment. Management clearly stands behind the strategic anchoring of sustainability.

## **MANAGEMENT SYSTEMS**

### **Environmental protection needs to be given the right priority and personnel resources.**

#### **Improve environmental and safety management**

Management systems create the preconditions for reliable improvement of environmental protection and employee safety. Furthermore, compliance with all laws and conditions imposed is guaranteed and costs are reduced. Environmental and safety management is to be improved – to this end external certification may be applied for, but is not necessarily required. At the moment, our first priority is to introduce global minimum standards.

“What affected my life most was the increases in prices for everyday items such as bus tickets or rice. My wage was not raised accordingly, so I virtually sensed that I was getting poorer and was no longer able to support my family the way I wanted to. As we live in a rural area, it was really difficult at that time to provide enough to eat every day and to live a carefree life. Unemployment affected many families. Anyway, the crisis is over now and I am noticing that economic growth has started again. Hope is returning and things are looking up again.”

**WANG PU**

WELDER AT THE PALFINGER PLANT SHENZHEN IN CHINA  
AND SOLE WAGE EARNER IN A FAMILY OF FIVE

# Effects of the Economic Crisis on Our Stakeholders

# Employment Trend

## MAJOR TRENDS

- ACQUISITIONS IN GERMANY, THE US, AND CROATIA SECURED LOCAL JOBS.
- THE NUMBER OF PEOPLE EMPLOYED WITH US INCREASED THROUGH THESE ACQUISITIONS.
- DUE TO THE DECLINE IN REVENUE OF MORE THAN 50 PERCENT THE NUMBER OF EMPLOYEES ALREADY EMPLOYED AT OUR SITES PRIOR TO THE ACQUISITIONS IN 2007 DECREASED BY (ONLY) 17.7 PERCENT.
- IN ORDER TO BE ABLE TO RELY ON QUALIFIED AND EXPERIENCED STAFF IN TIME FOR THE UPCOMING ECONOMIC UPSWING, PALFINGER MAINTAINED HIGH EMPLOYMENT LEVELS. EXCESS STAFF CAPACITIES WERE RETAINED DELIBERATELY.

## DEVELOPMENT OF HEADCOUNT

The number of employees as of 31 December has been strongly influenced by the economic turbulences since 2008. Due to the strong decline in demand we were forced to let some staff members go – even though to a smaller extent than our competitors. In 2007 our headcount was 4,185. Not taking into consideration the new sites acquired in the meantime, the figure was reduced to 3,451 (– 17.7 percent) in 2009.

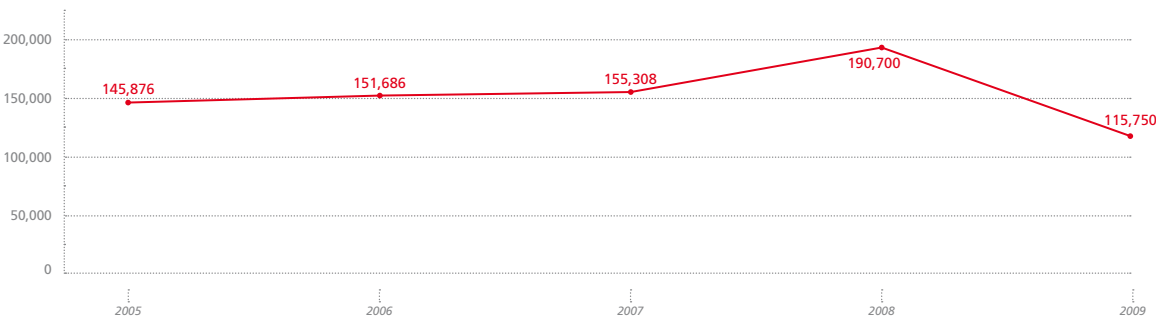
### EMPLOYMENT TREND 2007–2009 AS OF DECEMBER 31



In principle, the number of employees is reported as of December 31. As a consequence, the figures differ from those in the Annual Report 2009 where the number of employees was presented on an annual average.

Being a company with a solid economic basis, PALFINGER was in a position to handle the downsizing of our staff with a sense of proportion. As our staff is strongly attached to our Company and has received excellent training it was a matter of particular concern to us to retain as many employees as possible in spite of the currently rough economic framework. To this end we even accepted temporary economic disadvantages. While in 2007 revenue per employee (incl. temporary workers) was still EUR 155,308, in 2009 it was down to EUR 115,750. From a long-term perspective, however, this approach makes sense: It ensures that PALFINGER will be able to rely on outstanding staff as soon as the economy picks up again. This gives PALFINGER a head start over its competitors.

### REVENUE PER STAFF MEMBER (in EUR)



PALFINGER sites are subdivided into the following regions: Western Europe, Eastern Europe, North America, South America, and Asia. The development of employment figures varied in these five regions. Out of the sites that already formed part of the Group in 2007, the Eastern European and North American sites were affected most by the cutbacks. However, the commitment to our staff in Eastern Europe was enormous: employees were retained by offering them participation in intensive training measures or internal projects. In Western Europe and South America declines ranging from 10 percent to 15 percent were recorded. In Austria excessive staff capacities of around 20 percent are still retained. In South America we had to part with 44 staff members, but at this site as well a higher number of staff than required in the light of the declining production was maintained. In North America as well revenue decreased more strongly than employment.

Our goal is clear: we want to keep our good staff to be well-prepared for the time after the economic crisis. For this reason we have retained excess capacities. Nevertheless, many outstanding employees with good performance reviews had to leave PALFINGER. Therefore, in many cases we promised them the possibility to return to the Company after the crisis.

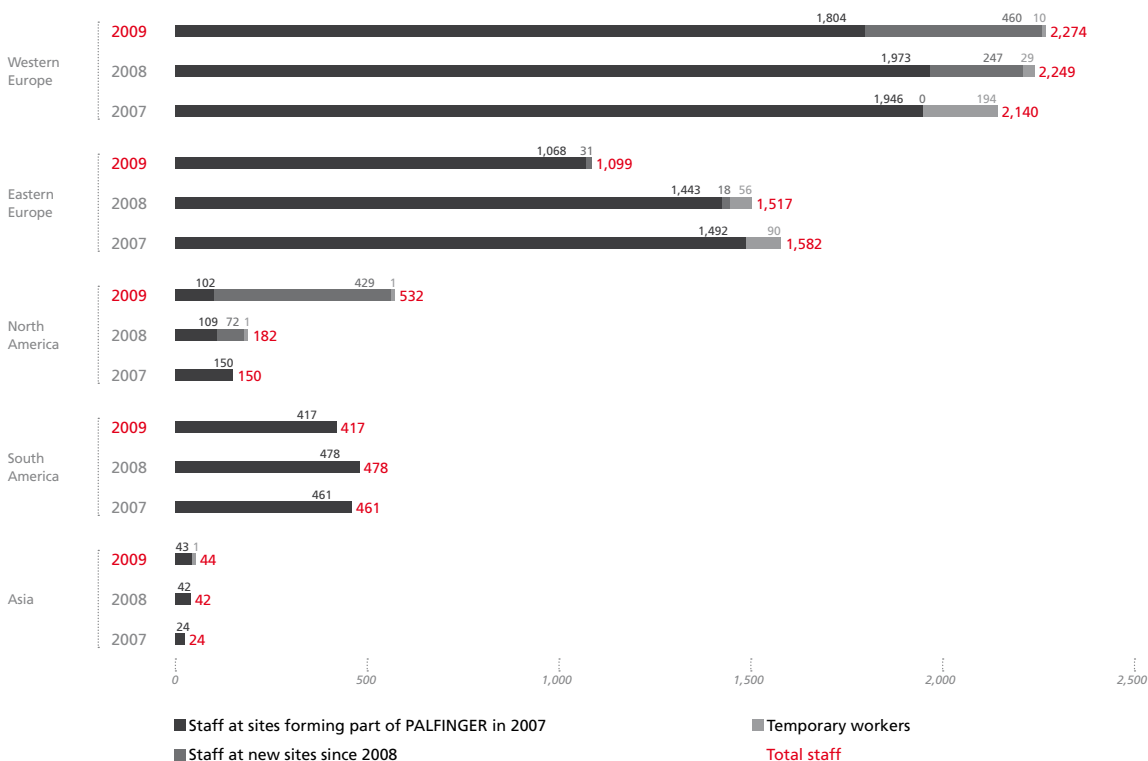
During the difficult past two years open communication was vital. At individual sites within the Group staff meetings took place two to four times a year to overtly discuss the situation with the employees. In Austria, decisions on personnel reductions were communicated to the works councils in a timely manner, approximately 16 weeks before they took effect, in order to try to find a mutual solution. The representatives from the works councils were consulted regarding all measures.

During the period under review the number of part-time employees decreased from 149 in 2008 to 109 in 2009. The number of fixed-term employees went down as well, from 71 in 2008 to 41 in 2009. The latter reduction was primarily due to the personnel reductions at our site in Maribor (SI), where fixed-term employment contracts are the rule.

#### CHANGE IN TOTAL HEADCOUNT (incl. temporary workers) BETWEEN 2007 AND 2009 BROKEN DOWN BY REGION

in %	Development of employment figures, including new acquisitions	Development of employment figures at sites forming part of PALFINGER in 2007
Western Europe	6 %	(7) %
Eastern Europe	(31) %	(28) %
North America	255 %	(32) %
South America	(10) %	(10) %
Asia	83 %	79 %

#### DEVELOPMENT OF EMPLOYMENT 2007–2009 BROKEN DOWN BY REGION



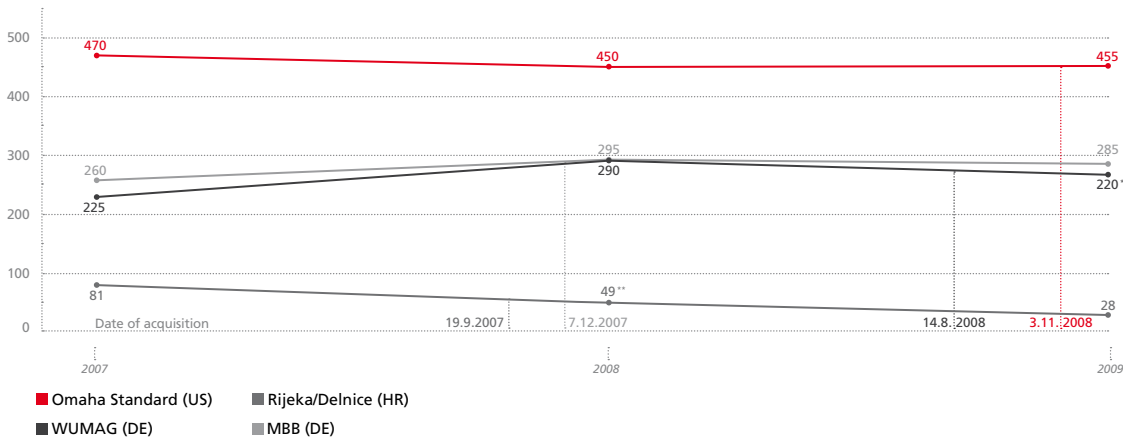
ACQUISITIONS

PALFINGER managed to use the economically difficult times for a number of strategic acquisitions. In Germany the sites Ebersbach, Seifhennersdorf, Krefeld, and Ganderkesee, where access platforms (WUMAG) as well as tail lifts and passenger lifts (MBB) are produced, were acquired. In 2009 the headcount at the newly acquired plants was 458, and hardly any staff cutbacks were necessary at these sites. Quite on the contrary: while PALFINGER took over 260 staff members of the MBB Group, a staff of 285 was employed in 2009.

The new site in Delnice, Croatia, is engaged in the manufacture of steel components. With effect as of the beginning of 2008 the site in Rijeka (HR) with a total staff of 32 was sold to Palfinger Systems GmbH. Re-organisation measures at the remaining site in Delnice made a strong reduction in personnel from 49 to 28 employees necessary.

Some of the new US sites were in deep economic trouble before they were taken over by PALFINGER. PALFINGER invested in these sites when the crisis was at its peak. Consequently, at the largest production site in Council Bluffs including all US distribution sites, staff was stepped up from 450 to 455 employees. This positive impact on the employment situation in this area, especially in rough times like these, was perceived well. In the middle of the crisis we were able to give some hope to the people living in this region. As a result, PALFINGER has made itself a name as a driver of employment growth. Besides the production plant in Council Bluffs, the following small sites of the affiliated distribution organisation were acquired as well: Birmingham, Atlanta, Charlotte, Dallas, Fort Lauderdale, Indianapolis, Louisville, Nashville, and Council Bluffs (now Palfleet Truck Equipment).

DEVELOPMENT OF EMPLOYMENT AT ACQUIRED COMPANIES (Number of staff at 31 December)



\* Reorganisation: From a total staff of 270, 50 staff members were transferred from WUMAG to PALFINGER Ainning.  
\*\* With effect as of the beginning of 2008 the site in Rijeka with a total staff of 32 was sold to PALFINGER Systems GmbH.

STAFF TURNOVER

In line with the personnel reductions at existing sites, Group-wide staff turnover increased from 12.4 percent in 2007 to 20.5 percent in 2009, affecting in particular the Western and Eastern European sites. In the South American region, although the headcount remained relatively stable, staff turnover was nevertheless high in 2009. In Asia employment figures were on the rise and no staff members had to leave the company in 2008. This resulted in high staff turnover figures in the following year. At the following sites the number of staff leaving was particularly high as compared to the total staff employed: Delnice (HR; 2008: 28 percent; 2009: 64 percent), Tiffin/Ohio (US; 2009: 47 percent), Cherven Brjag (BG; 2008: 25 percent; 2009: 45 percent). Staff turnover was low, namely under 10 percent, at the following sites in 2009: Ganderkesee (DE), Birmingham (US), Cadelbosco di Sopra (IT), Silly en Goufvern (FR), Caussade (FR), Bratislava (SK), and the Austrian company Palfinger Service- und Beteiligungs-GmbH (AT). These figures can be easily compared with each other thanks to the Group-wide standardisation of the indicator, as was announced in the previous sustainability report.

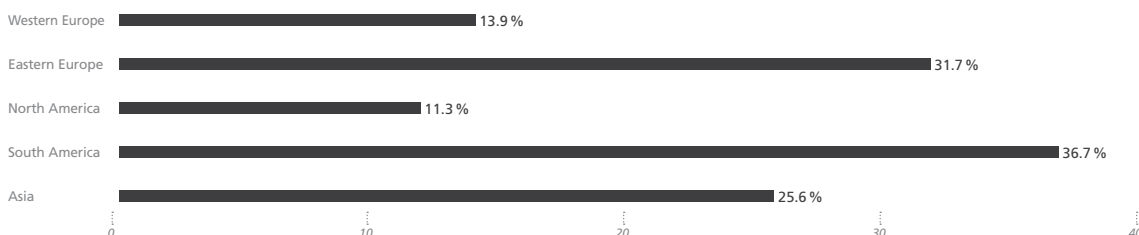


**DEVELOPMENT OF STAFF TURNOVER**

	2009	2008	2007
Total number of staff leaving the organisation during the year*	894	715	519
Number of staff leaving in % of total employees**	20.4 %	16.3 %	12.4 %

\*incl. retirements

\*\*according to headcount made in December, excluding temporary workers

**EMPLOYEES LEAVING IN 2009 BROKEN DOWN BY REGION** (in % of total employees)**TEMPORARY WORKERS**

The number of temporary workers employed within the Group decreased considerably in the past two years. Their total share was around 0.3 percent in 2009, while in 2007 it was still 6.6 percent.

This decline can be explained by the collapse in order intake and production. At the time the previous sustainability report was prepared, we had already announced a reduction of the share of temporary workers in Western Europe to less than 2 percent. Due to the enormous dimension of the economic crisis, which was not yet foreseeable back then, the figure decreased even further. In 2009 the share of temporary workers in the total staff was 0.6 percent in Western Europe, while in Eastern Europe we did not employ any temporary workers at all. One reason for this was that the shedding of temporary workers was a prerequisite for the entry into force of labour-related measures such as the state-funded short-time work model introduced at the Austrian sites.

The only regions where we employed one temporary worker each in 2009 were North America and Asia.

The remaining temporary workers employed with PALFINGER remain fully-fledged staff members. However, due to the decline in their total number, it was our deliberate decision not to focus on the implementation of further measures specific to this group of employees for the time being.

**TEMPORARY WORKERS BROKEN DOWN BY REGION \*** (in % of total employees)

in %	2009	2008	2007
Western Europe	0.4 %	1.3 %	9.1 %
Eastern Europe	0.0 %	3.7 %	5.7 %
North America	0.2 %	0.5 %	0.0 %
South America	0.0 %	0.0 %	0.0 %
Asia	2.3 %	0.0 %	0.0 %
<b>Group</b>	<b>0.3 %</b>	<b>1.9 %</b>	<b>6.6 %</b>

\*permanent staff and temporary workers

## Financial Security of Staff

### MAJOR TRENDS

- IN 2008 WAGES AND SALARIES PAID PER EMPLOYEE REACHED A PEAK AS PRODUCTION LEVELS WERE STILL HIGH. IN 2009 – IN LINE WITH THE ECONOMIC TREND – THE BOOM WAS FOLLOWED BY A COLLAPSE.
- SITES WITH LOWER WAGE LEVELS WERE LESS AFFECTED BY THE REDUCTION IN WAGES AND SALARIES.

### SOCIAL MEASURES TO MITIGATE THE EFFECTS OF JOB CUTBACKS

The economic framework conditions required personnel reductions at many existing sites. We did our best to take into consideration social aspects wherever possible or to accept aid offered by the state.

In Austria, short-time work was introduced at the Group's headquarters and in all plants. In cases where lay-offs were inevitable, redundancy plans were drawn up and – also in Slovenia – increased severance payments were made.

The same approach was also applied in Germany, Italy, and Slovenia: short-time work in preference to lay-offs. This principle made it possible to avoid even higher job cutbacks. Eventually, short-time work was also introduced for the staff of the Austrian site in Elsbethen.

In Brazil there is neither any support from the state for short-time work models nor any social security through state redundancy plans in case of a lay-off. For this reason, we tried to retain staff members who are approaching their retirement and whose chances in the labour market are slim. Severance payments were made in line with the statutory provisions.

Short-time work was also introduced at most of the US sites. PALFINGER paid attention to setting limits to the impacts on the staff members. For instance, at the site in Council Bluffs (US) it was ensured that no employee was faced with a loss of remuneration of more than 5 percent due to the introduction of short-time work.

The severest personnel reductions had to be carried out in Bulgaria. Here it was essential to us to take into consideration the family situations, as at Cherven Brjag and Tenevo there are many cases where several members of a family are employed with PALFINGER. If all members of a family employed with PALFINGER were affected by lay-offs, this would result in major financial problems for the respective family and eventually even put their livelihood at risk. For this reason, we paid attention to avoiding such scenarios. As, in spite of the aforementioned considerations on our part, the atmosphere at the sites was strongly affected by the personnel reductions, it was our deliberate decision to refrain from lowering the wage level at the Bulgarian sites during the past two years in spite of the high performance-linked share of the wages that requires high output figures. In general, we will continue paying our Bulgarian staff very good wages as compared to other employers in the same region.

### HELP IN CASE OF HARDSHIP, COMPANY PENSION SCHEME

In the previous sustainability report we planned to give more help to our employees in case of personal hardship. The site managers were informed of the possibility of reporting cases to the Management Board which would then decide on an extraordinary support payment on a case by case basis. Eventually, a structured programme in the form of a social fund was regarded as not necessary as we take the view that an individual, pragmatic approach is more expedient. At the German sites, a collection box for "good times and bad" has been set up, which is used in such cases.

No noteworthy company benefits in the form of company pension schemes for employees have been in place. A measure for the organisational support for a company pension scheme in Austria is being developed and is scheduled to be completed in 2010.

**WAGE LEVELS IN DIFFERENT COUNTRIES**

PALFINGER is committed to the principle that its employees should participate in the Company's good economic performance in successful times. PALFINGER is generally committed, via the Federation of Austrian Industries (Industriellenvereinigung Österreich), to ensuring flexible remuneration components and increasing the flexibility of working hours. On the basis of the performance-related remuneration, one-time payments for the preceding years were made both in 2007 and 2008. In addition, special bonuses were paid under the standard bonus scheme in these two years. Due to the contraction of PALFINGER's revenue, it was not possible to pay such bonuses in 2009. Moreover, the flexible wage components were affected by the lower output figures. As a consequence, wages and salaries shrunk considerably in 2009 as compared to the previous year. Short-time work schemes and the management teams' voluntary renunciation on part of their salaries contributed to this reduction as well. Basically, wages and salaries per employee were reduced at virtually all sites.

Currently the trend is that countries with lower wage levels record less pronounced declines in wage and salary levels. In Bulgaria the wage level, which corresponds roughly to 10 percent of the wage costs in Austria, was not lowered although originally the wage component depending on the output figures accounted for a large share. On average there were only moderate losses per employee. In Brazil the reductions between 2008 and 2009 were even smaller, averaging -1.8 percent. In Shenzhen (CN) the average wages and salaries were even increased as more staff members in leading positions were hired at this currently still small site. The developments that took place in Croatia in 2007 and 2008 could not be presented due to statistical distortions caused by the acquisition of the plant in Delnice. All in all, however, salaries paid in 2009 were clearly higher than in 2007, as in addition to the higher wage level, incentive bonuses were paid at the new site for the first time.

At a first glance, average wages and salaries per staff member were affected most in the English-speaking countries Great Britain, US, and Canada. In part, this can be explained by currency fluctuations, which impact figures when they are converted from the national currencies. In addition, new US sites located in areas with a generally low wage level were acquired during the reporting period. As these were primarily production and/or truck body mounting sites, the high share of directly productive staff lowers the average remuneration paid. Finally, the development was also influenced by salary cuts.

The presentation of the annual wages and salaries per staff in euros provides a good overview of the developments taken place so far. If you take a more detailed look, however, it becomes clear that a certain level of impreciseness – such as the currency fluctuations mentioned before – has to be accepted. Another difficulty in presenting these figures is that the huge differences in costs of living in the different countries are not at all taken into consideration. For this reason we are planning to review the way of presentation for the next sustainability report.

**WAGES PER EMPLOYEE – CHANGES BETWEEN 2008 AND 2009 (in %)**

	Change 2008–2009
China	25.1 %
Slovakia	13.4 %
Brazil	(1.8) %
Slovenia	(3.7) %
Bulgaria	(5.0) %
France	(5.6) %
Belgium	(9.6) %
Singapore	(11.4) %
Italy	(14.1) %
Germany	(16.0) %
Austria	(16.8) %
USA	(20.7) %
Canada	(23.7) %
Great Britain	(29.2) %
Croatia	n/a

EXPENSES FOR WAGES AND SALARIES PER EMPLOYEE BROKEN DOWN BY COUNTRY (in EUR)



COLLECTIVE WAGE AGREEMENTS AND FREEDOM OF ASSOCIATION

As a matter of principle, freedom of association and employee representation are legal options available at nearly all sites, the only exception being our Asian sites in (CN) and Singapore (SG). However, due to the small number of staff employed at these sites, this aspect is not yet an urgent topic.

Collective wage agreements have been entered into in the following countries: Austria, Italy, France, Slovenia, and Brazil and partly also in Germany (with the exception of Eastern Germany). That means that approximately half of the workforce is covered by collective wage agreements.

SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Human Resources	<b>Living wages</b> Analysis as to how salary payments may ensure financial security against the backdrop of the costs of living	Sep 2010

## Purchasing

### MAJOR TRENDS

- MORE PURCHASING CONTRACTS WERE PLACED WITH SUPPLIERS FROM AUSTRIA, BULGARIA, AND GREAT BRITAIN. IN GREAT BRITAIN THAT WAS DUE TO SHIFTS IN THE PRODUCT MIX.
- LOCAL SOURCING STRATEGY IS TO BE CONTINUED: WHERE PRODUCTION TAKES PLACE, PURCHASING IS TO BE PROMOTED AS WELL.

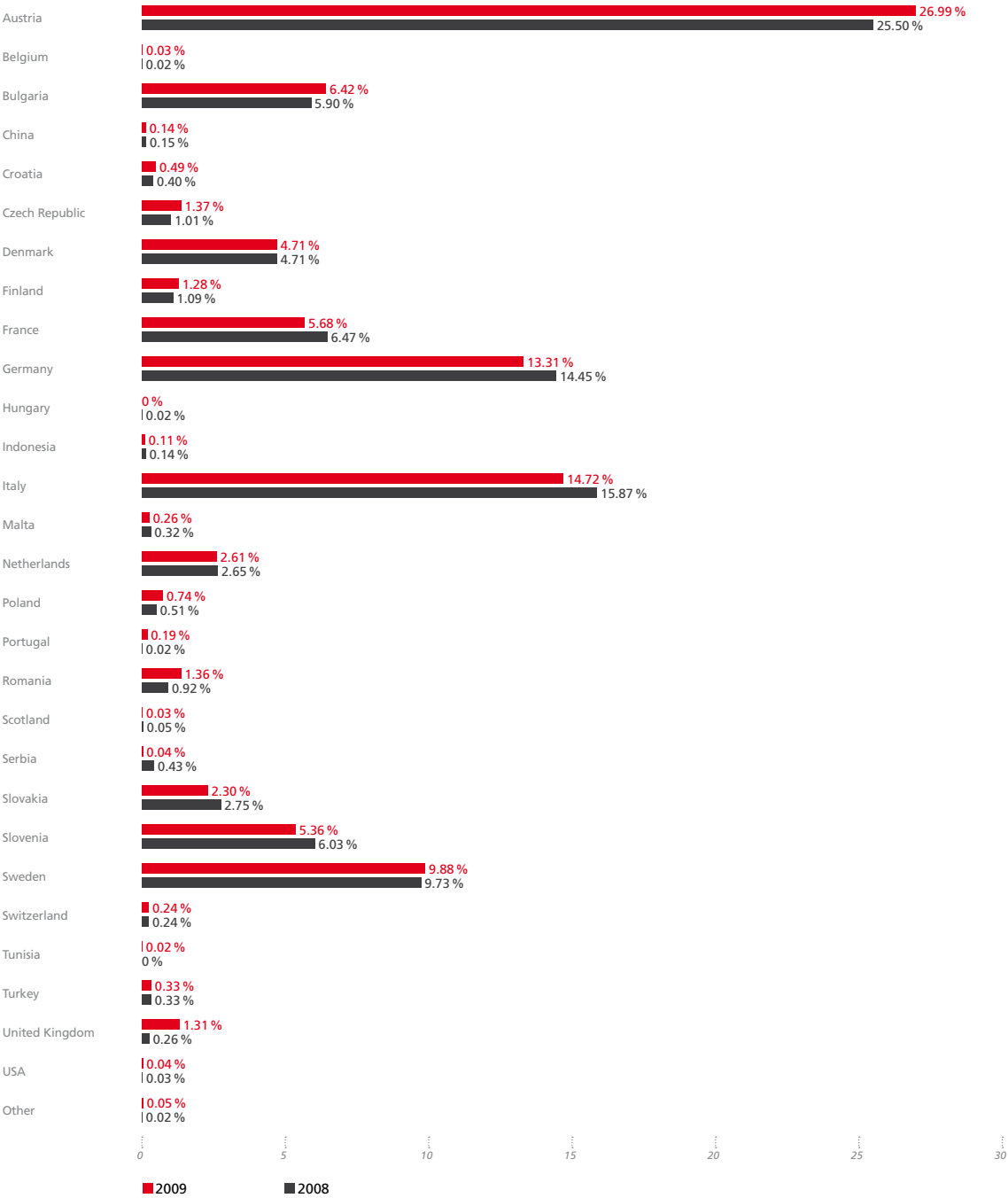
### LOCAL SOURCING – PURCHASING BY COUNTRY

As output figures decreased in line with the decline in demand, purchase figures were reduced as well. In 2007 payments to suppliers amounted to TEUR 450,316 after TEUR 529,039 in 2008 when revenue was high. In 2009, the year of the economic crisis, the amount went down to TEUR 373,166.

