



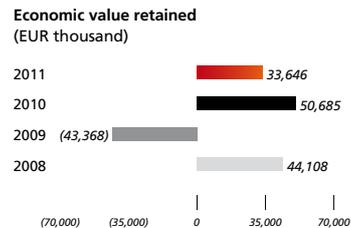
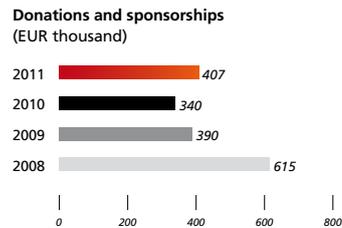
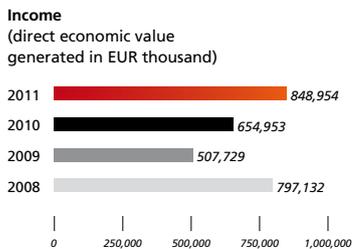
WE HAVE PUT A LOT OF ENERGY INTO SAVING ENERGY

SUSTAINABILITY REPORT 2010/2011

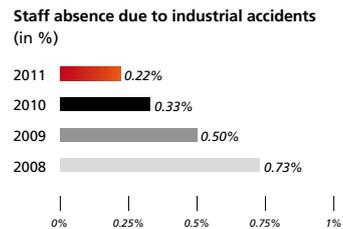
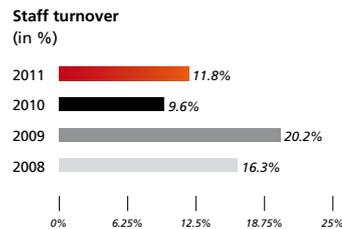
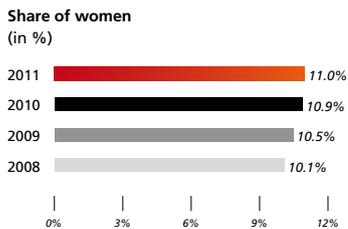
PALFINGER

KEY FIGURES OF THE PALFINGER GROUP

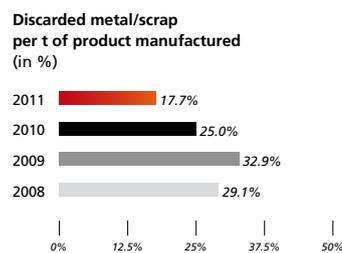
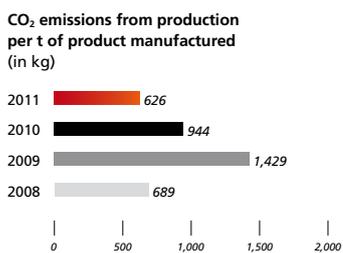
ECONOMY



HUMAN RESOURCES



ENVIRONMENT



ECONOMY

EUR thousand	2011	2010	2009	2008
Income (direct economic value generated)	848,954	654,953	507,729	797,132
Monetary flows to stakeholders				
Suppliers (operating costs)	564,801	406,908	373,166	529,039
Employees (wages and salaries)	216,858	178,722	149,177	167,003
Investors (dividend incl. interest expense)	22,010	11,072	27,650	34,810
of which equity provider	11,600	1,085	17,288	28,231
of which debt provider	10,410	9,987	10,362	6,579
Public authorities (taxes)	11,640	7,567	1,104*	22,172
Donations and sponsorships	407	340	390	615
Economic value retained	33,646	50,685	(43,368*)	44,108

*Due to a decimal place error, subsidies received in 2009 and consequently also payments to public authorities and economic value retained were incorrectly stated in the previous report. These figures have been adjusted.

HUMAN RESOURCES

	2011	2010	2009	2008
Employees including temporary workers (31 Dec)	5,856	4,852	4,366	4,468
Share of temporary workers in total workforce in %	4.4%	3.7%	0.3%	1.9%
Employees leaving the Company in % of total workforce	11.8%	9.6%	20.2%	16.3%
Staff absence due to industrial accidents in %	0.22%	0.33%	0.50%	0.73%
Training hours per staff member	11.5	8.0	15.8	8.4
Share of employees aged 50 years and older in %	21.0%	21.5%	20.2%	18.3%
Share of women in %	11.0%	10.9%	10.5%	10.1%

ENVIRONMENT

	2011	2010	2009	2008
CO ₂ emissions from production per t of product manufactured in kg	626	944	1,429	689
Transports in tkm	123,097,810	104,372,406	65,874,513	83,446,239
Discarded metal/scrap per t of product manufactured in %	17.7%	25.0%	32.9%	29.1%
Hazardous waste per t of product manufactured in kg	26	37	57	30
Water consumption per t of product manufactured in m ³	1.12	1.86	3.59	1.74
Share of biodegradable hydraulic oil in %	6.8%	8.5%	11.4%	4.1%

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SUSTAINABILITY MANAGEMENT

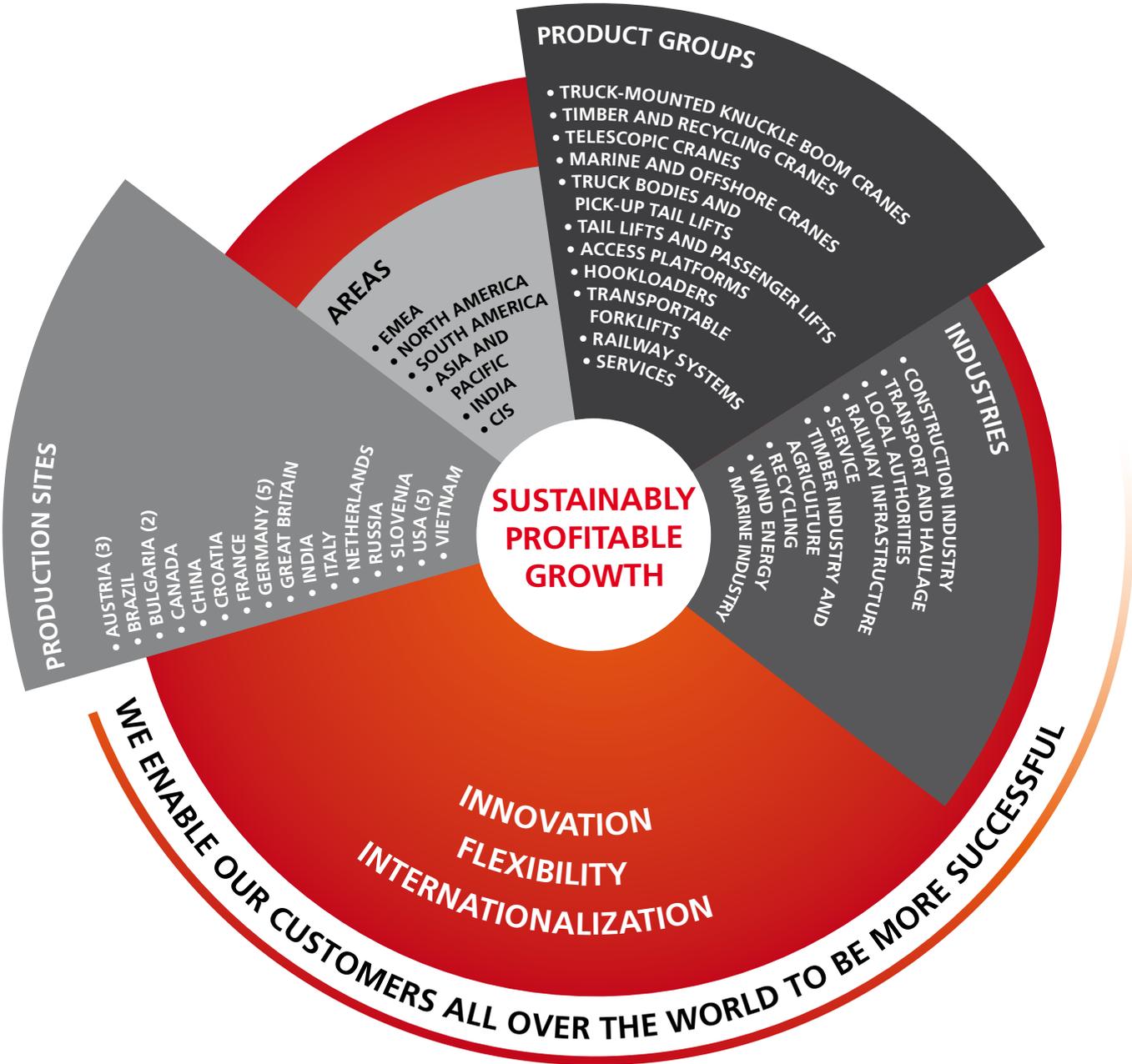
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THE WORLD OF PALFINGER

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FOREWORD BY THE CEO

Dear readers,

This Sustainability Report is the fifth report published by PALFINGER to document the fact that sustainability and social responsibility are at the core of all our actions. This eco-social approach has been a major component of our successful development.

Social and ecological issues, in addition to economic aspects, are vital factors for sustainably profitable growth. This is why we have made sustainable economic activities a top priority at PALFINGER. Our major concern is not short-term profit optimization, but rather long-term, sustainable success. As a globally operating company, we consider ourselves virtually obligated to assume social responsibility, in particular with respect to our staff, because 100 per cent of the success of our Company has been achieved through their efforts.

In this Sustainability Report, indicators have, for the first time, been presented over a four-year period, thus making it possible to follow their development before, during and after the economic crisis. The effects that the crisis and the ensuing recovery had on PALFINGER's sustainability performance are thereby made transparent.

Over the past two years we continued to make good progress. The years 2010 and 2011 were marked by the implementation of ecological and social improvements. Product innovations that reduced the burden on the environment and brought savings for our customers were established in the market. For instance, the ratio between product weight and lifting power was improved, energy consumption when using our products was lowered (load sensing, electric motor), maintenance and service costs were reduced (maintenance-free extension system) and hazardous substances eliminated (freedom from chrome VI, chlorine-free hydraulic tubes).

We also succeeded in enhancing our internal energy efficiency through the Facility Management project, which was implemented at our sites in Austria, Bulgaria and Slovenia. Under this project, we collected detailed energy indicators and derived measures for improvement. Examples include the improvement of the thermal insulation of buildings and the repair of leakages of compressed air and process fumes. In order to sustainably establish competences within the Company, staff members at various sites were trained as European Energy Managers. We also took additional measures to ensure the health and safety of our employees.

Moreover, PALFINGER has also increasingly involved its suppliers along the value-creation chain in its commitment for sustainability. This increases the benefits for the environment and society, supports product innovation, lowers costs and stabilizes our supplier network.

A few years ago, we began systematizing our approach towards a more sustainable future, and we are going to consistently continue on this path: because it's the only right course. With our innovative lifting, loading and handling solutions, we not only are thinking about the present but already have the coming generations and their environment in mind.



Herbert Ortner
CEO

MISSION STATEMENT

PALFINGER stands for innovative lifting, loading and handling solutions. With our market know-how, our technological skills and the commitment of our staff, we enable our customers all over the world to be more successful. Sustainable operations optimize products and processes and significantly contribute to PALFINGER's economic success.

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

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

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



PALFINGER AT A GLANCE

As at 31 December 2011, the PALFINGER Group, headquartered in Salzburg, Austria, comprised 47 companies in 23 countries and had a workforce of 5,600 (previous year: 53 companies in 22 countries with a workforce of 4,671). Its 28 manufacturing and assembly sites as well as the global sales and service network with more than 200 independent general importers and approximately 4,500 outlets in more than 130 countries on all continents guarantee perfect proximity to customers in all 11 product groups.

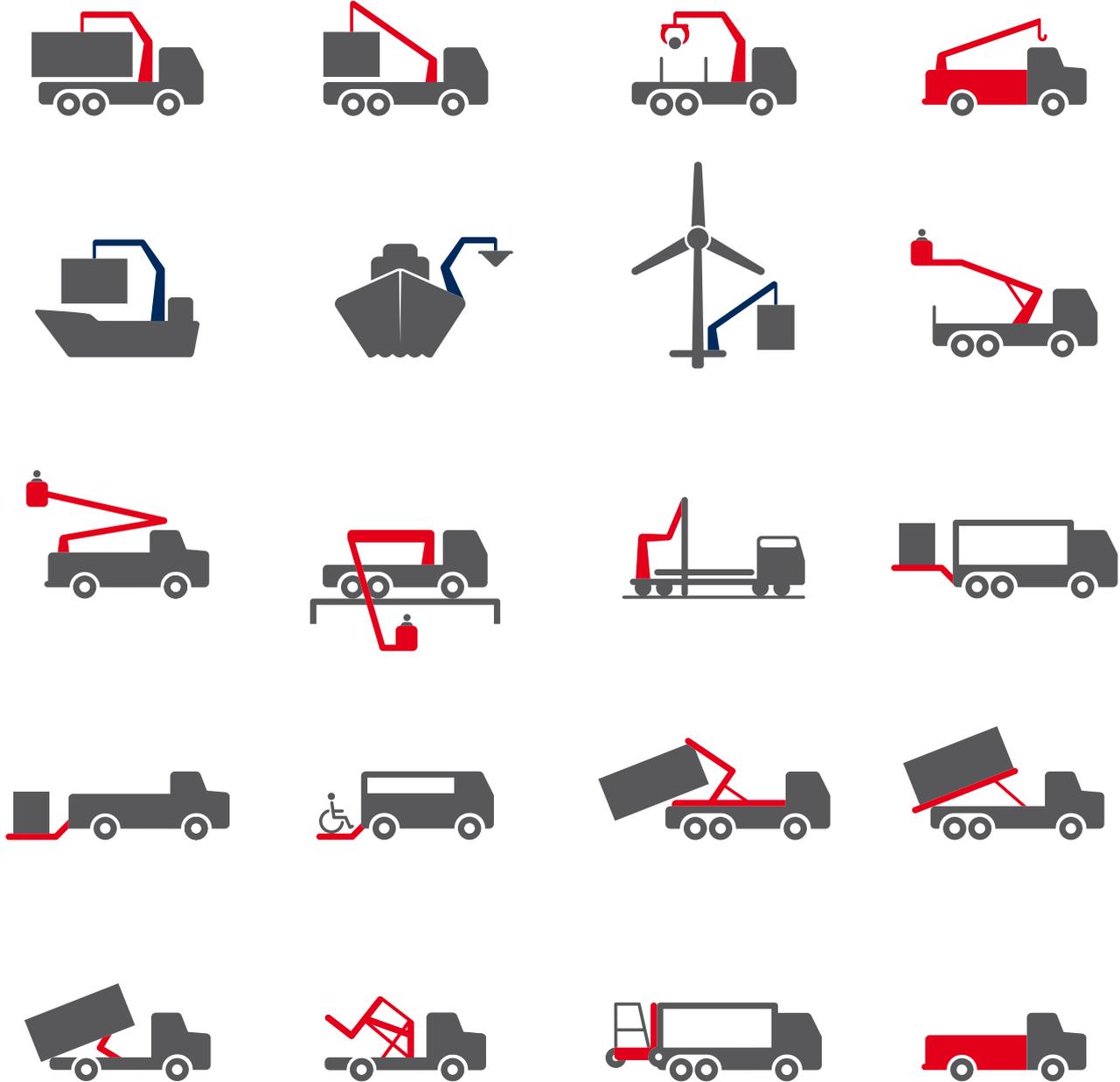
PALFINGER is regarded as the leader in technology and innovation. PALFINGER is number one worldwide for truck-mounted knuckle boom cranes, timber and recycling cranes as well as hook-loaders, and number two in the market for tail lifts and transportable forklifts. Moreover, the Company is the leading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

In 2011, PALFINGER posted revenue of EUR 845.7 million (previous year: EUR 651.8 million) – the highest level in the history of the Group. After achieving a 29-per cent increase in 2010, revenue rose again by 29.7 per cent compared to the previous year. In 2011, EBIT surged from EUR 37.1 million in the previous year to EUR 67.9 million.

With an equity ratio of 47.7 per cent (previous year: 47.2 per cent) and a gearing ratio of 47.3 per cent (previous year: 50.3 per cent), PALFINGER has a sound capital structure. In 2011, cash flows from operating activities amounted to EUR 37.7 million (previous year: EUR 49.1 million); the return on capital employed (ROCE) increased to 11.1 per cent (previous year: 7.1 per cent).

EUR thousand	31 Dec 2011	31 Dec 2010
ASSETS		
Non-current assets	391,795	380,895
Current assets	347,979	296,536
Total assets	739,774	677,431
LIABILITIES		
Equity	352,780	319,891
Non-current liabilities	161,034	195,307
Current liabilities	225,960	162,233
Total equity and liabilities	739,774	677,431

For more detailed information on our financial ratios, please refer to our Annual Report 2011.



STRATEGY

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

LONG-TERM GROUP STRATEGY

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

Well-trained and highly motivated employees are the core success factor of the Group, which is why they are at the centre of all considerations. In the PALFINGER plants, the customary regional standards regarding the environment and safety are exceeded. With its products, PALFINGER offers users higher safety and supports them in their efforts to save resources and lower their CO₂ emissions.

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

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

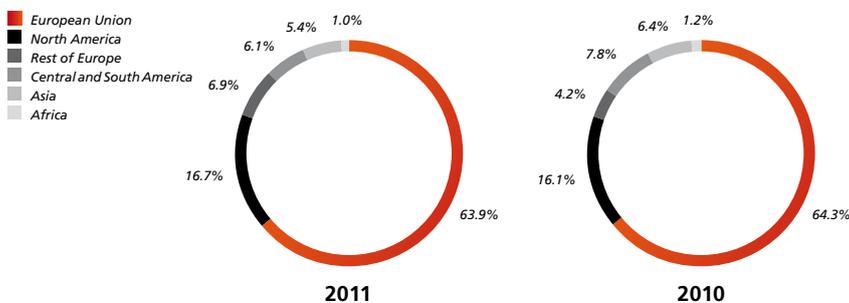
Sustainably profitable growth – a ranking among the top three market players is to be achieved in all product groups.

INNOVATION – INTERNATIONALIZATION – FLEXIBILITY

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

REVENUE, BROKEN DOWN BY REGION

(in %)



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

The acquisitions made in recent years have further accelerated internationalization as well as industry diversification. This made it possible, for instance, to expand our existing product portfolio by adding local products and reduce dependence on individual sectors and related sectoral cycles.

Acquisition/joint venture	Product focus	Plants in	Date
Palfinger Cranes India Pvt. Ltd.	Telescopic cranes	Chennai (IN)	30 April 2009
Equipment Technology, LLC	ETI aerial lifts	Oklahoma City (US)	9 April 2010
Composite Works, LLC	ETI aerial lifts	Oklahoma City (US)	9 April 2010
Ned-Deck Marine B.V.	NDM davit cranes	Barneveld (NL)	16 July 2010
Fast RSQ B.V.	NDM davit cranes	Barneveld (NL)	16 July 2010
NDM Romania S.r.l.	NDM davit cranes	Cluij-Napoca (RO)	16 July 2010
Ned-Deck Marine Vietnam Co. Ltd.	NDM davit cranes	Hanoi/Hung Yen (VN)	16 July 2010
Palfinger Marine d.o.o.	Marine & wind cranes	Skrljevo (HR)	1 November 2010
Palfinger Marine d.o.o., Maribor	Marine & wind cranes	Maribor (SI)	1 November 2010
Palfinger Marine Pte. Ltd.	Marine & wind cranes	Singapore (SG)	1 November 2010
INMAN ZAO	INMAN knuckle boom cranes	Ishimbay (RU)	26 August 2011
Palfinger Crane Rus LLC	Dealer in Russia	St. Petersburg (RU)	19 December 2011
Sany Heavy Industry Co., Ltd	Truck-mounted knuckle boom and telescopic cranes	Changsha (CN)	28 February 2012*

Due to their dates of acquisition, companies highlighted in grey have not been integrated into this Report.
*Agreement to found two joint venture companies signed, subject to the approval of the authorities.

Flexibility as part of PALFINGER's strategy

As a rule, in order to keep post-merger integration as lean as possible, acquisitions are included in sustainability reporting for the first time as of the year following their acquisition. Companies highlighted in grey will therefore be integrated into sustainability reporting in the next reporting phase. In the course of every acquisition process, potential new companies are reviewed for their compliance with environmental and labour law provisions. The PALFINGER Code of Conduct on ethical business practice is applied to new locations upon takeover.

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

CORPORATE GOVERNANCE

According to the Austrian Companies Act (AktG), the Management Board of PALFINGER AG manages the Company under its own responsibility in such a manner as is in the best interest of the Company, taking into consideration the interests of the employees and of the shareholders as well as the public interest. Loyalty towards one's colleagues, an open mind, a regular exchange of information and fast decision-making processes are among the Company's supreme principles. The Supervisory Board supervises the management and assists the Management Board in significant decisions. Open communication between the Management Board and the Supervisory Board and also within the respective Boards has a long-standing tradition at PALFINGER. The Supervisory Board plans to conduct a self-evaluation starting from 2012.

COMPLETE CORPORATE
GOVERNANCE REPORT:
ANNUAL REPORT 2011, BOOK 3

As at the balance sheet date 31 December 2011, the Management Board of PALFINGER AG was composed of four members, with Herbert Ortner acting as CEO since June 2008. As at the same date, the Supervisory Board of PALFINGER AG consisted of six members elected by the Annual General Meeting and three members delegated by the Works Council. At the 2011 Annual General Meeting, Chairman Alexander Doujak, whose term of office expired in 2011, was re-elected to the Board. At the same meeting, Hannes Palfinger and Heinrich Dieter Kiener were elected to the Board, each for the first time. The mandates of Alexander Exner and Hubert Palfinger sen. as Supervisory Board members ended at the 2011 Annual General Meeting. Moreover, various members of the Supervisory Board meet on a regular basis in the form of audit, nomination and remuneration committees.