The shares of the individual countries in which we bought the material and primary products shifted slightly as well. Austria, Great Britain, and Bulgaria profited most while Germany, Italy, France, and Slovenia lost shares. This special situation was also due to the “2009 year of crisis”. In principle, our local sourcing strategy has not changed and is not going to change; that means that material and raw materials are supplied by those regions where our production sites are located.

The way in which regional procurement figures are presented was changed as compared to the previous sustainability report. In order to be able to better present the local sourcing strategy, a distortion caused by lower procurement volumes was compensated for by presenting procurement in the individual countries as shares in total purchases. Moreover, the data basis was changed. While in the previous sustainability report local purchasing data were collected directly at the sites, this time the analysis was based on the purchasing activities within the Group as budgeted in the Group SAP system in order to avoid double counts. Approximately 80 percent of the sites were included in this central data recording system. The data were no longer weighted by the number of staff employed in the individual countries.

ANALYSIS OF THE PROCUREMENT VOLUME FROM EXTERNAL SUPPLIERS BROKEN DOWN BY COUNTRY OF ORIGIN \* (in %)



\*Data include purchasing from plants using SAP (approx. 80% of all sites). Not included: the organisations MBB, Ratcliff, North America, and Madal. In this context, country of origin refers to the country where the purchased component was produced and not to the country where the company is domiciled.

**ECOLOGICAL AND SOCIAL STANDARDS TO BE MET BY OUR SUPPLIERS**

Ecological and social responsibility along all stages of the value-creation chain is of great importance to us. Not only do we optimise our production processes and improve the safety and environmental impact of our products, but we also want to gain our suppliers as long-term partners for sustainable development. And we have achieved great progress in this respect in recent years.

To govern our cooperation with suppliers we have prepared a Code of Conduct, which basically covers human rights, environmental standards, and business ethics. In terms of human rights, criteria for a business relation with PALFINGER include the prohibition of child labour, free choice of employment, ban on discrimination, freedom of association, as well as compliance with health and safety provisions. When it comes to environmental protection we expect our suppliers to be strongly committed to the protection of our environment and to offer environment-friendly production methods and products. In the field of general business ethics, a ban on corruption is a prerequisite, and the Code governs the handling of gifts, business entertainment, and invitations. The Code of Conduct is publicly available and may be accessed at any time at our website [www.palfinger.com](http://www.palfinger.com).

From spring 2010 onwards all major contracts entered into with PALFINGER all over the world will have to contain a passage providing that the provisions of the Code of Conduct form an integral part of such contract. In addition, a Group-wide procurement policy was adopted. To guarantee that these measures are actually taken internal audits at the PALFINGER purchasing departments of various PALFINGER sites will take place.

Compliance of our suppliers with the provisions of the Code of Conduct will also be checked by means of audits. Audits of the approximately 120 top suppliers of PALFINGER, which account for around 80 percent of all central purchasing deliveries, have been a permanent fixture for years. So far, these reviews have focused exclusively on quality aspects. In early 2010 ecological and social topics regarding human rights, prevention of corruption, industrial safety, and compliance with environmental provisions were added to the audit checklist. Review of these topics is mandatory. The supplier evaluation sheet is completed upon the initial assessment and reviewed every one to two years in the course of regular audits.

In the case of deviations regarding ecological and social topics, measures with deadlines for remedying the shortcomings are agreed upon with the suppliers. Even though officially the sustainability criteria were not included in the assessment list before January 2010, ecological and social matters had been taken into consideration in supplier audits in 2009. In 2009 there was one complaint regarding an environmental topic as a supplier failed to properly dispose of hazardous substances that posed a risk for the environment and the health of the local population. We requested the supplier to remedy this shortcoming without delay. Apart from this case, compliance of our suppliers with the new PALFINGER Code of Conduct seems to be high. Based on the experience gained so far and the overall impression as of this date there are no indications to deviations regarding corruption, compliance with national environmental provisions, child labour etc. So far, no violations of the Code of Conduct by Chinese suppliers have been reported either.

In the future, we are planning to refine the audit checklist in the fields of environmental and social issues even further. With a view to staff safety, aspects of industrial safety are to be reviewed more thoroughly by including documentation of industrial accidents, apparent defects identified in the course of inspections, officers in charge, and the labour safety programme. When it comes to environmental issues, the safe disposal of hazardous waste and the proper storage of hazardous substances are to be guaranteed.

In addition, a statistical analysis of complaints regarding social and ecological issues will be prepared in the future. Improvements and deadlines agreed upon will be reported internally at PALFINGER and compliance will be checked.

In principle, it can be stated that environmental and social topics are increasingly considered and appreciated by our suppliers. In this area, awareness for sustainability has been raised successfully.



#### SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Purchasing	<b>Global suppliers' Code of Conduct for purchasing</b> Roll-out of the PALFINGER Code of Conduct for suppliers (environment, social) to all contracts entered into at local sites	2010
Risk Management	<b>Internal audits regarding the Code of Conduct in purchasing</b> Audit training sessions will be carried out at the purchasing departments of the individual PALFINGER sites	2011
Purchasing	<b>Analysis of environmental/social checks in the course of supplier audits</b> Analysis and quantification of the results of the audits with a view to environmental and social standards of suppliers	2010

## Taxes

### MAJOR TRENDS

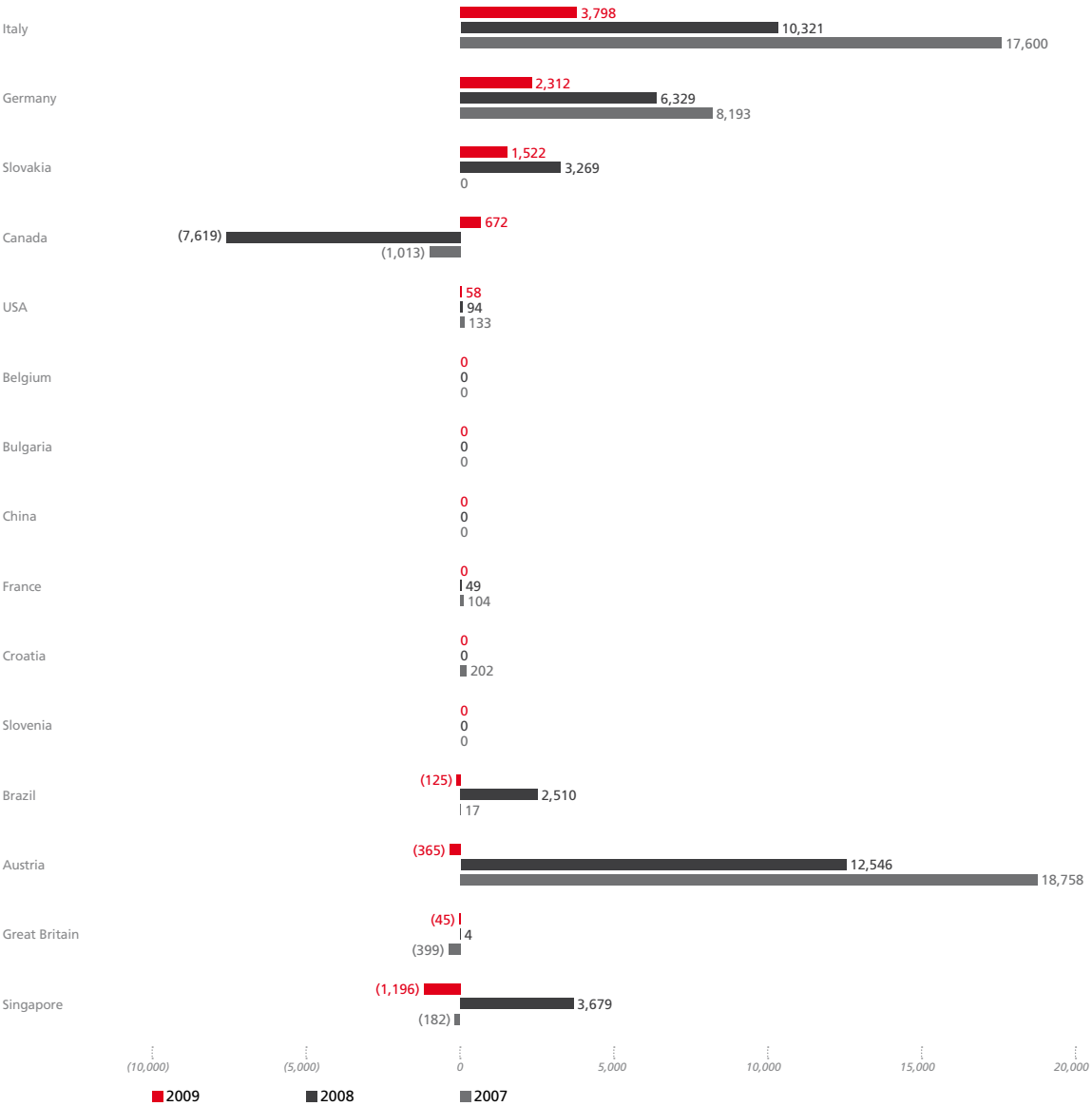
- WE ARE INCREASINGLY PROMOTING LOCAL EMPLOYMENT CONTRACTS FOR OUR STAFF WORKING ABROAD FOR LONGER PERIODS.
- TAX PAYMENTS DECREASED CONSIDERABLY.

Around 30 Austrian staff members in leading positions are currently working abroad within the Group, primarily in Eastern Europe. In the previous sustainability report we set ourselves the goal of clearly defining the framework conditions for their employment to avoid any uncertainties when it comes to the taxation of salaries. We have implemented this measure and ensured that all expatriates will be treated in accordance with the applicable legislation when it comes to taxation and social security contributions. However, if they stay longer (usually more than 5 years) local employment contracts in accordance with the respective national provisions will be entered into. However, the long-term goal is to build up strong local management teams composed of nationals from the respective countries.

In general, it can be said that tax payments made by the Group developed in line with the economic crisis and the related slump in results so that heavy losses were recorded. In 2007 our tax payments amounted to TEUR 25,715; and in 2009 the total amount payable by the Group was only TEUR 1,896. This reduction was primarily due to the decrease in taxes payable on income.

In 2009 PALFINGER also received government grants. The subsidies and grants for R&D and/or investments for all Austrian companies amounted to TEUR 998 in 2009. Payments received for employees in Austria included TEUR 2,875 from the Austrian Labour Service (AMS) for short-time-work and TEUR 39 for apprentices from the Austrian Economic Chamber. For further information please see pages 87 and 115 of our Annual Report.

INCOME TAX PAYMENTS INCLUDING DEFERRED TAXES IN RELATION TO SIZE OF LOCATION  
(per employee at the respective site in EUR)



## Donations and Sponsorships

### MAJOR TRENDS

- THE NEW POLICY ON DONATIONS FOCUSES ON HEALTH PROMOTION.
- PALFINGER CONFIRMS ITS COMMITMENT TO LONG-TERM INITIATIVES IN THE FIELD OF DONATIONS AND SPONSORSHIPS.
- THERE WAS A SLIGHT DECREASE IN DONATIONS, DISTINCT DECREASE IN SPONSORSHIPS BETWEEN 2008 AND 2009

### GLOBAL DONATION AND SPONSORSHIP STRATEGY

In the past two years, we reached our goal of defining a PALFINGER donation policy. In the framework of an internal guideline, which entered into force on 1 December 2009, our site managers in the individual countries were allocated an annual budget for donations. They are free to spend this budget at their own discretion but have to report substantial local donations. The focus of our activities is on the following:

- Sports: dynamics, power, endurance, technology
- Social projects: health, prevention, and social responsibility for our staff
- Science: products and space (which are provided)
- Culture: products (provided in the course of cultural projects)

At the moment these priority areas are being coordinated with the Group. Subsequently, there are plans to synchronise these activities in order to bundle them and present a global strategy to the outside.

Long-term commitment to charitable initiatives is important to us. For this reason, even in economically challenging times, we continued our support. Measured by our revenue, the amount spent on donations and sponsorships in 2008 and 2009 corresponded to the average amount donated for many years.

### DONATIONS

For years we have been supporting the following institutions:

- Children's Cancer Fund and other cancer foundations
- AMREF (African Medical and Research Foundation)
- Huntington Hilfe Salzburg (promotion of scientific research in the field of Huntington's disease)
- Caritas and Red Cross
- Various hospitals and schools

The extraordinarily high total amount donated in 2007 was due to a special project launched on the occasion of the festive gala marking the 75<sup>th</sup> anniversary of PALFINGER where a gold-coloured crane was sold in an auction. The extra proceeds went to Huntington Hilfe in Salzburg. Subsequently, this organisation was also supported in 2008 and 2009 with the usual amount. Slight reductions in the volume of donations were due to the fact that in 2009 no Christmas raffle, which in recent years also resulted in the spontaneous support of various initiatives, took place. Measures to support staff in situations of social hardship are described in the Chapter Financial Security of Staff.

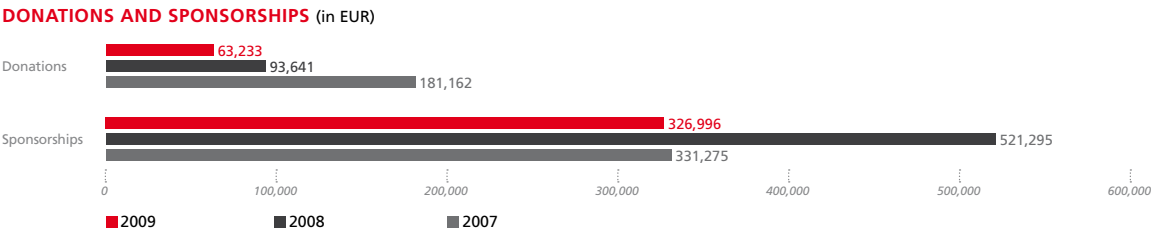
The data on donations made by the Group also cover the initiatives taken by individual sites. A noteworthy site is Caxias do Sul (BR), which supports numerous social projects. No or hardly any money was donated by our new sites in the US. This was due to the fact that America was probably hit most by the economic collapse, both in terms of scope and duration, and had to face severe austerity measures. In this situation, corporate responsibility meant saving existing jobs and/or creating new ones. The people and staff in this region perceived PALFINGER's behaviour on a positive note. Consequently, they strongly associate the name PALFINGER with socially responsible behaviour.

Due to the economically tense situation we had to postpone one of the projects included in the previous sustainability programme. Our plan was to establish funds in the Bulgarian regions in which we are operating to support regional sustainability projects. However, in the light of the current framework conditions, our staff would not have tolerated such measures.

**SPONSORSHIPS**

Long-term commitment is equally important to us when it comes to sponsorships. It goes without saying that we continued performing our current contracts. In the field of sports we have been supporting truck racing for many years as there is a great deal of synergy between the racing fans and the buyers of our products, most of which are mounted on trucks. The same holds true for our commitment to heavyweight athletics, which focuses on the German strongman Heinz Ollesch.

Although we continued to support our most important initiatives in 2009 we reduced our sponsorship activities to the level of 2007. This reduction affected primarily small short-term sponsorships most of which were turned down in the period under review. We are planning to maintain or even slightly increase the current sponsorship volume in 2010.



## Distribution of Value Added

### MAJOR TRENDS

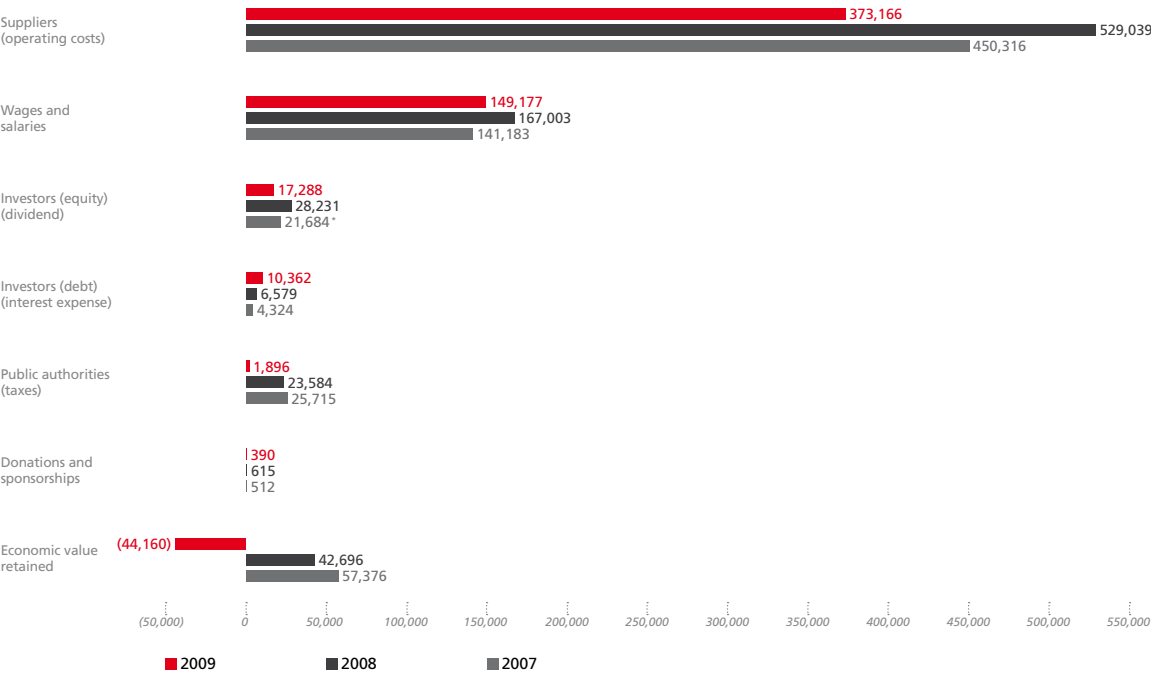
- THE ECONOMIC CRISIS WAS CLEARLY REFLECTED IN THE STRONG DECLINE OF MONETARY FLOWS.
- TOTAL EXPENSES FOR WAGES AND SALARIES WERE ON THE RISE DUE TO ACQUISITIONS MADE IN RECENT YEARS.
- INCREASING INTEREST EXPENSES MAKE OUTSIDE CAPITAL MORE EXPENSIVE.

The distribution of the value added to our stakeholders reflects the economically dire times. What affected the tax volume most was income-related taxes. Payments to suppliers, investors (to owners in the form of a dividend and to debt suppliers in the form of interest), and for donations and sponsorships were reduced by between 171 percent and 23.8 percent. Total expenses for wages and salaries were on the rise due to the acquisitions in North America, Germany, and Croatia. Interest expense rose considerably while the “monetary value retained” (difference between payments to stakeholders and revenue, according to the international standard of the Global Reporting Initiative) decreased strongly.

### CHANGE IN MONETARY FLOWS TO STAKEHOLDERS 2007–2009 (in %)

	Change 2007–2009
Suppliers (operating costs)	(17.1) %
Wages and salaries	5.7 %
Investors (dividend incl. interest expenses)	6.3 %
- of which equity suppliers	(20.3) %
- of which debt suppliers	139.6 %
Public authorities (taxes)	(92.6) %
Donations and sponsorships	(23.8) %
Economic value retained	(177.0) %

MONETARY FLOWS TO STAKEHOLDERS 2007–2009 (in TEUR)



\* difference to data stated in previous report due to inclusion of dividend distributed to minority shareholders

"Short-time work and the financial losses entailed by it caused personal problems for several employees. Especially in difficult times like these we had to learn to stick together. In my extra spare time I rediscovered my old hobby: I regularly go hiking in the mountains and enjoy nature."



GÜNTHER PRILLER

STEEL CONSTRUCTION PROCESS SUPPORTER AT THE PALFINGER  
PLANT LENGAU IN AUSTRIA AND HIS REKINDLED PASSION

# Health, Education and Further Training, Equal Oppor- tunities



The health, education, further training, and equal opportunities of our staff are a matter of high priority for PALFINGER – even, and in particular, in hard economic times.

Staff satisfaction is a key factor in the success of our Company and satisfied staff is loyal to the organisation. Especially in those areas where steel construction takes place, the well-being of our employees is strongly influenced by the protective equipment they are provided with. Continuous further training makes our staff fit to tackle new challenges. The expansion of workforce diversity within the Company, which adds new perspectives, is beneficial for the success of all parties concerned.

The human resources management team at our headquarters in Austria is in charge of consolidating the data and activities of the entire Group. In addition, each site has its own local human resources officers. In order to coordinate our global activities we are planning to further improve the uniform definition, collection, and transfer of all data required for reporting purposes in 2010, thus establishing a standardised basis throughout the Group.

SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Human Resources	<b>Analysis of HR measures carried out in Brazil</b> Evaluation on whether the local activities (e.g. one staff member who is exclusively in charge of social matters) should be expanded to other sites.	Dec 2010

## Health and Safety

MAJOR TRENDS

- OUR COMMITMENT TO PREVENTION HAS RESULTED IN A DECREASE IN STAFF ABSENCE DUE TO INDUSTRIAL ACCIDENTS.
- AN INTENSIVE PROGRAMME FOR THE PREVENTION OF ACCIDENTS IS CURRENTLY UNDERWAY IN BRAZIL.
- FUNDAMENTAL MEASURES TO IMPROVE OCCUPATIONAL SAFETY IN EASTERN EUROPE HAVE BEEN TAKEN.
- PALFIT EXPANDED WITH A FOCUS ON WESTERN EUROPE.
- A CRISIS INTERVENTION TEAM WAS FORMED AND WILL START WORK IN 2010.

STAFF ABSENCE

The average staff absence time within the Group was 11.03 percent in 2008 and 5.88 percent in 2009. Both figures were higher than the percentage recorded in 2007. The strikingly high percentage for 2008 was primarily caused by our plants in Caxias do Sul (BR) and Cherven Brjag (BG) which accounted for 24.86 percent, and 21.01 percent, respectively.

Like in the previous sustainability report, staff absence was measured in accordance with the respective national legislations. The figures cover all times of staff absence and thus include also administrative errands, doctor's appointments, absence for sickness, and special leave; conclusions to the health of our staff may be drawn only to a certain extent.

Consequently, we decided to take a closer look at staff absence caused by industrial accidents, starting with the year 2008, as this better reflects our efforts to increase the safety and health of our staff. However, the data collected from the various regions are comparable only to a certain extent as the definitions of industrial accidents are governed by the respective national legislations. In some points, the PALFINGER standards go beyond these definitions, as for us the strict interpretation of standards means a safety plus for our staff. In 2008 and 2009 we focused our activities on measures to prevent accidents, primarily by means of thorough training and instruction of our staff at the newly acquired sites. These activities are also reflected in the key figures. While in 2008 Group-wide staff absence caused by industrial accidents was still 0.73 percent; in 2009 the percentage was down to 0.50 percent.

A particularly high percentage was recorded in Brazil, namely 1.46 percent (2009). Due to the steel construction carried out at the plant in Caxias du Sul (BR) there is an elevated risk of industrial accidents at that site. An analysis of the main risk areas was made and as a consequence, amongst other things, new protective goggles were introduced. As concerns the safety of hands, optimum protection needs to be guaranteed without restricting the staff's mobility. A newly set-up commission for industrial safety will pay increased attention to this issue in the future. The number of so-called blunt injuries (sprains, strains) was successfully reduced by offering the employees exercises, presented by an external trainer, to warm up before work.

Since 2006 no staff member of PALFINGER has suffered a deadly accident on the job.

#### STAFF ABSENCE OF REGULAR WORKING TIME (in %)

Group	2009	2008	2007
Staff absence in % of regular working time	5.88 %	11.03 %	5.74 %
Staff absence caused by industrial accidents	0.50 %	0.73 %	n/a

#### STAFF ABSENCE CAUSED BY INDUSTRIAL ACCIDENTS IN 2009 IN % OF REGULAR WORKING TIME BROKEN DOWN BY REGION (in %)



#### WORK-RELATED DEATHS

Group	2009	2008	2007
Work-related deaths	0	0	0

## HEALTH PROMOTION AND PALFIT

In our previous sustainability report, we set ourselves the goal of continuing with the expansion of the PALfit programme with a focus on Eastern Europe. Although initially the roll-out was delayed due to the economic crisis, many basic programmes on industrial safety were implemented at Eastern European sites in 2008 and 2009. Measures for the promotion of our staff's health included the optimisation of the ventilation systems at the sites, the enhancement of workplace ergonomics, and the provision of new protective equipment.

At the same time, the PALfit programme was rolled out to the Western European sites. In addition, a Group-wide smoking ban on the Company premises was introduced.

### SITES WITH PALFIT (as of 31 December 2009)

Sites with PALfit		Site analysis completed	Programme to enhance occupational safety introduced	Preventive medical checkups started	Programme for general health promotion introduced (sports, nutrition)
Austria	PALFINGER AG	●	●	●	●
	PALFINGER Europe GmbH	●	●	●	●
	PALFINGER Service- u. Beteiligungs- GmbH	●	●	●	●
	Elsbethen	●	●	●	●
Germany	Ainring	●	●	●	●
	Löbau	●	●	●	●
	Ebersbach **	○	○	○	○
	Seifhennersdorf **	●	●	○	●
	Krefeld **	○	○	○	○
	Ganderkesee *	○	○	○	●
Italy	Cadelbosco di Sopra	○	●	●	●
France	Caussade	●	○	●	●
	Silly en Gouffern *	○	○	○	○
Belgium	Erembodegem *	○	○	○	○
Great Britain	Welwyn Garden City	○	●	○	○
Slovenia	Maribor	○	●	●	○
Croatia	Delnice *	○	○	○	○
Slovakia	Bratislava *	○	○	○	○
Bulgaria	Cherven Brjag	○	●	●	○
	Tenevo	○	●	●	○
Brazil	Caxias do Sul	○	●	●	●
USA	Tiffin, OH (US)	○	●	○	○
	Council Bluffs (OSI), IA (US) **	○	○	○	○
	Palfleet Standorte, US **	○	○	○	○
	Cerritos, CA *	○	○	○	○
Canada	Niagara	○	●	○	○
China	Shenzhen	○	○	○	○
Singapore	Singapore	○	○	○	○

\* data included since 2008

\*\* data included since 2009

● PALfit health initiative already in force before 2008

● New PALfit health initiatives since 2008

○ Currently no PALfit health initiative

**WORK-LIFE BALANCE**

Situations may arise where individual staff members are at a loss and need help – be it due to financial trouble, stress caused by excessively taxing demands or mental underload in the workplace, addiction, family problems, or physical ailments. In March 2010 a crisis intervention team was set up in Austria in order to provide staff affected by such problems with confidential advice. The team is made up of contact persons spread throughout the Company who confidentially attend to, assist, and support people in critical situations and help them find solutions. The team members are available during working hours and, in case of emergency, also after business hours. If necessary, they may also consult external experts.