Management Board	First appointment	End of term
Herbert Ortner (CEO)	1 February 2003	31 December 2015
Christoph Kaml (CFO)	1 January 2009	31 December 2015
Wolfgang Pilz (CMO)	1 February 2003	31 December 2015
Martin Zehnder (COO)	1 January 2008	31 December 2015

Supervisory Board	First appointment	End of term
Alexander Doujak (Chairman)	5 April 2006	AGM 2016
Hubert Palfinger jun. (Deputy Chairman)	13 April 2005	AGM 2015
Hannes Palfinger	30 March 2011	AGM 2016
Wolfgang Anzengruber	31 March 2010	AGM 2015
Peter Pessenlehner	31 March 2010	AGM 2015
Heinrich Dieter Kiener	30 March 2011	AGM 2016
Johann Mair*	24 May 2005	*
Alois Weiss*	13 February 2006	*
Gerhard Gruber*	15 May 2006	*

*Delegated by the Works Council.

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

REMUNERATION REPORT

The remuneration system in place for Management Board members includes fixed elements and profit-related payments and is adequate given the size and complexity of the Company. Profit-related remuneration is based, on the one hand, on targets that are set in agreement with the individual Management Board members and, on the other hand, on fundamental financial ratios of the PALFINGER Group: revenue growth, profit before tax and ROCE, as well as a higher corporate value in the long term. In 2011, the variable pay of Management Board members amounted, on average, to approx. 42 per cent (previous year: 52 per cent) of their annual remuneration.

The stock option programme adopted by the 2009 and 2010 Annual General Meetings and the performance standards defined in this programme are a means of rewarding, in particular, long-term and sustainable success. For detailed information on remuneration, stock options as well as special bonuses, please refer to the notes to the consolidated financial statements in the Annual Report 2011.

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

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

CODE OF CORPORATE GOVERNANCE

In principle, PALFINGER assumes an active role in shaping standards and guidelines, including those for products, and also through its memberships in various associations. For many years now, we have been a member of the Austrian Working Group for Corporate Governance. We are thus committed to the standards of the Austrian Code of Corporate Governance (www.corporate-governance.at) as amended in January 2010 and satisfy the requirements of the mandatory L rules (legal requirements) and adhere to almost all C (comply or explain) rules of the Code. The following C rules are not observed: Rule No. 53 (Independent Members of the Supervisory Board) and Rule No. 39 (Supervisory Board Committees). For details, please see our Annual Report 2011, Book 3, page 39.

WWW.PALFINGER.AG
→ INVESTOR RELATIONS
→ CORPORATE GOVERNANCE

In accordance with legal provisions, this commitment is evaluated by an external auditor. The evaluation result confirms that corporate governance is genuinely put into practice at PALFINGER. The audited questionnaire is made available to all interested parties on the Company's website.

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 educational organizations and institutes, we are a long-standing partner of AMREF and ICEP – the Institute of Cooperation for Development Projects – as well as its corporAID initiative. Moreover, 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 see our website at www.palfinger.ag:

- klima:aktiv award 2010
- Austrian Annual Report Award (AAA) 2010 for the Sustainability Report 2008/2009
- Austrian Sustainability Reporting Award (ASRA) 2010
- Numerous national and international prizes and awards for our annual reports published in the past few years, such as AAAtrend Austria, Eurobest Awards 2010, European Excellence Awards (EEA) 2010, Midas Awards New York 2010 and 2011, ARC New York 2010 and 2011

FAIR BUSINESS

WE MAINTAIN PARTICULARLY CLOSE BUSINESS RELATIONS WITH SUSTAINABLE AND SOCIALLY RESPONSIBLE SUPPLIERS.

RAINER BODENHOFER
STRATEGIC PURCHASING



TO US, FAIR BUSINESS MEANS ...

- ... boosting the economic development of the regions where we do business:
We enhance the creation of local value and promote regional purchasing.
 - ... ensuring an ecologically and socially responsible supply chain and giving preference to suppliers who operate with sustainability in mind.
 - ... upholding corporate ethics and preventing corrupt behaviour.
 - ... supporting social initiatives, sports, culture and science at both the regional and Group levels.
 - ... paying our fair share to public authorities by way of taxes.
 - ... having our stakeholders participate in our economic success.
-

PURCHASING

MAJOR TRENDS IN 2010/2011:

- **Strengthening of the regions where we do business:**
enhancement of the creation of local value
- **Code of Conduct for suppliers:**
All our suppliers are committed to the prevention of corruption, environmental protection, social responsibility and the protection of human rights.
- **Auditing of strategic suppliers with a view to ethics:**
compliance with the Code of Conduct confirmed in all companies audited so far
- **Survey:**
26 per cent of our suppliers exhibited the highest possible environmental commitment.

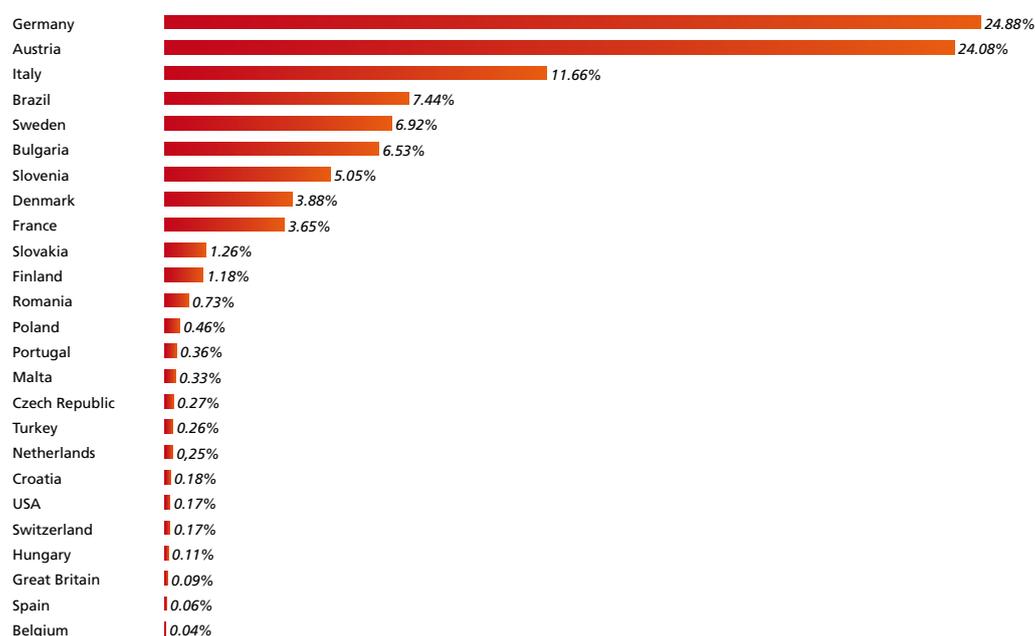


REGIONAL PURCHASING

PALFINGER promotes regional economic growth, retention of regional know-how and shorter transport routes.

PALFINGER does business in all parts of the world. In line with our strategy, we develop or acquire production sites in these countries to be close to the market. Our regional operations frequently start with a distribution site. Subsequently, we usually establish an assembly site that acquires our pre-fabricated components from Europe and assembles them into PALFINGER products. Enhancing the creation of local value means increasingly producing parts locally and purchasing materials and components in the region. PALFINGER thereby contributes to regional growth, retention of regional know-how and shorter transport routes. The regional distribution of our purchasing activities gives evidence of our "local sourcing strategy".

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



*Brazil and Spain have been included in this list for the first time.

ECOLOGICAL AND SOCIAL RESPONSIBILITY AMONG SUPPLIERS

Sustainability among suppliers means that our suppliers act responsibly throughout the entire value-creation process. This goes hand in hand with economic benefits: long-term business relationships with efficient suppliers, high-quality products and reliable deliveries based on compliance with environmental and social standards as well as a reputable image.

We, in turn, want to be long-term suppliers for our customers. When offering our PALFINGER products, we expect our commitment to sustainability to be honoured on the market. Therefore, it makes perfect sense for us to also create an economic benefit for our own suppliers if they are committed to protecting the environment and to social responsibility. In 2010/2011, we made good progress in this regard.

CODE OF CONDUCT FOR ALL SUPPLIERS

In April 2010, our Code of Conduct for suppliers came into force. It is available on www.palfinger.ag and on the PALFINGER supplier portal. All PALFINGER suppliers are committed to the following:

WWW.PALFINGER.AG
→ CSR
→ CODE OF CONDUCT

- **Human rights**

Ban on child labour, free choice of employment, ban on discrimination, freedom to organize, preservation of health and safety

- **Environmental standards**

Environmental responsibility, precautionary principle, environmentally friendly technologies, production and products

- **Business ethics**

Rules on gifts, hospitality, invitations; commitment to fight against corruption including mention of the PALFINGER Integrity Line, by means of which incidents may be reported anonymously

Since April 2010, the Code of Conduct has been part of all agreements with suppliers concluded by the central purchasing department and by the local PALFINGER sites. In order to ensure the compliance of all our local purchasing agents with the Code, it was presented at the internal PALFINGER Global Purchasing Meeting in 2010. In addition, our Corporate Risk Management department hosted trainings for the heads of purchasing at the individual PALFINGER sites.

ETHICS AS PART OF SUPPLIER AUDITS

In 2011, compliance with the Code of Conduct was for the first time part of the supplier audits, which are carried out to safeguard the quality of primary products. 98 strategic suppliers, from which we purchase large quantities (some 70 per cent of our entire purchase volume in euros), are subject to these audits. Many of these suppliers are SMEs in the metal or electronics industry, with which PALFINGER has a long-standing business relation and where PALFINGER, as a customer, accounts for a substantial share of revenue. International corporations from which we purchase products and suppliers with small purchasing volumes are exempt from these audits.

In 2011 and until the end of January 2012, 59 of our suppliers underwent this "supplier capability assessment". The results of the standardized supplier audit regarding compliance with the Code of Conduct showed that all 59 suppliers audited were able to provide positive answers to the ethics-related questions as well as corroborating documentation.

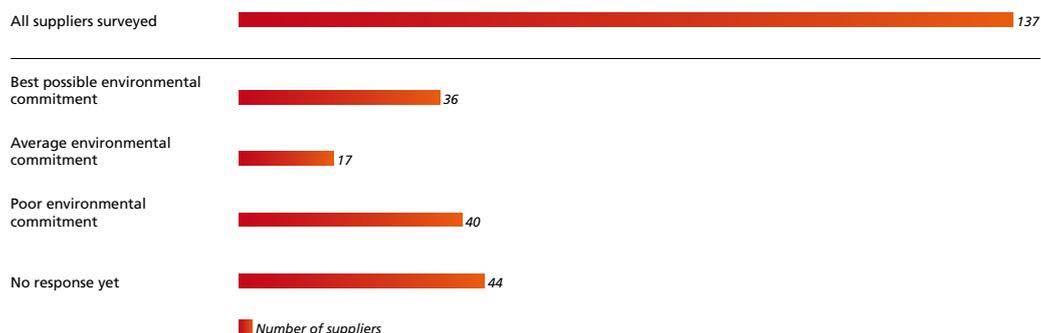
In future, the audits are to be upgraded in terms of both quality and quantity. While each of the 98 suppliers has been audited once every two years on average so far, annual audits are now planned. Moreover, ethics-related questions are to be included in the checklist in greater detail, for instance, broken down by industry-specific (e.g. electroplating) and country-specific topics (e.g. regions with challenging social conditions).

RESULTS OF ENVIRONMENTAL SURVEY AMONG SUPPLIERS

An environmental assessment showed that 36 suppliers had the best possible environmental commitment.

In 2011, in the context of environmental management at our Lengau site, we started to examine whether our suppliers have any certified environmental management system in place themselves or at least a part of such a system (audits, regular examination of environmental effects, integration in planning processes, environmental policies, measures, objectives or training). The environmental assessment was carried out for two groups of suppliers. One group comprised all strategic suppliers (depending on revenue); the second group comprised all other suppliers (such as disposal contractors, cleaning and linen rental companies, etc.). 137 suppliers were surveyed altogether, and the response rate was 68 per cent. 30 suppliers had a certified environmental management system in place and 6 others were planning to introduce one. By means of an assessment key, all suppliers were ultimately divided into three categories of environmental commitment.

ENVIRONMENTAL COMMITMENT AMONG SUPPLIERS, ACCORDING TO A PALFINGER SURVEY IN 2011



We assume that our suppliers are actually more committed than they indicated in the survey. We plan to put a special focus on sustainability at the supplier meeting on 20 September 2012 with a view to motivating our suppliers to reinforce their environmental and social commitment and notify us of successful efforts.

INTEGRATION INTO SUPPLIER ASSESSMENT

While we have thus far mainly just observed the extent to which our suppliers have been establishing environmental management systems, we intend to award points for ecological and social aspects in our supplier assessment in 2012/2013. This means that managing environmental issues will clearly represent an economic benefit in the PALFINGER supply chain.

ENVIRONMENTAL ISSUES IN PALFINGER CALLS FOR TENDERS

In addition to the establishment of sustainability strategies by our existing, long-standing strategic suppliers, the consideration of environmental issues in individual tenders was rewarded in 2011. One tender, for instance, was won by a supplier who offered chlorine-free hydraulic tubes. As regards promotion items, it has been confirmed that no child labour is involved in their production. We intend to make ecological and social criteria an integral part of calls for tenders exceeding a certain purchasing volume. To this end, the criteria will be tailored to certain sourcing groups (e.g. life-cycle consideration in construction projects, chrome-VI-free components, etc.). The decision matrix for tenders will be modified accordingly.

In 2011, sustainability was taken into consideration not only in connection with existing suppliers but also in individual tenders.

MEASURES FOR 2012/2013:

- **CSR in tenders**

Modification of decision matrix: tenders of a certain volume will have to meet CSR aspects.

- **More detailed assessment of environmental/social aspects in supplier audits**

Further refinement of social and environmental criteria in the supplier audit checklist. This is to ensure a more detailed sustainability check of the 130 strategic suppliers. The checklist will be adjusted to include various ecological/social risks, depending on the country of origin, as well as critical production processes (e.g. electroplating, painting).

- **Advantage for suppliers committed to CSR**

Points will be awarded for ecological and social aspects (e.g. existence of an environmental management system) when assessing suppliers.

- **Communicating the importance of CSR for suppliers**

Suppliers will be more clearly informed – e.g. at the supplier meeting on 20 September 2012 – of the benefits of a commitment to CSR with respect to inclusion in PALFINGER's preference list.

CORPORATE ETHICS AND CORRUPTION PREVENTION

MAJOR TRENDS IN 2010/2011:

- **“Clean” business practices: no corruption incidents detected in the course of thorough internal audits or through the Integrity Line**
- **Compliance with the law: no major penalties in 2010/2011**
- **Guideline for acceptance of gifts in force**



PALFINGER is strongly committed to demonstrating ethical behaviour, and this is also recognized by the public. In 2011, Austrian prosecuting attorneys had the opportunity to gain an inside view of PALFINGER’s entrepreneurial practice in the purchasing and controlling departments within the scope of a further training course. On this occasion, the following anti-corruption initiatives were presented.

FOUR EYES PRINCIPLE

At PALFINGER we attach great importance to avoiding unethical business practices. If rights and obligations are laid down within the scope of business activities with third parties, the four eyes principle applies with respect to authorized signatures, i. e. pursuant to Group guidelines, two signatures of competent authorized persons of the respective local unit are required.

INTEGRITY LINE

We are one of the first Austrian companies to give employees and external stakeholders the opportunity to contact us anonymously in order to report possible violations of laws and guidelines that concern companies of the PALFINGER Group. This “Integrity Line” was made known via our website and the Code of Conduct. In addition, in 2010 and 2011, the majority of companies belonging to the PALFINGER Group were examined in one way or another either through an internal audit or by the risk management and/or Group controlling team. Neither the Integrity Line nor the internal audits unearthed any actual corruption cases at PALFINGER in 2010 or 2011.

WWW.PALFINGER.AG
→ CONTACT
→ INTEGRITY LINE

PRINCIPLES ON CORRUPTION PREVENTION, GUIDELINE ON ACCEPTANCE OF GIFTS

Since the first quarter of 2010, agreements with employees, retailers, cooperation partners and suppliers contain legally binding mention of the PALFINGER Code of Conduct, which is available on www.palfinger.ag. Furthermore, an internal guideline on “Rules of Conduct on Preventing Corruption and Anti-Competitive Behaviour” were adopted in 2011, which deal, among other things, with the acceptance of gifts. Gifts worth up to EUR 100 must be documented; if their value exceeds EUR 100 they must be reported to the Board. In 2010 and 2011, no specific internal training sessions on this guideline took place. However, the gift acceptance guideline was broadly discussed with employees in the course of its implementation. Another measure that has been planned to strengthen communication is the addition of all aspects related to corporate ethics at PALFINGER to the training folder for new employees.

IN THE PIPELINE: ROUND TABLE ON CORPORATE ETHICS

PALFINGER is constantly expanding its activities to new countries. In 2010 and 2011, PALFINGER acquired and/or newly established companies in the Netherlands, Norway, Romania, Russia, Vietnam, India and Singapore. Entering a new market also entails dealing with a new business culture. We are determined to strengthen our ethical behaviour in the various environments and, to this end, an internal PALFINGER Round Table on business ethics is to take place in 2012/2013. Real-life examples from the media will be discussed and a discussion will take place on the question of how PALFINGER can ensure that such cases do not happen in the Group. Employees from the distribution, purchasing, payment and human resource departments will be invited to attend the Round Table.

Ethical behaviour is a priority at PALFINGER, also when entering a new market.

COMPLIANCE WITH THE LAW

Violations against compliance are reported centrally if the amount in question exceeds EUR 25,000. In 2010 and 2011, no major penalties had to be paid for violations of legal provisions. No lawsuits are pending on grounds of anti-competitive behaviour.

MEASURES FOR 2012/2013:

- **Training in corporate ethics for new employees**

Various aspects of corporate ethics are to become part of the training course for new employees: Integrity Line, rule on acceptance of gifts, general values, Code of Conduct. Training documents will be adjusted accordingly.

- **Round Table on corporate ethics**

Cases well known from the media will be discussed internally in order to strengthen ethical behaviour within the Group. Employees from the distribution, purchasing, payment and human resource departments will be invited to attend.

DONATIONS AND SPONSORSHIPS

MAJOR TRENDS IN 2010/2011:

- More money raised in donations, donations as percentage of revenue more or less stable
- The PALFINGER Group is a long-standing partner of social initiatives
- Strong regional variations between donations from individual PALFINGER sites
- Support of cultural and sporting events remained stable over the previous three years.



100% of all donations must be received by the target group.

Continuity and long-term commitment are important to us when it comes to supporting sports, culture and charitable initiatives. In this respect we put great emphasis on verifying that donations are directly received by the target groups for which they are intended, without too many funds trickling into administration and organization. To us, commitment also entails the obligation to verify the successful use of funds. After all, we want our employees to take pride in PALFINGER's social commitment.

GLOBAL DONATIONS AND SPONSORSHIP STRATEGY

PALFINGER's donation policy focuses on the following activities:

- **Sports:**
dynamism, power, endurance, technique
- **Social projects:**
health, prevention and social responsibility
- **Science:**
products and space that we provide
- **Culture:**
products provided in the context of cultural projects

So far, it has not been customary practice to donate to political parties, party-affiliated or other political organizations. In order to have precise and unambiguous regulations in this area in the future, this principle will be incorporated into the corresponding Group guideline.

DONATIONS

The total funds raised in donations increased in the past three years. In 2011, we donated a total of EUR 85,447. As a percentage of revenue, donations have remained stable on a long-term average. PALFINGER has thus shown that, following the difficult economic times, donations are again going up as revenue increases. Our activities shown here comprise funds donated by Group headquarters and the individual PALFINGER sites.

At the Group level, EUR 57,200 was raised in donations in 2011. In previous years, we have primarily supported initiatives such as the cancer foundations, AMREF (African Medical and Research Foundation), Caritas and the Red Cross, as well as various hospitals and schools.

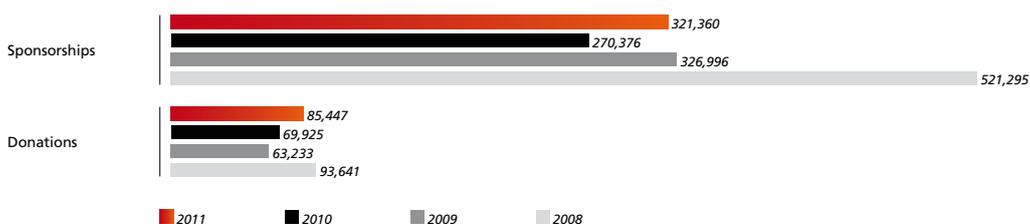
The individual eligible charitable causes available at the local level are defined in PALFINGER's marketing guideline under "Donations and Sponsorships". The managing directors of our sites in the individual countries have annual budgets earmarked for donations, which they may use at their own discretion. The major donations made must be disclosed to the Group. In 2011, local support was given in the amount of EUR 28,247. In addition, support was also given in the form of donations in kind and other benefits. All in all, it can be seen that local commitment varies considerably. In South America we carried out the "Pescar" project in 2011 for the eighth time. At our site in Caxias do Sul (BR), every year approx. 20 socially disadvantaged young people up to the age of 18 are given the opportunity to get well-founded training as skilled workers. In 2012, the project was suspended for a year for the purpose of re-aligning it. One plan is, for example, to establish a new training programme for welders. In addition to "Pescar", donations in kind were also raised in Caxias do Sul, where computers and wood were donated to charities. At the European sites, local infrastructure (for nursery schools, for instance) or initiatives such as sports clubs were supported. Only a minor number of donations can be reported from the other regions.

Commitment to local charitable causes was defined in the Group marketing guideline.

SPONSORSHIPS

At EUR 321,360, our sponsorship activities remained at a level that is comparable with previous years. 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 German strongman Heinz Olesch. In the cultural sponsorship field, PALFINGER provided a fully operational lifting platform for the science centre of the natural history museum "Haus der Natur" in the city of Salzburg. This platform may be tested by children in compliance with the strictest safety standards. In addition, we have sponsored "Minopolis – The City of Children", a theme park in Vienna, for many years now.

GROUP-WIDE DONATIONS AND SPONSORSHIPS (EUR)



MEASURES FOR 2012/2013:

- No donations to party-affiliated organizations**
 So far, PALFINGER has not given any donations to party-affiliated organizations. The rule that no donations may be given to political parties, party-affiliated or other political organizations will be officially incorporated into the marketing guideline.
- Re-alignment of social project "Pescar"**
 In Brazil, the training project for socially disadvantaged young people is being re-designed, adding, for example, a training programme for welders.

TAXES AND SUBSIDIES

MAJOR TRENDS IN 2010/2011:

- Fair tax payments as part of social responsibility: no shift of profits to tax-privileged sites, major tax payments made in Austria
- Significant rise in tax volume in line with the economic upswing, but tax payments still below the level of 2008
- More government grants through R&D activities



TAXES

COMMITMENT TO FAIR TAX PAYMENTS

A major portion of PALFINGER's tax payments is made in Austria.

During the economic crisis, it became clear that fair tax payments are an integral part of the social responsibility borne by every citizen and every company. PALFINGER receives government grants for infrastructure, safety or the further training of its employees. In return, we also make a contribution in the form of taxes – making use of generally accepted, customary and proper tax-optimizing practices. PALFINGER does not operate any businesses for the sole reason of taking advantage of countries with low tax rates. We also refrain from shifting any profits to sites that are tax-privileged. Our intra-company transfer prices correspond to market prices, which keeps administrative costs low and maintains competition within the Group. Each site has to be profitable in its own right; this also includes the regional tax framework. A major portion of our tax payments is made in Austria, where a large percentage of our value added is also created.

DEVELOPMENT OF TAXES PAID

The economic upswing also resulted in a significant increase in our tax payments made over the previous three years. While effective income taxes (excluding deferred taxes) amounted to approx. EUR 1.6 million in 2009, they rose again in 2011 to EUR 9.7 million. This was still below the level recorded in 2008, when the global economic crisis had not yet impacted PALFINGER's consolidated net result for the period. One of the reasons for this is that in 2011, deferred taxes were used in Austria, which reduced effective tax payments. As in the past, Bulgaria was tax exempt in 2010 and 2011 due to planned investments.

SUBSIDIES

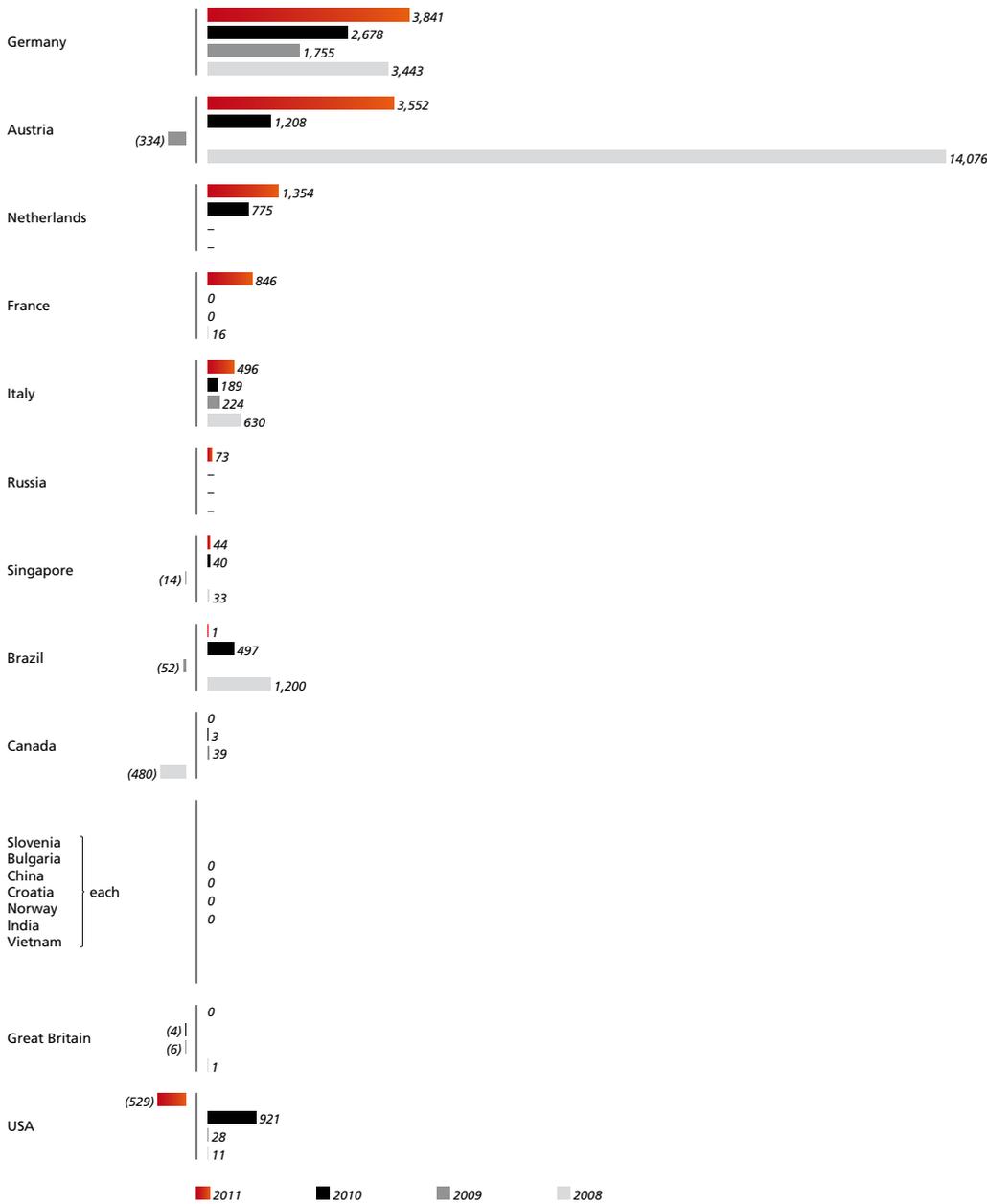
Against the backdrop of the gradually improving economic situation following the years of crisis, PALFINGER stepped up its research and development activities and accordingly received more government grants. In 2011, the level recorded approximated that of 2008.

INCOME TAXES AND SUBSIDIES RECEIVED (excl. deferred taxes)

EUR thousand	2011	2010	2009	2008
Income taxes	9,686	6,312	1,643	18,940
Subsidies	1,276	988	793*	1,413

*Due to a decimal place error in the previous report, subsidies were incorrectly stated and have therefore been adjusted.

INCOME TAXES, BROKEN DOWN BY COUNTRY* (EUR thousand, excl. deferred taxes)



*As compared to the 2008/2009 Sustainability Report, the reporting format has been changed: Tax payments are no longer weighted by the number of employees. Moreover, effective taxes are depicted without deferred taxes. Countries with fewer than 10 employees are not included.

MONETARY FLOWS TO STAKEHOLDERS

MAJOR TRENDS IN 2010/2011:

- Our stakeholders participated in our economic upswing.



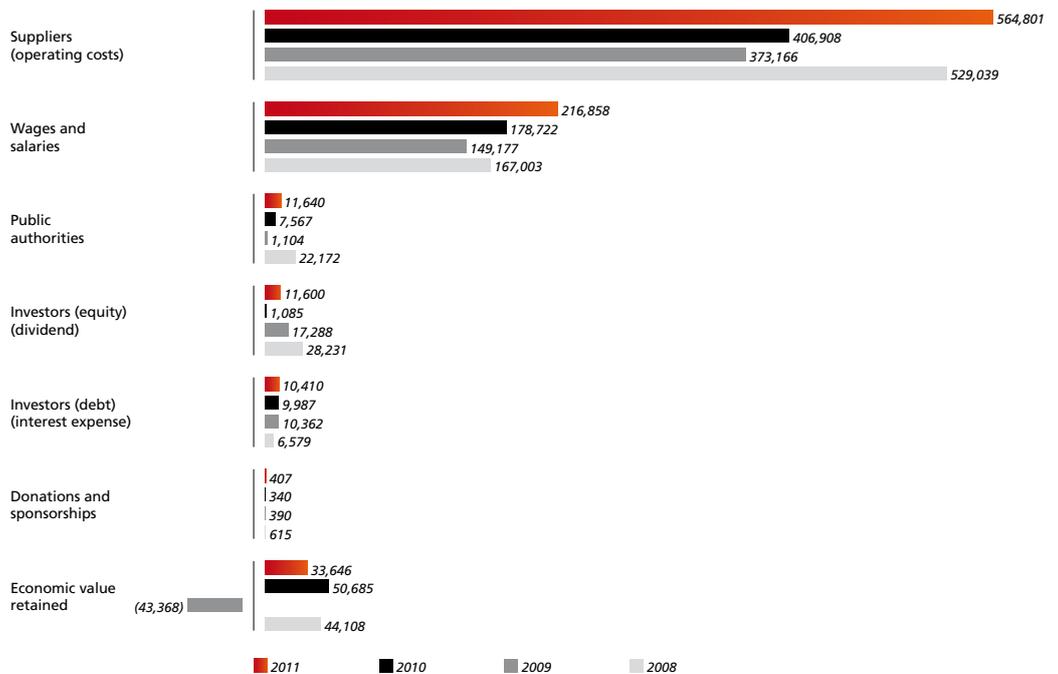
Many stakeholders such as employees, suppliers, owners, public authorities and local communities, as well as banks, participate in the revenue and other income we generate as a business. Therefore, the economic recovery also had a positive impact on our stakeholders.

Suppliers account for a substantial percentage of our monetary flows.

The monetary flows to our suppliers increased substantially after inventories were reduced during the recession and production was set in full motion again. Monetary flows to employees also increased. However, it should be noted that changes were not as dramatic here. This is due to the fact that during the crisis overcapacities were deliberately accepted so as to be able to have well-qualified and experienced team members available in due time for the upswing in 2010 and 2011. Dividend payments to our shareholders developed in line with the economic recovery of the Group. However, in this regard it should be noted that these monetary flows comprise the distribution of the dividend proposed in the year before and thus constitute a share in the profit generated in the year before. The repayment of interest to banks remained more or less stable in the past three years. The monetary flows to public authorities comprise all effective income tax payments (therefore excluding any deferred taxes) and taxes other than those on income (e.g. property tax), less any grants or subsidies received. The monetary flows to public authorities were those that recovered most clearly following the crisis; however, they remained below the level recorded in 2008.

The difference between the income and the monetary flows made to stakeholders represents the "economic value retained" as reported herein. After reaching a one-time negative amount in the crisis year 2009, this value clearly returned to the black. It should be noted that the "economic value retained" does not contain any income from amounts relating to companies consolidated at equity as they do not constitute monetary flows. Hence the "economic value retained" from 2011 is lower than in 2010. Taking into account the changes in measurement, the net result for 2011 skyrocketed from EUR 37.1 million to EUR 67.9 million. For details, please refer to PALFINGER's Annual Report 2011.

MONETARY FLOWS TO STAKEHOLDERS* (EUR thousand)



*The presentation is in accordance with the definition of the sustainability reporting standard of the Global Reporting Initiative (GRI). The above are exclusively actual monetary flows derived from the income statement that occurred in the respective year. This explains any differences that may exist with regard to the annual report.



RESPONSIBLE EMPLOYER

OUR EMPLOYEES WHO ARE TRAINED AS ENERGY MANAGERS ACHIEVE GREAT PROFICIENCY IN IDENTIFYING EVEN THE SMALLEST ENERGY SAVINGS POTENTIAL.

TO US, BEING A RESPONSIBLE EMPLOYER MEANS ...

- ... planning the number of employees with a long-term view rather than just reacting to temporary changes of economic conditions;
 - ... strengthening the economic performance of our acquisitions, thus keeping jobs in the regions;
 - ... offering remuneration that is at least at minimum wage/salary level and enabling full-time employees to cover their most important needs for themselves and their families;
 - ... providing assistance and support if our employees or their families have been dealt severe blows of fate;
 - ... having employees profit from PALFINGER's sound economic performance in times of success;
 - ... making sure that our employees can carry out their work safely and accident free;
 - ... protecting and improving our employees' health;
 - ... providing our teams with the essential skills required for their work and ensuring life-long learning;
 - ... giving everyone the same opportunity to contribute to team work and to develop further – regardless of sex, age, disability or other diversity aspects. Mixed teams are more productive. We offer equal pay for work of equal value.
-

EMPLOYMENT TREND

MAJOR TRENDS IN 2010/2011:

- Employee retention strategy proved successful: above-average number of workers retained in the crisis years 2008 and 2009, considering the temporary economic situation
- Positive effect: no shortages of experienced staff when demand rose again in 2010
- Many new employees as a result of vigorous acquisition activities



DEVELOPMENT OF HEADCOUNT

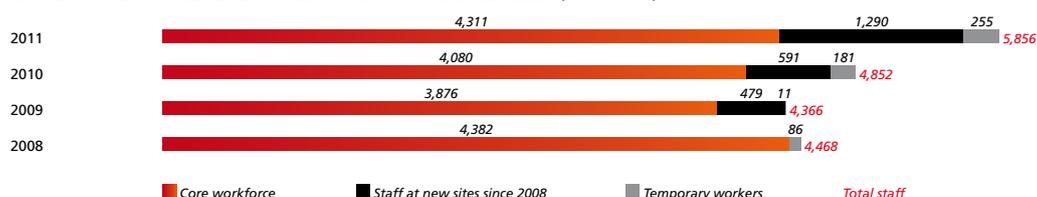
The economic recovery in the years 2010 and 2011 was reflected in the increase in headcount. When looking at the trend adjusted by the acquisitions, i. e. only at those sites that already belonged to the PALFINGER Group in 2008, all regions show a positive employment trend. The sole exception was the area South America, where the economic crisis set in somewhat later. The tense year 2009, the turnaround in 2010, and the economically sound year 2011 made a visible impact, but we were able to mitigate many detrimental repercussions for our staff during the years of crisis. 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 harsh economic conditions in 2009. This retention strategy paid off in 2010 and 2011. As soon as the economy picked up again, we were able to rely on outstanding staff. This gave PALFINGER a clear head start over its competitors.

In addition, PALFINGER was able to make a number of acquisitions in the economically strained period. As a result, we both expanded our activities to new lines of business (e.g. marine cranes) and conquered new regional markets (e.g. India and Russia). We also managed to retain the employees at the acquired plants.

CHAPTER "STRATEGY",
ACQUISITIONS
PAGE 10

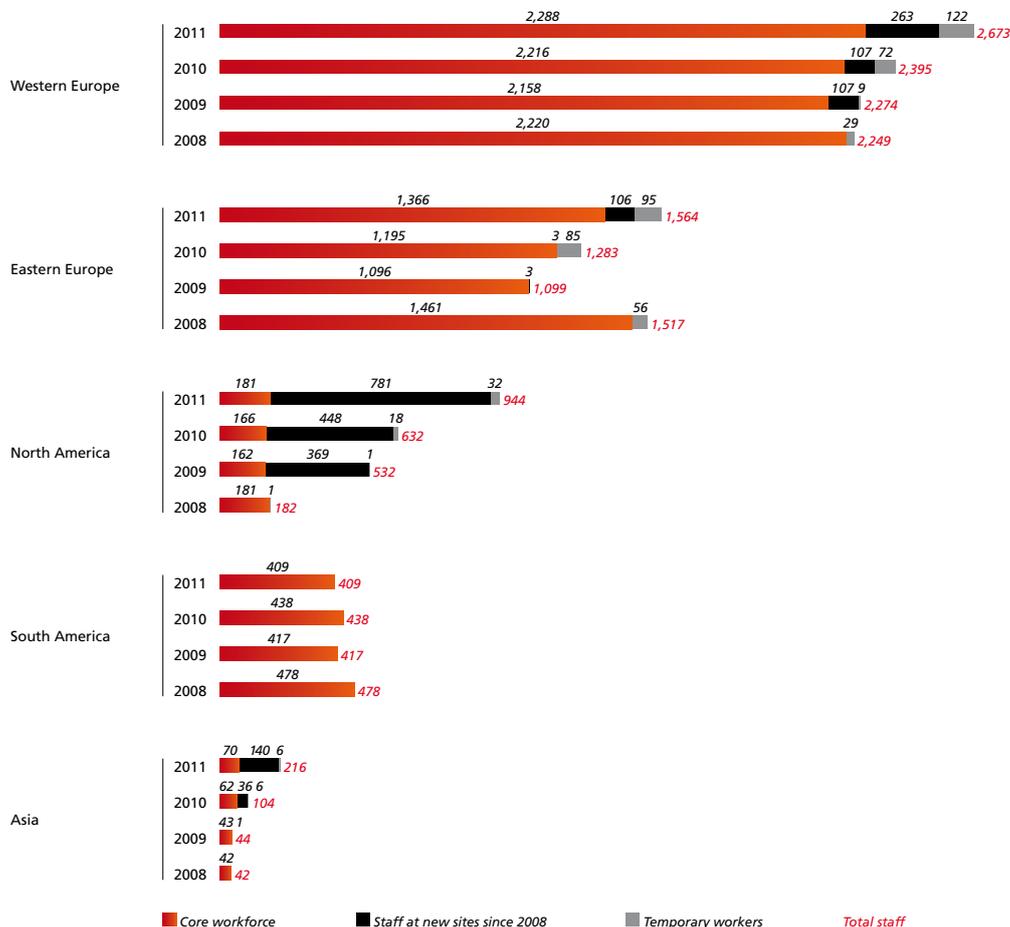
PALFINGER's headcount proved extremely stable in the reporting years. Staff turnover in the Group was very low, coming to 9.6 per cent in 2010 and 11.8 per cent in 2011. This comprises all staff leaving including retirements as compared to the total staff employed (temporary workers excluded). In 2010, 448 employees left the Group, 47 of whom were women. In the following year the number of leaving staff was 662, including 81 women. The turnover rate among women came to 9.2 per cent in 2010, which was below the general rate, whereas in 2011, it was above that rate at 13.1 per cent.

EMPLOYMENT TREND 2008–2011 AS AT 31 DECEMBER (headcount*)



*In principle, the number of employees is reported as at 31 December. Newly acquired sites are not included until the subsequent year. As a consequence, the figures differ from those in the annual report, where the number of employees is presented on an annual average by full-time equivalents and/or acquisitions in the respective year.

EMPLOYMENT TREND 2008–2011, BROKEN DOWN BY REGION, AS AT 31 DECEMBER (headcount)



Employment trend once again positive, except for the area South America.

WESTERN EUROPE

In Austria, Germany and Italy, crisis-related structural adjustments were kept to a minimum thanks to state-funded short-time work programmes. The headcount increased again in 2010 and 2011, with acquisitions in Germany and the Netherlands contributing to this trend. In France, however, the number of staff had to be reduced gradually from 345 (2008) to 283 (2011) in the course of a structural adjustment programme. The trend in Western Europe, which was positive overall, was also reflected in the low staff turnover, which in 2011 came to 7.5 per cent, including retirements.

EASTERN EUROPE

In Bulgaria, Slovenia and Croatia, the number of employees also dropped in 2009, but rose again in 2010 and 2011. Changes there were more pronounced than in Western Europe, however, owing to the fact that no state-funded short-work programmes were offered in these countries, except in Slovenia (and there only to a limited extent). With the acquisitions in Croatia, Romania and Slovenia factored in, the headcount in 2011 was even higher than it had been in 2008, which was a good year in that the economic crisis was not yet reflected in the figures. After the challenging year of 2009, the headcount remained very stable, with only 4.1 per cent staff turnover in 2010 and 7.0 per cent in 2011.

NORTH AMERICA

North America recorded a strong increase in the number of employees, which was observed throughout 2008 to 2011. There were various reasons for this. At many sites, the crisis-related structural adjustments had already been made in 2008 and early 2009 as far as directly productive staff was concerned (i. e. employees working in manufacturing and assembly). In many cases it was also possible to mitigate such adjustments by short-time work measures. While very few new employees were hired in 2009, the situation changed in the two subsequent years. Revenue increases were the reason for the recruitment of directly productive staff. Such recruitment also resulted in a comparatively high staff turnover (23 per cent) in 2011, as during the probationary period it sometimes becomes obvious that new employees do not meet the requirements. In order to counteract this turnover among new employees, a new programme was launched to minimize the number of persons leaving during the probationary period. In Omaha (US), for instance, networks are being established with schools and an open house is to be held and traineeships offered in order to find the best people. Acquisitions also had an extremely favourable effect on the number of employees. Overall, our employees at the new sites account for 24.2 per cent of the total headcount in North America.

SOUTH AMERICA

In South America, the economic crisis set in with some delay.

In South America, the economic crisis set in with some delay. The majority of the necessary structural adjustments at our site in Caxias do Sul (BR) were made in 2009. As at 31 December 2009, the number of employees was therefore 61 lower than in 2008. Staff turnover was correspondingly high at 29.3 per cent. The restructuring programme designed to improve efficiency was continued in the subsequent years. As a consequence, headcount is still clearly below the 2008 level. Staff turnover gradually decreased, but is still at a relatively high level compared to the whole Group.

ASIA

The headcount in Asia underwent dynamic development, which was driven by the expansion of our existing Chinese site in Shenzhen (CN). The new distribution and assembly site in India also contributed notably to the increase in overall headcount, adding 42 and 67 employees in 2010 and 2011, respectively. This trend was reinforced by the acquisition of two sites in the field of marine cranes, in Singapore and Vietnam. In 2011, 75 people were employed at our Vietnamese site.