**SUSTAINABILITY PROGRAMME 2010/11**

Entity	Measures	Realisation until
Works Council	<b>Crisis intervention team</b> A crisis intervention team will be established in Austria from 3/2010 onwards. Evaluation to decide whether this is to be expanded to all European sites on the basis of first experience gained	March 10 Dec 10
Human Resources	<b>Uniform global definition of accidents</b> Introduction of a Group-wide PALFINGER standard regarding the definition of accidents Enforcing the reporting of accidents at the first day of absence, irrespective of less stringent legal provisions.	May 2010
Human Resources	<b>Group-wide minimum safety standard</b> Introduction of a minimum worldwide safety level: e.g. regarding safety equipment and for operations with an elevated risk to health	2011

## Education and Further Training

**MAJOR TRENDS**

- WE TOOK ON A HIGHER NUMBER OF APPRENTICES, EVEN IN TIMES OF ECONOMIC CRISIS.
- APPRENTICESHIP PROJECT IN BRAZIL GIVES CHILDREN FROM POORER HOMES A PERSPECTIVE.
- INTENSIVE FURTHER TRAINING WAS CARRIED OUT TO TIDE OVER TIMES OF LOW CAPACITY UTILISATION AND ENSURE FUTURE VIABILITY.

**EDUCATION**

The past two years of crisis were marked, among other things, by staff cutbacks. However, the development of apprenticeship figures ran counter to this trend. In spite of the economically challenging situation the number of apprentices trained within the Group rose from 66 in 2007 to 145 in 2009.

This increase can be traced back to the apprentices employed at the newly acquired sites. In Ganderkesee (DE) we employed 29 apprentices in 2009; another 6 were trained in Ebersbach (DE) in the same year. In Austria we were the employer of a total of 48 apprentices in the difficult year of 2009. In light of the small share of women working with PALFINGER we are particularly pleased that half of these apprentices are women.

At our Caxias do Sul (BR) site in Brazil we employed a total of 40 apprentices. In addition, an outstanding apprenticeship programme was established there which takes special account of the local needs and requirements: a school with a canteen for children from poor homes was set up. Graduates of this institution are given the chance to start an apprenticeship with PALFINGER.

**TOTAL NUMBER OF APPRENTICES**

	2009	2008	2007
Total number of apprentices	145	137	66

FURTHER TRAINING

The average hours spent on further training per staff member of the Group were subject to great fluctuations in the previous years. From 20.1 hours in 2007 the figure went down to 8.4 hours in 2008 and doubled to 15.8 hours in 2009. In 2009 a particularly high number of hours was invested in staff training at our Eastern European sites, namely 62 hours in Tenevo (BG) and 83 hours in Delnice (HR).

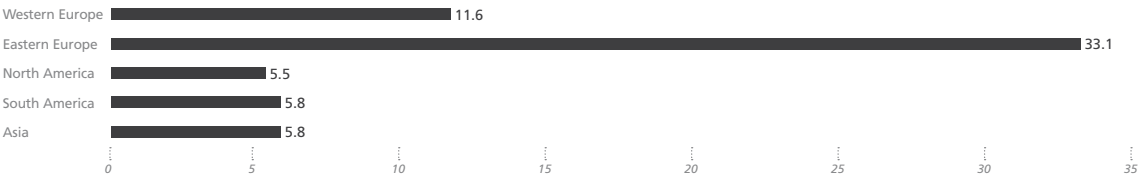
TRAINING HOURS PER STAFF MEMBER

	2009	2008	2007
Training hours per staff member	15.8	8.4	20.1

The steep increase in training hours between 2008 and 2009 can be explained primarily by the slump in economic activity and the short-time work models introduced as a consequence. The capacities released by the collapse of the order intake were used to increase the qualification of our staff by offering them internal training measures. This made it possible to prevent a more pronounced staff cutback and to emerge from these difficult times even stronger than before (cf. p. 18ff).

With a view to further harmonising the Group-wide training activities we defined a benchmark for training hours, which is 10 hours per year for staff engaged in indirectly productive work. These hours have to be spent on workshops, seminars, and internal training courses. As the training activities in the directly productive area are carried out “on the job” it is hardly possible to measure them separately.

TRAINING HOURS PER STAFF MEMBER IN 2009 BROKEN DOWN BY REGION



SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Human Resources	<b>10 training days for indirectly productive staff</b> The target of 10 training days for indirectly productive employees should be met (workshops, seminars, and internal training sessions)	2011
US	<b>Breaking-in programmes</b> Expansion of the existing breaking-in programme for welders into a 2–3 week breaking-in programme for other areas (assembly, paint shop, maintenance, etc.)	Dec 2010

# Equal Opportunities

## MAJOR TRENDS

- THE POPULATION PYRAMID IS SHIFTING – MORE AND MORE OLDER STAFF MEMBERS ARE EMPLOYED WITHIN THE GROUP.
- SHARE OF WOMEN WITHIN THE GROUP INCREASED ONLY SLIGHTLY.
- SHARE OF EMPLOYEES WITH DISABILITIES CONTINUED TO RISE THROUGHOUT THE GROUP.

## GENERATIONS

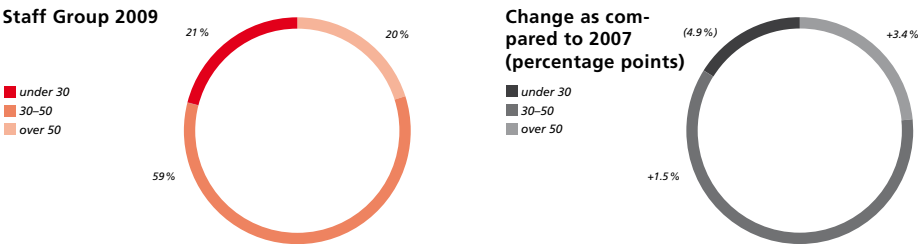
We appreciate the valuable knowledge and the longstanding experience of our staff. The age shift of the population pyramid is also reflected in our Company, which results in various challenges that we intend to tackle proactively.

The figures speak a clear language and show a shift in the age structure at our Company – our staff is aging. The share of employees aged over 50 years increased by 3.4 percentage points as compared to 2007. The development was similar in the field of directly productive staff, with particularly high shares being recorded in North America (2009: 11.19 percent) and Eastern Europe (2009: 13.35 percent). What is striking in this context is that all in all there is no noteworthy difference between the age structure of directly productive staff and that of indirectly productive staff.

In order to plan ahead and be able to retain the valuable knowledge within the Company, the annual “Human Resources Review” deals with the issue of upcoming retirements in a structured manner (categorisation of functions, timely notice to successors, transfer of know-how). Issues like the positions that will have to be staffed shortly, how to do this, and the optimum way to achieve a smooth transition are discussed. Key positions all over the world have been analysed with a view to these questions for years, but in 2009 all positions were included in the “monitor” of the human resources review.

For our staff over the age of 50 an overview detailing the necessary and expedient measures to enable them to work in the best possible physical and mental fitness until their estimated retirement has been prepared. In addition, it is important to deliberately make use of the special skills based on their experience. To this end, a plan is prepared to provide an overview of the workplaces where those staff members will spend the next few years of service and the changes that will have to be realised in this connection. It is planned to implement these measures in the course of a pilot project in summer 2010.

STAFF – AGE STRUCTURE IN 2009 (in %)

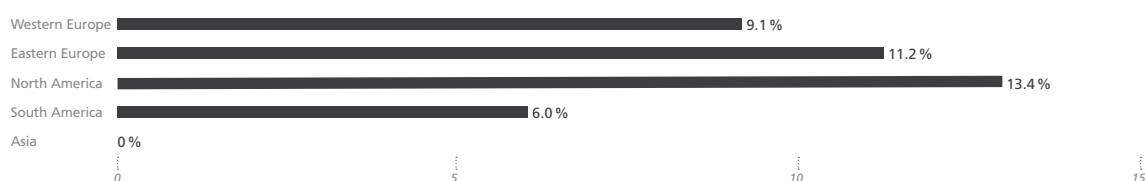


AGE STRUCTURE IN 2009 AND COMPARED TO 2007 (in %)

### Directly productive staff

	Directly productive staff 2009	Change as compared to 2007 (percentage points)
under 30 years	22 %	(4.0) %
30–50 years	58 %	0 %
over 50 years	20 %	4.0 %

#### DIRECTLY PRODUCTIVE STAFF AGED 50 YEARS AND OLDER IN 2009 BROKEN DOWN BY AREA (in %)



#### SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Human Resources	<b>Expansion of 50+ management</b> Roll-out to additional sites within the Group based on experience gained from pilot project	2011

#### GENDER

In our previous report we set ourselves the goal of increasing the share of women employed within the Group. As the data show, it was not possible to put this plan into practice in such a short period of time. As compared to 2007, when the share of women within the Group was 9.8 percent, it rose slightly and reached a percentage of 10.5 percent in 2009. The highest share of women, namely 25.6 percent, was recorded at our sites in Asia.

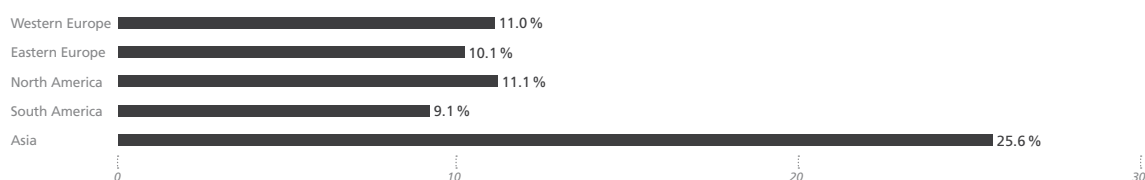
At the production sites, the situation is particularly typical of our industry: the majority of staff members working in these areas are men. Throughout the Group in 2009 only around 5 percent of the women were engaged in directly productive activities while the remaining 95 percent were indirectly productive staff. Nevertheless, we are pleased that in Austria we once again trained more female apprentices in 2009 than in 2008 and intend to continue this trend. We are planning to launch a campaign to raise the interest of female students in technical jobs in 2010. A first step will be our attendance of the Girls' Day, where female students visit their parents', or friends' workplace to get an overview of their jobs. This initiative is to create an incentive to change the trend in the career choice of girls and make them choose technical jobs as well.

We would also like to continue increasing the share of women in executive positions in a targeted manner. Currently, the share of women in upper and middle management is around 10 percent. However, there is no woman among the 40 top management executives. In this connection, we are evaluating whether special trainee programmes may be offered. Special communication measures in the non-technical areas should also appeal to women so that they apply for management and executive positions with PALFINGER.

#### SHARE OF WOMEN 2007-2009 (in %)

	2009	2008	2007
Group	10.5 %	10.1 %	9.8 %
in management positions	10.2 %	10.8 %	n/a

#### SHARE OF WOMEN IN 2009 BROKEN DOWN BY REGION (in %)



## SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Human Resources	<b>Women in the junior executives programme</b> Promotion of women as junior executives: evaluation of trainee programmes, special advertising measures in the commercial area	Dec 2010
Human Resources	<b>Female students for technical jobs</b> Launching of a campaign	Dec 2010

## EMPLOYEES WITH DISABILITIES

Staff members with disabilities are fully-fledged employees, and we want to offer them a meaningful occupation. What is important in this respect is to adjust the workplaces to their special needs. The share of staff with disabilities increased from 1.7 percent in 2007 to 2.5 percent in 2009.

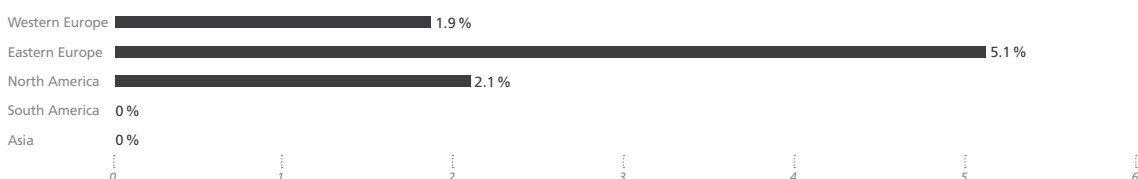
At 5.1 percent the share of staff with disabilities was over-proportionally high in Eastern Europe, which is also due to the stricter legislation in these countries. Our plants in South America and Asia employed no staff members with disabilities in 2009.

We have decided to carry out a global screening to find adequate positions. So far, this was done in Austria and suitable positions were made available. In 2010 and 2011 we intend to evaluate whether adequate fields of employment are available at other sites as well.

## SHARE OF STAFF WITH DISABILITIES WITHIN THE GROUP (in %)

	2009	2008	2007
Share of staff with disabilities	2.5 %	2.6 %	1.7 %

## SHARE OF STAFF WITH DISABILITIES IN 2009 BROKEN DOWN BY REGION (in %)



## LOCAL MANAGEMENT TEAMS

Thanks to its global positioning, the Group profits from the diversity that is truly embedded throughout PALFINGER. Of course, diversity also means challenges when it comes to coordinating different perspectives from various countries. To make sure that we can handle this even better in the future, we have set ourselves the goal of building strong local management teams.

## SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Human Resources	<b>Local management teams</b> Promotion of local management teams at the sites	Dec 2011
Human Resources	<b>Group-wide staff appraisal interviews</b> Introduction of Group-wide mandatory staff appraisal interviews for indirectly productive staff	June 2010
Human Resources	<b>Staff satisfaction survey</b> The next internal survey will be carried out in March 2010	April 2010



"As the company remained financially stable, wages were paid on time. We used this phase of crisis to optimise structures and cleanliness in production, which led to an improvement of production processes. It was a good and humane decision to retain many of the staff members. This enables us to adequately respond to the increasing production. What matters to me are the people behind the machines, as they have tackled the crisis literally with their own hands!"



IVELIN STANCHEV

PRODUCTION MANAGER AT THE PALFINGER PLANT TENEVO  
IN BULGARIA AND HIS WORK GLOVES

# Eco- efficiency in Production

## Climate Protection and Carbon Footprint

### MAJOR TRENDS

- THE ACQUISITION OF NEW SITES ENTAILED A SIGNIFICANT INCREASE IN TOTAL EMISSIONS.
- SPECIFIC CO<sub>2</sub> EMISSIONS WERE CLEARLY ON THE RISE DURING YEARS OF CRISIS, WHILE PRODUCTION BECAME LESS EFFICIENT.
- PILOT PROJECTS ON FACILITY MANAGEMENT HAVE BEEN DESIGNED TO LOWER ELECTRICITY AND HEAT CONSUMPTION.
- SHIFT IN TRANSPORTS FROM RAIL TO WATER – DISTINCT INCREASE IN OCEAN FREIGHTS.

### ENERGY CONSUMPTION IN PRODUCTION

We take great efforts to make our production processes as efficient as possible. With regard to climate protection this means keeping our direct impact on the environment, which is primarily influenced by the factors electricity, heat, and fuel, as small as possible.

At our Company, the processes that use up most of the electricity are cutting, welding, painting, and electroplating. Other processes and our offices require electricity as well, but to a smaller extent. We purchase the electricity we need from national suppliers in the respective countries.

Heat is needed for our production processes and to heat halls and offices. Our energy demand is met primarily with natural gas and to a lesser extent also with LPG (liquefied petroleum gas), heating oil, butane, and propane. At our plant in Lengau (AT) approximately 60 percent of the gas is used to provide process heat. For the purpose of future reporting, the feasibility of an additional analysis of the main consumers will be evaluated in order to be able to differentiate more clearly between process heat and building heat.

Fuels in the form of diesel and petrol are used for transport within our sites. This does not include transport between our individual sites, which is organised via external service providers. Environmental aspects regarding logistics are dealt with in the section on Sustainable Transport.

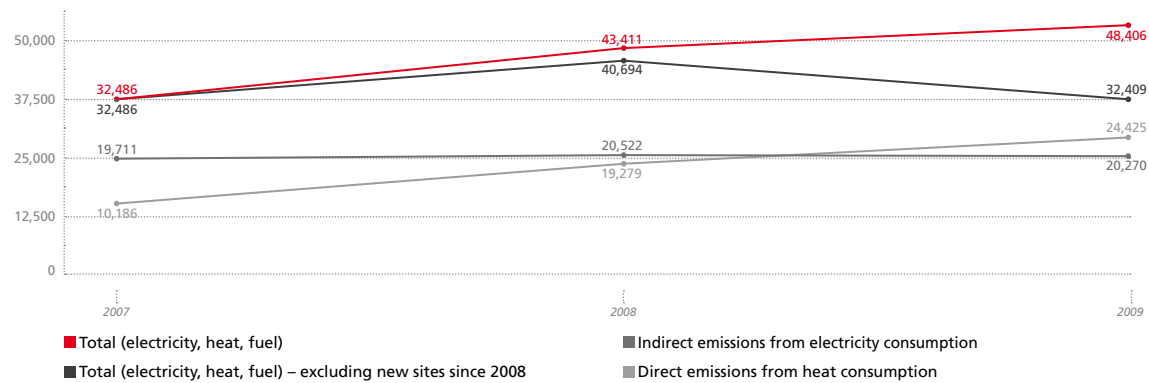
All in all our direct CO<sub>2</sub> emissions from electricity, heat, and fuels continued to rise in 2008 and 2009. While CO<sub>2</sub> emissions totalled 32,486 tonnes in 2007, they increased markedly to 43,411 tonnes in 2008 and 48,406 tonnes in 2009. For the purpose of the underlying calculation, we adjusted the emission factors for the individual countries on the basis of the changing national electricity mix. However, these adjustments brought about hardly any changes in results.

CO<sub>2</sub> emissions caused by heat consumption were identified as the main cause for the increase between 2007 and 2009. While emissions from electricity stabilised and even decreased slightly between 2008 and 2009 (2008: 20,522 tonnes, 2009: 20,270 tonnes), emissions caused by heat consumption more than doubled (2007: 10,186 tonnes, 2009: 24,425 tonnes).

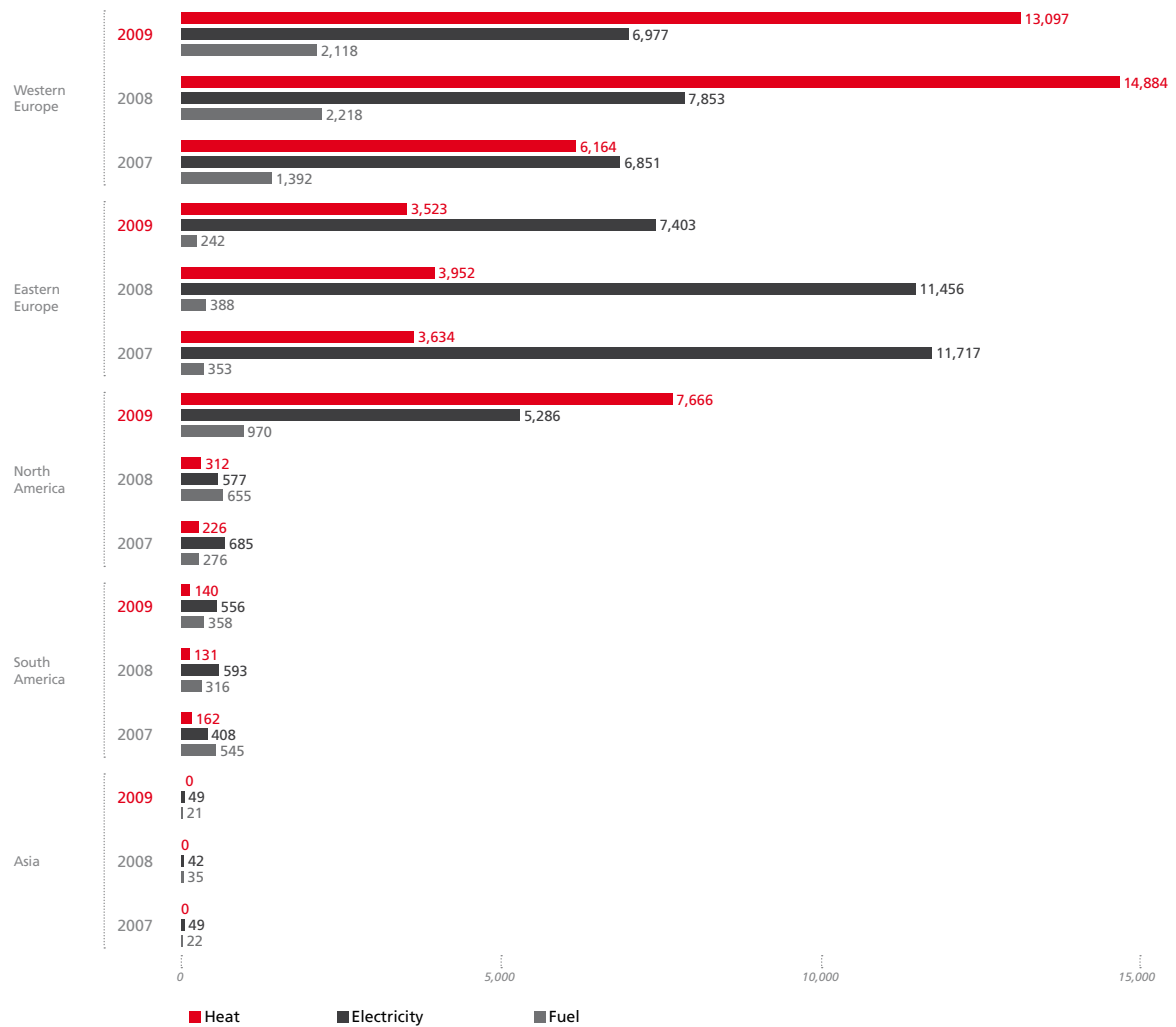
This development was primarily due to our new sites, which contributed to an increase in natural gas consumption of around 38 percent in 2009. Our site in Council Bluffs (US) is particularly energy-intensive, not only because of its size but also due to various processes and facilities with particularly high energy consumption, such as e-coating. The overall rise in emissions can therefore be traced back to our new sites.

In terms of those sites that were already considered in our previous sustainability report, total CO<sub>2</sub> emissions – after the high production year of 2008 – even decreased by 8,285 tonnes, totalling 32,409 tonnes in 2009. We have to wait and see how total emissions will continue to develop in the years after the economic crisis. Efficiency will increase again as capacity utilisation improves and in addition we intend to take targeted measures to lower emissions.

TOTAL CO<sub>2</sub> EMISSIONS (in t)



DIRECT AND INDIRECT CO<sub>2</sub> EMISSIONS BROKEN DOWN BY REGION (in t CO<sub>2</sub>)

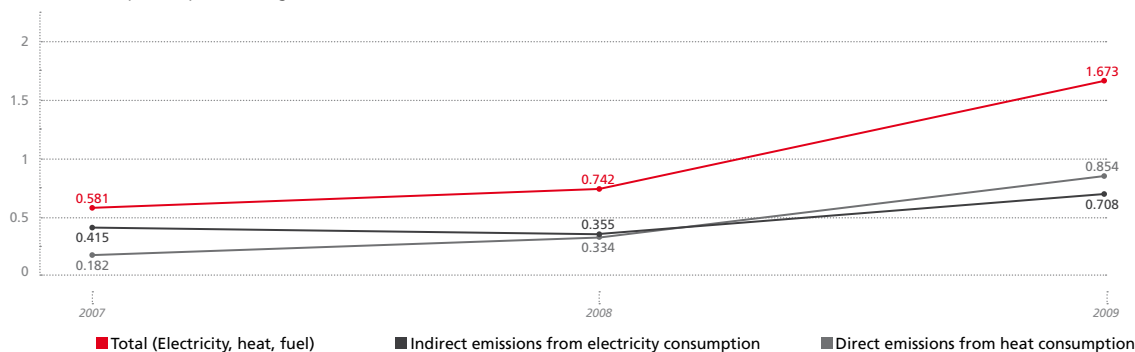


In the past we also used to relate our CO<sub>2</sub> emissions to the quantities of steel purchased. We decided, starting with this report, to relate our specific CO<sub>2</sub> emissions to the total weight of all products we manufactured in the respective year. Our decision was based on the fact that the manufactured-product weight for a year is better suitable to present our operations than the steel purchase volumes which we previously used. In addition, the reduction of our own steel inventories would have distorted the original indicator.

In the field of electricity, an increase in efficiency was witnessed between 2007 and 2008. In general, however, total CO<sub>2</sub> emissions per tonne of product manufactured were on the rise. The relatively steep increase from 2008 to 2009 can be explained by the sharp decline in incoming orders caused by the crisis. As the existing capacities were not sufficiently used, total efficiency of production decreased as well. In addition, consumption to heat buildings and electricity used for offices is reflected more clearly when output figures are going down.

Increasing consumption can also be traced back to the developments at several sites. In Caxias do Sul (BR) new machines were put into operation, which also stepped up electricity consumption. At the Niagara Falls (CA) site the production premises were almost doubled by structural extensions during the last two years. Electricity consumption levels in Great Britain were high due to the increasing share of aluminium used for processing.

#### CO<sub>2</sub> EMISSIONS (per t of product weight)



During the past two years we took various measures to lower our absolute consumption figures. In order to reduce electricity consumption we optimised the lighting systems in our factory halls at our sites in Cherven Brjag (BG), Ganderkesee (DE), Löbau (DE), and Lengau (AT) by taking different steps. In Ganderkesee (DE) and Löbau (DE) energy saving bulbs were installed while at Lengau (AT) and Cherven Brjag (BG) the lighting system of the production halls was automated.

The installation of state-of-the-art heating systems in Ainring (DE) and Lengau (AT) helped us save heat energy. In Seifhennersdorf (DE) we used waste heat from compressors to heat our production halls. At our new paint shop in Caussade (FR) we optimised working hours by combining painting jobs and thus significantly reducing the operational hours of this plant. In Tenevo (BG) we saved energy and fuel for staff transports by changing to one-shift operation.

Internal transports have been optimised by the relocation of workplaces at our plants in Köstendorf (AT) and Delnice (HR). In Ainring (DE) we started to use new economical vehicles.

In the light of the increases in specific emissions in 2009, we aim to continue taking efficiency-increasing measures in the future. CO<sub>2</sub> emissions have become a crucial cost factor – for PALFINGER as well as for other companies – as they are directly aligned to the underlying energy consumption. Consequently, lowering CO<sub>2</sub> emissions by increasing efficiency is not only beneficial to our climate but also reduces the costs incurred by our Company. Upon introduction of taxes on CO<sub>2</sub> emissions in Europe this trend might even be reinforced. It is currently being discussed whether the consumption of natural gas and the related CO<sub>2</sub> emissions should be subject to duties, which would be introduced in the course of a comprehensive ecological tax reform. Such duties are already a reality in some Northern European countries. Applying the price of approximately EUR 20 to EUR 40 per tonne of CO<sub>2</sub>, which is currently being discussed, efficiency could be stepped up and consumption reduced, thus allowing for considerable cost savings. In France, another attempt to introduce taxes on CO<sub>2</sub> emissions will be made this summer. With a view to natural gas emission levels in Austria in 2008 and 2009, assuming a price of EUR 20 per tonne of CO<sub>2</sub>, additional costs in the amount of EUR 91,000 and EUR 67,060, respectively, are to be expected. In France, costs would be below that level, as consumption is lower.