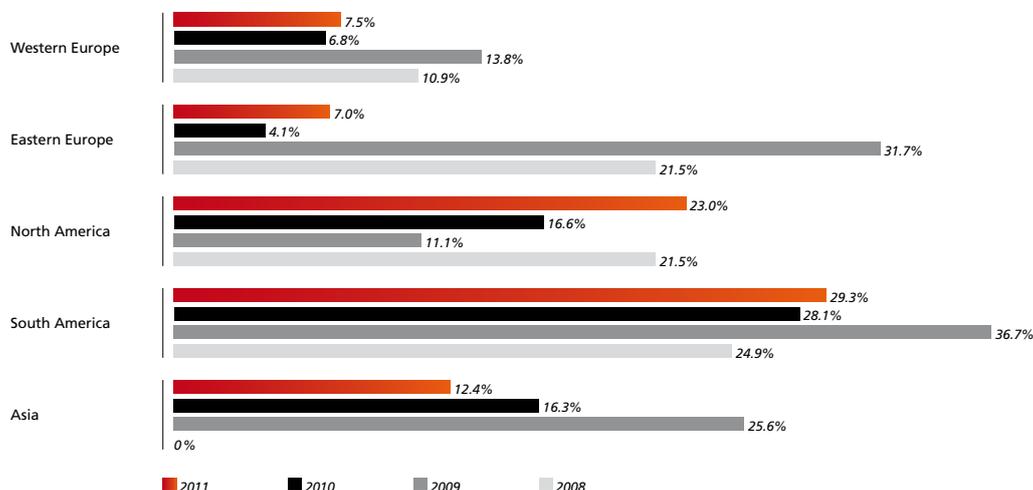
Staff turnover at our Asian sites also developed very favourably. As the team working at the sites under development was small, the rate in 2009 was still 25.6 per cent. Within a few years, however, turnover dropped to 12.4 per cent in 2011. There are several reasons for this: Generally, PALFINGER has managed to keep pace with the rapidly rising salaries in the business environment. Additionally, a new labour law was introduced in China in 2008, which stipulated better employment protection for employees. In Singapore, team building measures were also implemented. All in all, the Company's sound performance had a favourable impact on the working climate. Taking all aspects into account, PALFINGER provides a pleasant environment for its employees, who at present also perceive it as such.

DEVELOPMENT OF STAFF LEAVING*

	2011	2010	2009	2008
Total number of staff leaving PALFINGER during the year	662	448	888	715
of which women	81	47	101	58
Number of staff leaving in % of total workforce	11.8%	9.6%	20.2%	16.3%

*According to the headcount as at 31 Dec, incl. retirements, excluding temporary workers

EMPLOYEES LEAVING, BROKEN DOWN BY REGION, FROM 2008–2011 (in %)



PART-TIME EMPLOYMENT, TEMPORARY EMPLOYMENT CONTRACTS AND TEMPORARY WORKERS

PART-TIME EMPLOYMENT

The majority of our employees work full time and have unlimited employment contracts. At 158, the number of part-time employees was the same in 2010 as before the crisis. In 2011, 207 employees worked part time (3.5 per cent of the total workforce).

TEMPORARY EMPLOYMENT CONTRACTS

The number of employees working under temporary employment contracts with PALFINGER was small in the beginning and has increased. In 2009, there were 58 such employees; this number rose to 102 in 2010 and to 442 in 2011. This means that 7.5 per cent of the core work force had a limited employment contract. This high level was largely caused by the fledgling American PALFINGER company ETI, where new employees have an extended probationary period that was agreed upon with the union. The marine crane sites in Croatia and Slovenia as well as Shenzhen (CN) and Aining (DE) also have a certain percentage of employees on temporary employment contracts.

7.5% of the workforce had limited employment contracts, primarily in North America.

TEMPORARY WORKERS

The development in the number of temporary workers shows most clearly the difficult year experienced in 2009 and the subsequent economic recovery. At 0.3 per cent of the total workforce, temporary workers at PALFINGER were virtually non-existent. One reason is that frequently, labour market measures such as state-funded short-work programmes could only be implemented if the number of temporary workers was reduced first. Meanwhile, the contingent of temporary workers in the whole Group has risen to 4.4 per cent, which, however, is still below the level in the pre-crisis year of 2007 (6.3 per cent).

TEMPORARY WORKERS, BROKEN DOWN BY REGION

in % of the total workforce*	2011	2010	2009	2008
Western Europe	4.6%	3.0%	0.4%	1.3%
Eastern Europe	6.1%	6.6%	0.0%	3.7%
North America	3.2%	2.8%	0.2%	0.5%
South America	0.0%	0.0%	0.0%	0.0%
Asia	2.8%	5.8%	2.3%	0.0%
Group	4.4%	3.7%	0.3%	1.9%

*Total staff directly employed by PALFINGER as well as temporary workers

FINANCIAL SECURITY OF STAFF

MAJOR TRENDS IN 2010/2011:

- Average expenses for wages and salaries per employee up again
- More staff in countries with limited freedom of assembly, but low staff turnover suggests that wage level is adequate

WAGE LEVELS IN DIFFERENT COUNTRIES

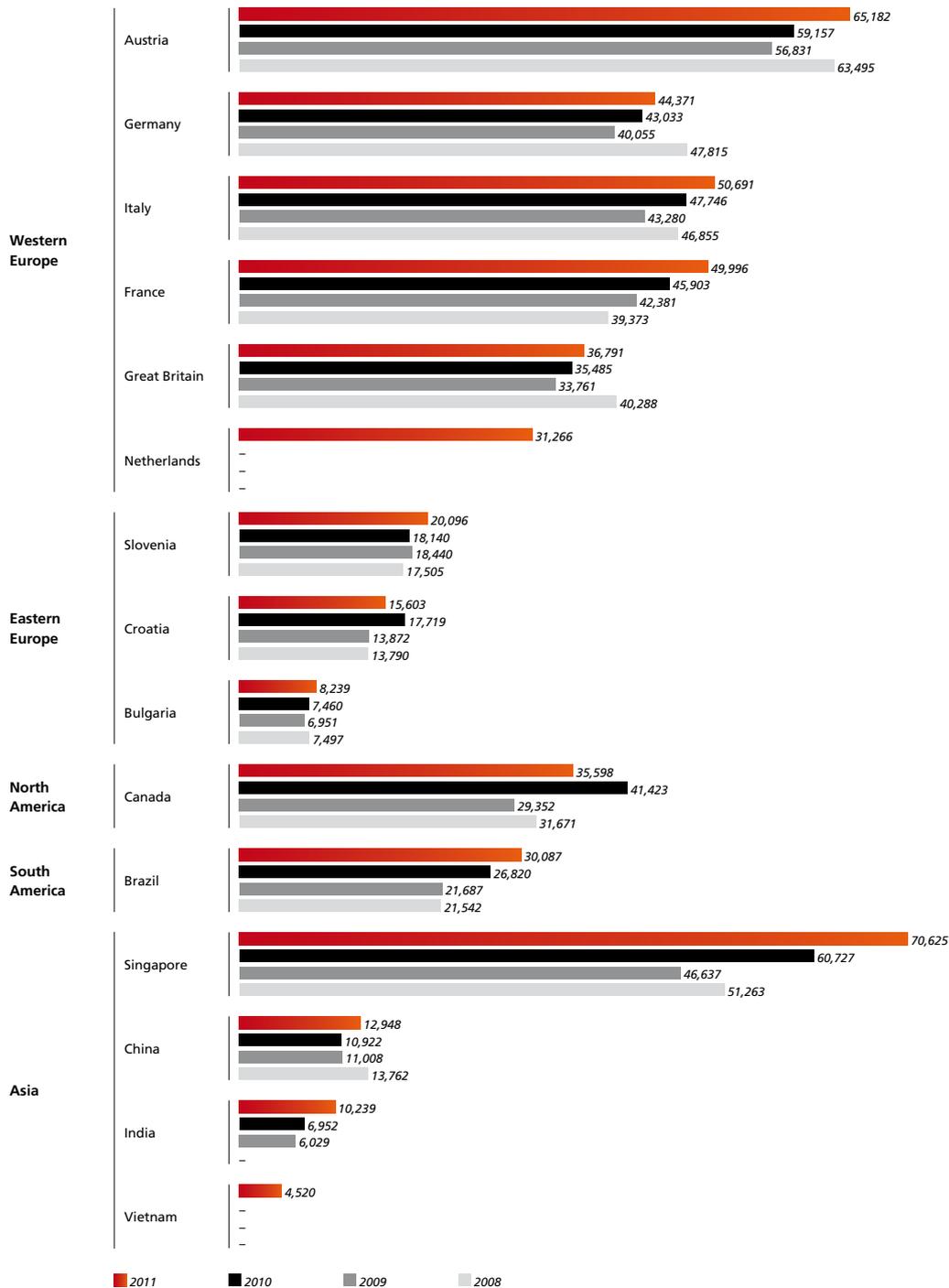
One of PALFINGER's key principles is to have employees participate in the profit from sound economic performance in times of success. As a result, performance-related remuneration led to high expenses for salaries and wages per employee in most countries in 2008. In addition, special bonuses were paid under the standard bonus scheme. In 2009, on the other hand, wages and salaries per employee were lowest. Management teams' voluntary renunciation of part of their salaries supported this trend.

In subsequent years, employees' income was clearly higher in all countries. From 2009 to 2011, the sharpest increases, percentage-wise, were recorded in India and Brazil. Furthermore, in almost all countries, salaries and wages per employee in 2011 were higher than in 2008. France's high figures are partly related to higher severance payments in the course of a restructuring programme. Great Britain, Germany and China saw a decrease in comparison with 2008. In this case it should be noted, however, that changing the composition of a site team may have an influence on this key performance indicator. When developing the Chinese site, for example, a larger number of directly employed staff (i. e. employees working in manufacturing and assembly) were hired; and as the number of blue-collar workers was considerably higher than the number of white-collar workers, average expenses for wages and salaries dropped. Our Shenzhen site, however, is well-known as a good place to work, also because of its fair wage level; this is evidenced by the low staff turnover there. The wage trend in the United States could not be depicted, due to statistical distortions caused by strong acquisition activities since 2009. It also has to be noted that currency fluctuations and expatriates impact the result.

All our employees are paid at least a guaranteed minimum income.

Beside the principle of employee participation in profit in times of success, the sustainability principle also applies: "All our employees are paid at least a guaranteed minimum income." Making a comparison between the lowest incomes of our employees and the costs of living, however, is a more complex task than might be expected. A family's average expenses, for example, need to be considered as well as the regional purchasing power. Therefore, PALFINGER commissioned a study in 2011 to find an adequate method for computing "living wages". This method is scheduled to be applied in a pilot project at one of our sites.

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



*Employees in full-time equivalents (annual average); countries with fewer than ten employees are not indicated. Expenses include wages and salaries, severance pay, pensions, statutory and other social security payments.

ASSISTANCE IN CASES OF HARDSHIP, COMPANY PENSION SCHEME

If employees are affected by personal hardship, PALFINGER can provide assistance and support. Our plant managers know that such cases may be reported to the Management Board, which will decide on extraordinary assistance on a case-by-case basis. This individual and pragmatic approach allows for quick relief.

No noteworthy company benefits in the form of company pension schemes for employees are currently in place.

FREEDOM OF ASSEMBLY

As a matter of principle, freedom of assembly and employee representation are legal options at nearly all our sites, the only exceptions being our Asian sites in Shenzhen (CN) and Singapore (SG), where the law does not allow for such options. According to Amnesty International, freedom of expression, freedom of association and freedom of assembly were considerably restricted in Vietnam as well. Our sites in the affected countries are still comparatively small, which is why their communication hierarchies are still flat. Currently, high staff turnover is having an impact on wage levels. Our Asian sites, with very low staff turnover, give evidence of the fact that remuneration terms, among other things, are well-accepted.

MEASURES FOR 2012/2013:

- **Continuation of living wages**

Selection of potential methods to compute living wages and apply them in a pilot project at one of our sites

HEALTH AND SAFETY

MAJOR TRENDS IN 2010/2011:

- Higher safety: less than half as much staff absence due to industrial accidents, no fatal accidents since 2006
- Considerably fewer days of sick leave
- PALfit health programme and workplace health promotion at European sites
- Crisis intervention teams in Austria



OCCUPATIONAL SAFETY AND PREVENTION OF ACCIDENTS

Our employees' safety is extremely important to us, and we are pleased to see that our accident prevention efforts have proven successful. Staff absence due to industrial accidents decreased notably. In 2008, it came to 0.73 per cent of regular working time, whereas in 2011, it was only 0.22 per cent. A positive trend can be observed in all regions. Since 2006, no PALFINGER employee has suffered a fatal accident on the job.

Notable decrease in staff absence
due to industrial accidents

WESTERN EUROPE

As at the Group level, safety conditions in many Western European plants have developed very favourably or stabilized at a high level. As regards production sites, the plants in Lengau (AT), Ganderkesee (DE) and Welwyn Garden City (GB), for example, have posted very low staff absence due to industrial accidents. Years of prevention are proving their worth. In Lengau, for instance, the number of accidents has been decreasing for ten years, which is the visible result of continuous efforts.

EASTERN EUROPE

A positive trend overall has been recorded in Eastern Europe as well. The number of accidents in Bulgarian plants has decreased. We are still facing challenges, however, in our newer marine crane plants.

NORTH AMERICA

Our North American plants do not show a clear trend. The figures for 2009 and 2011 are quite similar, whereas in 2010 staff absence due to accidents was higher. This development was especially obvious at our Omaha (US) site. Minor accidents with up to two days of absence – caused, for instance, by lifting loads or cuts – were recorded. As a consequence, a committee was set up in 2011 to promote safety issues. New employees received comprehensive safety training, supervisors were trained with a view to prevention, and accidents are increasingly being analyzed. At all other North American sites, performance in terms of safety has been sound.

SOUTH AMERICA

We have achieved a clear reduction of the number of accidents in South America. There, too, a special focus was placed on accident prevention. A committee monitors preventive measures such as safety training, the development of in-house standards, and safety audits. If accidents occur, the causes are identified and remedied. Brazilian companies generally have to pay compensation in the event of high accident rates. Hence, by reducing the number of accidents, we managed to avoid high costs at our Caxias do Sul (BR) site in the reporting period. Even though our efforts have been successful, challenges remain. As automation has not reached the level of Western European plants, it is especially important to raise awareness among employees.

ASIA

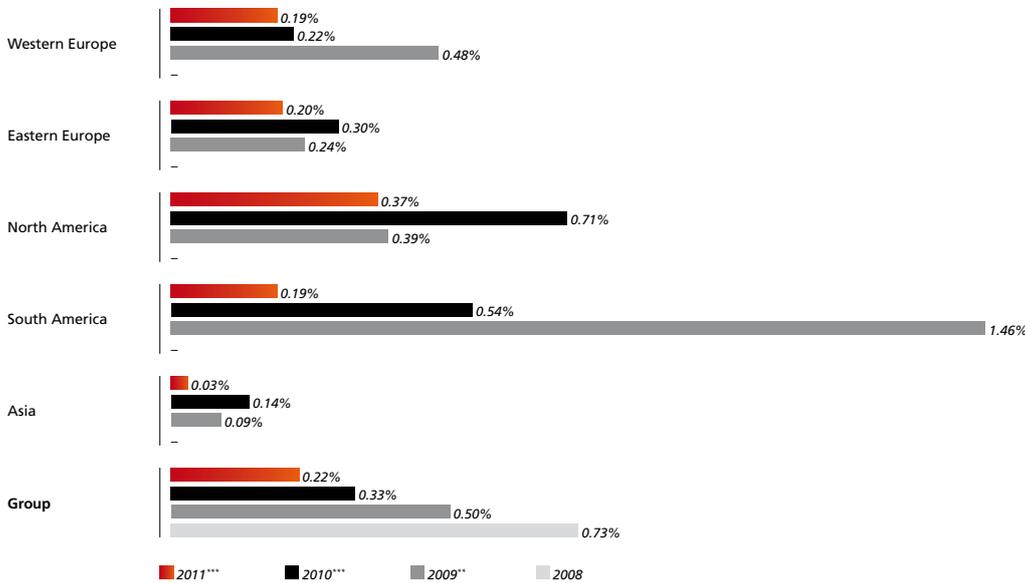
At our Indian and Chinese sites, the teams of workers in the fields of assembly and manufacturing are still being established. The comparatively few days of absence due to accidents can also be explained by the fact that activities there focus mainly on distribution and administration. In India, the production team is staffed with seven people. Great importance is attached to safety equipment, and no major accidents have been recorded so far. The biggest safety risk at our Indian site lies in the daily commute, which some of our employees do on two-wheeled vehicles. Therefore, PALFINGER recently started to provide transport for these people to and from work in company vans. In Shenzhen (CN), unfortunately, accidents of medium severity occurred in the reporting period and entailed longer periods of absence. The risk of accidents increased especially during temporarily high capacity utilization periods. As a consequence, we took a number of safety measures such as awareness raising, training and internal audits on the use of safety equipment.

UNIFORM GLOBAL SAFETY BENCHMARKS

Consistent reporting increases accident prevention and safety level.

Our various sites all over the world do their reporting in accordance with a variety of definitions as stipulated in the respective countries. This means that benchmarks cannot necessarily be compared; some plants, for instance, factor in commuting accidents. We are not satisfied with the progress made to harmonize accident indicators. Therefore, we plan to continue our efforts and intend to report not only staff absence due to industrial accidents but also the number of accidents in each plant in a uniform manner. Experience at our best sites has shown that consistent reporting further increases awareness concerning accident prevention and thus contributes to maintaining our high safety level.

STAFF ABSENCE CAUSED BY INDUSTRIAL ACCIDENTS IN % OF REGULAR WORKING TIME*



*Staff absence is reported in accordance with country-specific regulations.

**The 2009 data were adjusted compared to the previous Sustainability Report on the basis of a new database.

***Figures adjusted to exclude sites with insufficient data material. This concerns 5.3 per cent of FTE in 2011.

HEALTH AND GENERAL STAFF ABSENCE

As in the field of safety, we are pleased to report a positive trend as regards general staff absence. While Group-wide it was still as high as 11.03 per cent in 2008, it dropped gradually to come to 3.26 per cent in 2011. This favourable development was also observed across all regions.

The interpretation of this indicator allows for conclusions both about health and about corporate culture. In addition to our commitment to health, staff motivation is also a key factor. It has increased, as the staff survey in the chapter "Communicating with Our Employees" shows. Other aspects such as holiday provisions also exert a certain influence.

CHAPTER "COMMUNICATING
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As a general rule, staff absence of between 3 and 4 per cent is not uncommon in the field of manufacturing and represents a comparatively good figure. We would like to point out specifically that we consider the reduced staff absence a result of our commitment to health and the design of the working environment. PALFINGER distances itself from the practice of putting pressure on employees in the event of illness. As a responsible employer and also with a view to having a healthy and productive team in the long term, healthy and well-balanced employees are important to us.

STAFF ABSENCE IN PER CENT OF REGULAR WORKING TIME*

in %	2011**	2010**	2009	2008
Western Europe	3.52%	3.60%	4.57%	-
Eastern Europe	5.52%	6.30%	9.93%	-
North America	0.59%	0.98%	3.29%	-
South America	2.57%	2.34%	7.30%	-
Asia	0.44%	1.77%	2.31%	-
Group	3.26%	3.69%	5.88%	11.03%

*All absence periods are due to sick leave, accidents, doctor's appointments and special leave. Staff absence is reported in accordance with country-specific regulations. In North America, employees are only registered as absent starting from the second day of absence.

**Figures adjusted to exclude sites with insufficient data material. This concerns 5.3 per cent of FTE in 2011.

HEALTH AND SAFETY INITIATIVES ACROSS SITES

PALFINGER is committed to launching, supporting and implementing health-promoting initiatives that go beyond statutory requirements at each site. The involvement of employees and inclusion of their own initiatives are substantial factors of this programme. PALFINGER creates the framework conditions and provides the resources.

At the regional level, different key issues and initiatives have evolved. The PALfit health programme focuses on Austria, Germany and some sites in Eastern Europe. It has been supplemented by the experience gained from two pilot projects on workplace health promotion that were carried out at Austrian sites. Crisis intervention teams have been set up at Austrian sites as well, and will provide support in the event of personal crisis. The occupational health and safety management system OHSAS is in place at two sites. Further health initiatives are being taken at our Asian, North American and South American sites.

Generally it can be said that among employees in Western Europe, psychological problems such as burnout syndrome and stress are becoming more prominent. At our Eastern European, South American and Asian sites, the focus is placed on avoiding excessive physical exertion.