### ENERGY-EFFICIENT BUILDINGS

PALFINGER is committed to operating its industrial buildings in a state-of-the-art manner. By way of example, the thermal insulation at the Lengau site was optimised in the course of a structural addition in 2007, and at our plant in Bulgaria the insulation quality clearly exceeds local standards. When making new acquisitions, due diligence reviews, which also take into account aspects of environmental protection, are performed.

In our previous sustainability report we committed ourselves to taking various steps to optimise heat energy, electricity, and fuel consumption. Consequently, we launched a structured facility management programme in 2009. Under this programme, electricity and heat consumption rates of the sites Kasern (AT), Lengau (AT), Köstendorf (AT), Cadelbosco (IT), Maribor (SI), Cherven Brjag (BG), and Tenevo (BG) were lowered considerably through comprehensive analysis and benchmarking. As the first results from the pilot sites show, the forecast saving targets were even exceeded. Based on this experience with the pilot project, a roll-out to the entire Group is envisaged. A possible starting point could be the sites in the US.

In the US a similar programme has already been launched under the name of Green Initiative. In a process of continuous improvement, amongst other things, energy efficiency is to be increased, waste cuttings, gas and water consumption are to be reduced, and an ambitious recycling programme is to be introduced. Additional focuses are on product development, which are described in the Chapter Sustainable Products.

Also in the field of office appliances, various measures resulted in distinct savings and improvements from an environmental point of view. In Austria we introduced a new printer concept which was completed in early 2010. As a consequence, the energy consumption of the printers was lowered considerably. This was due to the introduction of energy-efficient devices as well as the fact that the number of printers was halved. All models used at PALFINGER meet or exceed the criteria of globally renowned environmental protection certificates such as the Energy Star Label or the EcoLogo. In addition, the devices contain neither toxic substances nor heavy metals and all consumable material can be recycled.

In the field of IT we focused on optimising our server landscape in the previous years. By consolidating and virtualising a total of 20 physical servers in 2008 and 2009 we managed to save around 73,584 kWh of electricity per year. This corresponds to the savings of 457 end-user workstations.



## SUSTAINABLE TRANSPORT

The economic crisis of the past years also resulted in clear changes in intra-Group transports. The total number of tonne kilometre covered for transports between the PALFINGER sites was reduced by 32 percent between 2007 and 2009, thus totalling slightly over 66 million tonne kilometres in 2009.

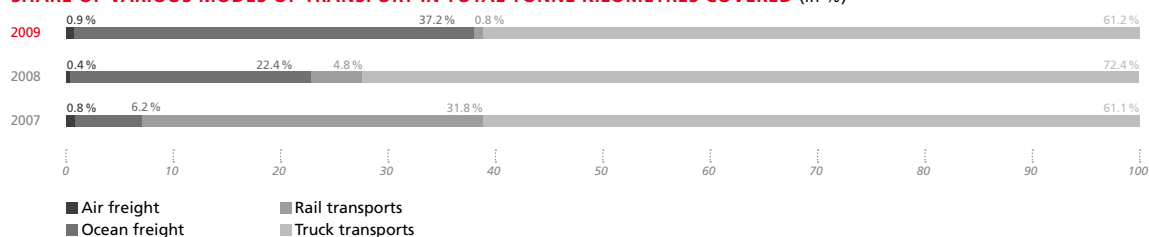
In addition, the transport mix, meaning the shares of the various modes of transport in the tonne kilometres covered, shifted significantly. The most striking change was the shift from rail transports to ocean freights, the share of which multiplied from 6.2 percent in 2007 to 37.2 percent in 2009. In the same period, the share of rail transports decreased from 31.8 percent to 0.8 percent.

The strong decline in kilometres covered by rail can be explained by the general slump in revenue on the one hand and by the fact that steel purchases, most of which are delivered by rail, were cut back drastically as existing inventories were reduced instead. The share of truck transports went down considerably between 2008 (72.4 percent) and 2009 (61.1 percent) and has now returned to the level of 2007. All in all, the shift in the transport mix clearly made the carbon imprint left by our transports smaller as ocean freights are the mode of transport with the lowest emissions per tonne.

### TRANSPORTS BETWEEN PALFINGER PLANTS (in tkm)

	2009	2008	2007	Change between 2007 and 2009
Transports in tonne kilometres	97,273,501	84,346,340	65,874,513	(32 %)

### SHARE OF VARIOUS MODES OF TRANSPORT IN TOTAL TONNE KILOMETRES COVERED (in %)



### SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Facility Management	<b>Various measures to reduce energy consumption including in the course of a facility management project</b> Structured reduction of energy costs and CO <sub>2</sub> emissions (examples: optimisation of heating systems and compressed air, heat insulation, efficient lighting); definition of reduction targets for individual sites	2011
Site Managers	<b>Training: European Energy Manager</b> Staff members receive training to qualify as European Energy Managers at various sites.	April 2010
Lengau, Caussade, Aining	<b>Optimisation of the fleet</b> Vehicles of the PALFINGER fleet will be used in a more efficient manner, promotion of alternative fuels	2011

## Resource Management

### MAJOR TRENDS

- RAW MATERIAL PURCHASES DECLINED STRONGLY DURING THE CRISIS AND INVENTORIES WERE REDUCED INSTEAD.
- WASTE CUTTINGS AND WATER CONSUMPTION INCREASED IN 2009 IN RELATION TO THE PRODUCTS MANUFACTURED.
- MORE AND MORE SOLVENT-FREE PAINTS ARE BEING USED.

### EFFICIENT USE OF RAW MATERIALS

#### Purchasing

In terms of weight, the most important raw materials used to manufacture PALFINGER products are steel and aluminium. In particular when it comes to aluminium, two impacts have to be considered from an environmental point of view. Although its production uses up a lot of energy, its low weight makes it possible to produce lighter end products which, when mounted on an end customer's vehicle, save fuel and are thus friendly to the environment. The same effect is also apparent with high-strength steel grades, which are being increasingly used.

As explained above, the volumes of steel and aluminium purchased do not allow any direct conclusions to the actual volumes processed. Nevertheless, they reflect the indirect impacts of our operations, even though a time lag is involved. When comparing the volumes of steel purchased in 2008 and 2009 with those bought in 2007 the onset of the economic crisis is clearly visible. Aluminium is used for tail lifts and access platforms at our sites in Krefeld (DE), Ganderkesee (DE), and Welwyn Garden City (GB). The purchased quantities of aluminium clearly decreased between 2008 and 2009 as well.

Another significant aspect of environmental protection is the recycling share of purchased steel and aluminium. The higher the recycling share, the lower the indirect CO<sub>2</sub> emissions and the need for primary steel and aluminium. As, however, not all suppliers are in a position to inform us of their recycling shares, this information is not included in our sustainability report for the time being.

#### STEEL PURCHASE VOLUMES (in t)

	2009	2008	2007
Steel purchase	13,364	28,150	47,521

#### ALUMINIUM PURCHASE VOLUMES (in t)

	2009	2008
Aluminium purchase	1,180	2,101

#### Waste cuttings

Waste cuttings are an issue at various PALFINGER sites, even though their importance varies. Many of our US sites are engaged exclusively in the mounting of truck bodies, a process which produces a small volume of waste cuttings. However, with an estimated percentage of 0.25 percent these quantities are not of relevance. In general, the volume of scrap and/or discarded metal declined in all regions except for North America. The increase recorded in this area was caused by the large number of newly acquired sites. The absolute decline in discarded metal volumes was due to the lower production activities in 2009. The specific quantity of discarded metal per tonne of product manufactured, however, rose from 28 percent in 2007 and 2008 to 32 percent in 2009.



In the past two years we took various measures to optimise waste cuttings. We focused on the optimisation of formats, training, and a strong orientation towards the targets we set. In Lengau (AT) we introduced software for the optimisation of boxing logics in 2009. The fact that nevertheless an increase from 25.0 percent to 26.4 percent was recorded at that site can also be explained by the introduction of improved analysis accuracy at the end of 2008. In Tenevo (BG) we experienced that the introduction of a project for waste cutting optimisation alone and the resulting awareness building among the staff may lead to a reduction of waste cutting volumes. Further measures focusing on waste cutting optimisation were also carried out at our sites in Caxias do Sul (BR), Cherven Brjag (BG), and Tiffin (US).

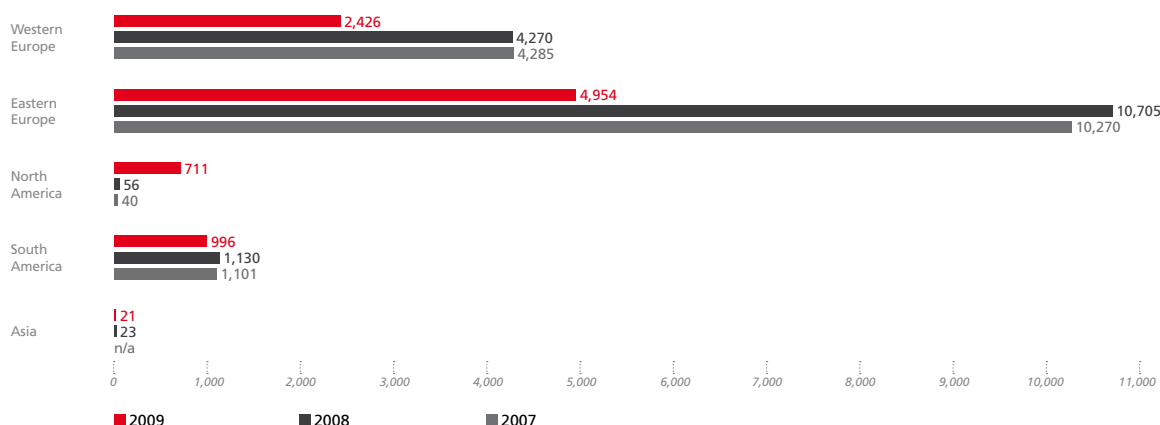
**WASTE CUTTINGS BROKEN DOWN BY SITE (in %)**

	2009	2008	2007
Lengau (AT)	26.4 %	25.0 %	25.0 %
Löbau (DE)	10.0 %	< 3 %	< 3 %
Seifhennersdorf (DE)	25.0 %	-	-
Caussade (FR)	27.8 %	28.1 %	22.0 %
Welwyn Garden City (GB)	15.0 %	37.0 %	38.0 %
Maribor (SI)	28.2 %	26.7 %	29.7 %
Cherven Brjag (BG)	30.5 %	30.9 %	31.3 %
Tenevo (BG)	4.4 %	7.2 %	8.8 %
Tiffin (US)	2.0 %	2.0 %	2.0 %
Council Bluffs (US)	15.0 %	-	-
Cerritos (US)	6.5 %	6.5 %	-
Caxias do Sul (BR)	25.9 %	26.8 %	n/a

**SCRAP/DISCARDED METAL PER PRODUCT WEIGHT TONNE OF PRODUCT MANUFACTURED**

Scrap/discarded metal	2009	2008	2007
Waste in tonnes	9,108	16,184	15,696
Scrap/discarded metal per tonne of product manufactured	32 %	28 %	28 %

**SCRAP/DISCARDED METAL BROKEN DOWN BY REGION (in t)**



## Waste

Volumes of non-hazardous waste declined considerably in 2009 (2,440 tonnes) as compared to 2007 (2,754 tonnes), which can be explained by the decrease in production. In 2008 a higher volume of waste (2,947 tonnes) was recorded as this was a production-intensive year. However, the volumes of hazardous wastes did not decline in the same proportion as production. In 2009 at 1,585 tonnes its weight was even above the level of 2007 (1,561 tonnes).

In principle, the differentiation between hazardous and non-hazardous waste is governed by the local legislations, which makes direct comparisons of sites impossible. However, what is also essential for PALFINGER is that hazardous waste is disposed of in an eco-friendly way. For this reason, the entire hazardous (electroplating) waste incurred in Bulgaria is transported to Germany for disposal.

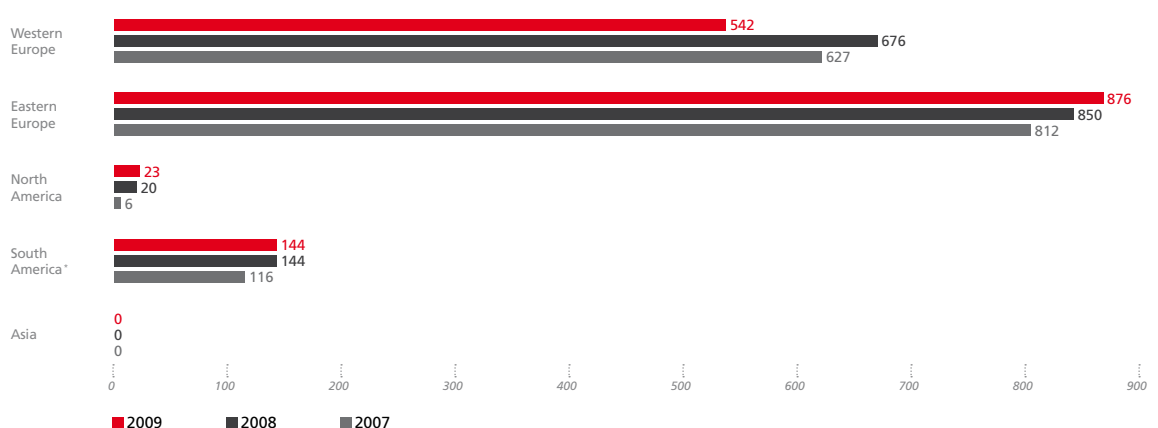
Particularly steep increases in the volumes of hazardous waste were witnessed in Eastern Europe. One of the reasons for that was that the filter cakes produced at the Maribor (SI) site are now also considered special waste there. Waste from the paint shop as well as oil, emulsions, and lead accumulators are also classified as hazardous waste in Slovenia. In 2009, 1 tonne of lead accumulators, 593 tonnes of waste from the paint shops, and 71 tonnes of waste from machine maintenance were disposed of. This included also a complete replacement of chemicals at the paint shops.

### HAZARDOUS/NON-HAZARDOUS WASTE EXCLUDING DISCARDED METAL INCURRED BY THE GROUP (in t)

Total waste	2009	2008	2007*
Hazardous waste	1,585	1,690	1,561
Non-hazardous waste (excl. discarded metal)	2,440	2,947	2,754

\*minor deviations as compared to the previous sustainability report due to corrected data

### HAZARDOUS WASTE BROKEN DOWN BY REGION (in t)



\*For the lack of current data, the figures recorded for Brazil in 2008 were also indicated for 2009.

WATER

Total water consumption of our plants rose between 2007 and 2009: from 91,505 m³ in 2007 to 112,336 m³ in 2009. Not taking into consideration the sites acquired during this time period and their consumption, it shows that the adjusted water consumption of the “old” sites was clearly below this level in 2009, amounting to 78,583 m³. The specific water consumption per tonne of product manufactured deteriorated considerably in 2009 as compared to the previous years.

In Caxias do Sul (BR) water consumption was reduced almost by half between 2007 and 2008 after a water leakage, which had increased water consumption, was repaired in 2008. The decline in output figures and the consequent lower capacity utilisation of the washing plant also contributed to saving water. At the moment, a project to use rain water is being evaluated at that site. Our site in Brazil is the only one that gets the water it needs from its own well.

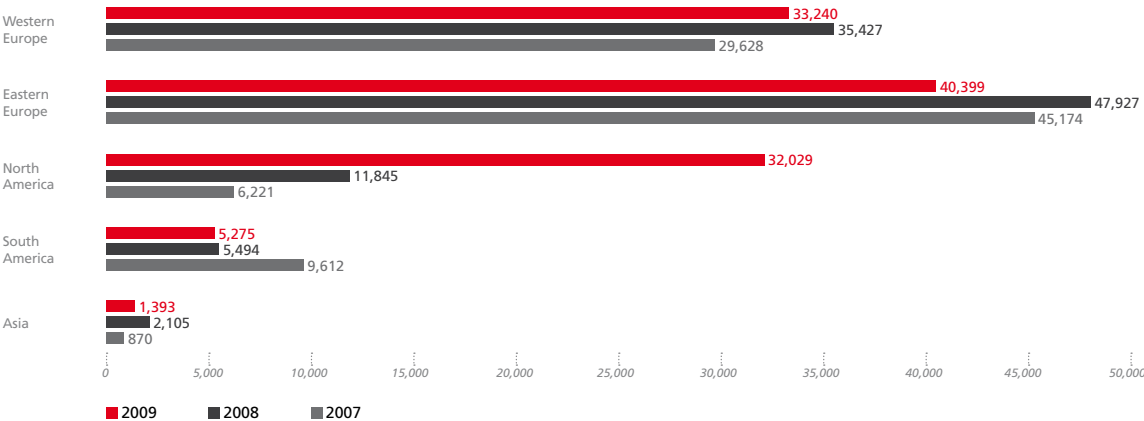
The wastewater volumes roughly correspond to the volumes of water used. Usually wastewater is disposed of via the public sewer system. Wastewater from industrial processes at the CDP systems in Lengau (AT) and Maribor (SI) is handed over to authorised disposal companies. In Tenevo (BG) and Caxias do Sul (BR) we operate our own water treatment plants.

WATER CONSUMPTION (in m³)

	2009	2008	2007
Total consumption	112,336	102,798	91,505 *
- of which acquisitions 2008 and 2009	33,753	9,737	-
Water consumption per t of product manufactured	3.93	1.78	1.64

\*total consumption 2007 changed: data error in Cherven Brjag (BG)

TOTAL WATER CONSUMPTION BROKEN DOWN BY REGION (in m³)



**SOLVENT-FREE PAINTS, WATER-BASED PAINTS**

Avoiding solvents in paints is advantageous for our environment and reduces potential health risks for humans. As an environment and health-friendly alternative, water-based paints may be used. In principle, water-based paints are available for all product applications used at PALFINGER. The availability of special paint shops at PALFINGER which are suitable for processing water-soluble paints is presented in the following.

In addition, the Krefeld (DE) site started using high solid paints for its access platform manufacture. In 2010 solvent-free primers will be used.

**USE OF WATER-SOLUBLE PAINTS AT PRODUCTION SITES WITH PAINT SHOPS**

Lengau (AT)	●
Löbau (DE)	●
Caussade (FR)	●
Cadelbosco (IT)	●
Maribor (SI)	●
Köstendorf (AT)	○
Omaha Standard (US)	○
Ganderkesee (DE)	-
Welwyn Garden City (GB)	-
Caxias do Sul (BR)	-

● 100 % use of water-based paints

○ Partial use of water-based paints

**SUSTAINABILITY PROGRAMME 2010/11**

Entity	Measures	Realisation until
Operations Improvement	<b>PALFINGER environmental standards</b> Global minimum environmental standards for the treatment of hazardous waste/hazardous substances/handling environmental risks will be defined	2010
Risk Management	<b>Integration of environmental aspects in risk audits</b> Integration of compliance with provisions of environmental laws in risk audits	2011
Krefeld, Council Bluffs	<b>Optimisation of painting</b> Introduction of a solvent-free primer in Krefeld and various measures to save water in the painting process at Council Bluffs	2011



"The figures we recorded in Germany are proof of the good work done in recent years. That is why I never regarded this time as a period of crisis. Of course my work load is even bigger now: I spend many evenings and weekends at appointments with customers. But the homemade present my daughter gave me keeps reminding me that we have to see the positive aspects of every situation."

**FRANZ EBNER**

**MARKETING AND SALES MANAGER FOR WRECKER CRANES AT THE PALFINGER  
PLANT AINRING IN GERMANY AND FATHER OF A DAUGHTER**

# Sustainable Products

## Customer Safety

### MAJOR TRENDS

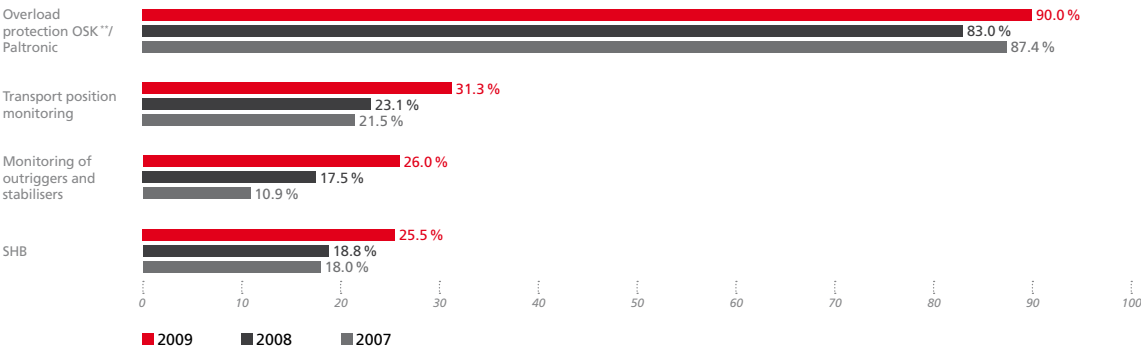
- ADDITIONAL SAFETY FEATURES ARE INCREASINGLY BEING EMBRACED BY THE MARKET.
- SAFETY IS BEING PURSUED PROACTIVELY. PALFINGER IS ABLE TO IMPLEMENT SAFETY STANDARDS AT AN EARLY LEVEL, WHICH IS APPRECIATED BY CUSTOMERS.
- THE EU'S STRINGENT SAFETY STANDARDS ARE OFTEN BEING TRANSFERRED VOLUNTARILY TO OTHER MARKETS.
- PRESCRIBED SAFETY STANDARDS ARE PARTLY EVEN BEING EXCEEDED.

The safety of people working with our products is our highest priority. PALFINGER products are used to lift loads or people, which makes us responsible for their performance.

### SAFETY FEATURES OF KNUCKLE BOOM CRANES

PALFINGER products offer a broad array of safety features that help to prevent accidents. Particular mention should be made of the hydraulic load moment limitation system OSK as well as the electronic system PALTRONIC, which protect the crane from capacity overload. As soon as the maximum values are reached, all movements that increase the load moment are stopped, and the operator can no longer place the crane in an unsafe working position. Transport position monitoring and outrigger and stabiliser monitoring ensure that both the crane and the stabilisers are fully retracted and secured. The SHB (limitation of lifting power dependent upon slewing angle) system ensures that the crane can be operated safely even if the vehicle is in a position that does not guarantee sufficient stability for full crane operation.

### MARKET PENETRATION WITH SAFETY FEATURES OF KNUCKLE BOOM CRANES \*



\* for the PEU organisation (i.e. without the markets of North and South America)  
\*\*In the European Union, overload protection (load moment limitation systems) is a mandatory feature.

In our sustainability programme we were dedicated to pursuing the goal of stepping up the SHB safety system. We have been successful in this endeavour, and a comparison with the figures for 2007 clearly shows a significant increase for SHB. Also the remaining safety features took on a positive development.

### MEETING SAFETY STANDARDS

It is in particular the following two standards that have so far constituted the basic requirements to be met by our products – the standard for cranes (EN 12999/A2) as well as the standard for mobile working platforms or passenger hoists (EN 280). To date only overload protection has been incorporated as a mandatory feature of the safety standards of the European Union. In the future, the new standard EN 12999:2009 will also provide for mandatory transport position monitoring and outrigger and stabiliser monitoring. In addition, the new EN 1756 stipulates that the underrun protection has to be twice as strong. Our longstanding experience will allow us to have these standards implemented by the summer of 2010.

New standards often call for fast adjustments. Short time intervals between the draft of a standard, its final version, and the implementation deadline make a proactive approach on our part necessary. PALFINGER has shown foresight and is able to respond to the relevant customer needs at any early stage.

Similarly, standards determine which tests our products have to be subject to and what duty of information we have to meet. The latter includes information on serial number and type affixed on the product, operating instructions as well as CE marking and/or manufacturer's declaration with information on the standards that were used in the manufacture of the product. During the period under review, no violations of applicable legal provisions regarding information duties occurred.

### EXCEEDING SAFETY STANDARDS

Our fulfilment of safety standards is a matter of course for us. But we have even taken this obligation one step further, which is to say that we offer the SHB system on an optional basis, while at the same time recommending it to our customers. Even though the crane standard EN 12999:2009 is only valid throughout the European Union, cranes meeting this superior standard will also be sold in non-EU Member States. It goes without saying that a voluntary distribution of cranes in accordance with the European standard for cranes presupposes the market's acceptance of these features. We see that many highly developed countries and European countries outside the EU accept these features, whereas the level of acceptance is markedly lower in the US and extremely weak in Asia and Africa.

#### VOLUNTARY APPLICATION OF EN 12999:2009 OUTSIDE THE EU (in % of cranes sold per country)

Albania	33.3 %
Australia	45.2 %
New Zealand	3.2 %
Norway	57.8 %
Singapore	17.9 %
Switzerland	21.2 %

Specifically, we have exceeded the European standard for cranes in the various safety features we offer. Many of these features are integrated and sold without the customer being aware of them as separate items. In the period under review the electronic safety system PAL150 was introduced for RAILWAY applications, which means that another measure of our 2008 sustainability programme was implemented. This new system has greatly improved operational safety as well as the safety of users in the railway sector. Some examples: slow driving is monitored when applying the product, access platforms are better controlled, swivelling to other tracks and to higher positions is limited (according to EN 14033), and as an optional feature the distance to overhead power lines can be determined. We would like to mention the additional features of protection against collision, overload, and derailment (the latter also according to EN 14033).



## SAFETY INNOVATIONS FOR ACCESS PLATFORMS, TIMBER AND RECYCLING CRANES, CONTAINER HANDLING SYSTEMS, AND TAIL LIFTS

Also in the case of other PALFINGER products innovations that enhance the safety of users guarantee a level of protection in excess of legal minimum standards. In the period under review, as already announced in the 2008 sustainability programme, type examination of engineering and calculation documents was continued by authorised DEKRA approval units for **access platforms**. In general, we put intensive efforts into observing the new Machinery Directive, which will be fully implemented by 2010. The new EPSOLUTION crane series has brought about enhanced safety standards in **EPSILON timber and recycling cranes**. As previously announced, the existing safety standards for hookloaders and skip loaders were reviewed in the field of **PALIFT container handling systems** with the aim of developing new safety standards for the market. For 2010 it is scheduled to further optimise the locking latch on the hook/hook safety of hookloaders. In 2009 non-slip surfaces were increasingly used for **tail lifts** with aluminium platforms. The Ganderkesee plant is going to also include steel platforms in the implementation of this measure in 2010. Moreover, new LED warning lights with sideward light emission were introduced. The Ganderkesee plant has scheduled the certification of underrun protection systems in accordance with Directive 2006/20/EC.

## ACCIDENTS WITH PRODUCTS

Personal injury accidents are reported through after-sales service. Each incident prompts us to set in motion our quality assurance system and to implement improvements. In 2008 no casualties related to the use of PALFINGER products were reported. In 2009 three fatal accidents occurred, one in Germany, one in the US, and one in Australia. In none of these cases has any fault on the part of PALFINGER been determined. Moreover, no penalties were imposed by any court for personal injury accidents in 2008 and 2009. As of 31 December 2009, five cases were being tried worldwide for personal injury accidents – one in Ireland, two in Brazil, and two in the US. One of the US cases has been settled out of court. In the case in Ireland and in the case in the US, which has been settled out of court, the victims suffered an injury to their hands. The second case in the US and both cases in Brazil are being investigated and/or negotiated.

## SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
all BUs	<b>Evaluation of global safety standards</b> Evaluation whether uniform European safety standards may also be rolled out globally	2012
all BU EU	<b>Further development on the basis of standards</b> for instance "EN 12999:2009", Machinery Directive or Directive 2006/20/EC	2010
BU Tail Lift EU, BU Hooklift EU, BU Crane SA	<b>Various safety measures</b> for tail lifts, cranes, and hookloaders	2010

## Environmentally Sound Products

### INCORPORATING THE ENVIRONMENT IN STRATEGIC PRODUCT DEVELOPMENT AND INNOVATION PROCESSES

Sustainability is a major driver for innovation, and markets in developed countries have increasingly embraced environmental and social aspects in purchasing decisions.

This is the reason why in the previous sustainability programme we committed ourselves to incorporating ecological and social topics into corporate strategic planning. As the most recent comprehensive corporate strategic planning process took place in 2007 and the next one is scheduled for 2010, sustainability has in the meantime been integrated into individual product areas within the scope of market reviews. The results are reflected, for example, in the new hybrid motors of PALFINGER access platforms. Within the scope of the strategic corporate planning process 2010, the environment and society will show new perspectives. Environmental aspects will be systematically stepped up in all new product development processes in North America and hence incorporated into all requirements specification documents. PALFINGER intends to play a pioneering role as regards the environmental friendliness of its products as well as its production and assembly processes.

Sustainability has also been successfully integrated into the formalised innovation process of our main product truck-mounted knuckle boom crane. The preferred use of ecologically beneficial materials has been included in the checklist for the development of prototypes.

### CLIMATE PROTECTION THROUGH LIGHTER PRODUCTS MAJOR TRENDS

- CUSTOMERS ARE PROFITING FROM HIGHER PERFORMANCE AT LOWER FUEL CONSUMPTION AND EMISSIONS.
- HIGH-TENSION STEEL IS ALLOWING FOR LIGHTER PRODUCTS – USE OF HIGHER-GRADE STEEL IS ON THE DECREASE DUE TO SHIFT IN PRODUCT MIX TOWARDS SMALLER CRANES.
- ALUMINIUM AS LIGHT CONSTRUCTION MATERIAL IS ON THE INCREASE.

Our products are mounted on vehicles and/or permanently transported by them. The lower the weight of our products, the lower the additional ecological baggage to be borne by these vehicles. This payload optimisation helps our customers save fuel and emissions.

#### High-grade steel

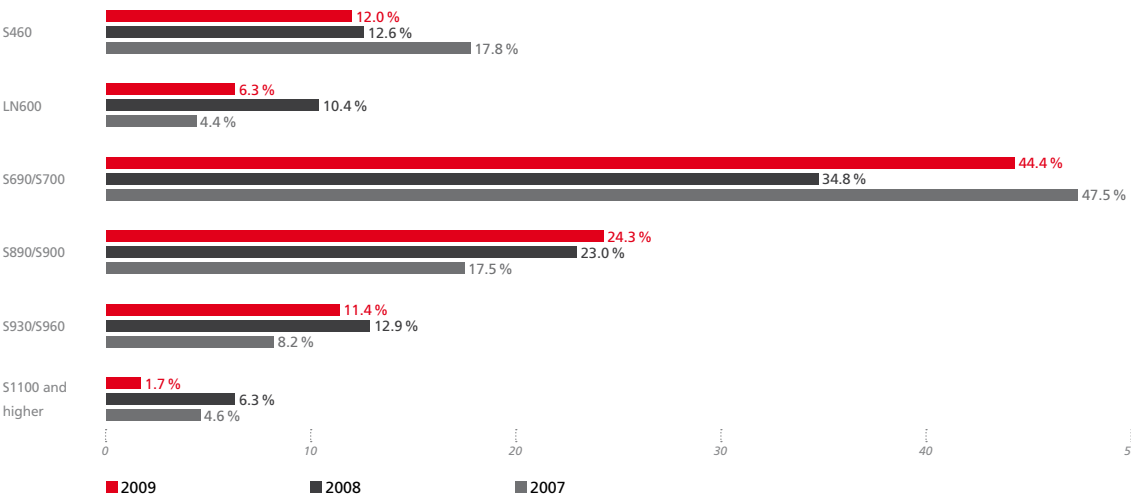
It is PALFINGER's central goal to improve the ratio between lifting power and weight. We have managed, for example, to raise the lifting power in the *High Performance* crane series by 10 percent, while at the same time keeping deadweight at an almost constant level. Numerous factors contributed to this achievement, such as better geometry or the use of synthetics instead of sheet metal. A substantial factor is the use of high-tension steel (steel grades S890 and higher). In previous years their share in the totality of PALFINGER products had constantly increased to reach 42 percent in 2008. This rate, however, dropped slightly in 2009 due to the receding demand in particular for large cranes, where high-grade steel is heavily used. In any case, we are going to continue the trend towards high-quality steel. Pilot projects promoting an ongoing stronger use are already underway.

As announced in our previous report, the use of higher-grade steel was promoted for PALIFT container handling systems. This improvement was carried out on Power P hookloaders and skip loaders M16 and M18 and as a result of this commitment now approximately 75 percent of all PALIFT products are manufactured using higher-grade steel. Up to 2011 this measure is to be extended to approximately 90 percent of all products sold.

STEEL GRADES IN PURCHASING (in %)

	2009	2008	2007
Steel grades below S890	62.6 %	57.7 %	69.8 %
Steel grades S890 or higher	37.4 %	42.3 %	30.2 %

Share of different steel quality in purchasing \* (in %)



\*includes the central corporate supplier management division (AT) and purchasing in South America (BR)

Increased use of aluminium

In some product areas weight optimisation is primarily effected through the increased use of aluminium, in particular for tail lifts. In the previous sustainability report we announced that the focus would continue to be on aluminium – a measure that was implemented. MBB’s standard platform is made of aluminium. The share of solid aluminium platforms used went up from 86.0 percent (2007) to 87.4 percent (2009), and the share of mixed steel/aluminium platforms and all-steel platforms went down accordingly.

As, in relation to their weight, our products are largely made up of steel and/or aluminium, they have excellent recycling potential.

SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
BU Hooklift EU	Lighter PALIFT container handling systems 90 percent of all products sold should employ high-grade steel.	2011

**ENERGY CONSUMPTION WHEN USING THE PRODUCTS****MAJOR TRENDS**

- **DEMAND FOR CRANES EQUIPPED WITH FUEL-LOWERING LOAD SENSING CONTROLS DECREASED DURING CRISIS.**
- **USE OF ELECTRIC MOTORS IN ACCESS PLATFORMS ELIMINATES EMISSIONS AND NOISE.**

When our products are in operation and lift loads, they use up energy. In order to help our customers minimise energy consumption, costs, and emissions and/or allow for lower-noise operation, we have developed several environmentally friendly features.

**Load sensing for cranes**

The engine performance of traditional cranes is constant during loading and unloading. However, cranes equipped with load sensing recognise how much lifting power is required at the moment and sensitively adjust the pumping and engine performance. For our customers this additional feature will pay off within a short period of time: up to 20 percent of the fuel required can be saved during the loading process.

In the previous two years market acceptance went down again. In 2007, 19.4 percent of all cranes eligible for load sensing were equipped with such a system, whereas the figure went down to 15.6 percent in 2009. This is due in particular to the decrease in the sale of large cranes, where this feature has already become part of the standard equipment of our cranes.

**MARKET PENETRATION OF LOAD SENSING IN KNUCKLE BOOM CRANES**

	2009	2008	2007
Share of cranes eligible for load sensing that are equipped with an LS system	15.6 %	15.9 %	19.4 %

**Electric motor**

Electric motors produce little noise, do not cause any emissions, do not require any hydraulic oil, and are cheap to operate, which makes them an interesting option in particular for PALFINGER access platforms. They allow for an independent operation of the platform even when the truck's engine is turned off, thus significantly reducing noise and emissions in particular in an urban setting.

All in all, the trend towards electric motors is to be stepped up by PALFINGER. The Ganderkesee plant conducted a field test with a purely electric motor for tail lifts. These tests will be continued in the first quarter 2010, and their sales launch is scheduled to take place in 2010.

**SUSTAINABILITY PROGRAMME 2010/11**

Entity	Measures	Realisation until
BU Tail Lift EU	Sale of electrically operated tail lifts	2010

## REDUCTION OF MAINTENANCE AND SERVICING COSTS

### MAJOR TRENDS

- MAINTENANCE-FREE EXTENSION SYSTEMS OF CRANES REQUIRE NO LUBRICANTS, ARE EASY ON THE ENVIRONMENT, AND BRING DOWN COSTS FOR CUSTOMERS.
- NUMEROUS OPTIMISATIONS HAVE BEEN CARRIED OUT IN ALL PALFINGER PRODUCTS.

The sustainable use of PALFINGER products also necessitates that these products be designed of such high quality that maintenance and repair costs are kept as low as possible. Thus natural resources will be saved and the total cost of ownership kept down for our customers. We are therefore aiming at holding the level of materials expenses low for the period of time when our products are mounted on vehicles. In 2010 the benefits of PALFINGER solutions will continue to be communicated, for instance, at the Bauma Trade Fair in Munich.

In the previous two years a series of measures reducing maintenance and servicing costs over the useful life of the product were implemented.

#### Truck-mounted knuckle boom cranes: Maintenance-free extension system

The maintenance-free extension system for truck-mounted knuckle boom cranes, which was described in the previous sustainability report, was successfully brought to market maturity in 2009. It allows for a smoother extension of the extension booms due to improved gliding and running qualities. In addition, there is no danger of environmental pollution at the workplace due to the use of biodegradable grease for initial lubrication. As a result, annual average cost savings of EUR 1,250 are possible, as no lubrication costs accrue. This is an excellent example to illustrate how environmental protection and cost reduction can go hand in hand. In 2010 the maintenance-free extension system will be expanded to additional crane types.

In the case of **PALFINGER access platforms**, it was planned to bring about improvements through the introduction of the new TA product series and the revamping of the existing TKA series, measures that were both implemented. At the Löbau (DE) plant the P260B product series was launched. At Seifhennersdorf (DE) future plans are to increase product quality by optimising processes and work equipment.

For **PALFINGER tail lifts** the plan to implement additional anti-corrosion measures was carried out. At our plant in Welwyn Garden City (GB) all tail lift 500 kg capacity models are now powder coated. The project is to be extended to other products as well. Ganderkesee (DE) plans to equip the hydraulic main and knuckle boom cylinders of tail lifts with safety devices.

Regarding **truck bodies**, the new plant in Council Bluffs (US) plans to improve the electrocoat paint process used for its products in 2010, with costs totalling USD 1.4 million. Implementation is based on three fundamental pillars: enhancing the performance of the electrodeposition oven (such as by optimised insulation, ventilation, and temperature control), the installation of a shot blast system, as well as an improvement of coating through the optimised filtering of liquids in the e-coat tanks. All tail lifts produced at Omaha (US) are e-coated and thus constitute another unique selling proposition for PALFINGER in this market.

Also in the case of **PALFINGER transportable forklifts** anti-corrosion measures such as the increased use of stainless screws and improvements of protection against corrosion for certain sub-components were carried out as planned.

In 2008 **EPSILON timber and recycling cranes** saw the launch of EPSOLUTION, a new crane series with additional quality enhancements: hoses routed internally up to additional devices, new sealing systems for the entire crane, as well as self-aligning roller bearings and bronze bearings instead of plastic bearings for extended product lives will be introduced. In addition to innovation and quality enhancement, service and maintenance friendliness for the final customer have been taken into consideration.

With the **diagnostic software PALDIAG.NET**, PALFINGER is ahead of its time. This software is already being used by suppliers for the basic configuration of electronic systems, which is followed by the configuration of products on the test stand. Last but not least this software, which is very graphical in design, is used all over the world in order to parameterise PALFINGER products on the market and to attune them to customers' needs. The PALREMOTE software tool makes it possible to support a service partner locally via remote control. Thus unnecessary mileage is prevented that would otherwise be driven in support of the final customer, and top-notch service becomes a standard component of PALFINGER products. This software makes it possible to configure all PALFINGER PALTRONIC and remote control systems and therefore is relevant for almost the entire product range. Updates are realised online via Internet downloads, which makes it only occasionally necessary to produce and ship storage devices.

#### SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
All BUs	<b>Various measures to reduce maintenance and servicing costs</b>	2011
BU Crane EU	<b>Expanding the maintenance-free extension system to additional crane types</b> Thus the extension system no longer requires lubricants, and application costs go down significantly.	2012

#### REDUCTION OF HAZARDOUS SUBSTANCES MAJOR TRENDS

- THE DEMAND FOR BIODEGRADABLE HYDRAULIC OIL HAS INCREASED STEEPLY; PALFINGER RESPONDED QUICKLY AND INTENDS TO FURTHER PROMOTE THIS TREND.
- THE NUMBER OF ELECTROPLATED AND COATED PARTS USED WAS REDUCED AT CONSTANT QUALITY – A BENEFIT TO CUSTOMERS AND THE ENVIRONMENT.
- EXCLUSIVE USE OF CHROME-VI-FREE PRODUCTS HAS NOT BEEN IMPLEMENTED BUT IS STILL ON AGENDA.
- TO PALFINGER A CONVERSION TO HALOGEN-FREE CABLES DOES NOT MAKE SENSE AT PRESENT.

#### Biodegradable hydraulic oil

"Bio hydraulic oil" is based on synthetic esters and, in comparison to conventional hydraulic oil, biodegrades very quickly. If the hydraulic system of a product happens to leak, the risk and burden to the environment are therefore minimal.

All in all the share of bio oil has taken on an excellent development in recent years. Our decision to include alternative oil in our product range constitutes a considerable capital investment on our part, as completely separate filling stations had to be set up in our plants – the only way 100 percent bio oil can be made available should the customer so request. In the meantime we have seen that our commitment has paid off, as bio oil is increasingly being demanded by customers. In 2006 a mere 1.52 percent of the hydraulic oil bought had good biodegradable properties. In 2009 this figure had already gone up to 11.4 percent.

This ongoing trend towards biodegradable oil can be clearly seen in our main product truck-mounted knuckle boom cranes. In 2006, 1.0 percent of all cranes delivered used bio oil, in 2007, 1.2 percent, in 2008 as many as 1.4 percent, and in 2009 even 2.1 percent (figures are exclusive of South America).

This pleasing development was owed to numerous factors: Since 2008 bio oil has been extensively promoted by our dealers and accepted by customers. In France new legislation was passed to the effect that only the use of bio oil was allowed in the vicinity of nature reserves. Our plant in Caussade (FR) responded early on and has been able to meet the increasing demand by offering bio oil as an option for new products, thus opening up a new customer segment in the field of hookloaders.

Also the ELEVANT organisational unit of WUMAG GmbH, newly acquired in 2008, now generally offers bio-degradable hydraulic oil, with the exception of the WT 1000 product, upon customer request.

In contrast to our announcements made in the previous report, the plans to increasingly use bio oil for BISON access platforms have failed. Due to a new product mix the pro-rata share of bio oil has gone down, but for 2010 we are planning to increasingly switch over to new oil.

All in all sales of biodegradable hydraulic oil have been excellent, a trend that we are going to support in the future as well. We are going to point out this environmentally friendly option to our customers more often – an endeavour that is part of the Green Initiative launched in the US. On a global scale, advertising and PR will be centrally coordinated by Group marketing.

#### PURCHASE VOLUMES OF CONVENTIONAL AND BIO HYDRAULIC OIL

	2009	2008	2007
Conventional hydraulic oil	560 t	1,153 t	700 t
Bio hydraulic oil	72 t	49 t	44 t
<b>Total</b>	<b>632 t</b>	<b>1,202 t</b>	<b>744 t</b>
Share of bio oil in %	11.4 %	4.1 %	5.9 %

#### Reducing electroplated and coated parts

Electroplating consumes a substantial amount of energy and produces a large output of hazardous waste. By reducing the application of electroplated elements, we ease the burden on the environment. In addition, we are bringing down the cost of our own products. At our site in Welwyn Garden City (GB) the number of electroplated parts used in 500-kg-capacity tail lifts was significantly reduced in 2009. 50 percent of all these tail lifts no longer require any electroplated elements. In 2010 this initiative is to be expanded to high capacity commercial lifts in the 1,000 to 1,500 kg weight range.

In Caxias do Sul (BR) the interior coating of hydraulic tanks was eliminated for the products MD600, MD300L, and MD43607, without any loss of quality. In the US, c-coating is being promoted for GREEN products.

#### Free of chrome VI

We adhere to the principle that in the Community market no parts with chrome VI coatings are used for truck-mounted knuckle boom cranes. This commitment is made by PALFINGER even though it would only be necessary in case of some access platforms and additional costs in the amount of 5–10 percent are incurred in purchasing. However, thanks to this clear commitment purchasing becomes less complex for PALFINGER as chrome-VI-free products are also purchased in Europe and chrome-VI-free cranes and hookloaders are produced.

The previous programme provided for plans to determine the point in time when it would be possible for PALFINGER to stop using chrome VI altogether on an international scale. In addition, it was to be evaluated in which cases chrome-nickel compounds could be replaced. However, for capacity-related reasons it was not possible to fully analyse the complex international market. At present crane developers cannot guarantee that chrome-VI-free cables can actually be used on a global scale. However, starting with 2010 individual markets are to be successively analysed as to whether it is financially feasible to switch over to buying chrome-VI-free products altogether. At any rate, chrome-VI-free products are to be promoted in North America within the scope of the Green Initiative.

#### Halogen-free cables

In recent years halogen-free cables have been tested as to their implementation as a global PALFINGER standard. The advantages and disadvantages of the area-wide use of halogen-free cables were evaluated by a team of experts. One factor was whether local sourcing of the materials was feasible from an economic point of view. The analysis found that only special cables are specified to be halogen-free. As regards all the standard cables used on the cranes there are no binding rules as to the use of halogen-free cables. Therefore, we are not planning to switch over to them in the future.

## SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Marketing, BU Platforms EU	<b>Increase share of biodegradable hydraulic oil</b> Expansion of distribution of bio oil through a targeted campaign and stepped-up use in the field of access platforms	2010/11
all BUs	<b>Review: Chrome-VI-free products</b> In regions outside the EU a review is scheduled to be carried out as to whether abandoning chrome VI can be put on a broader scale	2011–2013
BU Tail Lift EU	<b>Reduced use of electroplated parts in tail lifts</b> In particular high capacity commercial lifts in the 1,000 to 1,500 kg weight range at the site in Welwyn Garden City (GB)	2010

## COMMUNICATING PRODUCT ECOLOGY

## MAJOR TRENDS

- CUSTOMERS: INTEREST IN GREEN PRODUCTS IS ON THE RISE; PALFINGER SUPPORTS THIS TREND.
- POWERFUL COMMUNICATION AS A RESULT OF THE GREEN INITIATIVE IN NORTH AMERICA
- THE BENEFITS OF ECO-FRIENDLY SOLUTIONS HAVE BEEN CONSTANTLY COMMUNICATED BY THE GROUP-MARKETING UNIT.

All of our initiatives regarding environmentally friendly products are only of benefit to the environment if they are accepted by the market. Western European and Northern American markets are, in principle, open to environmental issues. However, it is up to us to make use of this positive climate and point out green product alternatives to customers when they are buying a product.

In the past two years a lot of work went into communications. Our central marketing department placed special emphasis on the benefits of green products in market communication. Crane Passion Magazine published a special issue; and the topic was further promoted at large trade shows and fairs as well as supplier conferences and in press releases. Brochures also advertise the maintenance-free extension system, water-soluble top coats, chrome-VI-free cables, load sensing, and other merits. We are dedicated to prolonging our commitment in this field, because we know that if we want to build awareness with the final customer for green products we need to emphasise the cost savings of better equipped products in relationship to their lifetime.

In North America a campaign promoting green cranes is underway. In the future environmentally friendly products will be labelled there. The sales staff is being trained to highlight the benefits of green product aspects.

## SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Marketing	<b>Continuing communications as regards our product-related environmental initiatives</b>	2011



## ECOLOGICAL AND SOCIAL ASPECTS IN PALFINGER MARKETS

### MAJOR TRENDS

- STEEP SALES SLUMP RECORDED IN ALL SECTORS, ALSO IN ECO-SOCIAL MARKETS
- PALFINGER ACCESS PLATFORMS ARE BEING USED IN WIND FARMS.
- THE BIO-ENERGY MARKET IS BOOMING. PALFINGER SOLUTIONS FOR WOOD CHIP PRODUCTION SUPPORT THIS INDUSTRY.
- SALES INCREASED SLIGHTLY IN THE MILITARY.

It is not only the safety and eco-friendly design that matter to us but also the purpose for which our products are used. Sustainable markets such as that of renewable energy open up new diversification opportunities for us.

### GREEN AND SOCIAL MARKETS

PALFINGER products can be used in a highly flexible manner. Our main product, the truck-mounted knuckle boom crane, allows for a broad range of uses in various industries. It is interesting for us to know to what industries we supply. For the present period under review it is not possible to present quantitative market-related data with a particular ecological or social focus, such as recycling, rail infrastructure, forestry or agriculture, as there is no uniform data basis and the collection method has been reorganised. For the next report we intend to come up with a meaningful evaluation.

In principle it is correct to say that all the industries took a blow in 2009, including **the recycling industry as well as forestry and agriculture**. However, **rail infrastructure** took on an above-average positive development and in these difficult times managed to post a sales plus of 29 percent as compared to 2007. This can be explained by the fact that sales in rail infrastructure are highly dependent on large-scale construction projects, the long duration of which created demand in the crisis. In recent years this industry has had a stabilising effect for PALFINGER's performance record.

The product area of passenger lifts, which facilitate mobility-handicapped passengers to board means of transport, also took on a satisfactory development. **Passenger lifts** are not only built to be fitted into motor vehicles but are also designed as access systems for wheelchair-bound passengers in public transport. In 2007 all passenger lifts were produced in Welwyn Garden City (GB). Thanks to the acquisition of the MBB Group in 2008 a total of five other production and/or sales centres (DE, FR, BE, SK, US) were added to this product area. This explains why the actual number of passenger lifts sold recorded a strong plus despite declining numbers in Great Britain.

MBB PALFINGER in Ganderkesee has just started an EU research project for developing the prototype of a fully automated wheelchair access system to be used on platforms and in trains. The objective is for PALFINGER to provide help and assistance with regard to the implementation of national disability discrimination legislation. The project is scheduled for three years and comprises the development, construction, and trial of a prototype. We are cooperating with research institutions and rail vehicle manufacturers Siemens and Bombardier. MBB Palfinger has taken over one of the largest work packages.

PALFINGER access platforms are ideally suited to be used in the installation and maintenance of **wind farms**. With the acquisition of the ELEVANT unit of WUMAG GmbH in 2008, the product range of access platforms has now been completed thanks to the company's platforms with a working height of up to 103 m, also allowing PALFINGER to further diversify in this new industry. Through this acquisition companies renting out access platforms to wind farms have been added to our customer base.

The **eco-energy market** (renewable energy sources) was a noteworthy success story of the past two years. In 2009, 27 percent of EPSILON cranes were sold to eco-energy companies. In Central Europe there has been an enormous boom of processing renewable resources to wood chips. EPSILON delivers all renowned wood chip producers with cranes from the on-road and off-road series.

This boom is estimated to last throughout 2010. However, a further increase is not expected for the years to come as the market is already saturating. The further development of the market to a large degree also depends on crude oil prices and/or the introduction of CO<sub>2</sub> taxes as debated in numerous European countries. At the same time we see that many municipalities are rethinking their energy concepts and favour central biomass heating systems for entire housing estates.

The benefits of EPSILON cranes are their excellent quality and product development tailored to the specific needs of final customers. Popular buzzwords such as EPSLINK or EPSCOPE are the highlights of all of our EPSOLUTION cranes. In contrast to its competitors, EPSLINK only has hoses that are internally routed, thus offering almost 100 percent protection against branches and the like. In particular when used in forests and a natural environment this system prevents oil leaks that may be troublesome for the environment even if biodegradable hydraulic oil is used.

#### CIVIL DEFENCE AND MILITARY APPLICATIONS

PALFINGER does not manufacture any military products. Our cranes, container handling systems, and transportable forklifts are, however, in demand from the military. Cranes are, for example, used by pioneers in bridge construction. Our CRAYLER BM transportable forklift is used in aid missions for transporting water containers, food, and materials, also operated via radio remote control.

Military sales are modest, however after hitting a low of 0.3 percent in 2007, reached 0.8 percent of Group sales in 2009, still falling short of the 1.2 percent in 2005. The current increase can also be explained with significant sales drops in other industries.

As PALFINGER does not produce any arms, we are not subject to any legal restrictions. Still, in 2008 and 2009 none of our military customers were from countries that were on the EU's or UN's arms embargo lists for suspected human rights violations.

#### SHARE OF SALES TO THE MILITARY IN GROUP REVENUE 2005–2009\*

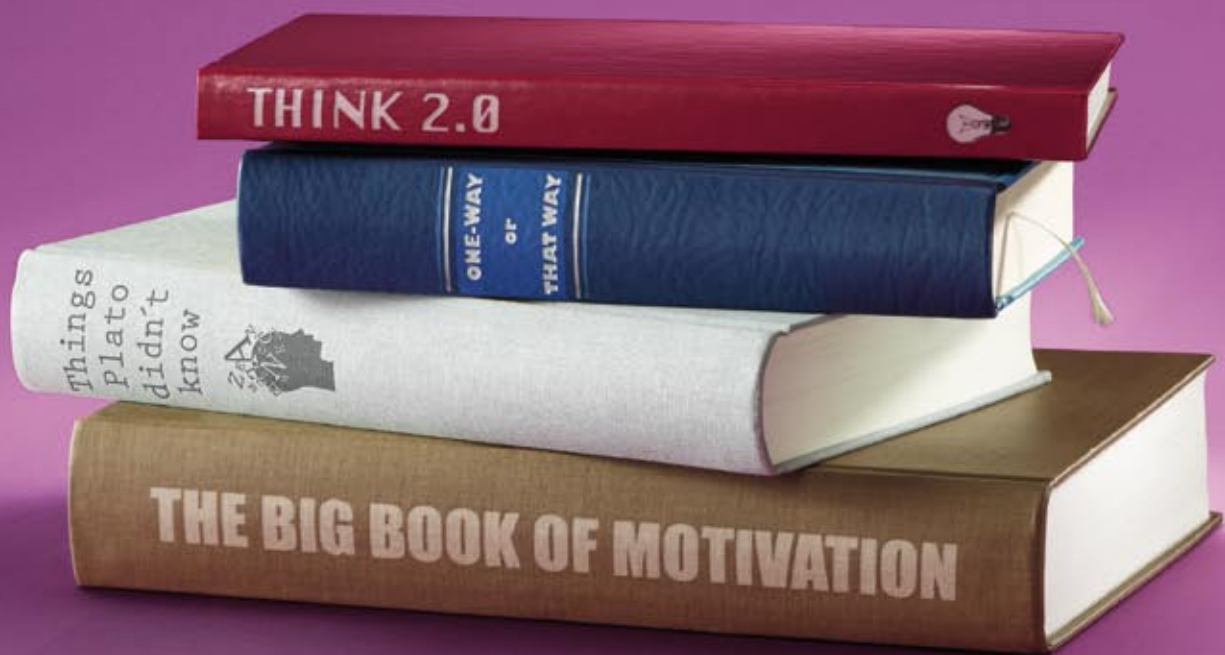
	2009	2008	2007
Group	0.8 %	0.7 %	0.3 %

\*This table includes all transactions directly made between PALFINGER and military customers.  
Any sales made via independent dealers cannot be reflected.

#### SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
BU Tail Lift EU	<b>Prototype of a fully automated wheelchair access system for mobility-handicapped passengers</b> EU research project for MBB access systems in rail transport	2013
Service	<b>Improved inclusion of industries in e-claim process</b> Optimising the entry of the industries in which our final customers, to which PALFINGER products are delivered, operate.	2010

"In times of crisis you come closer to your own inner self. You focus on your inner values and the people that surround you, your attitudes, your "pillars" of support, your perspectives, expectations, and opportunities. Times of crisis make you think out of the box and push your limits. It is a great opportunity to get to know yourself better and to grow."



# Sustain- ability Manage- ment

## Major Corporate Processes

### MAJOR TRENDS

- IN DIFFICULT ECONOMIC TIMES CORPORATE PROCESSES ARE SHIFTING DUE TO GENERAL SCENARIO PLANNING (FOR LACK OF RELIABLE INDICATORS) AND DUE TO INCREASING FOCUS BEING PLACED ON REORGANISATIONS, SAVINGS POTENTIALS, LEAN PROCESSES, RISK MANAGEMENT, AND MECHANISMS OF CONTROL.
- STRATEGIC CORPORATE PLANNING IS BASED ON THE CHANGED ENVIRONMENT.

### VENTURES SEGMENT

In the VENTURES segment, established at the beginning of 2008, PALFINGER bundles strategic projects at their development stage. The purpose is to add to the organic growth of the Group by means of development projects for new product areas, acquisitions, and joint ventures, the expansion of existing sites generating added value and the development of qualified employees. In addition, strategic staff reserves were set up under the U31 management trainee programme, which, however, had to be cut due to the economic environment prevailing during the past two years.

### NEW ORGANISATIONAL STRUCTURE

At the end of June 2009 the decision was made to adjust the organisational structure so as to be better able to meet any challenges that might arise. A major target was to strengthen the independence of the Group's areas and business units in order to be in a better position to satisfy the requirements of the respective markets with local products and products adjusted to local needs. At the same time Group-wide standards have been defined in particular in supporting areas to allow for the use of synergies.

### COST SAVINGS PROJECTS (OCO [OVERHEAD COST OPTIMISATION] PROJECT, WWW)

The planned overhead cost optimisation project was successfully completed in 2008. Prompted by the present uncertain market situation, the WWW (We Will Win) project was initiated at the end of 2008 with the objective of sustainably strengthening the earnings and asset structure of PALFINGER, which brought in savings of more than EUR 30 million.

Basically, the programme was based on four pillars: First of all, it was important to respond to the slump in the market by quickly and sustainably optimising the cost structure. While paying attention to process cycles, we succeeded in creating lean and efficient structures which will form a sturdy basis to build on in an upcoming phase of recovery. The implementation of the third pillar, third-party manufacturing services for external customers, made it possible to increase capacity utilisation. In the medium to long-term, these external contracts are going to result in a further improvement of capacity utilisation. Moreover, ambitious targets to reduce the capital employed were put into practice in 2009. Inventories were reduced considerably, credit guidelines were revised and investments were restricted to a great extent.

The focus of the follow-up project for 2010 will be on the sustainable, process-oriented reduction of the working capital tied up for short periods.

### MANUFACTURING FOR THIRD PARTIES

In response to requests by external customers to make long-term use of PALFINGER's know-how and capacities, in particular in cylinder manufacturing and high-grade steel components, a separate business unit Production was implemented within the new organisational structure. Capacity utilisation in manufacturing has been raised in a targeted manner by increased insourcing, on the one hand, and increasingly also by manufacturing for third parties, on the other hand.

### ORDER-BASED MANUFACTURING

Another focus in 2009 was the introduction of order-based manufacturing for specified main components of cranes at the production plants in Austria, Slovenia, and Bulgaria, a trend that is planned to be extended to the MADAL and PLATFORMS plants in 2010 and that ensures a more efficient use of resources.

Under the PALFINGER ProductionSystem, products are not manufactured for warehouse storage but in a customer-oriented manner. The objective is to be close to the customers' demands while keeping resources spent in the production process as low as possible. The throughput time is similar to the added-up processing time, which means that the material is in constant flow. This has been achieved primarily by changing from manufacturing according to lot sizes under the job shop principle to individual piece manufacturing following the flow shop principle. As a result, the material used in the process is kept at a minimum. This requires a high level of qualification and flexibility of the staff, the availability of the machines and the intermediate products must satisfy very high standards.

For the time being, these principles are applied primarily in production, but they can also be deployed for administrative purposes. In the field of process and information management, software development was converted according to these principles, which resulted in significant improvements of productivity and quality.

Improving the process quality is a prerequisite for increasing the quality of products. It takes a considerable level of discipline of the staff and a high level of managing quality and leadership of the superiors to ensure that the PALFINGER ProductionSystem functions properly.

#### **RISK MANAGEMENT SYSTEM/INTERNAL CONTROL SYSTEM**

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

The basic components of the risk management set-up by the PALFINGER Group are standardised Group-wide planning and controlling processes and intercompany standards and reporting systems. In addition, PALFINGER focuses on a Group-wide uniform risk control system.

Internal control and risk evaluation are important components of effective corporate governance in the Company. They are internal systems of monitoring and control as a Group-wide process to realise the corporate goals planned. PALFINGER's internal control system is based on the Group guidelines revised in 2009. Each relevant section contains a definition of certain parameters that 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 checks observance of the Group guidelines in periodic intervals.

#### **SHARED SERVICE CENTRE**

In order to make the central handling of financial transactions, in particular in the areas of accounts payable, accounts receivable, and accounting more efficient and effective, a shared service centre (SSC) was set up in Austria. In addition to the cost benefits involved in the central management of processes, the major factors of an internal control system such as the quality and security of the data processed can be ensured. These services were expanded to the business unit Platforms sites in 2009.

#### **PEOPLENET**

At the beginning of 2009 a Web-based HR information system named PeopleNet was introduced at the sites in Austria. It provides for time savings in work flows and above all, it has raised the talent and skills management within the Company to a new level. For other sites a standardised Human Resources KPI data sheet was introduced on a global scale, which enables us to optimise the collection and consolidation of data for this Sustainability Report.

## GUIDELINES ON GLOBAL PROCESS CONTROL

In order to better coordinate processes at various sites, the existing provisions were consolidated into 28 Group guidelines. These guidelines describe the required behaviour in the directly productive areas as well as in supporting processes such as human resources, purchasing, and marketing. An advantage when rolling out the new process requirements was that the guidelines had to be confirmed by all those in charge. This guaranteed that the contents of these guidelines are truly embedded within our organisation. Compliance with these guidelines is checked by our internal auditing department.

From the point of view of sustainability management it is vital that our principles (cf. Chapter Sustainability at PALFINGER) are included in the guidelines. This is the only way to guarantee that the PALFINGER principles on sustainability are well known throughout the organisation and are also reviewed in the course of audits.

The PALFINGER principles on Fair Economy and Market Success with Sustainability have already been integrated in the existing guidelines in a satisfactory manner. The principles on equal opportunities and environmental protection in production have been embedded in part, but there is still potential for future improvement.

# Management Systems

## MAJOR TRENDS

- ENVIRONMENTAL PROTECTION OFFICERS HAVE BEEN APPOINTED AT EVERY PALFINGER PRODUCTION SITE.
- ENVIRONMENTAL MANAGEMENT SYSTEM ACCORDING TO EMAS IS TO BE INTRODUCED IN KÖSTENDORF (AT).
- QUALITY MANAGEMENT UNDER ISO 9001 WAS STARTED IN TENEVO (BG).

## QUALITY MANAGEMENT

Most of our sites have a quality management system under ISO 9001 in place. In the period under review the Bulgarian site in Tenevo introduced such a management system for the first time. The audit for initial ISO9001:2008 certification took place in March 2010.

The quality of the welded seams is of particular significance to us, which is why most sites where welding is done have obtained a special certificate. In Welwyn Garden City (GB), Tiffin (US), Caxias do Sul (BR), and Shenzhen (CN) there are country-specific welding certificates that are, however, not awarded to the entire organisation but to the welder himself/herself.

## ENVIRONMENTAL AND SAFETY MANAGEMENT

Many aspects of the quality management system are also relevant for environmental protection. In addition, our site in Lengau (AT) uses some environmental management systems that were certified under ISO 14001 and EMAS. The environmental management system in Köstendorf (AT) was certified for the first time in the period under review. It was further evaluated whether Caussade (FR) should introduce an environmental management system; however, a decision was passed against the introduction of a formal system. It is, however, essential to note that an environmental protection officer has been in place since January 2009 at each of our production sites. By taking this step we have created clear-cut responsibilities and made the Group-wide consolidation of environmental data easier.

A safety management system under OHSAS 18001 has been set up in Lengau (AT), and in Köstendorf the introduction of such a system has been reviewed. However, it was decided not to pursue this issue any further due to other priorities.

Site	ISO 9001	ISO 14001	OHSAS 18001 (or nat. system)	Welding approvals**
AG – Kasern (AT)*	●			○
PSB – Lengau (AT)*	●	●	●	●
PEU – Köstendorf (AT)*	●	●		○
Elsbethen (DE)	●			○
Ainring (DE)	●			○
Löbau (DE)	●			●
Ebersbach (DE)	●			●
Seifhennersdorf (DE)	●			●
Krefeld (DE)	●			●
Ganderkesee (DE)	●			●
Cadelbosco (IT)	●			○
Caussade (FR)	●			
Silly en Gouffern (FR)	●			
Welwyn Garden City (GB)				●
Maribor (SI)	●			●
Delnice (HR)	●			●
Cherven Brjag (BG)	●			●
Tenevo (BG)	●			●
Niagara Falls (CA)				●
Tiffin (US)				●
Council Bluffs (US)			OSHA 29 CRF 1910 ●	●
Cerritos/CA (US)				
Caxias do Sul (BR)				
Singapore (SG)				○
Shenzhen (CN)				●

\* Certification is valid for sites with production processes, i.e. sites that are part of the PALFINGER company PALFINGER Europe GmbH.

\*\* According to the following certifications: ZL EN729, EN3834-2, Schweiß-ZL GL, BS 4872 or EN287 issued to individuals; at the American sites certification by TSSA, ASTM A36, A514 T1 or HNSI/AWS D1.1 issued to individuals.

● Existing certified management system – introduced in or after 2007

● Existing certified management system

○ No welding certification as no welding processes included in production

## COMPLIANCE WITH LAWS AND REGULATIONS

In the years 2008 and 2009 no court or administrative proceedings on grounds of violations of environmental laws and regulations were pending. No penalties for such violations had to be paid. A complaint was filed with the police in Brazil, followed by a minute review which found that all relevant environmental standards had been observed. No fines had to be paid for violations of legal provisions in connection with the use of our products. In the period under review, no legal action was brought against PALFINGER on grounds of anti-competitive behaviour, cartelisation, or the formation of monopolies. There were no incidents of non-compliance with legal provisions and voluntary rules of conduct relating to health and safety impacts caused by our products.

For information on risk management please refer to the Annual Report 2009, p. 40 et seq.

## SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Facility	<b>Management systems for environmental/energy matters</b>	2010
Management/ Communications	Evaluation whether management systems for environmental or energy matters are to be introduced at additional sites	



## Prevention of Corruption

### MAJOR TRENDS

- POLICIES ON THE ACCEPTANCE OF GIFTS WERE DEFINED FOR THE ENTIRE GROUP.
- AN INTEGRITY LINE, WHICH CAN BE USED TO ANONYMOUSLY REPORT VIOLATIONS OF LAWS OR GUIDELINES, IN PARTICULAR CASES OF EMBEZZLEMENT AND CORRUPTION, WAS ESTABLISHED.

In general, PALFINGER observes the four-eye-principle. When it comes to signing for business transactions with third parties, provided that they give rise to, change or revoke rights and obligations, this four-eye-principle needs to be applied, meaning that two signatures of competent officers of the respective local entity who are authorised to represent the Company are required. This instruction is also included in the Group guidelines and therefore contributes to the prevention of corruption on an international level.

Major progress was achieved in the past two years in the field of prevention of corruption. Group-wide policies on the acceptance of gifts were defined and included in the new procurement guideline. For this purpose, we used the existing anti-corruption principles of our Brazilian site in Caxias do Sul (BR), reviewed them, developed them further for the Group, and included them in the Code of Conduct. In 2010/11 we will communicate these principles to our staff and include a mandatory reference to such principles in all new employment contracts.

We are proud to say that we are one of the first companies in Austria to have established an integrity line. That means we are offering all our stakeholders the possibility to contact us anonymously to inform us of potential violations of laws or guidelines concerning the companies of the PALFINGER Group. As it is particularly important to take privacy aspects into consideration in this context, we obtained the prior approval of the Austrian Data Protection Commission. The integrity line can be accessed via our website [www.palfinger.com](http://www.palfinger.com) under Contact, Integrity Line by any person in any type of relationship with PALFINGER.

It is planned to make this hotline known among our staff and suppliers in 2010.

### SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Risk Management	<b>Raising awareness for the integrity line</b> Making the integrity line known among staff members and suppliers	April 2010
Legal	<b>Evaluation: including the PALFINGER Code of Conduct in all major contracts by means of a reference</b> Inclusion in contracts with employees (e.g. provision on the acceptance of gifts) as well as in contracts with suppliers, dealers and cooperation agreements.	April 2010

## Stakeholder Relations Management

### MAJOR TRENDS

Stakeholders are all those persons who are affected by the activities of our Company in one way or the other or whose decisions impact PALFINGER. Balancing conflicts of interests is one of the most important challenges in the field of sustainable development.

The major stakeholders relevant for PALFINGER as well as the way we communicate and interact with them are described in the following.

### SHAREHOLDERS

PALFINGER is a public listed company that has remained a family-run business despite its sheer size and degree of internationalisation. Apart from 34 percent of the shares being in free float, the Palfinger family is the majority owner holding approximately 65 percent. According to information available to us, about three quarters of the free float are currently held by primarily European institutional investors. PALFINGER AG holds around 1 percent of the shares to be used under the stock option programme for members of the Management Board and the Supervisory Board as their variable pay.

It is especially in this uncertain environment that we attached great importance to the continuous and transparent information of our investors. In 2008 and 2009 the Management Board of PALFINGER AG attended numerous investors conferences in Austria and abroad. Moreover, roadshows were held, and investors were given the opportunity to participate in call-ins or personal conversations. We were also represented at investors fairs in Vienna and Stuttgart as well as stock exchange days held in Munich and Nuremberg. In March the Annual General Meeting was held at our headquarters in Salzburg, where participants were given the opportunity to get to know our products, which were displayed in the demo centre. In 2009 PALFINGER AG once again received numerous international awards for its outstanding investor-relations work and for its Annual Report 2008.

### STAFF

The core success factor of PALFINGER is our staff of well-trained and highly motivated employees, who make a significant contribution towards achieving our goals. With the Palfinger family being a strong majority owner we can retain around 20-percent excess staff capacities at the production plants over several months, which gives PALFINGER an enormous head start in case of an economic upswing, as these highly trained employees are fully ready to be deployed. In spite of budget cuts, the "health budget" for employees within the framework of the proven PALfit programme was not reduced. In addition, several staff members have had the opportunity to receive further training in various technical areas under the short-time work qualification programme. We thus make use of the period of weak market demand in order to sustainably improve the level of qualification.

In addition to existing means of communication, such as the Intranet, the PALFINGER International Newsletter for employees, appraisal interviews or consultations with employees on performance goals, the employee suggestion system, and staff surveys, it was essential to raise the level of commitment and motivation as well as the exchange of information in times of low utilisation by stepping up personal dialogue, information events, and e-mail correspondence.

### CUSTOMERS

PALFINGER operates a global sales and service network with approximately 4,000 outlets, and more than 200 independent dealers in more than 130 countries on all continents. Via industries such as construction, transport, recycling, services, railway infrastructure, forestry and agriculture, these dealers make up a vital customer base mostly attending to end users.

To facilitate the continuous exchange of experience and information, annual supplier conferences are organised in turn for all global dealers in Austria and for the area dealers in the individual regions.

In addition, a dealer survey was launched in summer 2009. The objective of this survey was to assess the dealers' satisfaction as well as the success of the measures implemented so far. The survey asked about the dealers' satisfaction with the PALFINGER organisation and the various products and processes, such as service, customer service, and marketing. Total dealer satisfaction in Europe was at 72 percent in 2009, and at 81 percent in South America. Due to a new, optimised survey method it is not possible to make comparisons to previous years. On the basis of the results of the survey targeted measures were taken to improve our co-operation with dealers. Out of the measures taken in 2008 as a consequence of the most recent dealer survey, approximately 95 percent have been implemented.

Under our WWW fixed-cost project, we also defined a pillar that includes manufacturing for third parties and allows for an increased capacity utilisation rate. The operations improvement department is in permanent contact with external customers.

#### **END USERS**

End users are those people who actually use our products, from roofers, forestry workers, food suppliers, service technicians for power grids or wind farms up to people with special needs who use our access systems in public transport.

In addition to intensive marketing in the form of brochures, magazines such as Crane Passion, press releases, and trade fairs we also carry out an end user survey that reflects satisfaction with each specific product and allows for an assessment as regards image and commitment to innovation, also in comparison to competitors. The results and findings are then fed back into the dealer survey.

#### **SUPPLIERS AND PARTNERS**

Procurement is a material aspect for the business development of the PALFINGER Group – expenditure for materials and external services is the largest cost item of the Group. Essential procurement factors for us include advanced technologies and innovation, primarily in the fields of hydraulics, electronics, and high-tension steel.

With the aim of continuously enhancing quality and consequently also competitiveness, we maintain long-term relationships with our suppliers. Regular audits and evaluations identify possible deviations and risks and, if required, the suppliers are provided with the necessary assistance in the optimisation process. Every second year an international supplier meeting is held to continue to improve supplier involvement. The current economic situation as well as planned developments of the PALFINGER Group are presented at these meetings. In the field of back-end integration strategic suppliers were increasingly involved in the product and production process development in 2009.

#### **LOCAL SURROUNDINGS**

PALFINGER pursues its goal of creating value locally by products adjusted to local needs in order to meet differing customer requirements. Moreover, any dependence on foreign-exchange fluctuations is minimised (natural hedge). By acting reliably we position ourselves as a reliable partner and attractive employer in the respective regions, thus making a sustainable contribution to society through our business activities and social commitment.

## Sustainability Process and Structure

### MAJOR TRENDS

- KEY PERFORMANCE INDICATORS ARE REPORTED ANNUALLY.
- THE MAJORITY OF MEASURES FROM THE PREVIOUS REPORT HAVE BEEN IMPLEMENTED.
- IMPLEMENTATION OF MANY MEASURES FROM 2008 IS STILL IN PROGRESS DUE TO THE ECONOMIC CRISIS AND INSUFFICIENT CAPACITIES.
- THE NEW SUSTAINABILITY PROGRAMME WAS ADOPTED BY THE MANAGEMENT BOARD FOR 2010/11.

### REPORTING OF KEY PERFORMANCE INDICATORS

PALFINGER sustainability reports are published every two years, whereas the necessary data are collected at least on an annual basis. This has to do with the fact that the quality of the data reported is enhanced as key performance indicators are reported in a timely manner. For collection purposes, data entry forms were sent out to the individual sites and necessary data obtained from those in charge at headquarters. Moreover, the definition of data has undergone continuous improvement, such as in human resources, where the uniform understanding of figures and ratios was sharpened. Also the description of individual key performance indicators that may be centrally recalled by each data officer has been optimised.

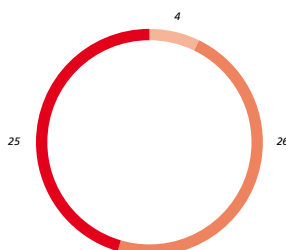
### IMPLEMENTATION OF THE SUSTAINABILITY PROGRAMME 2008

With the publication of the previous sustainability report we made a public commitment to ecological, social, and societal measures that we imposed upon ourselves. The programme was also submitted to the majority owner, the Palfinger family, in the form of the sustainability report. Moreover, sustainability, especially energy savings, was put on the agenda of site managers. The most evident result was the facility management programme with the objective of bringing about a significant rise in energy efficiency at the larger-size locations.

In 2008 and 2009 we pursued the sustainability programme and worked at its implementation. Coordinating and controlling the programme implementation was the responsibility of PALFINGER's sustainability manager. Employees who were in charge of implementing the individual measures reported on the progress in regular intervals. 25 measures have been carried out accordingly; due to changes in the economic environment and introduction of short-time work that also affected management teams, 26 measures are still in progress and are thus listed again in the sustainability programme 2010. In some cases measures were put to a halt due to the changed economic environment.

#### Measures 2008

■ Implemented  
■ In progress  
■ Terminated



PREPARING THE SUSTAINABILITY PROGRAMME 2010

This report and the future measures for 2010 and 2011 basically follow the central ecological, social, and societal topics already identified in earlier years. For the new programme the status quo was analysed based on PALFINGER's key performance indicators. In addition to the various ecological and social indicators, the trends of recent years were also graphically assessed so as to be able to present them subsequently to various teams. The "Fair Economy" and "Staff" teams were maintained, but the "Environment" team was split into two teams, "Eco-Efficient Production" and "Sustainable Products". This made it possible for the first team to focus on the improvement of the processes in the individual plants, while the latter focused on the aspects of safety and environmental protection regarding products. Also sustainable markets such as bio-energy were treated here, thus also accounting for the growing significance of the sustainability of products. We were thus better able to meet the needs of the market.

Ecological, social, and societal trends were interpreted, those in charge reported on the implementation of measures, and a new sustainability programme was drafted. This programme was finally presented to the Management Board, which adopted the sustainability programme 2010.

PALFINGER SUSTAINABILITY PROCESS



SUSTAINABILITY PROGRAMME 2010/11

Entity	Measures	Realisation until
Communications	<b>Video/telephone conferences for environmental protection officers</b> Exchange of information among environmental protection officers (video or telephone conference)	2010
Communications	<b>Sustainability as corporate targets</b> Embedding sustainability more firmly in our corporate targets	May 2010

## Sustainability Programme 2010/2011

- = completed
- = in preparation
- = cancelled

The following table lists all measures that form our sustainability programme for the next two years. In addition, it provides you with an overview of the progress in implementing the measures announced in our previous report.

### FAIR ECONOMY

Entity	Measures	Status	Realisation until
<b>DEVELOPMENT OF EMPLOYMENT</b>			
Human Resources	Fluctuation KPI: introduction of uniform indicators at all sites	●	
<b>FINANCIAL SECURITY OF EMPLOYEES</b>			
Marketing/Communications	Give more help in case of personal hardship: Global, structured programme of assistance in social hardship cases	○	
Works Council	Organisational support for company pension scheme	●	1 July 2010
Human Resources	<b>Living Wages</b> Analysis as to how salary payments may ensure financial security against the backdrop of the costs of living		Sept. 2010
<b>PURCHASING</b>			
Purchasing	Preparing a PALFINGER Code of Ethics for suppliers	●	
Purchasing	Incorporating ecological and social issues in our audit of suppliers	●	
Purchasing	<b>Global suppliers' Code of Conduct for purchasing</b> Roll-out of the PALFINGER Code of Conduct for suppliers (environment, social) to all contracts entered into at local sites		2010
Risk Management	<b>Internal audits regarding the Code of Conduct in purchasing</b> Audit training sessions will be carried out at the purchasing departments of the individual PALFINGER sites		2011
Purchasing	<b>Analysis of environmental/social checks in the course of supplier audits</b> Analysis and quantification of the results of the audits with a view to environmental and social standards of suppliers		2010
<b>TAXES</b>			
Human Resources	Promoting local employment contracts for expatriates	●	
<b>DONATIONS AND SPONSORSHIPS</b>			
Marketing	PALFINGER donation policy: Focus of charitable activities will be defined	●	
Marketing	Framework conditions for donations laid down for site managers: Budget for donations will be given to site managers	●	
Operations	PALFINGER regional fund: Start of the pilot project	○	

## HEALTH, SAFETY, EQUAL OPPORTUNITIES

Entity	Measures	Status	Realisation until
<b>HEALTH AND SAFETY</b>			
Human Resources	Avoiding excessive workloads of staff by means of joint absence management	●	
Works Council	Expansion of PALfit with a focus on Eastern Europe	●	
Works Council	Looking into assistance services for personal problems as a further expansion stage of PALfit	●	
Human Resources	<b>Analysis of HR measures carried out in Brazil</b> Evaluation on whether the local activities (e.g. one staff member who is exclusively in charge of social matters) should be expanded to other sites.		Dec. 2010
Works Council	<b>Crisis intervention team</b> A crisis intervention team will be established in Austria from 3/2010 onwards. Evaluation to decide whether this is to be expanded to all European sites on the basis of first experience gained		March 2010 Dec. 2010
Human Resources	<b>Uniform global definition of accidents</b> Introduction of a Group-wide PALFINGER standard regarding the definition of accidents. Enforcing the reporting of accidents at the first day of absence, irrespective of less stringent legal provisions		May 2010
Human Resources	<b>Group-wide minimum safety standard</b> Introduction of a worldwide minimum safety level: e.g. regarding safety equipment and for operations with an elevated risk to health		2011
<b>EDUCATION AND FURTHER TRAINING</b>			
Human Resources	Definition of a quantitative target for further training at sites	●	
Human Resources	<b>10 training days for indirectly productive staff</b> The target of 10 training days for indirectly productive employees should be met (workshops, seminars, and internal training sessions)		2011
US	<b>Breaking-in programmes</b> Expansion of the existing breaking-in programme for welders into a 2–3 week breaking-in programme for other areas (assembly, paint shop, maintenance, etc.)		Dec. 2010
<b>EQUAL OPPORTUNITIES</b>			
<b>Temporary workers</b>			
Human Resources	Improvement of equal treatment of permanent staff and temporary workers worldwide	●	
<b>Generations</b>			
Human Resources	Retirement scenarios at the sites	●	
Human Resources	Initiation of a 50+ management project	●	June 2010
Human Resources	<b>Expansion of 50+ management</b> Roll-out to additional sites within the Group based on experience gained from pilot project		2011
<b>Gender</b>			
Human Resources	Increasing the percentage of women	●	2011
Human Resources	<b>Women in the junior executives programme</b> Promotion of women as junior executives: evaluation of trainee programmes, special advertising measures in the commercial area		Dec. 2010
Human Resources	<b>Female students for technical jobs</b> Launching of a campaign		Dec. 2010
<b>Employees with disabilities</b>			
Human Resources	Worldwide screening to identify job opportunities for staff with disabilities	●	2011
<b>Local management teams</b>			
Human Resources	<b>Local management teams</b> Promotion of local management teams at the sites		Dec. 2011