PALFIT, PALPLUS AND HEALTH CIRCLES

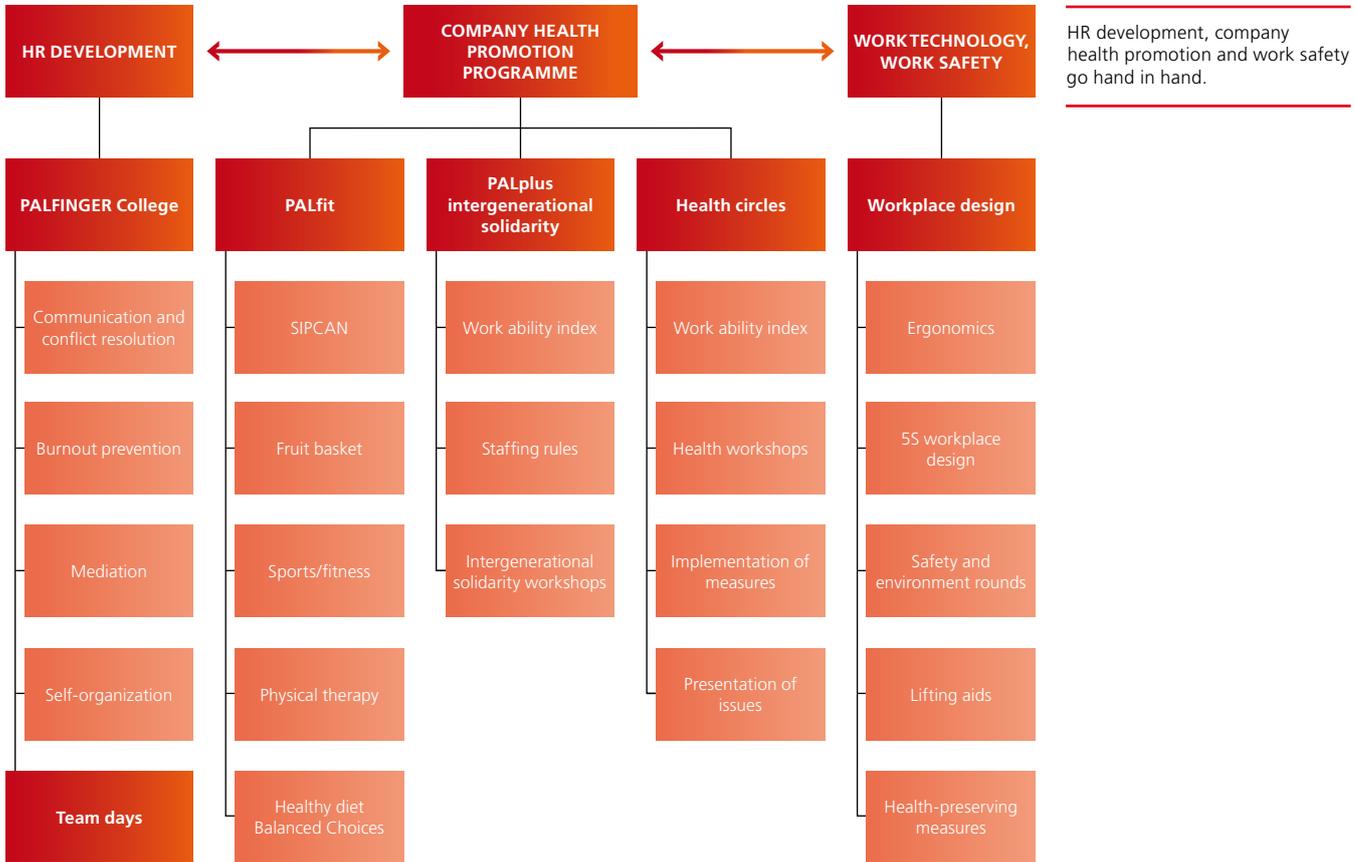
In Austria, the PALfit health initiative has already been in place for a number of years. It focuses on a healthy diet, sports and fitness and various health-promoting measures, as well as on the prevention of illness and risks. After having been started at Austrian sites, PALfit was extended to sites in Germany (Löbau, Krefeld, Seifhennersdorf and Ganderkesee) and Slovenia (Maribor, not including the marine sector) in the reporting period. As framework conditions in Slovenia are different, however, the measures taken there deviate from those taken in Austria. A launch at other Eastern European sites is being considered. For the time being, activities in Eastern Europe are designed to establish the high standard of EU employee protection law.

Successful pilot project with health circles further expanded.

A two-year pilot project on workplace health promotion was launched at the Austrian site of Köstendorf in early 2009. In addition to two health surveys at the beginning and at the end of the project, five health circles, i. e. moderated workshops with groups of employees from the fields of assembly, design, electronics, administration and management, constituted the centrepiece of this initiative. The consistent implementation of the employees' suggestions in between the two surveys brought about a clear improvement as regards providing a health-promoting working environment and, as a consequence, also an enhancement of the employees' own working capacity and satisfaction. The Köstendorf site received the seal of quality for workplace health promotion for the successful implementation of the pilot project and for ensuring the long-term effect of workplace health promotion, with the Federal Minister of Health, Alois Stöger, in attendance at the ceremony. The project on workplace health promotion and health circles have meanwhile also been launched at the Elsbethen (AT) site.

Previous PALfit initiatives and the health circles within the scope of workplace health promotion complement each other very well. Another voluntary activity is PALplus, which supports a working culture that is conducive to intergenerational harmony on site. PALplus is described in the chapter on equal opportunities. The voluntary initiatives are accompanied by the existing activities in the fields of human resource development and work safety. What the voluntary activities have in common is that they deal with the needs of the people concerned. In this regard, we also build on our long-term experience. We do not want to give the impression of third-party concepts being forced on our sites. We also need to build trust in the fact that participants in surveys or investigations will remain anonymous and that the goal is to boost our employees' health. Participation is crucial to PALfit, PALplus and workplace health promotion.

VOLUNTARY HEALTH INITIATIVES AT PALFINGER



CRISIS INTERVENTION TEAM

As already announced in the previous report, crisis intervention teams were set up at all Austrian plants. At each site there is a contact person who can be addressed in the event of personal crisis. This can relate to a medical issue or to a heavy psychological burden such as excessive debt. Depending on the subject, the proper person in the PALFINGER crisis intervention team will then be called in to assist.

Crisis intervention teams assist with medical and psychosocial problems.

HEALTH-RELATED ACTIVITIES IN ASIA, NORTH AMERICA AND SOUTH AMERICA

In North America, employees are given time for exercise every day in order to establish a balance with physical work activities. For 2012, a weight-loss contest is also planned. So far, however, the focus has always been on the region's new economic orientation, which means that no major focus has been placed on health programmes as yet.

At PALFINGER's South American site Caxias do Sul, employees are allowed ten minutes per day for physical exercise with an instructor. With the exception of Singapore (healthy diet, team building), no specific health programmes are in place at the Asian sites. In Shenzhen (CN), absence on grounds of sick leave is generally very rare. In India, the most challenging circumstance to physical well-being is the seasonal sultry heat. The observance of rest periods and the provision of sufficient options for liquid intake are therefore crucial.

IN THE PIPELINE: HEALTH AND SAFETY MANAGEMENT AT OUR SITES

Best-practice pool for various
health and safety issues

So far, a number of useful initiatives have been carried out at the regional level. We intend to make use of these experiences and apply them efficiently to other sites in the next few years. Experience gathered in connection with various health and safety issues is to be made available within the Group in a best-practice pool. This will allow our different sites to decide for themselves which measures best fit their individual situations.

In addition, minimum requirements regarding health and safety are to be defined and implemented. Local management is responsible for appointing individuals to promote the topics of health and safety in all companies. These persons will supervise the reporting of main key performance indicators (absence periods, accidents, etc.) and, together with teams, carry out continuous improvement processes (CIP).

MEASURES FOR 2012/2013:

- **Local officers for health and safety**

Each regional management team is to ensure that local officers promote health initiatives (e.g. PALfit) and safety. The firm establishment of the principle of supporting health and safety by encouraging employee participation is to be a key part of this. Health circles with employees from various fields will be set up to stimulate a steady improvement process in all PALFINGER companies.

- **Uniform reporting of individual accidents**

In addition to absence periods, individual accidents will also be reported Group-wide in accordance with a uniform definition regarding severity. This will contribute to local continuous improvement processes.

- **Best practice pool for health initiatives**

Successful measures are to be exchanged electronically among the locally responsible persons throughout the Group, with the objective of achieving more widespread health initiatives within the Group as quickly as possible.

EDUCATION AND FURTHER TRAINING

MAJOR TRENDS IN 2010/11:

- Education once again at long-term average after intensification of further training in crisis year 2009
- Consistently high commitment to training apprentices



EXTENT OF FURTHER TRAINING AT OUR SITES

In the past two years, the extent of further training at PALFINGER returned to its usual level. Of the last four years, 2009 had particular prominence. Capacities that were freed due to a sharp decline in orders were utilized to advance our employees' skills. In doing so, we were able to avoid more layoffs and even managed to emerge stronger from this challenging period. Taking internal and external training sessions into account, each employee received approximately 12 hours of further training on a long-term average.

Capacities freed due to a sharp decline in orders were utilized to advance employees' skills.

EASTERN EUROPE

During the crisis, considerable resources were invested in education and further training in Eastern Europe in particular. Training activities were especially comprehensive in 2009 at the Tenevo (BG) and Delnice (HR) sites. In subsequent years, the extent of further training returned to the Group average.

NORTH AMERICA

In North America, one focus of training measures was placed on directly productive staff (i.e. employees working in manufacturing and assembly). As announced in the previous Sustainability Report, the two to three week initial training programme for welders at our Omaha (US) site, for example, was expanded to other fields (assembly, painting, maintenance, etc.). This programme has meanwhile been completed.

SOUTH AMERICA

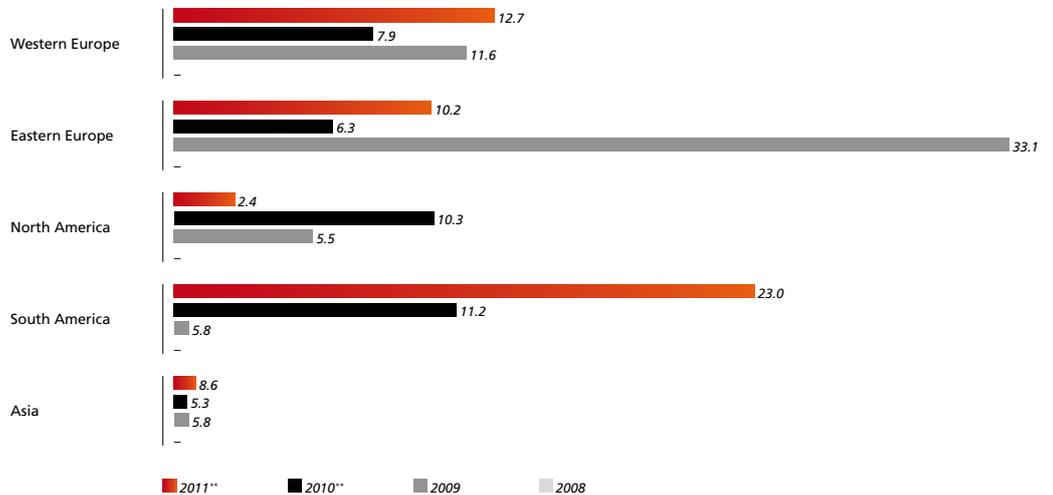
At our South American site in Caxias do Sul (BR), the number of training hours rose sharply, as the introduction of the ISO 9001 quality management system required a large number of training courses. The "Pescar" training programme for young people from socially disadvantaged families was continued until 2011 and will be re-launched in 2012. Further details are presented in the chapter "Donations and Sponsorships".

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ASIA

In Shenzhen (CN), one of the key training elements was the English language. In Singapore (SG), a number of in-house training courses took place. In India, a programme for the promotion of soft skills is currently being developed.

TRAINING HOURS PER STAFF MEMBER*, BROKEN DOWN BY REGION



*Full-time equivalents
**Figures adjusted to exclude sites with insufficient data material.

TRAINING HOURS PER STAFF MEMBER*, BROKEN DOWN BY REGION

	2011**	2010**	2009	2008
Group	11.5	8.0	15.8	8.4

*Full-time equivalents
**Figures adjusted to exclude sites with insufficient data material.

Our heavy acquisition activities require constant communication to ensure uniform reporting.

The definition of the indicator for the measurement of further training was refined in the reporting period. However, we are still facing challenges, as our heavy acquisition activities and the foundation of new companies require constant communication to ensure uniform reporting. We intend to continue our efforts in this regard in the next few years. To this end, we will roll out software to support data entry.

The objective of ten days of further training per year for indirectly productive employees, in the form of workshops, seminars and internal courses, (esp. in management, administration) was revised. The focus of further training measures is being defined by the local entities depending on relevant needs.

APPRENTICES

During the financial crisis in 2009, we made a clear commitment to continuing the training of apprentices. As a result, the number of apprentices in training climbed in 2009 despite the general reduction of staff. In the following countries there are defined apprenticeship training programmes and therefore PALFINGER employs apprentices: in 2011 there were 46 apprentices in Germany and 67 in Austria.

In Slovenia, Bulgaria and South America PALFINGER has established programmes for young people that are modelled on apprenticeship training but are actually initial training courses. A precise classification in these countries is very difficult, if not impossible. The number of participants has remained steady at approximately 40 people.

EXECUTIVE TRAINING

Our further-training programme for managers and for existing and future executives consists of several components. In 2010, a specific "Trainee Programme" for graduates of universities and universities of applied sciences was launched with seven participants; it usually takes 18 months and includes a theoretical part as well as on-the-job rotations, some of them abroad.

The "Team Leading" programme takes one year and is considered the first step in interdisciplinary executive training, which deals with topics such as leadership in conjunction with personality, communication, conflict management and organization. 14 participants took part in the latest programme in 2011.

The Company Management Programme (CMP) also took place in 2011, with twelve participants; it focuses on leadership ("leading oneself", leading colleagues and teams) and communication as an executive.

The "Global Leadership Programme", an intensive course comprising five three-day modules, is designed to prepare future executives for becoming part of PALFINGER's top management. The most recent programme started in April 2011 with 14 participants from different countries, and will end in the spring of 2012.

Details on the percentage of women in the relevant programmes are presented in the chapter "Equal Opportunities".

In 2010, a trainee programme for graduates of universities and universities of applied sciences was launched.

CHAPTER "EQUAL
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EQUAL OPPORTUNITIES

MAJOR TRENDS IN 2010/2011:

- Average age slightly higher due to employee structure at new sites
- PALplus: pilot project on generation management in Lengau (AT)
- Percentage of women overall and in executive positions steady
- International sites headed by local management teams



GENERATIONS

DEVELOPMENT OF AGE STRUCTURE

The change in the Group's average age structure was closely related to staff demographics at our new sites. The long-term trend shows that the number of employees aged 50 and older has increased compared to 2009. Our new sites in North America have contributed substantially to this trend.

In Western Europe, the average age also climbed, due to our new sites in Germany. The sites in Löbau, Germany (37 per cent) and Welwyn Garden City, Great Britain (52 per cent) have a particularly high percentage of 50-plus employees. At the latter, comparatively low state pensions make it difficult to cover living expenses, which is why employees wish to remain employed for a long period of time. Löbau is situated in a structurally poorly developed region where few young people are available.

In order not to lose know-how, a consistent succession plan is in place to ensure smooth transitions.

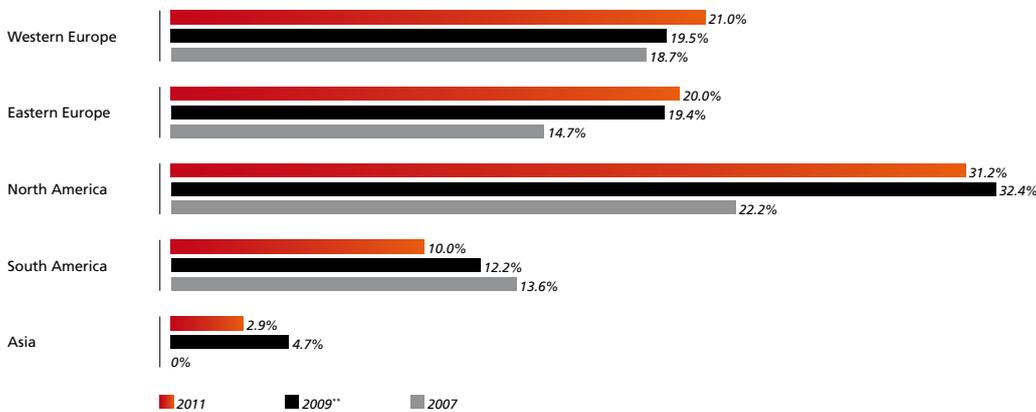
In Eastern Europe, the share of 50-plus employees rose slightly. Our North American sites post the highest average age. The new sites brought about the steep increase from 2007 to 2009, but even older sites have a high percentage of 50-plus employees. In order not to lose know-how, a well-working succession plan is in place to ensure smooth transitions.

In South America and Asia, the average age has become lower. At the two new production sites in China and India, no people over 50 are employed.

DEVELOPMENT OF GROUP-WIDE AGE STRUCTURE

in %	2011	2009	2007
Employees <30 years	22.3%	20.8%	25.9%
Employees 30–50 years	56.7%	59.0%	57.5%
Employees >50 years	21.0%	20.2%	16.6%

DEVELOPMENT OF PERCENTAGE OF DIRECTLY PRODUCTIVE EMPLOYEES* OVER 50, BROKEN DOWN BY REGION (in %)



*i. e. employees working in manufacturing and assembly

**Retroactive adjustments were made in 2009 on the basis of new data that had become available.

GROUP-WIDE GENERATION MANAGEMENT

In order to plan ahead and be able to retain the valuable knowledge within the Company, the annual “Human Resource Review” deals with the issue of upcoming retirements in a structured manner. For example, an analysis is made of what positions will have to be filled in the near future and how to ensure that the transitions are as smooth as possible. Key positions have been analyzed in this way all over the world for years. Since 2009, all positions have been included in the “Monitor”.

PILOT PROJECT PALPLUS

The PALplus project at the Austrian site of Lengau includes all age groups in its objective of creating ideal framework conditions for good intergenerational cooperation. The project started with an analysis based on a work ability index. Physical and psychological aspects that are potential barriers for the employees’ capacity to work were anonymously collected, and the results were analyzed by age group. They showed that, in everyone’s interest, measures needed to be taken for all generations to preserve the capacity to work. In the course of the project, other questions were raised as well: How can we ensure a corporate culture that perceives age and experience as positive assets? On what criteria should remuneration be based? How can we retain know-how in the Company? How can we organize our work to allow us to participate in the work process until official retirement age while remaining motivated and healthy? Workshops on intergenerational solidarity had a positive effect on PALFINGER’s corporate culture. The project has not yet been expanded to other sites, but may be in the future.

The PALplus project aims at creating ideal framework conditions for good intergenerational cooperation.

GENDER

DEVELOPMENT OF THE PERCENTAGE OF WOMEN

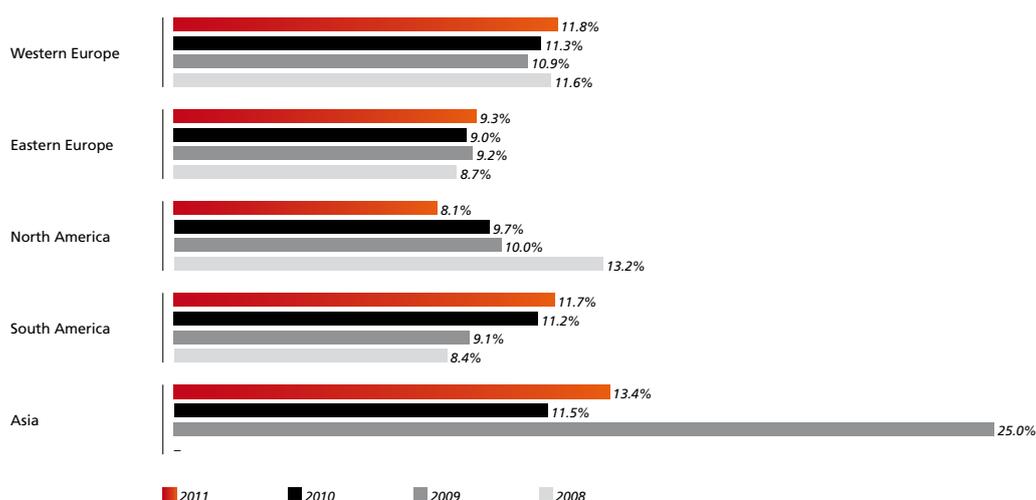
The percentage of women at PALFINGER is typical for the industry. Overall, the percentage of women employed within the Group has remained steady over the past few years, showing a slight upward trend. Depending on the site, however, it varies greatly. At manufacturing sites, the majority of directly productive employees (i. e. employees working in manufacturing and assembly) are men. This explains the notable drop in the percentage of women in North America and Asia: In both regions, the production sector was developed and, therefore, directly productive employees were hired. At administration and distribution sites, on the other hand, the contingent of women is above average, nearly one-third of the total staff.

The percentage of women in management positions rose moderately from 2009 to 2011 and is now 11.6 per cent. Among the 60 top management executives, however, there was not a single woman in 2011. This is why we are particularly pleased that a woman has taken over the area management in Russia in April 2012. In the past two years, the participants in the training programmes for management always included women. In the trainee programme, two of the four participants were women. A total of 40 people attended the executive training courses "Global Leadership Programme", "Team Leading" and "Company Management Programme", three of whom were women. We want to encourage the more frequent nomination of women executives to take part in these PALFINGER training programmes in the future.

PERCENTAGE OF WOMEN IN THE GROUP IN 2008–2011

in %	2011	2010	2009	2008
Total	11.0%	10.9%	10.5%	10.1%
In management positions	11.6%	11.5%	11.2%	15.6%

PERCENTAGE OF WOMEN, BROKEN DOWN BY REGION (in %)



CAMPAIGNS DESIGNED TO INCREASE THE PERCENTAGE OF WOMEN

Initiatives such as the "Girls' Day" encourage girls to consider technical professions.

PALFINGER supports campaigns to raise the interest of girls in technical professions. In 2010 and 2011, Austrian sites took part in a "Girls' Day", on which girls visited the workplace of their parents, relatives or acquaintances to get an inside view of their occupational activities. This initiative is intended to encourage girls to also consider technical professions when deciding on a career path. In the future, PALFINGER also plans to specifically address female students in the recruiting process. Special attention will also be paid to women when recruiting personnel at universities.

In 2012, PALFINGER has a statutory obligation to present an income report for its Austrian companies for 2011. The classifications were checked and the remuneration of women and men analyzed; no significant differences appeared. In such reviews, any salary gaps between women and men would come to light if they existed. We intend to discuss the result with a group of women employees. When recruiting new employees, no difference is made between men and women with regard to their classification under the terms of the collective agreement.

EMPLOYEES WITH DISABILITIES

Staff members with disabilities are full-fledged employees, and we want to offer them a meaningful occupation and integration into our teams. Our Eastern European sites employ many people with disabilities. In Austria, we do not meet the stipulated employment quota and, therefore, have to pay penalties.

We intend to raise the percentage of employees with disabilities in the future and are planning to launch several initiatives to this end. On the one hand, we want to raise awareness in-house – also symbolically, as we have been sponsoring paralympic sports for a number of years. This was commended at the Annual General Meeting 2012 for the first time by an investor. In addition, we plan to carry out screenings for adequate positions at some sites.

PALFINGER hopes to raise the percentage of employees with disabilities.

MANAGEMENT TEAMS WITH LOCAL GENERAL MANAGERS

Given that we do business globally, we benefit from the diversity within the Group. This diversity, however, is also challenging when it comes to coordinating different points of view from different countries. In order to accomplish this, we have established strong local management teams. It is one of PALFINGER's basic principles to hire mainly local staff. Only in companies in Germany, Bulgaria, Slovenia and at US sites does an Austrian expatriate hold the position of one of the two managing directors. At all other sites, local management teams are in place.

MEASURES FOR 2012/2013:

- **Women in executive training**

In order to raise the percentage of women executives in the Group, a special focus will be placed on women when selecting candidates for internal executive training courses.

- **HR marketing for women**

More women are to be recruited for technical positions at PALFINGER. HR marketing will focus on communicating the good opportunities for women at PALFINGER – for both apprenticeship and management positions.

- **Diversity Circle**

Women at PALFINGER will draft suggestions for a gender-appropriate corporate culture. The results of the income report in Austria will also be discussed.

- **Raising the percentage of employees with disabilities**

Various measures will be taken to raise the percentage of employees with disabilities, e.g. better communication of equal opportunities and a more intensive policy of inclusion. 

COMMUNICATING WITH OUR EMPLOYEES

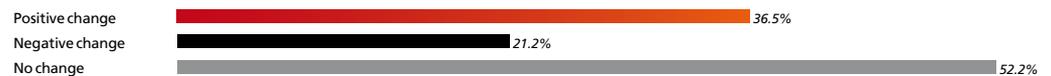
A Group guideline specifies how executives should carry out appraisal interviews.

We want to promote our employees' individual skills as much as possible. To this end, we carry out thorough appraisal interviews. A Group guideline specifies how executives are supposed to carry out these interviews. Each site reports the number of appraisal interviews carried out. In 2010, appraisal interviews took place with 23.7 per cent of the staff of the indirectly productive sector (especially in management, administration). In the subsequent year, it was already 37.4 per cent, and a further increase is planned.

In 2011, a Group-wide survey among employees was conducted. 31 sites and/or PALFINGER companies participated in it, with the response rate at a satisfying 64.6 per cent. In addition to the response rate, sites were analyzed as to whether employee satisfaction was below average, average or above average. Changes in comparison to the 2010 survey were also analyzed with a view to identifying positive, negative or stable trends. Not only the response rate was satisfying, but also the answers to the question: "How has your job situation changed in the past half year?" 36.5 per cent reported an improvement, whereas 21.2 per cent perceived a deterioration. Altogether, the impression is a positive one.

EMPLOYEE SURVEY 2011: HOW HAS YOUR JOB SITUATION CHANGED IN THE PAST HALF YEAR?

(Number of employees in %*)



*Multiple answers to detailed questions possible



ECO-EFFICIENCY IN PRODUCTION

WE HAVE GONE OVER THE FORKLIFT ROUTES HUNDREDS OF TIMES IN ORDER TO OPTIMIZE THEM.

DIETMAR SCHACHNER
OPERATIONAL PLANNING, LENGAU

TO US, EFFICIENCY AND ENVIRONMENTAL PROTECTION IN PRODUCTION MEANS ...

... reducing energy consumption at our sites as far as possible in order to lower the burden on the environment and the costs for our Company. In the medium term, environmental protection measures should also result in economic benefits;

... genuinely incorporating environmental protection within the entire organization. We manage eco-efficient production at all our sites. We do not just comply with standards, we truly assume ecological responsibility;

... orienting ourselves towards global and regional minimum standards. At a regional level, we want to be among the cleanest companies; environmental protection makes us stand out from others. Some environmental standards have global validity for us;

... also making our buildings eco-efficient. There is more to building than means-end orientation;

... genuinely incorporating climate protection in transport.

CLIMATE PROTECTION AND CORPORATE CARBON FOOTPRINT

MAJOR TRENDS IN 2010/2011:

- Increased efficiency after the economic crisis: lower CO₂ emissions in relation to our products
- Absolute reduction of CO₂ emissions: Plants that belonged to PALFINGER before 2008 produce lower emissions. The only reasons for the rise in total emissions were our acquisitions and new sites.
- Facility Management project in Austria, Slovenia and Bulgaria saves energy, emissions and costs.
- Photovoltaics in France
- Increase in transport volumes – but mainly by ship



We have recognized the risk of rising energy prices and, in order to mitigate this risk, implemented efficiency measures at our sites.

Climate protection is of major importance to PALFINGER. Compared to other industrial enterprises, our CO₂ emissions are relatively low, which is why PALFINGER will continue to be exempt from the European Union Emission Trading System in the near future. At under 1 per cent of the total costs, our energy expenditure is comparatively low as well. Nevertheless, we have recognized the risk of rising energy prices and, with a view to limiting such risk, implemented efficiency measures at our sites. Indirectly, however, we are more strongly affected by emission trading and rising energy prices because they drive up the costs for steel – our most important raw material. We counteract this risk by means of reductions in waste cuttings and lighter products.

ENERGY CONSUMPTION IN PRODUCTION

HIGHER ENERGY EFFICIENCY, LOWER SPECIFIC EMISSIONS

PALFINGER has emerged from the economic crisis with increased efficiency. Clear decreases in energy consumption and CO₂ emissions per product have been recorded in recent years. Currently, 626 kg of CO₂ are generated per product tonne. This figure includes all direct emissions from the combustion of fuels, heating oil, natural gas and other gases as well as indirect emissions from electricity consumption. In 2009 and 2010, a temporary rise in specific emissions was observed due to the poorer capacity utilization at our plants during the crisis. However, PALFINGER also made use of this time period to carry out energy-saving measures. The new plants also contributed to our improved CO₂ performance. Gains in efficiency have been achieved for both electricity and heat energy.

ABSOLUTE ENERGY CONSUMPTION AND TOTAL EMISSIONS

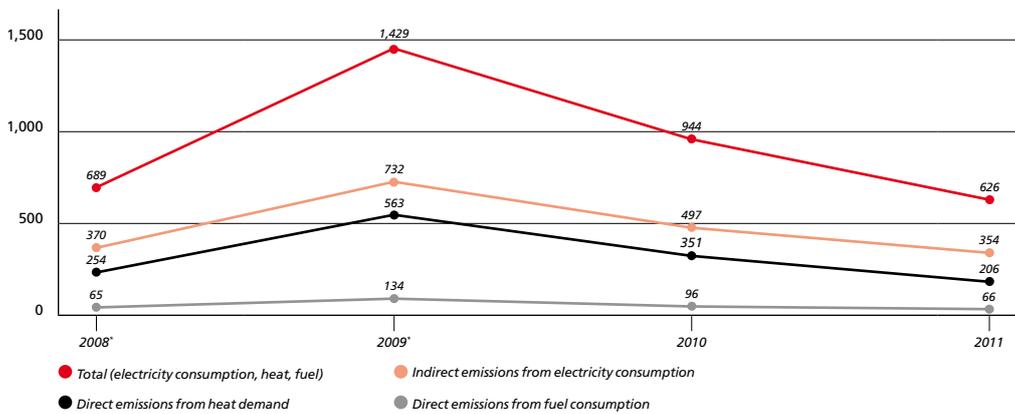
The efficiency-increasing measures taken are reflected in the fact that energy consumption and emissions of our long-standing plants – meaning those that were already part of the PALFINGER Group before 2008 – were lower in the period under review than in 2008. That means that an absolute reduction was achieved in this field. All in all, consumption and emissions rose due to the acquisitions made and the foundation of new companies. A look at the last four years also shows a clear production-related decline in consumption and emissions caused by the decline in revenue experienced in 2009.

Energy consumption and emissions of long-standing plants were lower in the period under review than in 2008.

ENERGY CONSUMPTION

in KWh	2011	2010	2009	2008
Electricity	53,692,741	45,856,737	39,065,812	42,926,598
Diesel	10,828,041	9,560,015	7,585,409	8,163,373
Petrol	3,300,058	2,558,105	2,335,848	1,513,272
Natural gas	49,989,782	50,844,850	46,647,468	38,837,775
LPG (liquefied petroleum gas)	735,492	851,160	562,843	690,516
Heating oil	1,637,537	1,994,131	2,005,658	4,737,228
Butane	707,876	863,217	958,732	793,365
Propane	6,339,494	5,757,793	5,465,045	5,129,350
Total	127,231,020	118,286,008	104,626,815	102,791,478

SPECIFIC CO₂ EMISSIONS (in kg CO₂ per product tonne)



*Figures for 2008 and 2009 adjusted due to expanded data base in Welwyn Garden City (GB).

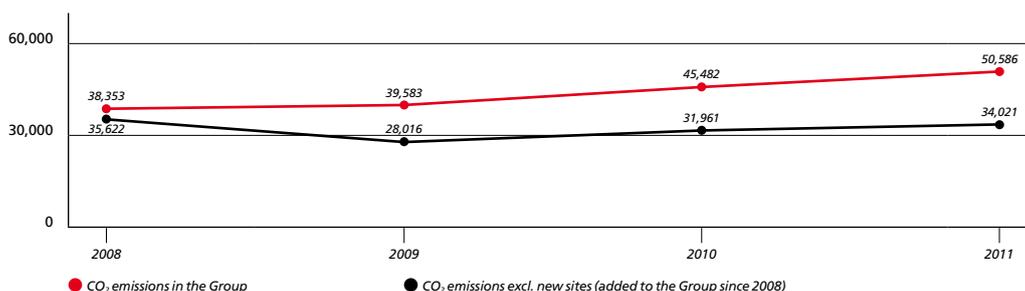
TOTAL DIRECT AND INDIRECT CO₂ EMISSIONS (in t CO₂)

in KWh	2011	2010	2009*	2008*
Indirect emissions from electricity consumption**	28,635	23,952	20,274	20,570
Direct emissions from heat demand	16,618	16,902	15,590	14,157
Direct emissions from fuel consumption	5,332	4,628	3,718	3,625
Total	50,586	45,482	39,583	38,353

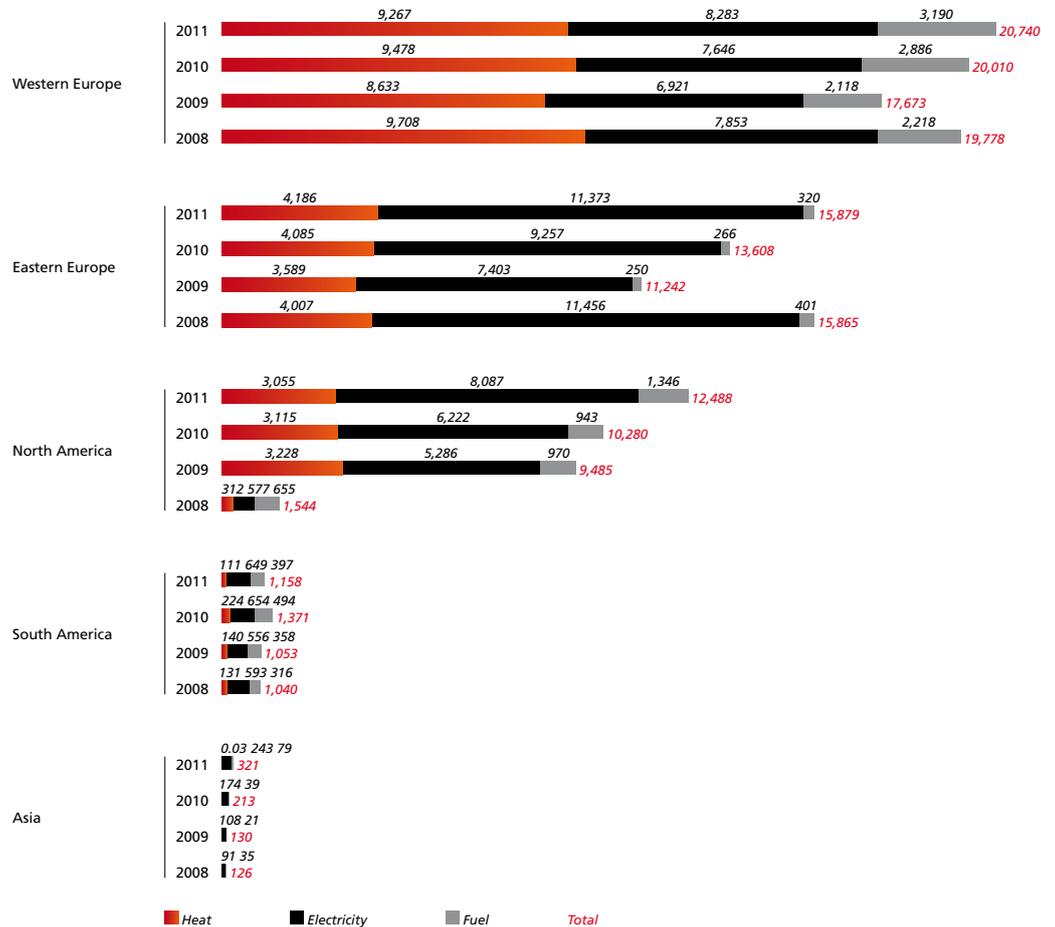
*Figures for 2008 and 2009 adjusted due to expanded data base in Welwyn Garden City (GB).

**Indirect CO₂ emissions from electricity consumption are calculated on the basis of the mix of the respective national electricity systems. The emission factors of the electricity mix in China have been adjusted for previous years due to more current figures.

DIRECT AND INDIRECT CO₂ EMISSIONS IN THE ENTIRE GROUP AND EXCL. NEW SITES (in t CO₂)



DIRECT AND INDIRECT CO₂ EMISSIONS, BROKEN DOWN BY REGION (in t CO₂)



ENERGY EFFICIENCY THROUGH FACILITY MANAGEMENT

Thanks to the Facility Management project, energy costs have remained at a constant level in Lengau, Köstendorf and Maribor.

The energy-efficiency project “Facility Management” was launched at our Austrian and Eastern European sites in 2009. In the meantime, first successes have been achieved. For instance, energy costs have remained at a constant level in Lengau (AT), Köstendorf (AT) and Maribor (SI) even though output figures and energy prices have gone up.

Numerous steps have been taken to reduce the heat requirement, some of which are listed here by way of example: At several sites, thermography was used to identify deficiencies in the buildings’ insulation. Consequently, numerous measures were taken to reduce heating energy consumption, including the prevention of heat losses at hall gates in Köstendorf (AT) or improvements of boilers. In Maribor (SI) the halls are now heated using radiant heaters. Ultrasound devices were used to identify leakages of compressed air and process fumes. Another material factor for the success of the Facility Management project was the raised awareness among our staff. In Tenevo (BG), for instance, gas volumes were reduced considerably. And the gradual transition to natural gas vehicles in Lengau (AT) since June 2011 is also going to help reduce our carbon footprint.

Exact analysis of the users at each site, know-how and structured management are keys to success.

The exact analysis of the users at each site, know-how and structured management are keys to success. In Lengau (AT) two staff members were trained as European Energy Managers during the reporting period. In November 2011, the site obtained ISO 16001 certification for its energy management system. The site in Tenevo (BG) is also planning to install an energy manager in 2012.

The Facility Management project will be continued in 2012. Additional measures will be implemented at the Austrian and Eastern European sites. Planned steps for the Lengau (AT) site include the replacement of pumps, the acquisition of additional natural gas cars and waste heat recovery from the paint shop. In Köstendorf (AT), the new office building will be equipped with a building control system. Moreover, tests with LED lighting will be carried out. In Tenevo (BG), internal environmental audits will be introduced, leakages identified and awareness increased. PALFINGER is also preparing an energy saving manual applicable for all sites.

INITIATIVES AND DEVELOPMENTS REGARDING ENERGY CONSUMPTION IN OTHER AREAS

WESTERN EUROPE

In cooperation with another company, the roof of our site in Guima (FR) was converted into a solar roof. The roof was renovated, allowing more daylight to enter the production hall. At the same time, we have rented out the roof for a thirty-year period for the generation of electricity through photovoltaic modules. With a view to energy efficiency, PALFINGER plans to expand the aforementioned Facility Management project to include the two German sites Löbau and Krefeld.

NORTH AMERICA

The increase in output in North America and the new sites have increased the energy demand. Under the Green Initiative, a series of measures were taken, until 2010, to increase the staff's awareness for energy efficiency and environmental protection. "Green champions" were responsible for the implementation of improvement measures and the convening of meetings of "green committees". Priority topics included not only energy saving but also recycling and water consumption. In Niagara Falls (CA) the efficiency of the lighting system was enhanced. At the site in Omaha (US) a new heating system was installed.

SOUTH AMERICA AND ASIA

In Caxias do Sul (BR) the PALgreen initiative was launched. The purpose of this environmental programme was to raise staff members' awareness for the efficient handling of energy. In Shenzhen (CN), one of our newest sites, energy efficiency is at a good level due to the use of state-of-the-art equipment.

The PALgreen initiative raised staff members' awareness for the efficient handling of energy.

EXPANSION OF THE FACILITY MANAGEMENT PROJECT TO INCLUDE OTHER REGIONS

So far, the Facility Management project for the structured recording and reduction of energy consumption has been in force only in Austria, Slovenia and Bulgaria. However, we are now planning to expand this successful initiative to also cover North and South America. In both areas, internal training courses are being offered to train staff to become energy managers, who will then be expected to promote the implementation of the initiative at our sites in Brazil, Canada and the USA.

SUSTAINABLE BUILDING FOR THE NEW GROUP HEADQUARTERS

In the coming years, new PALFINGER headquarters are to be built in Austria based on energy efficiency and sustainability standards. The new building, which is to accommodate offices and training facilities, will be oriented towards the criteria for the DGNB (German Sustainable Building Council) sustainability certificate.

SUSTAINABLE TRANSPORT

PALFINGER is becoming an increasingly global Group, and as a result, our transport volumes are rising.

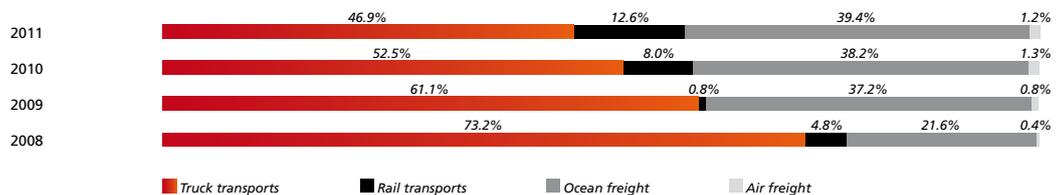
PALFINGER is becoming an increasingly global Group, and as a result, our transport volumes are rising. Our sites in Asia and also many of our plants in North America assemble components that are produced in Europe. The expansion of our activities in these regions has driven up transport volumes beyond the level achieved in 2008, before PALFINGER was affected by the economic crisis. However, a substantial percentage of these transports has been made by ship, which causes comparably low CO₂ emissions. By now, the share of sea freights in tonne kilometres transported has reached almost 40 per cent. Now that the economic crisis is almost over, the percentage of rail transport has risen again, too. This is due to the fact that in 2009 we had reduced our inventories and purchased only small quantities of steel. When demand for our products picked up again, transport activities from the steel plants to our sites were resumed, and most of these transports are made by rail.

In order to keep the transport volumes as low as possible, we strive to avoid any empty freight kilometres and special transports.

DELIVERIES OF STEEL AND TRANSPORTS BETWEEN PALFINGER PLANTS

in tkm	2011	2010	2009	2008
Total	123,097,810	104,372,406	65,874,513	83,446,239

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



MEASURES FOR 2012/2013:

- **Lighthouse projects for energy efficiency**

In Austria and Eastern Europe, where the energy-efficiency initiative "Facility Management" has already been launched, further lighthouse projects will be established, e.g. establishment of energy management systems, development of building control systems for detailed control over energy consumption, use of LED.

- **Expansion of energy efficiency initiative to cover North and South America**

Energy efficiency competences at an educational level corresponding to that of an European Energy Manager will be developed. A PALFINGER energy saving manual will support the Group-wide implementation of measures.

- **Best practice pool for energy efficiency**

Information on measures that have been successfully implemented will be electronically exchanged between the locally responsible managers in order to speed up the Group-wide establishment of energy efficiency measures.

- **Sustainability certificate for new headquarters**

The planned new PALFINGER headquarters are to be so constructed as to achieve the "DGNB Silver" sustainability certificate.

RESOURCE MANAGEMENT

MAJOR TRENDS IN 2010/2011:

- **Efficient use of raw materials: reduction of all waste fractions in relation to the products manufactured**
- **Slight improvement at a high level in the reduction of waste cuttings**
- **Saving water has lowered total consumption throughout the Group despite new sites and increase in production**



EFFICIENT USE OF RAW MATERIALS

PURCHASING MATERIALS

In terms of weight, the most important raw materials used to manufacture PALFINGER products are steel and aluminium. The lion's share of our product groups is made of steel; aluminium is used primarily for our tail lifts. Due to changes in our product mix, we have used increasing volumes of medium-strength steel grades S690/S700. A major environmental aspect is the recycling share of purchased steel and aluminium. The higher the recycling share, the lower the indirect CO₂ emissions and the need for primary resources. So far, however, not all of our suppliers have been in a position to inform us of their recycling shares. Moreover, given the present market situation, it is currently impossible for PALFINGER to make the purchase of steel with a high secondary share a priority.