**COMMUNICATING WITH EMPLOYEES**

Human Resources	<b>Group-wide staff appraisal interviews</b> Introduction of Group-wide mandatory staff appraisal interviews for indirectly productive staff	June 2010
Human Resources	<b>Staff satisfaction survey</b> The next internal survey will be carried out in March 2010.	April 2010

**ENVIRONMENTAL PROTECTION IN PRODUCTION**

Entity	Measures	Status	Realisation until
<b>CLIMATE PROTECTION</b>			
Quality Management	Stronger incorporation of ecological aspects in our company standards	●	2011
Facility Management	<b>Revision of the use of heat recovery</b> Various measures to reduce heat energy, fuel, and electricity consumption at sites	●	2011 (FM project)
Development	CO <sub>2</sub> assessment prior to new value-creation and site decisions	○	
Development	Cutting down on business trips	●	
Facility Management	<b>Various measures to reduce energy consumption including in the course of a facility management project</b> Structured reduction of energy costs and CO <sub>2</sub> emissions (examples: optimisation of heating systems and compressed air, heat insulation, efficient lighting); definition of reduction targets for individual sites		2011
Site managers	<b>Training: European Energy Manager</b> Staff members receive training to qualify as European Energy Managers at various sites		April 2010
Lengau, Caussade, Ainring	<b>Optimisation of the fleet</b> Vehicles of the PALFINGER fleet will be used in a more efficient manner, promotion of alternative fuels		2011

**RESOURCE MANAGEMENT, REDUCTION OF HAZARDOUS SUBSTANCES**

Quality Management	Development of environmental standards for PALFINGER plants in various regions and for the entire Group.	●	2010
Operations	Various optimisation measures regarding waste cuttings at sites in Lengau (AT), Cherven Brjag (BG), Tenevo (BG), Tiffin (US), and Caxias do Sul (BR)	●	
Operations	Various measures to reduce packaging material at sites in Lengau (AT) and Caussade (FR)	●	
Facility Management	Various measures to reduce water consumption at sites in Caussade (FR), Tenevo (BG), Niagara Falls (CA), Caxias do Sul (BR), and Shenzhen (CN)	●	
Operations Improvement	<b>PALFINGER environmental standards</b> Global minimum environmental standards for the treatment of hazardous waste/hazardous substances/handling environmental risks will be defined		2010
Risk Management	<b>Integration of environmental aspects in risk audits</b> Integration of compliance with provisions of environmental laws in risk audits		2011
Krefeld, Council Bluffs	<b>Optimisation of painting</b> Introduction of a solvent-free primer in Krefeld and various measures to save water in the painting process at Council Bluffs		2011



## SUSTAINABLE PRODUCTS

Entity	Measures	Status	Realisation Until
<b>CUSTOMER SAFETY</b>			
Innovation	Customer safety: various measures to increase product safety at PALFINGER cranes, BISON access platforms, EPSILON timber and recycling cranes, PALIFT container handling systems, and RAILWAY rail transport system solutions	●	
all BUs	<b>Evaluation of global safety standards</b> Evaluation whether uniform European safety standards may also be rolled out globally		2012
all BU EU	<b>Further development on the basis of standards</b> for instance "EN 12999:2009", Machinery Directive or "Directive 2006/20/EC"		2010
BU Tail Lift EU, BU Hooklift EU, BU Crane SA	<b>Various safety measures</b> for tail lifts, cranes, and hookloaders		2010
<b>ENVIRONMENTALLY SOUND PRODUCTS</b>			
Innovation	Eco-social trends are to play a larger part in the innovation process.	●	
<b>Climate protection through lighter products</b>			
BU Tail Lift EU	Tail lifts: A stronger focus on aluminium will be continued	●	
BU Palift EU	PALIFT container handling systems: Continued used of higher-grade types of steel for new products	●	
BU Hooklift EU	<b>Lighter PALIFT container handling systems</b> 90 percent of all products sold should employ high-grade steel.		2011
<b>Lower energy consumption when using our products</b>			
BU Tail Lift EU	<b>Sale of electrically operated tail lifts</b>		2010
<b>Various measures to reduce maintenance and servicing costs</b>			
Innovation	Various measures to extend product lives and enhance the quality of PALFINGER products	●	
all BUs	<b>Various measures to reduce maintenance and servicing costs</b>		2011
BU Crane EU	<b>Expanding the maintenance-free extension system to additional crane types</b> Thus the extension system no longer requires lubricants, and application costs go down significantly.		2012
<b>Reduction of hazardous substances</b>			
Quality Management	Various measures to avoid hazardous substances in PALFINGER products	●	
Innovation	Assessing whether the use of halogen-free cables can become a global PALFINGER standard	●	
Innovation	Determining when PALFINGER products could be chrome-VI-free	●	2011
Marketing, BU Platforms EU	<b>Increase share of biodegradable hydraulic oil</b> Expansion of distribution of bio oil through a targeted campaign and stepped-up use in the field of access platforms		2010/11
all BUs	<b>Review: Chrome-VI-free products</b> In regions outside the EU a review is scheduled to be carried out as to whether abandoning chrome VI can be put on a broader scale.		2011–2013
BU Tail Lift EU	<b>Reduced use of electroplated parts in tail lifts</b> In particular high capacity commercial lifts in the 1,000 to 1,500 kg weight range at the site in Welwyn Garden City		2010
<b>Communicating product ecology</b>			
Marketing	Underlining the benefits of ecologically sound products for our customers	●	
Marketing	Eco-efficiency awareness campaign	●	Dec. 2010
Innovation	Project Carbon Footprint: Logistic advantages of light-weight PALFINGER products	●	2010
Marketing	<b>Continuing communications as regards our product-related environmental initiatives</b>		2011

**ECOLOGICAL AND SOCIAL MARKETS**

Development	Incorporate eco-social trends in corporate strategic planning	●	Dec. 2010
BU Tail Lift EU	<b>Prototype of a fully automated wheelchair access system for mobility-handicapped passengers</b> EU research project for MBB access systems in rail transport		2013
Service	<b>Improved inclusion of industries in e-claim process</b> Optimising the entry of the industries in which our final customers, to which PALFINGER products are delivered, operate.		2010

**SUSTAINABILITY PROCESS AND MANAGEMENT**

Entity	Measures	Status	Realisation until
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**MAJOR CORPORATE PROCESSES**

Development	Integration of VENTURES segment into the Global PALFINGER Structure (GPS)	●	
Development	Overhead cost project (OCO)	●	

**MANAGEMENT SYSTEMS**

Communications	Environmental protection officers at all sites	●	
Quality Management	Evaluation whether an environmental management system under ISO 14001 should be introduced at the sites in Köstendorf (AT) and Caussade (FR)	●	Nov. 2010 (AT)
Quality Management	Evaluation whether a safety management system under OHSAS 18001 should be introduced at the site in Köstendorf (AT)	●	
Quality Management	Evaluation whether a quality management system under ISO 9001 should be introduced at the site in Tenevo (BG)	●	April 2010
Facility Management/ Communications	<b>Management systems for environmental/energy matters</b> Evaluation whether management systems for environmental or energy matters are to be introduced at additional sites		2010

**PREVENTION OF CORRUPTION**

Purchasing	Reviewing the Group-wide anti-corruption principles of the Caxias do Sul site (Brazil)	●	
Risk Management	Establishing an integrity hotline	●	
Purchasing	Preparing principles on the acceptance of gifts	●	
Risk Management	<b>Raising awareness for the integrity line</b> Making the integrity line known among staff members and suppliers		April 2010
Legal	<b>Evaluation: including the PALFINGER Code of Conduct in all major contracts by means of a reference</b> Inclusion in contracts with employees as well (e.g. provision on the acceptance of gifts), in contracts with suppliers, dealers and cooperation agreements.		April 2010

**STAKEHOLDER RELATIONS MANAGEMENT**

Marketing	Satisfaction surveys based on the importance-performance approach	●	
Communications	Implementation of a dialogue with stakeholders on the topic of sustainability at PALFINGER	○	2011

**SUSTAINABILITY PROCESS AND STRUCTURE**

Communications	Presentation of the PALFINGER sustainability programme to the Company's owners	●	
Communications	Eco-efficiency as a topic of the site manager conference	●	
Communications	Further development of the system of sustainability key performance indicators	●	
Communications	<b>Video/telephone conferences for environmental protection officers</b> Exchange of information among environmental protection officers (video or telephone conference)		2010
Communications	<b>Sustainability as corporate targets</b> Embedding sustainability more firmly in our corporate targets		May 2010



“First I was shocked when some of my colleagues lost their jobs but eventually I used the extra time off to spend time with my friends and primarily also my partner – and now we are looking forward to hearing the patter of tiny feet soon.”

**CHRISTINE ACHLEITNER**

**CRAYLER TRANSPORTABLE FORKLIFT SALES DEPARTMENT**

**AT THE PALFINGER PLANT IN KÖSTENDORF/AUSTRIA AND MOTHER-TO-BE**

# Annex

## Reporting profile and limits

This PALFINGER Sustainability Report comprises data and information on the two calendar years 2008 and 2009, thus continuing the tradition of two-year reporting intervals, and is based on the previous report published in 2008. Publication of the next sustainability report is scheduled for 2012. The choice of topics to be covered in this report was based on those contained in previous reports and considered essential. In addition, new impulses were added following discussions among the sustainability team, which is composed of representatives from various departments.

The Sustainability Report at hand comprises data of all fully consolidated group companies. The following sites were considered in the Sustainability Report: Kasern (AT), Lengau (AT), Köstendorf (AT), Elsbethen (DE), Ainring (DE), Löbau (DE), Ebersbach\* (DE), Seifhennersdorf\* (DE), Krefeld\* (DE), Ganderkesee (DE), Caussade (FR), Silly en Gouffern (FR), Erembodegem (BE), Welwyn Garden City (GB), Cadelbosco (IT), Maribor (SI), Delnice (HR), Bratislava (SK), Cherven Brjag (BG), Tenevo (BG), Niagara Falls (CA), Tiffin (US), Council Bluffs (US), Birmingham\* (Palfleet, US), Atlanta\* (Palfleet, US), Charlotte\* (Palfleet, US), Dallas\* (Palfleet, US), Fort Lauderdale\* (Palfleet, US), Indianapolis\* (Palfleet, US), Louisville\* (Palfleet, US), Council Bluffs\* (Palfleet, US), Nashville\* (Palfleet, US), Cerritos (US), Caxias do Sul (BR), Singapore (SG), Shenzhen (CN). The sites marked with an \* were newly acquired in recent years and included in the reporting for the first time in the year following their acquisition. The AWE site in New Jersey, which was newly acquired in 2009, was not considered in the report for that year. Starting with the next sustainability report all data from this site will be included.

Due to the large number of new sites we decided to change the type of presentation used in the sustainability reports so far. Instead of presenting data for each site individually, we have combined them for the regions Western and Eastern Europe, North and South America, and Asia. In the next report, a three-year trend of these data should be available as well.

The steep increase in the number of sites made comparisons with the previous sustainability report difficult in some respects. For this reason, we presented the developments of data from these new sites separately wherever possible and expedient.

## Index for the Global Reporting Initiative

According to the criteria of the Global Reporting Initiative all G3 core indicators and also individual additional indicators are treated in this Sustainability Report in order to reach the GRI Level A+. The following index contains the relevant references.

No.	Indicator	Page	Status
1.1	Statement from the most senior decision-maker of the organisation	4	●
1.2	Description of key impacts, risks, and opportunities	4, 11–15	●
2.1–2.10	Organisational profile	5–10, 79–80, 88	●
3.1–3.11	Reporting parameters (except for 3.4 and 3.5)	88	●
3.4	Contact point for questions	95	●
3.5	Process for defining report content	11–15, 79–80	●
3.12	GRI index	88–89	●
3.13	External assurance	89	●
4.1–4.13	Corporate governance (except for 4.6, 4.8, and 4.9)	9–10	●
4.6	Avoidance of conflicts of interest	72–76	●
4.8	Internal code of conduct	11–15, 74–76	●
4.9	Procedures of the highest governance body for overseeing sustainable development measures	79–80	●
4.12.	Commitments to external initiatives	9–10, 74–75	●
4.14–4.17	Stakeholder groups engaged by the organisation	77–78	●
No.	Economic performance indicators	Page	Status
EC1	Direct economic value generated and distributed	32–33	●
EC2	Financial implications of climate change	46–49, 61–63	●
EC3	Company's benefit plan obligations	22–24	●
EC4	Significant government assistance	22	●
EC6	Relations with locally based suppliers	25–28	●
EC7	Local hiring	18–19, 28	●
EC8	Impact of infrastructure investments	Not existing at PALFINGER to any significant extent.	○
No.	Ecological performance indicators	Page	Status
EN1	Materials used	51	●
EN2	Percentage of recycled materials	Not all suppliers consistently informed us of their shares of recycled materials in steel purchases (scrap percentage).	●
EN3, EN4	Direct and indirect energy consumption	Data Annex	●
EN6	Initiatives regarding renewable energy sources and energy efficiency	49, 63	●
EN8	Total water withdrawn	54	●
EN11, EN12	Protected areas, biodiversity	PALFINGER causes no noteworthy effects on protected areas and biodiversity.	○
EN16	Direct and indirect greenhouse gas emissions	46–50	●
EN17	Other relevant greenhouse gas emissions	Not of relevance, as there are no noteworthy emissions of that type.	○
EN18	Initiatives to reduce greenhouse gas emissions	46–50	●
EN19	Emissions of ozone-depleting substances	Not of relevance, as there are no noteworthy emissions of that type.	○
EN20	NOx, SOx, and other significant air emissions	Not of relevance, as there are no noteworthy emissions of that type.	○
EN21	Total water discharge	54	●
EN22	Total weight of waste	53	●
EN23	Significant spills	Not of relevance as there were no material spills during the reporting period.	○
EN26	Initiatives to mitigate environmental impacts of products / services	61–69	●
EN27	Reclaimed packaging material	Not of relevance as there are no large volumes of packaging.	○
EN28	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations	75	●
EN29	Environmental impacts of transport	50	●

No.	Social performance indicators	Page	Status
LA1	Workforce by employment type and region	18–21	●
LA2	Employment turnover	20	●
LA4	Employees covered by collective bargaining agreements	24	●
LA5	Notice periods regarding significant changes	19	●
LA7	Rates in injury, lost days, work-related fatalities	37	●
LA8	Training sessions on serious diseases	36–39	●
LA10	Training sessions for employees	39–40	●
LA13	Composition of governance bodies	41–42	●
LA14	Ratio of basic salary of men to women	PALFINGER has defined salary bandwidths for various types of employment in management positions that are the same for men and women.	●
No.	Human rights	Page	Status
HR1	Investment agreements that include human rights clauses	Not of relevance, as there were no major	○
HR2	Suppliers and contractors that have undergone screening on human rights	27–28	●
HR4	Incidents of discrimination	No incidents of discrimination reported during the reporting period.	●
HR5	Risk of violating the right to exercise freedom of association	24	●
HR6 und HR7	Risk of child labour, risk of forced and compulsory labour	24, 27	●
No.	Society	Page	Status
SO1	Assessment of impacts of operations on communities	Chapter 1 describes how PALFINGER contributes to regional development and how it wants to have an even more positive influence in future.	●
SO2	Analysis of risks related to corruption	76	●
SO3	Anti-corruption training	76	●
SO4	Anti-corruption actions	No incidents of corruption reported during the reporting period.	●
SO5	Public policy positions / lobbying	At the moment no noteworthy lobbying is being pursued.	●
SO6	Contributions to political parties	10	●
SO7	Legal actions for violation of competition law	75	●
SO8	Fines and sanctions for non-compliance with laws and regulations	75	●
No.	Product	Page	Status
PR1	Product safety	58–60	●
PR2	Incidents of non-compliance with health regulations regarding products	No incidents occurred during the reporting period.	●
PR3	Product information on sustainability aspects	58–67	●
PR4	Incidents of non-compliance with provisions on product information	No incidents occurred during the reporting period.	●
PR5	Customer satisfaction	5	●
PR6	Programmes for adhering to laws and standards related to advertising	Not of relevance for PALFINGER as no special industry-specific regulations are in place.	●
PR7	Incidents of non-compliance with provisions under advertising law	No incidents occurred during the reporting period.	●
PR8	Breaches of data protection provisions	No incidents occurred during the reporting period.	●
PR9	Fines for non-compliance with laws and regulations on the use of products	75	●

Core indicator pursuant to GRI G3, additional indicator pursuant to GRI G3

● = fully observed ● = partly observed ○ = not relevant

## Audit Opinion and Certificate

ETA Umweltmanagement GmbH – Sustainability Auditors – were mandated, as an independent auditing organisation, to

- evaluate the Sustainability Report 2009 with regard to the underlying sustainability aspects, data, systems, and procedures,
- critically assess the scope, fairness, and interpretation of the description provided,
- check whether the CO<sub>2</sub> emissions published are consistent with the Greenhouse Gas Protocol of the WBCSD and the World Resource Institute (WRI),
- check whether the guidelines of the Global Reporting Initiative (G3) have been complied with.

We performed our audit on the basis of the evolving standards for the auditing of sustainability reports. These include the criteria of the Global Reporting Initiative (GRI application levels for version G3 <http://www.globalreporting.org/GRIReports/ApplicationLevels/>) and the Guideline of the European Federation of Accountants (FEE) "Providing Assurance on Sustainability Reports".

Our audit included

- enquiries among the persons responsible for the data and other information contained in the Sustainability Report as well as sample checks of the underlying management systems and procedures,
- a review of selected sites,
- an evaluation of the correct, balanced, and consistent representation of the sustainability aspects and data,
- an analysis of the systems used for data collection and for the interpretation of the economic, social, and environmental performance parameters.

In our opinion, the data and information presented are comprehensive, balanced, and appropriate as regards the ecological, social, and economic aspects of sustainability; they do not in any way contradict other data, information, and evidence provided by the Company. Detailed recommendations regarding the further development of the Sustainability Report were communicated to the management in an internal report.

  
Dr. Christine Jasch  
Chief Sustainability Auditor, Chartered Accountant

  
Dr. Stefan Gara  
Chief Sustainability Auditor, Managing Director



The Sustainability Report corresponds to application level A+ of GRI, version G3.

## Data Annex

### CORRECTIONS

In a few cases data recorded in the years 2006 and 2007 were corrected in the course of the current reporting. In particular this includes the following data:

- Due to a data processing error an incorrect number of employees was assumed for Singapore. Instead of 10 staff members, the site employed a staff of only 5 in 2006.
- Due to a data collection error at the plant in Cherven Brjag (BG) we assumed an incorrect water consumption figure for 2007. Instead of 9,552 m³, water consumption was 16,797 m³.
- A review revealed that the data provided on waste cuttings in Caxias do Sul (BR) for 2007 were incorrect. We changed our data collection method starting in 2008.

### DATA FOR CHAPTER "EMPLOYMENT TREND"

The reporting date for all staff-related data was 31 December. The terms salaried employees and wage earners as used in the previous sustainability reports were changed to directly and indirectly productive staff. The former are directly involved in manufacturing products, the latter work in supporting processes such as administration. In terms of data this differentiation was already made in the previous reports.

TOTAL HEADCOUNT – GROUP	2009	2008
Average payroll during the reporting period (according to Annual Report)	4,517	4,664
Payroll at 31 December	4,409	5,233
excluding staff from businesses acquired during the financial year (31 Dec)	43	765
Calculation basis for personnel key figures in the sustainability report (31 Dec)	4,366	4,468
of which PALFINGER staff	4,200	4,225
apprentices	145	137
temporary workers	12	86
workers employed for short periods only	9	20

EMPLOYMENT TREND BROKEN DOWN BY REGION (incl. temporary workers)		2009	2008	2007
Western Europe	PALFINGER staff	2,264	2,220	1,946
	Temporary workers	10	29	194
	Total	2,274	2,249	2,140
Eastern Europe	PALFINGER staff	1,099	1,461	1,492
	Temporary workers	0	56	90
	Total	1,099	1,517	1,582
North America	PALFINGER staff	531	181	150
	Temporary workers	1	1	0
	Total	532	182	150
South America	PALFINGER staff	417	478	461
	Temporary workers	0	0	0
	Total	417	478	461
Asia	PALFINGER staff	43	42	24
	Temporary workers	1	0	0
	Total	44	42	24

### LABOUR TURNOVER (including all employees leaving the Company)

Number of staff leaving the Company	2009	2008	2007
AG – Kasern (AT)	7	5	3
PEU – Kasern, Lengau, Köstendorf (AT)	101	56	41
PSB – Lengau, Köstendorf (AT)	23	24	28
Elsbethen (DE)	10	11	6
Ainring (DE)	32	7	5
Löbau (DE)	30	44	4
Ebersbach (DE)	8	0	-
Seifhennersdorf (DE)	10	0	-
Krefeld (DE)	23	0	-
Ganderkesee (DE)	15	11	-
Caussade (FR)	28	33	19
Silly en Gouffern (FR)	1	0	-
Erembodegem (BE)	0	0	-
Welwyn Garden City (UK)	26	52	25
Cadelbosco (IT)	0	0	5
Maribor (SI)	98	98	62
Delnice (HR)	18	14	-
Bratislava (SK)	0	0	-
Cherven Brjag (BG)	135	111	94
Tenevo (BG)	97	91	74
Niagara Falls (CA)	7	25	14
Tiffin (US)	8	4	8
Council Bluffs (US)	39	-	-
Birmingham (Palfleet, US)	0	-	-
Atlanta (Palfleet, US)	0	-	-
Charlotte (Palfleet, US)	0	-	-
Dallas (Palfleet, US)	0	-	-
Fort Lauderdale (Palfleet, US)	0	-	-
Indianapolis (Palfleet, US)	0	-	-
Louisville (Palfleet, US)	0	-	-
Council Bluffs (Palfleet, US)	0	-	-
Nashville (Palfleet, US)	0	-	-



Number of staff leaving the Company	2009	2008	2007
Cerritos (US)	8	-	-
Caxias do Sul (BR)	153	119	111
Singapore (SG)	3	0	5
Shenzhen (CN)	8	0	6

At PALFINGER labour turnover is defined as the sum total of termination of all employment contracts and all dismissals. In accordance with the definition of the GRI the above table includes the entire labour turnover (terminations, dismissals, retirements, etc.).

## DATA FOR CHAPTER "FINANCIAL SECURITY OF STAFF"

TYPES OF EMPLOYMENT	2009	2008	2007
Share of fixed-term employees in the total workforce in %	1.33 %	1.36 %	0.81 %
Number of permanent staff	4,251	4,207	4,033
Number of fixed-term employees or temporary workers	58	57	33
Share of part-time employees in the total workforce in %	2.48 %	3.00 %	1.86 %
Number of part-time employees	109	130	76

Due to slight inaccuracy regarding the total numbers of employees deviations between the headcount and the total amounts are possible.

TOTAL EXPENSES FOR WAGES AND SALARIES BROKEN DOWN BY COUNTRY (in TEUR)	2009	2008	2007
Austria	55,685	75,660	72,410
Germany	31,353	26,343	11,826
USA*	16,239	6,554	3,343
France	13,654	15,389	13,870
Slovenia	7,574	10,648	9,346
Brazil	8,698	10,155	8,192
Bulgaria	5,294	7,522	6,710
Great Britain	4,361	6,950	8,043
Italy	2,554	3,075	3,058
Canada	2,179	3,101	3,216
Singapore	575	487	401
Croatia	486	684	640
China	350	298	127
Belgium	79	88	-
Slovakia	56	50	-

\*The value for changes in salary per staff member were adjusted by EUR 1,446 million for Omaha Standard in 2008.

## DATA FOR CHAPTER "DISTRIBUTION OF VALUE ADDED"

DISTRIBUTION OF VALUE ADDED (in TEUR)	2009	2008	2007
Income (direct economic value generated)	507,729	797,132	700,597
Monetary flows to stakeholders			
• Suppliers (operating costs)	373,166	529,039	450,316
• Staff (wages and salaries)	149,177	167,003	141,183
• Investors (dividend incl. interest expenses)	27,650	34,810	26,008
- of which equity suppliers	17,288	28,231	21,684
- of which debt suppliers	10,362	6,579	4,324
Public authorities (taxes)	1,896	23,584	25,715
Donations and sponsorships	390	615	512
Economic value retained	(44,160)	42,696	57,376

Income (direct economic value generated) comprises revenue, income from other services, income from the sale of assets, income from leases, interest income (credit institutions), interest income (finance lease). Operating costs comprise expenditure for materials and external services, other operating expenses (excluding taxes other than those on income), trade payables from the previous year. Trade payables from the current year are deducted.

Staff costs comprise wages and salaries plus severance payments, pension payments, and statutory and other social expenses. Payments to investors comprise dividends to investors, interest expenses (credit institutions), interest expenses (finance lease). In this Sustainability Report, costs for equity suppliers and debt suppliers are indicated separately for the first time. Payments to public authorities comprise tax expense (income tax) and taxes other than those on income (real estate tax, etc.). Donations are social benefits provided for society on a voluntary basis either in the form of money or in kind. Sponsorships refer to the financial support of sports and cultural events, public welfare organisations (fire brigade, police, federal armed forces) and entail a PR benefit for PALFINGER. Sponsorships do not include any advertising expenses (entertainment material, catering, etc.).

## DATA FOR CHAPTER "PURCHASING"

Wherever we used specific indicators, we changed the reference quantity. Instead of using the purchase quantities of crude steel as a basis, we now relate our purchasing data to the manufactured product weight of the respective year. This reflects our operations more accurately and prevents inaccuracies caused by changes in our inventories.

In addition, the data basis for the procurement volume broken down by country of origin was changed. While in the previous sustainability report the local purchasing data were collected directly from the sites, for the purposes of this report an SAP analysis was carried out in order to prevent double counts. Approximately 80 percent of the sites are included in the SAP system. The data was no longer weighted by the number of staff employed in the individual countries.