The most important raw materials used to manufacture PALFINGER products are steel and aluminium.

RAW MATERIAL PURCHASE VOLUMES

in t	2011	2010	2009	2008
Steel	46,670	36,508	28,616	57,785
Aluminium	1,562	1,156	1,180	2,101

WASTE CUTTINGS AND SCRAP

PALFINGER has been optimizing its waste cuttings for years now to keep the volumes of steel scrap as low as possible. Indicators are regularly reviewed and improved by adequate measures. Most of the sites have recorded improvements. As in many cases there is only minimal scope left for further optimization, the focus is often on maintaining the good values already achieved. In Löbau (DE) waste cuttings were reduced to zero, as all processes producing waste cuttings were outsourced. Waste cuttings are produced exclusively at production plants. A benchmark comparison of production sites is not feasible, as the products manufactured and the working steps are difficult or even impossible to compare.

WASTE CUTTINGS, BROKEN DOWN BY SITE

in %	2011	2010	2009	2008
Lengau (AT)	24.05%	25.80%	26.40%	25.00%
Löbau (DE)	0.00%	15.00%	10.00%	<3.00%
Seifhennersdorf (DE)	20.00%	18.00%	25.00%	–
Guima (FR)	31.00%	25.70%	27.76%	28.10%
Welwyn Garden City (GB)	11.00%	10.00%	15.00%	37.00%
Maribor (SI)	28.90%	28.20%	28.20%	26.70%
Cherven Brjag (BG)	28.80%	29.20%	30.50%	30.90%
Tenevo (BG)	5.00%	5.00%	4.40%	7.20%
Tiffin (US)	2.00%	2.00%	2.00%	2.00%
Council Bluffs OSI (US)	28.80%	22.00%	15.00%	–
Oklahoma City (US)	10.00%	–	–	–
Cerritos (US)	3.50%	4.50%	6.50%	6.50%
Caxias do Sul (BR)	24.20%	24.00%	25.90%	26.80%
Chennai (IN)	1.00%	1.00%	–	–

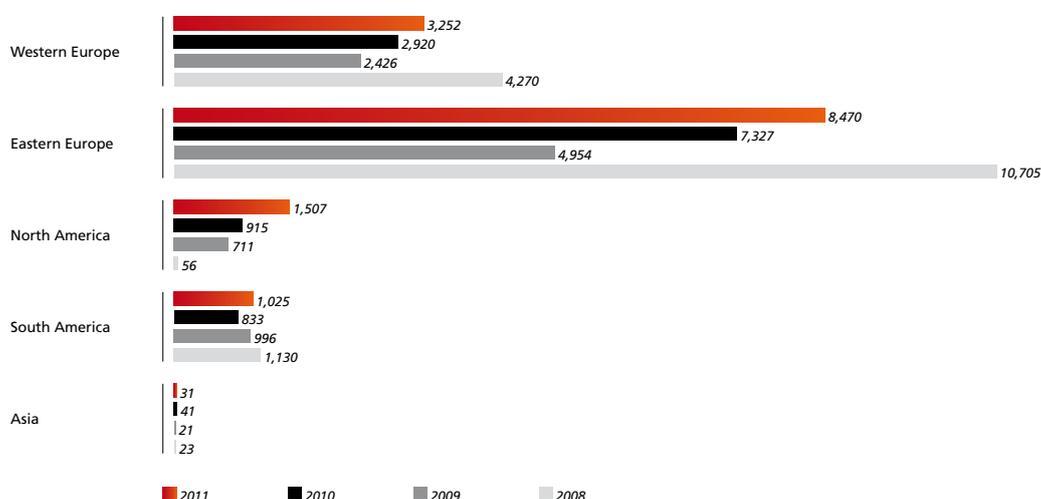
Metal waste figures were again clearly below the levels reported in 2008.

The decline in scrap and/or discarded metal went hand in hand with the losses in revenue recorded in 2009. In the meantime, demand for PALFINGER products has recovered. Nevertheless, we have succeeded in keeping metal waste figures clearly below the levels reported in 2008. Scrap per product tonne has also reached the lowest level in years. This was due, on the one hand, to the new sites, but also to quality enhancement and the reduction of rejections. Initiatives for the reduction of rejections were organized at several sites. In Lengau (AT), for instance, the optimization resulted in a reduction of rejection volumes of 13.7 tonnes of sheet metal waste in 2011 compared to 2010. The increase in discarded metal in North America was caused by the purchase of additional sites.

SCRAP AND DISCARDED METAL

	2011	2010	2009	2008
Total in t	14,284	12,035	9,108	16,184
Per product tonne in %	17.7%	25.0%	32.9%	29.1%

SCRAP/DISCARDED METAL, BROKEN DOWN BY AREA (in t)



HAZARDOUS AND NON-HAZARDOUS WASTE

Efficiency has also increased in the field of waste. In relation to the product weight, less hazardous and non-hazardous waste was produced during the reporting period. All in all, waste volumes increased, however, due to the expansion of production and the new sites that were added to the Group.

At PALFINGER production plants, primarily the following substances constituting hazardous waste are produced: hydraulic oil, electroplating sludge, waste from paint shops, lubricants and coolants. In large part, hazardous waste is produced at our sites in Lengau (AT), Maribor (SI) and Caxias do Sul (BR). Various plants succeeded in reducing their hazardous waste volumes. In Tenevo (BG) we managed to optimize oil and dust filter consumption. Until 2009 electroplating waste had to be placed in interim storage at the Tenevo plant, but since then continuous disposal has been ensured: Since 2010, the waste has been gradually disposed of and safely stored in an underground disposal facility in Germany. In the USA, a clear reduction was made possible through the use of filters instead of chemicals when cleaning the tanks for the CDP process, which also resulted in considerable cost savings. At our Asian sites there are virtually no processes generating hazardous waste. The small quantities of waste oil produced in Shenzhen (CN) are collected and sold to a local recycling company.

The volumes of non-hazardous waste (excluding discarded metal/scrap) per product declined considerably during the reporting period. This was caused not only by the new product mix, which was a consequence of new sites being added, but certainly also by our efforts to reduce waste. A noteworthy example is the PALgreen initiative at the South American site Caxias do Sul (BR), aimed at keeping the working environment clean. To this end, the separation and prevention of waste were promoted. For instance, little competitions between the different production teams were organized and small prizes awarded.

The PALgreen initiative is aimed at keeping the working environment clean.

HAZARDOUS AND NON-HAZARDOUS WASTE EXCLUDING SCRAP/DISCARDED METAL

	2011	2010	2009	2008
Non-hazardous waste in t	2,129	1,886	2,440	1,984
Non-hazardous waste in kg per product tonne	26	39	88	36
Hazardous waste in t	2,140	1,795	1,585	1,690
Hazardous waste in kg per product tonne	26	37	57	30

WATER CONSUMPTION

The Group managed to lower its total water consumption compared to 2009.

Specific water consumption decreased considerably during the reporting period and has now reached a level below the specific demand in 2008, the year before the crisis. Only 1.12 m³ is needed per product tonne. That means that the Group even succeeded in lowering its total water consumption compared to 2009. At the various sites, water comes from the respective public water systems. Caxias do Sul (BR) also has its own well, which, however, only covers a small portion of the plant's water needs.

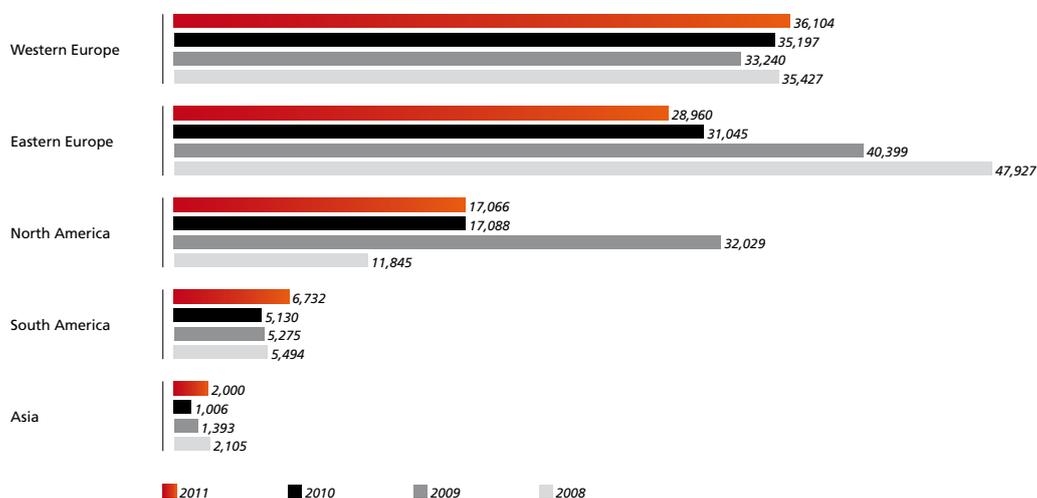
A clear improvement in water efficiency was achieved, for example, in Council Bluffs (US), where a reverse osmosis system was installed. The site's consumption was consequently lowered by approx. 30 per cent compared to the level recorded in 2009. That means that more than 4,000 m³ of water was saved.

The wastewater volumes correspond to the water consumption. Wastewater is disposed of through public water treatment plants.

WATER CONSUMPTION

in m ³	2011	2010	2009	2008
Total water consumption in m ³	90,862	89,466	99,448	96,667
Water consumption in m ³ per product tonne	1.12	1.86	3.59	1.74

WATER CONSUMPTION, BROKEN DOWN BY REGION (in m³)



SOLVENT-FREE PAINTS

The avoidance of solvents in paints is advantageous for our environment and reduces potential health risks for humans. As an environment-friendly and health-friendly alternative, water-soluble paints may be used. In principle, water-based paints are available for all product applications used at PALFINGER. However, they generate extra costs.

The PALFINGER sites in Europe with large paint shops use solvent-free paints. In Köstendorf (AT) the share of solvent-based paints is approx. 20 per cent. At this site, components are painted with non-water-soluble paints for Lengau (AT). Environmentally friendly paints are also used to some extent in Omaha (US). There are currently no plans to use water-soluble paints in South America.

The avoidance of solvents is promoted through the use of water-soluble paints.

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

2011

Sites with large paint shops (refers to approx. 70% of all structural components)

Lengau (AT)	●
Maribor (SI)	●
Council Bluffs (US)	●
Caxias do Sul (BR)	-

Sites with little painting activity

Löbau (DE)	●
Krefeld (DE)	●
Caussade (FR)	●
Cadelbosco (IT)	●
Köstendorf (AT)	●
Ganderkeseer (DE)	-
Welwyn Garden City (GB)	-

● = 100% water-based paints ● = partial use of water-based paints -- = no use of water-based paints

The construction of a new plant in Trenton (US) is planned. However, the Trenton plant will not use any water-soluble paints. In 2011, the paint shop in Cadelbosco (IT) was dismantled to be rebuilt in Tenevo (BG) in 2012. This plant still uses exclusively water-soluble paints.

GENERAL MANAGEMENT OF ENVIRONMENTAL ASPECTS

CHAPTER
"SUSTAINABILITY
MANAGEMENT"
PAGE 80

The teams at all our sites the world over aspire to increase efficiency and minimize the environmental impact of our operations. However, environmental management may take various forms. Some of our sites, such as Lengau (AT) and Köstendorf (AT), already have certified environmental management systems in place. Caxias do Sul (BR) and Tenevo (BG) are already preparing for the introduction of such systems (for an overview of the sites, see also the "Sustainability Management" chapter). Other sites have less formal structures.

The Group guidelines will be expanded to include environmental issues, and compliance will be reviewed by audits.

In order to achieve a uniform minimum standard for the local management of environmental aspects at all sites, we are currently preparing to expand the Group guidelines to include environmental issues. The purpose of this expansion of the guidelines is to guarantee the integration of energy efficiency, waste reduction, safe disposal and compliance with environmental provisions into local management. Environmental indicators are to be maintained within an adequate system by responsible officers who will also be in charge of the continuous improvement process at the local level. In the future, they will receive inspiration from a PALFINGER best practice pool. The expanded guidelines will also contain the minimum standards already envisaged in the previous Sustainability Report. Compliance with these guidelines will be reviewed by means of internal audits.

MEASURES FOR 2012/2013:

- **Group-wide environmental reporting system**

Every site reports specific environmental indicators via a Group-wide reporting system. In their reports, the individual sites also present specific indicators that give a uniform overview of the progress achieved in terms of efficiency.

- **Local environmental protection officers**

Every regional management ensures that local officers promote energy efficiency and environmental protection. Teams at all companies control a continuous improvement process.



SUSTAINABLE PRODUCTS

WE HAVE SPARED NO EFFORT IN
PLANNING SUSTAINABLE PRODUCTS.

HEIKE BRÖCKER
DESIGN

OUR SUSTAINABLE PRODUCTS ARE CHANGING OUR INDUSTRY BECAUSE WE ...

... design our products so that they can be used safely – preventing accidents is a major concern to us;

... offer products with the best life-cycle performance – in terms of economic efficiency, speed and comfort as well as environmental protection;

... minimize the energy volumes consumed by our products – by providing the ideal ratio of lifting power to dead weight and efficiency innovations;

... conserve resources – by using materials efficiently, reducing the regular need for operating supplies and increasing the life cycles and recyclability of our products;

... reduce potentially hazardous substances throughout the entire product life cycle and use alternatives instead;

... achieve added value on the market through our sustainable products and consolidate our pioneering role;

... put products on the market that are specifically used for ecological or social purposes. In doing so, we also seize new market opportunities.

USER SAFETY

MAJOR TRENDS IN 2010/2011:

- **Safety features on the increase due to EU standards:**
 overload protection, transport position monitoring, stabilizer monitoring, ISC/HPSC, SHB system
- **New: HPSC (High Performance Stability Control) as the leading safety system in the market**
- **High standards for compliance with safety regulations:**
 user friendliness to ensure that users do not deactivate safety features
- **Project: real-time monitoring of cranes during use to prevent accidents in South America**



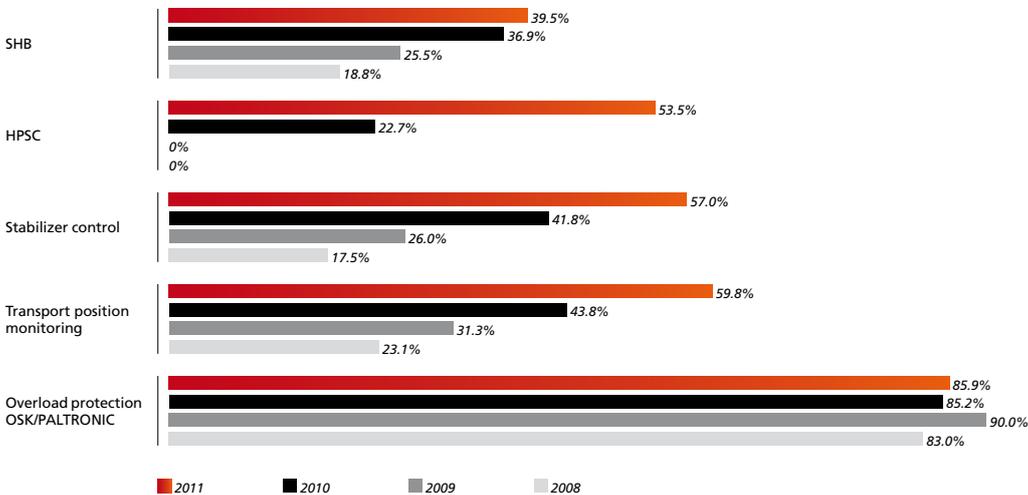
INCREASED PROVISION AND USE OF SAFETY FEATURES

Through the introduction of systems like SHB or HPSC, accidents can be prevented.

PALFINGER products offer a broad array of safety features that help prevent accidents. The hydraulic load moment limitation system OSK and the electronic system PALTRONIC protect cranes 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 stabilizer monitoring ensure that both the crane and the stabilizers are fully retracted and secured. The SHB system (limitation of lifting power dependent upon slewing angle) 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.

An innovation that was introduced after the previous reporting period is the HPSC feature (High Performance Stability Control). Fully individual positioning of the stabilizers in combination with an intelligent algorithm, which was developed by PALFINGER itself, creates a completely new type of stability control system. Of all systems currently on the market, HPSC is undoubtedly the system that best reflects the reality of stability control. The PALFINGER real-time data algorithm is supported by proportional sensors that allow for a variable positioning of the stabilizers. HPSC monitoring is performed within a range of 360 degrees. In combination with the PALFINGER additional stabilizers, an efficient total system is formed.

MARKET PENETRATION OF SAFETY FEATURES FOR TRUCK-MOUNTED KNUCKLE BOOM CRANES* (in %)



*Data apply to all truck-mounted knuckle boom cranes produced in Europe.

In general, an increase in the provision and use of all safety features produced in Europe that are also delivered to other sites all over the world has been observed. In Europe this increase is clearly supported by the required standards. Mandatory features include, for instance, overload protection, transport position monitoring and stabilizer monitoring. Some PALFINGER truck-mounted cranes produced in North and South America offer the same or similar safety features as well. However, they are not as wide-spread because, particularly in the emerging markets, safety standards are not as strict as in Europe.

Other PALFINGER products come with similar safety equipment. Our access platforms meet 100 per cent of the requirements for overload protection, transport position monitoring and stabilizer monitoring. PALIFT hookloaders are equipped with both stabilizer monitoring and transport position monitoring. PALFINGER is currently trying to obtain safety approval by the inspection institute Classic Crane for its marine cranes.

Independently from our complex safety equipment, we also take smaller measures to consistently optimize the safety of our products. For instance, we have increased the slip resistance of the surfaces of MBB platforms and optimized their warning lights. For Ratcliff platforms in Great Britain, new safety patents have been applied for. The outriggers of cranes from North America have been made safer for the users.

A highly innovative concept is currently being developed in South America in cooperation with Scania: A monitoring system collects the signals sent by the crane and via satellite transfers them to a centre where the data are analyzed. The objective is to learn about the practical use of cranes in order to subsequently provide the users with information on the safe use of cranes. This measure is meant to help prevent accidents in the future.

Thanks to the development of a satellite-controlled monitoring system, the safe use of cranes in practice is being analyzed.

SAFETY STANDARDS

Sustainable PALFINGER products combine ease of use with utmost safety.

European safety standards are developing at a highly dynamic rate, the most important ones being the EN12999:2011 standard and the Machinery Directive 2006/42/EC. It goes without saying that all PALFINGER products on the European market fulfill these standards. What counts, however, is that we pay a lot of attention to ensuring that the standards are complied with in a user-friendly manner. Otherwise, users might regard the safety features as a restriction, which in turn could tempt them to deactivate such features. PALFINGER products are among the market leaders when it comes to combining ease of use with utmost safety. This is also demonstrated by the new HPSC (High Performance Stability Control) system of PALFINGER.

In Singapore (SG), PALFINGER was a member of a working group on the topic of crane safety, which had been set up by the Ministry of Manpower. Product safety is an important factor in Singapore, as there is a lot of building activity and the safety of the workers must be guaranteed. In general, a trend towards adopting European safety standards has been observed, which would give PALFINGER a competitive edge.

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 2010, no casualties related to the use of PALFINGER products were reported. In 2011, one fatal accident occurred in Iceland as the result of a falling load. In addition, in both years under review, users suffered injuries of varying severity in the course of accidents with PALFINGER products. 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 2010 and 2011.

As at 31 December 2011, six cases worldwide were being tried or negotiated with legal support – one in Ireland, one in Australia, one in Germany, one in Spain and two in the USA. The Australian case involves a fatal accident that occurred in 2009 and is still under investigation. The other cases involve injuries and are currently either under investigation or the subject of either court proceedings or settlement negotiations out of court.

ENVIRONMENTALLY SOUND PRODUCTS

MAJOR TRENDS IN 2010/2011:

- **Maintenance-free extension system penetrates the market**
 Truck-mounted knuckle boom cranes with maintenance-free extension system
- **Decline in load sensing**
 Share of cranes equipped with load sensing on the decline due to changes in the product mix.
- **Improved lifting power/dead weight ratio**
- **Cranes: pilot project Electrical Power Pack**
- **Decrease in share of biodegradable hydraulic oil**
- **Majority of products in Europe and USA chrome-VI free**



RATIO BETWEEN PRODUCT WEIGHT AND LIFTING POWER

Through innovations, we have continuously improved the ratio between product weight and lifting power in our new products. In the examples given below, two new truck-mounted knuckle boom cranes are compared to their predecessor models. This presentation illustrates what can be achieved through the consistent use of light-weight construction and high-end electronics (SHPLS). In both cases, the dead weight remained either constant or increased only slightly. However, the cranes' performance was boosted considerably. This is the prevailing trend in all PALFINGER products. In 2011, for instance, stronger steel grades were increasingly used for PALIFT hookloaders and at our site in India in order to reduce the product weight.

Innovations ensure the optimum ratio between product weight and lifting power in new products.

POWER TO WEIGHT RATIO COMPARED TO PREDECESSOR MODELS IN THE FIELD OF TRUCK-MOUNTED KNUCKLE BOOM CRANES (lifting power/dead weight in kg/t)

Example 1



Example 2



Where our products are mounted on vehicles, often frame bodies are necessary. While we take great efforts to consistently reduce the weight of our products kilogramme by kilogramme, we keep observing that some frame bodies waste hundreds of kilogrammes of steel due to inefficient assembly. This unnecessary extra weight drives up the fuel consumption of the vehicles or reduces their possible payload so that multiple transports become necessary. Both effects increase the costs for our customers and the burden on our environment. For this reason, we support the body manufacturers in the construction of frame bodies by providing, among other things, the PALFINGER assembling calculation programme PACWIN.NET. The result is a win-win situation for all: the workshops, the users and the environment.