PURCHASES BROKEN DOWN BY COUNTRY OF ORIGIN (in %)	2009	2008
Austria	26.99 %	25.50 %
Belgium	0.03 %	0.02 %
Bulgaria	6.42 %	5.90 %
China	0.14 %	0.15 %
Croatia	0.49 %	0.40 %
Czech Republic	1.37 %	1.01 %
Denmark	4.71 %	4.71 %
Finland	1.28 %	1.09 %



PURCHASES BROKEN DOWN BY COUNTRY OF ORIGIN (in %)	2009	2008
France	5.68 %	6.47 %
Germany	13.31 %	14.45 %
Great Britain	1.31 %	0.26 %
Hungary	0.00 %	0.02 %
Indonesia	0.11 %	0.14 %
Italy	14.72 %	15.87 %
Malta	0.26 %	0.32 %
Netherlands	2.61 %	2.65 %
Poland	0.74 %	0.51 %
Portugal	0.19 %	0.02 %
Romania	1.36 %	0.92 %
Scotland	0.03 %	0.05 %
Serbia	0.04 %	0.43 %
Slovakia	2.30 %	2.75 %
Slovenia	5.36 %	6.03 %
Sweden	9.88 %	9.73 %
Switzerland	0.24 %	0.24 %
Tunesia	0.02 %	0.00 %
Turkey	0.33 %	0.33 %
USA	0.04 %	0.03 %
Other	0.05 %	0.02 %
<b>Total</b>	<b>100.00 %</b>	<b>100.00 %</b>

## WEIGHT OF STEEL PURCHASES (in tonnes \*)

Weight of steel purchases *	S460	LN600	S690/S700	S890/S900	S930/S960	Ab S1100	Total steel purchases
<b>2009</b>	<b>1,604</b>	<b>836</b>	<b>5,931</b>	<b>3,246</b>	<b>1,521</b>	<b>226</b>	<b>13,364</b>
<b>2008</b>	<b>3,548</b>	<b>2,923</b>	<b>9,784</b>	<b>6,486</b>	<b>3,629</b>	<b>1,780</b>	<b>28,150</b>
<b>2007</b>	<b>8,466</b>	<b>2,106</b>	<b>22,581</b>	<b>8,315</b>	<b>3,879</b>	<b>2,173</b>	<b>47,520</b>

\* central purchasing (AT) incl. purchases in Caxias do Sul (BR)

WEIGHT OF ALUMINIUM PURCHASES * (in tonnes)	2009	2008
	1,180	2,101

## DATA FOR CHAPTER "TAXES"

INCOME TAX PAYMENTS BROKEN DOWN BY COUNTRY (in TEUR)	2009	2008	2007
Germany	1,755	3,443	3,064
Italy	224	630	1,232
Canada	39	(480)	(76)
USA	28	11	9
Slovakia	5	10	
France	0	16	38
Croatia	0	0	24
Belgium	0	0	
Bulgaria	0	0	0
China	0	0	0
Slovenia	0	0	0
Great Britain	(6)	1	(73)
Singapore	(14)	33	(2)
Brazil	(52)	1,200	8
Austria	(334)	14,076	21.553
<b>Total</b>	<b>1,642,688</b>	<b>18,939,774</b>	<b>25,782,196</b>

Slight deviations from the figure for total income tax paid by the Group in 2007 are due to deferred taxes.

## DATA FOR CHAPTER "EDUCATION AND FURTHER TRAINING"

HOURS SPENT ON EDUCATION AND FURTHER TRAINING PER STAFF MEMBER BROKEN DOWN BY SITE	2009	2008	2007
AG – Kasern (AT)	9.0	9.2	6.7
PEU – Kasern, Lengau, Köstendorf (AT)	19.8	8.9	17.5
PSB – Lengau, Köstendorf (AT)	13.1	9.6	6.1
Elsbethen (DE)	0	0	0
Ainring (DE)	16.1	24.0	10.8
Löbau (DE)	0	1.0	9.1
Ebersbach (DE)	0	0	-
Seifhennersdorf (DE)	0	0	-
Krefeld (DE)	1.0	0	-
Ganderkesee (DE)	5.9	7.9	-
Caussade (FR)	12.3	n/a	15.3
Silly en Gouffern (FR)	4.9	0	-
Erembodegem (BE)	0	0	-
Welwyn Garden City (UK)	12.0	12.7	0
Cadelbosco (IT)	0	0	20.0
Maribor (SI)	26.1	14.7	7.6
Delnice (HR)	83.0	41.3	-
Bratislava (SK)	0	0	-
Cherven Brjag (BG)	0.7	7.4	21.0
Tenevo (BG)	62.0	11.4	18.2
Niagara Falls (CA)	13.7	17.4	8.0

HOURS SPENT ON EDUCATION AND FURTHER TRAINING PER STAFF MEMBER BROKEN DOWN BY SITE	2009	2008	2007
Tiffin (US)	14.1	10.2	20.2
Council Bluffs (US)	0	-	-
Birmingham (Palfleet, US)	4.2	-	-
Atlanta (Palfleet, US)	8.3	-	-
Charlotte (Palfleet, US)	25.0	-	-
Dallas (Palfleet, US)	4.0	-	-
Fort Lauderdale (Palfleet, US)	13.6	-	-
Indianapolis (Palfleet, US)	5.5	-	-
Louisville (Palfleet, US)	12.0	-	-
Council Bluffs (Palfleet, US)	0	-	-
Nashville (Palfleet, US)	0	-	-
Cerritos (US)	6.1	n/a	-
Caxias do Sul (BR)	5.8	n/a	71.4
Singapore (SG)	16.3	0	0
Shenzhen (CN)	1.4	0	0

## DATA FOR CHAPTER "EQUAL OPPORTUNITIES"

AGE STRUCTURE GROUP	Number 2009	Number 2009	Number 2008	Number 2008	Number 2007	Number 2007
< 30 years	911	21 %	1,011	23 %	1,074	26 %
30–50 years	2,590	59 %	2,604	59 %	2,384	57 %
> 50 years	893	20 %	812	18 %	688	17 %
Total	4,394	100 %	4,427	100 %	4,146	100 %

AGE STRUCTURE DIRECTLY PRODUCTIVE STAFF	Number 2009	Number 2009	Number 2008	Number 2008	Number 2007	Number 2007
< 30 years	463	22 %	516	24 %	644	26 %
30–50 years	1,231	58 %	1,289	59 %	1,434	58 %
> 50 years	429	20 %	387	18 %	393	16 %
Total	2,123	100 %	2,192	100 %	2,471	100 %

STAFF BROKEN DOWN BY AGE GROUP IN 2009	Total < 30 years	Total 30–50 years	Total > 50 years
AG – Kasern (AT)	8	25	2
PEU – Kasern, Lengau, Köstendorf (AT)	188	393	79
PSB – Lengau, Köstendorf (AT)	43	170	35
Elsbethen (DE)	25	23	2
Ainring (DE)	42	116	29
Löbau (DE)	27	66	48
Ebersbach (DE)	16	29	12
Seifhennersdorf (DE)	13	32	11
Krefeld (DE)	19	73	15
Ganderkesee (DE)	60	119	42
Caussade (FR)	37	183	78
Silly en Gouffern (FR)	1	9	5
Erembodegem (BE)	0	2	0
Welwyn Garden City (UK)	12	44	70
Cadelbosco (IT)	7	38	14
Maribor (SI)	38	299	40
Delnice (HR)	13	14	1
Bratislava (SK)	1	2	0
Cherven Brjag (BG)	33	176	94
Tenevo (BG)	76	233	78
Niagara Falls (CA)	11	34	14
Tiffin (US)	1	7	9
Council Bluffs (US)	42	135	89
Birmingham (Palfleet, US)	1	7	6
Atlanta (Palfleet, US)	2	4	8
Charlotte (Palfleet, US)	2	5	5
Dallas (Palfleet, US)	0	7	9
Fort Lauderdale (Palfleet, US)	1	8	1
Indianapolis (Palfleet, US)	2	14	6
Louisville (Palfleet, US)	4	8	5
Council Bluffs (Palfleet, US)	4	8	3
Nashville (Palfleet, US)	0	7	6
Cerritos (US)	6	30	7
Caxias do Sul (BR)	151	215	51
Singapore (SG)	1	9	2
Shenzhen (CN)	17	14	0

DIVERSITY – GENDER – WOMEN	2009	2008	2007
AG – Kasern (AT)	6	9	10
PEU – Kasern, Lengau, Köstendorf (AT)	47	50	56
PSB – Lengau, Köstendorf (AT)	42	54	54
Elsbethen (DE)	3	5	4
Ainring (DE)	37	39	31
Löbau (DE)	17	21	20
Ebersbach (DE)	6	-	-
Seifhennersdorf (DE)	5	-	-
Krefeld (DE)	12	-	-
Ganderkesee (DE)	24	27	-
Caussade (FR)	27	31	30
Silly en Gouffern (FR)	2	2	-

DIVERSITY – GENDER – WOMEN	2009	2008	2007
Erembodegem (BE)	1	1	-
Welwyn Garden City (UK)	14	16	17
Cadelbosco (IT)	6	7	7
Maribor (SI)	15	21	16
Delnice (HR)	3	3	-
Bratislava (SK)	1	1	-
Cherven Brjag (BG)	35	51	52
Tenevo (BG)	47	56	50
Niagara Falls (CA)	13	13	14
Tiffin (US)	1	3	10
Council Bluffs (US)	21	-	-
Birmingham (Palfleet, US)	0	-	-
Atlanta (Palfleet, US)	2	-	-
Charlotte (Palfleet, US)	1	-	-
Dallas (Palfleet, US)	0	-	-
Fort Lauderdale (Palfleet, US)	1	-	-
Indianapolis (Palfleet, US)	1	-	-
Louisville (Palfleet, US)	2	-	-
Council Bluffs (Palfleet, US)	2	-	-
Nashville (Palfleet, US)	0	-	-
Cerritos (US)	9	8	-
Caxias do Sul (BR)	38	40	32
Singapore (SG)	4	3	2
Shenzhen (CN)	7	7	4

DIVERSITY – STAFF WITH DISABILITIES	2009	2008	2007
AG – Kasern (AT)	0	0	0
PEU – Kasern, Lengau, Köstendorf (AT)	10	12	13
PSB – Lengau, Köstendorf (AT)	0	0	1
Elsbethen (DE)	1	1	13
Ainring (DE)	2	2	1
Löbau (DE)	0	0	5
Ebersbach (DE)	0	0	-
Seifhennersdorf (DE)	0	0	-
Krefeld (DE)	0	0	-
Ganderkesee (DE)	13	11	-
Caussade (FR)	12	16	15
Silly en Gouffern (FR)	0	0	-
Erembodegem (BE)	0	0	-
Welwyn Garden City (UK)	0	0	3
Cadelbosco (IT)	4	4	4
Maripore (SI)	16	15	13
Delnice (HR)	0	0	-
Bratislava (SK)	0	0	-
Cherven Brjag (BG)	8	14	-
Tenevo (BG)	32	32	0
Niagara Falls (CA)	0	0	0
Tiffin (US)	0	0	0
Council Bluffs (US)	11	-	-
Birmingham (Palfleet, US)	0	-	-
Atlanta (Palfleet, US)	0	-	-
Charlotte (Palfleet, US)	0	-	-
Dallas (Palfleet, US)	0	-	-
Fort Lauderdale (Palfleet, US)	0	-	-
Indianapolis (Palfleet, US)	0	-	-
Louisville (Palfleet, US)	0	-	-
Council Bluffs (Palfleet, US)	0	-	-
Nashville (Palfleet, US)	0	-	-
Cerritos (US)	0	0	-
Caxias do Sul (BR)	0	0	13
Singapore (SG)	0	0	0
Shenzhen (CN)	0	0	0

## DATA FOR CHAPTER “CLIMATE PROTECTION”

TOTAL ENERGY CONSUMPTION	2009	2008	2007
Electricity consumption in kWh	39,204,870	42,926,598	50,168,289
Diesel consumption in litre	773,016	831,916	760,816
Petrol consumption in litre	260,640	165,910	93,234
Natural gas in m³	8,021,463	5,892,904	3,507,243
LPG in litre	81,557	100,057	48,252
Heating oil in litre	199,568	471,366	227,096
Butane in kg	0	0	16
Propane in kg	251,089	255,197	291,128

Updated emission factors were used for the calculation of CO<sub>2</sub> emissions in 2008 and 2009. Although these factors reflect the changes in the electricity mix of the individual countries, they have hardly any effect on the total results.

DIRECT AND INDIRECT CO <sub>2</sub> EMISSIONS BROKEN DOWN BY SITE (in tonnes)		electricity consumption	fuel	heat
Kasern (AT)	2009	372	36	469
	2008	401	39	388
	2007	414	58	338

DIRECT AND INDIRECT CO <sub>2</sub> EMISSIONS BROKEN DOWN BY SITE (in tonnes)		electricity consumption	fuel	heat
Lengau (AT)	2009	2,742	134	2,731
	2008	3,631	274	3,351
	2007	3,807	230	2,317
Köstendorf (AT)	2009	413	54	683
	2008	494	85	815
	2007	496	92	722
Elsbethen (DE)	2009	119	7	554
	2008	119	19	554
	2007	104	12	44
Ainring (DE)	2009	181	802	185
	2008	200	634	222
	2007	202	523	156
Löbau (DE)	2009	763	43	766
	2008	735	75	1,482
	2007	566	70	570
Ebersbach (DE)	2009	128	38	192
	2008	0	0	0
	2007	-	-	-
Seifhennersdorf (DE)	2009	157	12	146
	2008	0	0	0
	2007	-	-	-
Krefeld (D)	2009	306	0	134
	2008	0	0	0
	2007	-	-	-
Ganderkesee (D)	2009	806	38	1,006
	2008	927	61	991
	2007	-	-	-
Caussade (FR)	2009	161	70	1,584
	2008	197	68	1,512
	2007	190	63	1,286
Silly en Gouffern (FR)	2009	7	110	16
	2008	7	117	20
	2007	-	-	-
Erembodegem (BE)	2009	2	8	2
	2008	3	6	5
	2007	0	0	0
Welwyn Garden City (UK)	2009	477	188	4,338
	2008	589	252	5,132
	2007	577	298	427
Cadelbosco (IT)	2009	344	40	290
	2008	550	52	410
	2007	495	45	302
Maribor (SI)	2009	2,464	56	2,095
	2008	3,448	112	2,700
	2007	7,704	123	2,407
Delnice (HR)	2009	138	3	74
	2008	162	11	52
	2007	-	-	-
Bratislava (SK)	2009	1	9	0
	2008	1	5	0
	2007	-	-	-
Cherven Brjag (BG)	2009	1,791	91	639
	2008	3,130	140	607
	2007	3,037	153	802
Tenevo (BG)	2009	3,009	83	716
	2008	4,716	119	592
	2007	4,828	77	425
Niagara Falls (CA)	2009	167	3	193
	2008	77	3	87
	2007	91	3	66
Tiffin (US)	2009	341	341	214
	2008	377	427	226
	2007	393	273	160
Council Bluffs (US)	2009	3,392	0	2,811
	2008	0	0	0
	2007	0	0	0
Birmingham (Palfleet, US)	2009	289	86	99
	2008	-	-	-
	2007	-	-	-
Atlanta (Palfleet, US)	2009	94	61	1,379
	2008	-	-	-
	2007	-	-	-
Charlotte (Palfleet, US)	2009	113	52	65
	2008	-	-	-
	2007	-	-	-
Dallas (Palfleet, US)	2009	155	48	45
	2008	-	-	-
	2007	-	-	-
Fort Lauderdale (Palfleet, US)	2009	95	50	0
	2008	-	-	-
	2007	-	-	-
Indianapolis (Palfleet, US)	2009	132	29	1,041
	2008	-	-	-
	2007	-	-	-

DIRECT AND INDIRECT CO <sub>2</sub> EMISSIONS BROKEN DOWN BY SITE (in tonnes)		electricity consumption	fuel	heat
	2009	149	37	57
Louisville (Palfleet, US)	2008	-	-	-
	2007	-	-	-
	2009	124	75	1,717
Council Bluffs (Palfleet, US)	2008	-	-	-
	2007	-	-	-
	2009	139	34	45
Nashville (Palfleet, US)	2008	-	-	-
	2007	-	-	-
	2009	95	154	0
Cerritos (US)	2008	123	224	0
	2007	-	-	-
	2009	556	358	140
Caxias do Sul (BR)	2008	593	316	131
	2007	408	545	162
	2009	30	0	0
Singapore (SG)	2008	27	0	0
	2007	18	0	0
	2009	19	21	0
Shenzhen (CN)	2008	15	35	0
	2007	32	22	0
Total	2009	20,270	1,642	15,265
Total	2008	20,522	1,806	17,636
Total	2007	23,563	2,589	10,186

CLIMATE PROTECTION IN TRANSPORT (tkm per year)	2009	2008	2007
Truck transports	40,274,622	61,050,978	59,498,964
Rail transports	554,332	4,015,468	30,905,339
Ocean freights	24,508,394	18,938,731	6,016,868
Air freights	537,165	341,162	852,330

## DATA FOR CHAPTER "RESOURCE MANAGEMENT"

WASTE (in tonnes)	2009	2008	2007*
Scrap/discarded metal	9,108	16,184	15,696
Hazardous waste**	1,585	1,690	1,561
Non-hazardous waste	2,440	2,947	2,754

\* data recorded for 2007 corrected

\*\* As no data for 2009 were provided, a constant volume of hazardous waste was assumed for Caxias do Sul (BR).

## DATA FOR CHAPTER "WATER"

WATER CONSUMPTION PER SITE (in m <sup>3</sup> )	2009	2008	2007
Kasern (AT)	1,496	1,966	2,279
Lengau (AT)	8,913	9,506	8,396
Köstendorf (AT)	1,740	2,803	1,670
Elsbethen (DE)	346	484	1,669
Ainring (DE)	909	742	620
Löbau (DE)	2,086	2,994	2,197
Ebersbach (DE)	439	0	-
Seifhennersdorf (DE)	761	0	-
Krefeld (DE)	849	0	-
Ganderkesee (DE)	1,793	2,503	-
Caussade (FR)	2,879	4,482	6,547
Silly en Gouffern (FR)	0	0	-
Erembodegem (BE)	0	0	-
Welwyn Garden City (UK)	9,798	8,912	5,285
Cadelbosco (IT)	1,231	1,035	965
Maribor (SI)	6,274	9,067	10,430
Delnice (HR)	473	852	-
Bratislava (SK)	0	0	-
Cherven Brjag (BG)	16,609	21,357	16,797
Tenevo (BG)	17,043	16,651	17,947
Niagara Falls (CA)	541	1,068	1,581
Tiffin (US)	2,300	4,640	4,640
Council Bluffs (US)	14,076	-	-
Birmingham (Palfleet, US)	303	-	-
Atlanta (Palfleet, US)	4,021	-	-
Charlotte (Palfleet, US)	3,285	-	-
Dallas (Palfleet, US)	202	-	-
Fort Lauderdale (Palfleet, US)	61	-	-
Indianapolis (Palfleet, US)	620	-	-
Louisville (Palfleet, US)	53	-	-
Council Bluffs (Palfleet, US)	1,642	-	-
Nashville (Palfleet, US)	144	-	-
Cerritos (US)	4,781	6,137	-
Caxias do Sul (BR)	5,275	5,494	9,612
Singapore (SG)	250	245	0
Shenzhen (CN)	1,143	1,860	870

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

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

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No liability is assumed for any typographical or printing errors.

"Taxes and insurance contributions were increased, but my wage was not. That was a difficult period. I am grateful that I kept my job and I learned to pay my bills following the first-come-first-served principle. My priorities have shifted as well – I know I will be fine without a new TV set. I learned to appreciate the fact that at least I have a job."



**LARRY MORGAN**

**STAKE RACK ASSEMBLY AREA EMPLOYEE, COUNCIL BLUFFS/US,  
AND HIS KEY TO SUCCESS**

**Our staff  
is our key  
to success**



**HERBERT ANZINGER | SET-UP ENGINEER IN LENGAU'S STEEL PRODUCTION AND DO-IT-YOURSELF HOME BUILDER**

"As my company is on short-time work I have had extra time on my hands which I have been spending on converting and renovating my home. After working for the company for 25 years I really appreciate having a safe job at PALFINGER in times like these."

**JOSEF WINKELMEIER | WORKER AT THE LENGAU ASSEMBLY PLANT AND PASSIONATE BIKER**

"Not everybody has a fair company that offers a safe job very near where they live. But I do, and I'm glad that after the stressful past couple of years things are somewhat more peaceful now and I can enjoy having more leisure time."

**SUADA HUSIC | WELDER AT LENGAU AND MOTHER OF TWO**

"The economic crisis hit me extremely hard as I am a single mother of two and have to cover my own expenses. Even though I enjoy the support of my company, my children and I have had to do without some things. I'm well aware of the fact that I have a good employer in PALFINGER; still I hope that things will get better."

**GERHARD DOHR | EMPLOYEE IN CENTRAL MODIFICATION SERVICE LENGAU AND AVID ATHLETE**

"The economic crisis didn't really come that unexpectedly for me but the magnitude of it was totally surprising. However, the way our company responded was laudable and helped to contain the damage, always keeping the interest of its employees in mind. I very much care about physical fitness and now use the extra time I have because of shorter working hours to pursue my hobbies."

**GERNOT PICHORNER | COST CENTER MANAGER AT LENGAU ASSEMBLY PLANT**

"Times when the company is struggling with declining orders also pose enormous challenges to executives. We spent an enormous amount of time and energy on maintaining the morale and the working climate as at the beginning employees were highly irritated by issues like lay-offs and short-time work. The strategy pursued during the crisis has proved to be successful and fair. We are now hoping that times will get better and the next challenge we'll have to meet is tackling increasing order numbers."

**GOTTFRIED RUMPL | MANAGING DIRECTOR LENGAU**

"After taking the necessary reorganisation measures, PALFINGER put the focus on the time after the crisis and not on short-term profit maximisation. It was important to us to retain skilled and competent employees and to invest in training programmes. We used the crisis to our advantage by placing our focus increasingly on optimising quality, costs, and processes after quantity-driven years. The necessary professionalism, flexibility, and team spirit will allow us to master any future challenges even in a changed economic environment. In a successful team everyone is joining forces."

**PETER KRIWAN | ENGINEERING, CRANE EXPERT AINRING**

"I'm trying not to see a crisis but rather its positive effects. Because after all, the forward-looking projects that have been initiated will even put us one step ahead. I'm using the crisis to my personal and private advantage even though I even had to put in longer hours and work harder especially at the end of last year. It even took more coordination of everyone's schedules in my family, but we made it."

**GERDA STRASSER | OFFICE ADMINISTRATION WORKSHOP AINRING**

"The crisis has made me a little more cautious in terms of private spending. As far as my job is concerned, there haven't been any changes but what I'm seeing is that we have been reaching out more to customers, which is more important than ever."

**GEORGI BONEV | PPS MANAGER TENEVO**

"As a result of the crisis the workforce in my department has become smaller and the workload heavier, and now everybody has to handle more assignments. Many of my friends and family have been affected by the crisis in terms of money but also the way we interact with each other has been disrupted. I would like to wish for me and my colleagues that we live together as Europeans not just on paper but in reality."

**HRISTO HRISTOV | FOREMAN/SMALL PARTS TENEVO PLANT AND FATHER OF TWO**

"We thought the worst thing that happened in the crisis was that many colleagues were laid off. But what's even worse is that we do not know when the crisis will finally be over. Not knowing what's going to happen is what makes us worry and be afraid. Many of us are frustrated, and personal relationships become more and more distanced, office parties have come to a minimum. At least we are seeing sympathy and compassion, which is to say, for example, that we are still willing to chip in to help out a sick colleague with money."

**PATSON WONG | SENIOR SALES ENGINEER IN SINGAPORE**

"As a result of the economic crisis we got no wage raise, which left us in dire financial straits. Many of us were forced to use their personal savings to meet everyday expenses. If the situation doesn't get better soon, all of our savings will be gone; and with your nest egg dwindling away, your sense of security is gone, too."

**RAOUL BARTSCH | IT STAFF MEMBER AT GANDERKESEE PLANT**

"Shortly after I started my job with MBB Palfinger, my girl-friend and I learned that we were going to be parents. Of course, we were really excited but also a little worried because of the economic crisis. My girl-friend had already lost her job, which made me the sole wage earner in the family. All of this changed when my daughter Luise was born – she gives us the power to master every crisis."

**DINJO MINCHEV | MACHINE OPERATOR – TENEVO PLANT**

"I personally did not experience any crisis at my workplace; there was enough work to do. At the moment I am careful what I spend my wage on because the uncertainty has made all of us economise more. We used to meet with colleagues in our spare time quite frequently, but these times are over now."

**GALINA KABADZHOVA | INTERPRETER – TENEVO PLANT**

"Compassion is something we always need. It unites us all, gives us positive energy, and makes us attentive, sensitive, helpful, and brave. Being able to feel compassion is what characterises us as extraordinary and highly developed beings. As such we must never allow self-pity to take control of our lives, particularly not in times of crisis."

**IVICA LONČARIĆ | PRODUKTION DELNICE**

"A sheer work mania and hecticness can be felt as the result of the economic crisis. But I think it is important to stay calm: Be it to activate your inner energies and not to let yourself be eaten up by these difficult circumstances or be it to be able to make cool-headed decisions. I try to spread this view among the people around me."

**SAŠA MILOŠ | CONTROLLING-ACCOUNTING DELNICE**

"Children are always honest and innocent and there is also a lot of humour in their honesty. Sports is the best medicine for the soul. I participate in a lot of sports and I give swimming lessons. That is how I can combine both – children and sports – in these times of crisis. The children's laughter provides me with my weekly dosage of happiness!"

**MARKO PLEŠE | STUDENT APPRENTICE DELNICE**

"Crises and unexpected incidents have become an integral part of today's life. In such circumstances, qualifications, knowledge, and commitment to performance help us respond adequately. During the current crisis I concentrate in particular on my expert knowledge and my training."

**OLAF MECKLENBURG | SITE MANAGEMENT DELNICE**

"An effect of the economic crisis was that very harsh decisions needed to be taken – unfortunately those measures also concerned some excellent staff members. Nevertheless, I am pleased that "our" plant – even though it is a small one – still exists."

**HENRIQUE STOFFELS | IT & PRODUCTION MANAGER MADAL**

"The economic crisis made us reflect on everything. And in the end we were rewarded with the satisfactory feeling of renewal and trust in our future. We realised: Yes, we can!!! We can make it and we can make it even better."

**LUCELI CAPPELLARO | SALES ADMINISTRATION SUPERVISOR MADAL**

"A crisis is the ideal time for reconsidering one's plans and taking various innovative initiatives. But I have to admit that I had to postpone my dream of buying a new car."

**ERALDO DE LACERDA NOGUEIRA | KBC WELD LEADER MADAL**

"The crisis is a good opportunity to assess your previous behaviour and to take measures of improvement both in your personal and professional life, of course also because the risk of losing your job is always at the back of your mind."

**GARY MACE | SERVICE BODY FINAL ASSEMBLY AREA COUNCIL BLUFFS**

"I spent the extra spare time fishing and hunting. I was not successful enough to lower my food costs but fishing with my grandson was a wonderful and rewarding experience."

**STEVE MAUSETH | LEADMAN FOR STACK RACK ASSEMBLY AREA COUNCIL BLUFFS**

"I had to reduce expenses in all areas, but I think positive and therefore I am grateful that I have a job because I know many people who don't. Actually, it was not even that easy when the short-time work ended – I really enjoyed spending the extra time with my family."

**SANDRA TRAITINGER | LEGAL DEPARTMENT KASERN**

"On the one hand I was shocked to see that colleagues in my closer environment had to leave but on the other hand my quality of life improved: I have more time for my loved ones and for myself and can invest more time and energy into staying healthy."

**GERNOT GÄRTNER | JUNIOR IFRS ACCOUNTANT KASERN**

"After graduating from university in 2007 and taking further training courses in 2008 I was about to enter my professional life – more or less at the peak of the global financial and economic crisis. The situation in the global labour market was disastrous, very bleak and young, highly motivated newcomers basically had to accept their fate. After I experienced tiring, tough months of job searching, PALFINGER saw my potential and put enough trust in me to offer me a position in Corporate Accounting and Controlling. Thanks to PALFINGER these turbulent, difficult times did not stand in the way of the optimal start of my career."

**BALTHASAR GWECHENBERGER | CORPORATE SERVICES MANAGER KASERN**

"Especially in economically weak times our customers need our full support. As a Services Manager I paid special attention to ensuring customer satisfaction to guarantee that we will be the customers' first choice again after the recession."

# PALFINGER AG

Austria, Salzburg

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