ENERGY CONSUMPTION WHEN USING OUR PRODUCTS

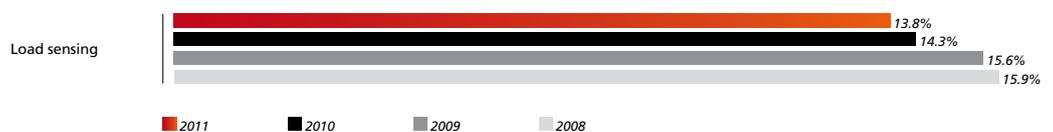
When our products are in operation and lifting loads, they consume energy. In order to increase efficiency in this field as well and to help minimize the costs for our customers and the environment, we have developed several environmentally friendly features.

LOAD SENSING FOR CRANES

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

The share of cranes equipped with load sensing pumps has become slightly smaller in recent years. This can be explained by the fact that the product mix in demand contains fewer large cranes, where load sensing is primarily used. Load sensing is offered as an optional feature for cranes with a performance of at least 10 metre tonnes, while large cranes starting from 23 metre tonnes are automatically equipped with load sensing.

MARKET PENETRATION OF LOAD SENSING IN TRUCK-MOUNTED KNUCKLE BOOM CRANES* (in %)



*Data apply to all truck-mounted knuckle boom cranes produced in Europe.

ELECTRIC MOTORS

Electric motors do not cause any emissions, produce little noise and are cheap to operate. Currently they are used in particular for PALFINGER access platforms. They allow independent operation of the platform even when the truck's engine is turned off, thus eliminating noise and emissions, which is of particular importance in an urban setting. Hydraulic pumps in previous tail lift models were operated electrically. The novelty is a complete transition from hydraulic solutions to electric motors. Thus, the elimination of the need for hydraulic oil as well as larger maintenance intervals, which result in cheaper operation, can be added to the aforementioned list of advantages. In the case of MBB tail lifts, the field tests of the first purely electric prototype have been trouble-free since 2009. The MBB WT1000E platform has been available for sale since 2011. Its use is particularly efficient due to energy recovery when lowering the tail lift.

Research and development has been equally successful for truck-mounted knuckle boom cranes with electrically-operated hydraulic pumps. Again, the advantages include cost savings and the reduction of emissions and noise, the latter being clear arguments for use in urban settings. From 2012 onwards, two PALFINGER models – one with 16 amperes, the other with 32 amperes – will be on the market. This makes PALFINGER the first manufacturer of truck-mounted knuckle boom cranes with electrically-operated hydraulic pumps.

REDUCING THE COSTS OF MAINTENANCE AND SERVICE

For PALFINGER, sustainability also means designing such high-quality products that the costs of maintenance and repairs are kept as low as possible. Thus, natural resources are saved and the users' running costs are kept down.

Our sustainable products are designed with a view to keeping the costs of maintenance and repairs as low as possible.

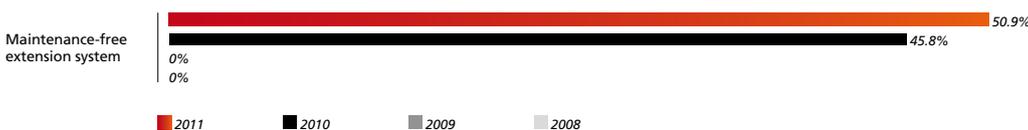
CONTINUOUS QUALITY IMPROVEMENTS

The quality and life span of PALFINGER products are continuously being improved. This includes enhanced protection against corrosion, better coating, optimization in welding and the use of higher steel grades. These advantages are also perceived by the market. It is evident that PALFINGER products, due to their quality and the dense network in the service area, consistently fetch high resale prices in the second-hand market.

MAINTENANCE-FREE EXTENSION SYSTEM

A new feature that helps save both resources and costs is the maintenance-free extension system for truck-mounted knuckle boom cranes. It allows for smoother operation of the extension booms due to improved gliding and running qualities. At our PALFINGER plants, instead of mineral oil based grease, we use food grade grease for initial lubrication. As a result, there is no danger of environmental pollution. For the users, the maintenance-free extension system means annual average cost savings of EUR 1,250, since no lubrication costs accrue. Since its introduction, this system has been expanded to all crane types of the High Performance series, so that by now, more than half of all PALFINGER knuckle boom cranes produced in Europe are equipped with a maintenance-free extension system.

MARKET PENETRATION OF MAINTENANCE-FREE EXTENSION SYSTEMS IN TRUCK-MOUNTED KNUCKLE BOOM CRANES* (in %)



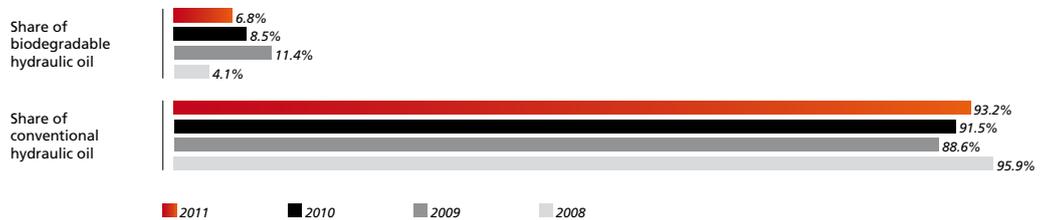
*Data apply to all truck-mounted knuckle boom cranes produced in Europe.

REDUCTION OF HAZARDOUS SUBSTANCES

BIODEGRADABLE HYDRAULIC OIL

Biodegradable hydraulic oil is based on synthetic esters and, in comparison to conventional oil, produces a significantly lower burden on the environment should the hydraulic system of a product happen to leak. Unfortunately, sales figures recorded for biodegradable hydraulic oil have been disappointing. Up until 2009, the development of our customers' demand for PALFINGER products initially filled with this environmentally friendly oil was highly satisfactory. Since 2009, however, interest has clearly decreased – despite our efforts to actively advertise this environmentally sound variant. Since 2009, biodegradable hydraulic oil has been included in product information and price lists. In France, for instance, the ecologically highly compatible oil was offered as an alternative for all products. Its introduction in 2009 has not met with the expected resonance on the part of the customers. One reason was that, although unjustified, the general image the end customers have of "bio oil" continues to be poor, as it is still deemed to be less ageing and temperature resistant than mineral oils. Moreover, effects such as the complete transition to biodegradable hydraulic oil that was announced as imminent in France failed to occur. In addition, the decline was also reinforced by a shift in the product mix in demand by customers.

SHARES OF BIODEGRADABLE AND CONVENTIONAL HYDRAULIC OIL* (in %)



*in the total volume of hydraulic oil purchased within the respective year

ELIMINATION OF CHROME VI

Despite additional purchasing costs, we support freedom from chrome VI beyond the scope of EU law.

For some years now, all truck-mounted knuckle boom cranes produced in Europe have been free of chrome-VI-coated components. We have been doing this on a voluntary basis as according to EU law freedom from chrome VI is only mandatory for vehicles of up to 3.5 tonnes. Most of the PALFINGER products are, however, mounted on heavier vehicles. We have gone to considerable lengths for our voluntary commitment. For instance, we have supported the development of chrome-VI-free components such as wiring, screws and washers. We also accepted 5 to 10 per cent higher purchasing costs. However, our commitment also had economic benefits for us, as purchasing exclusively chrome-VI-free parts is less complex.

During the reporting period, we made additional PALFINGER products chrome VI free. In the meantime, all MBB and RATCLIFF tail lifts as well as all CRAYLER transportable forklifts and PALIFT hook-loaders are produced without such coatings. In addition, all screws used in access platforms are free of chrome VI coatings. Alternative coatings are also used in marine cranes, with the exception of the built-in cylinders.

It can be guaranteed that PALFINGER cranes in North America are chrome VI free, as their components are purchased in Europe. In South America and Asia, however, it is difficult to find chrome-VI-free parts of adequate quality.

CHLORINE-FREE HYDRAULIC TUBES

Since 2011, all hydraulic tubes bought through central purchasing have been chlorine free. The supplier has provided the respective certification. The global share corresponds to approx. 70 per cent of the total revenue.

ECOLOGICAL AND SOCIAL ASPECTS OF THE USE OF PALFINGER PRODUCTS

MAJOR TRENDS IN 2010/2011:

- Sales to sustainable sectors increased
- Sales in the military field remained low approx. 0.5 per cent of total revenue



PALFINGER PRODUCTS FOR PEOPLE AND THE ENVIRONMENT

PALFINGER products are being used increasingly for ecological and social purposes. Industries playing an important role in climate protection represent new market opportunities for PALFINGER. Railway cranes facilitate low-emission rail transport. Some of our marine cranes are installed in offshore-wind energy plants. EPSILON cranes are used in forestry, for biomass handling or in the field of recycling, which is also the main area of application for our PALIFT hookloaders. Moreover, they are used in agriculture and by local authorities or fire brigades. MBB and RATCLIFF access systems make life easier for wheelchair-bound passengers in public transport. And marine rescue cranes also serve social purposes, being used to rescue people in distress at sea.

Sustainable industries are new market opportunities for PALFINGER.

All in all, these sustainable sectors developed outstandingly during the reporting period. Although these sectors were not spared declines in revenue as a consequence of the crisis in 2009, their share in PALFINGER's revenue has consistently risen this past year as well as in all other recent years. In 2011, the annual revenue generated by sustainable industries came to approx. EUR 207 million, corresponding to a share in the overall revenue of the Group of approx. one quarter. And this is without considering all other PALFINGER products that are also sold to biomass producers, fire brigades or recycling businesses.

SHARE OF PALFINGER PRODUCTS USED FOR ECOLOGICAL AND SOCIAL PURPOSES IN GROUP REVENUE

(in %)



EPSILON cranes showed excellent performance in the period under review, and in particular bio-energy developed into a genuine boom sector. But development was also good in the timber and recycling sector. Recycling customers also caused a positive trend in PALIFT hookloaders, where solid growth rates were achieved in the past three years. The acquisition of the marine crane business also made a substantial contribution to the sum total of all sustainable products, currently accounting for 24.5 per cent of the total Group revenue.

In the field of research, an EU research project for developing a fully automated wheelchair access system is still running at MBB until 2013. In May 2012, the finished TR 800 swivel lift is scheduled to be presented in a mock-up, which was also manufactured by MBB. Consequently, the lift will be sent to Bulgaria where it will be installed in a UIC carriage. The swivel lift in the carriage is to be presented for the first time at the InnoTrans fair in Berlin in 2012.

MILITARY AND CIVIL DEFENCE 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 MB CRAYLER transportable forklift is used in aid missions for transporting water containers, food and materials, also operated via radio remote control.

Military sales are modest and were further reduced during the reporting period. The main reason for this decrease was that all other industries recorded faster growth rates after the crisis. PALFINGER observes all embargos set by the EU or the international community.

SHARE OF SALES TO THE MILITARY IN GROUP REVENUE

in %	2011	2010	2009	2008
Share of sales in the military field	0.5%	0.5%	0.8%	0.7%

*This table includes all transactions directly made between PALFINGER and military customers. Any sales made via independent dealers or via the second-hand market cannot be reflected.

SUSTAINABILITY MARKETING

PALFINGER products have an excellent life-cycle performance.

Our products are only truly sustainable if they are also appreciated by our customers. Therefore, adequate communication to the market is essential. PALFINGER products stand for an excellent life-cycle performance. This reflects the holistic approach we take. Ensuring environmental protection and assuming social responsibility along the entire product life cycle are part of our mission.

In 2011, the so-called "best price deal" highlighted the efficiency of our products. Priority aspects included maintenance-free cranes, safety, low life-cycle costs and fuel saving. The environmental advantages of our products were thus indirectly communicated via efficiency topics.

Currently, we are preparing a new web presence which will also pay considerable attention to the sustainability of our products. Ecological topics and safety issues will also be communicated to customers at the 2012 dealer meeting.

The Green Initiative launched in North America places special emphasis on green products. In this context, the environmental benefits of PALFINGER products were communicated to the customers via folders and other communication media. Moreover, further potential improvements were derived internally.

MEASURES FOR 2012/2013:

- **New website: environmental friendliness and safety of products**
 At the new website, the products will be the centre of attention. For all product groups, environmental and safety advantages will be highlighted.
- **Sustainability at the dealer meeting in June 2012**
 Environmental and safety aspects related to PALFINGER products will be a priority topic.
- **Environmental criteria for product development**
 It is to be ensured that environmental criteria, such as the reduction of hazardous substances, reparability, separability/recyclability are embedded in all PALFINGER product development processes.

SUSTAINABILITY MANAGEMENT

THERMOGRAPHIC INSPECTIONS WERE MADE OF ALL OUR PLANTS AND MANY DEFICIENCIES WERE REMEDIED.



TO US, SUSTAINABILITY MANAGEMENT MEANS ...

- ... making sustainability integral to the strategy pursued by our top management;
 - ... integrating environmental protection and social responsibility in essential corporate processes, guidelines and strategic development;
 - ... further improving the management of quality, environmental and safety aspects – external certifications may be obtained to this end, but they are not a must;
 - ... exchanging ideas about sustainability management with our stakeholders and learning together;
 - ... pursuing professional sustainability management at the Group level, continuing the development of reporting systems and accelerating the implementation of our objectives and measures.
-

MAJOR CORPORATE PROCESSES

MAJOR TRENDS IN 2010/2011:

- Regional alignment of organizational structure and corporate-law structure
- Sustainability topics increasingly integrated into strategic corporate planning
- High level of flexibility required across all areas
- Growth of the Group calls for increasingly heterogeneous HR systems



ORGANIZATIONAL STRUCTURE

The European business units and the areas outside Europe pursue their activities with a considerable degree of autonomy.

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

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

The AREA UNITS segment comprises the areas North America, South America, Asia and Pacific, India and CIS together with their respective regional business units. These areas are still under development, which has been reinforced by the recent acquisitions in North America and Russia and the initiatives promoted in China.

The VENTURES unit encompasses all major strategic projects pursued by the PALFINGER Group for the future up to their operational maturity. In 2011, numerous projects, primarily in the areas CIS, Asia and Pacific, and India, were coordinated in this unit.

In addition, holding companies were founded to optimize the Group's structure, to adjust the corporate-law structure to the current management structure and to achieve a division into investment companies and operating companies. The project will be fully implemented in 2012.

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STRATEGIC CORPORATE PLANNING

The PALFINGER Group pursues a long-term growth strategy that is implemented consistently. In doing so, short to medium term goals and measures are regularly adjusted to changing framework conditions in order to guarantee their targeted implementation. To this end, every two years strategic corporate planning is prepared and is also presented at our biannual Executive Team Meetings (ETM).

In autumn 2010, the most recent planning process providing for measures and/or fundamental strategies up until 2015 was completed. The central topic was organic and/or inorganic growth with the cross-cutting issues of China, standardization and mechatronics. In addition, the ETM have been dealing with the overall economic global outlook, also with a view to demographic developments

and natural disasters and/or their effects, using the example of Japan. To ensure that eco-social topics are given more priority in the strategic corporate planning process, sustainability was defined as a cross-cutting issue of strategic corporate planning in 2012.

COST SAVINGS PROJECTS (CC-TOP, FIXED-COST PROJECT)

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

From 2008 onwards, PALFINGER has responded quickly to changed expectations and, among other things, taken measures to reduce overhead costs. Faced with the increasing volatility of the markets and the ensuing difficulties in predicting corporate developments, another fixed-cost project was launched in January 2012. In order to increase flexibility and strengthen competitiveness, the majority of fixed costs are to be stabilized at their 2011 level.

VALUE CREATION

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

PALFINGER's value-creation strategy focuses on the close interaction of value creation and market and product development.

All process-enhancing functions have been combined with an emphasis on a close interaction of value creation and market and product development. A focus has been placed on cooperation at the earliest possible stage and the standardization and modularization of products and parts to enable PALFINGER to exploit additional potential. This makes it possible to delay the decoupling point, as part of the postponement strategy, to as late as possible in the process and provides the opportunity to procure the relevant components via consumption-based (Kanban) processes. Consequently, inventories are reduced and the entire value-creation chain becomes more flexible. In 2011, efforts focused on the value-creation processes of the business unit Access Platforms and the further development of the value-creation strategy for the area North America.

Since 2009, PALFINGER has been pursuing the medium to long term strategy of providing a fixed share of its production capacities to external customers. Experience gained so far has proven that this opening of production plants to the external market has contributed to maintaining and strengthening competitiveness as well as to raising customer orientation. Manufacturing for third parties has been consistently continued and expanded in recent years. Products manufactured for third parties include, first and foremost, welding components, hydraulic cylinders and system sub-assemblies. In 2011, this was done at four PALFINGER plants.

In the past few years, PALFINGER introduced order-based manufacturing in several business units, which facilitated a reduction of inventories, particularly in the field of finished products and work in progress, and a significant increase in productivity. In addition, flexibility in terms of resources was enhanced, enabling PALFINGER to better respond to the quickly changing market demand. The transition to order-based manufacturing within the Group, and its optimization, was continued in 2011.

RISK MANAGEMENT SYSTEM/INTERNAL CONTROL SYSTEM/GROUP GUIDELINES

The risk management system is characterized by standardized Group-wide planning and controlling processes and inter-company guidelines and reporting systems.

PALFINGER is aware of the fact that a functioning opportunities and risk management system plays an important role in maintaining and expanding competitive advantages. The aim is to use a systematic approach to identify opportunities and risks at an early stage so as to be able to respond proactively to changing framework conditions. The basic components of the risk management set up by the PALFINGER Group are standardized Group-wide planning and controlling processes and inter-company guidelines and reporting systems. The risk management process is described and set forth in a Group guideline. The viability and effectiveness of the process are checked and scrutinized at regular intervals. The direct responsibility for risk management lies with the head of each operating unit. This is the level at which any issues pertaining to risks are regularly noted and evaluated. The corporate risk management reports directly to the Management Board, which bears overall responsibility.

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

The Group guidelines contain uniform standards for the relevant corporate processes and have to be implemented and observed by all units in the Group. Each guideline is allocated to one process manager. The Management Board, local management, the process managers and the internal auditing department have collective responsibility for ensuring that each relevant unit verifies the observance of the Group guidelines at periodic intervals. What matters to us from a sustainability management point of view is that our efforts are reflected in the individual guidelines already existing and consequently are kept in mind by the entire workforce and integrated into the daily processes. Therefore, as a rule, no "sustainability teams" are specifically set up for that purpose at the various sites, but each and every individual is expected to implement sustainability. With this in mind, we do not prepare any separate sustainability guidelines. For this reason, among other things, the existing safety guideline will be expanded to include environmental aspects relating to eco-efficient production.

HUMAN RESOURCES (HR)

A human capital management system is being rolled out.

Heterogeneous HR systems within the steadily growing PALFINGER Group make uniform and efficient data collection and reporting very difficult. A centrally managed system would not only have cost advantages but would also guarantee major factors such as quality and safety of the processed data on a global level. For this reason, PALFINGER decided, in 2011, to introduce a central Human Capital Management System, which is scheduled to provide employee master data to all fully consolidated companies all over the world from the end of 2012 onwards. In a further step, it will be reviewed whether to include specific indicators or to process them via an existing controlling system.

MEASURES FOR 2012/2013:

- **Sustainability in strategy development**
Ecological and social aspects will be priority issues of the 2012 strategic corporate development process.
- **Group conference for environmental and health officers**
All local officers for the environment, health and safety will exchange their experience and ideas. Objective: team building, answering questions on reporting systems, exchange of best practices

MANAGEMENT SYSTEMS

MAJOR TRENDS IN 2010/2011:

- Management systems gaining ground particularly in Brazil and China



QUALITY MANAGEMENT

Most of our sites have a quality management system under ISO 9001 in place. In the period under review, the Chinese site in Shenzhen (2010) and the Brazilian site in Madal (2011) each introduced such a management system for the first time.

The high quality of our welding processes is of particular importance to us, which is why most production sites where welding is done and/or most of our welders have obtained country-specific welding certificates. In addition, Madal (BR) plans to obtain certification according to ISO 3834 – Quality requirements for fusion welding of metallic materials – in 2013.

At the production site level, quality management systems and country-specific certificates are priorities.

ENVIRONMENTAL AND SAFETY MANAGEMENT

Many aspects of the quality management system are also relevant for environmental protection. In contrast to quality management systems, relatively few plants have been certified under ISO 14001 and EMAS. PALFINGER therefore plans to have the sites in Brazil (2012), Bulgaria and China (2013) certified in the years to come.

A safety management system under OHSAS 18001 has been set up in Lengau (AT). At the other Austrian site, in Köstendorf, the introduction of such a system has been reviewed but currently is not yet being pursued as a priority. In Council Bluffs (US), safety management is based on OSHA 29.

MEASURES FOR 2012/2013:

- **Certified environmental management systems at additional sites**

Environmental management systems certified under ISO 14001 will be introduced at the sites in Madal (BR), Tenevo (BG) and Shenzhen (CN).

- **Introduction of a human capital management system**



MANAGEMENT SYSTEMS IN USE

CERTIFICATIONS				QUALITY		ENVIRONMENT	SAFETY
Company	Site	Type of site*	Number of employees	ISO 9001	Welding certificates**	ISO 14001/EMAS	OHSAS 18001
PALFINGER AG	Kasern (AT)	Headquarters, DI	271	yes			
Palfinger Marine- und Beteiligungs-GmbH	Lengau (AT)	MA, AS	862	yes	yes	yes	yes
Palfinger Europe GmbH	Köstendorf (AT)	AS, DI	38	yes		yes	
EPSILON Kran GmbH	Elsbethen (AT)	AS, DI	75	yes			
Palfinger GmbH	Ainring (DE)	MO, DI	212	yes			
Palfinger Platforms GmbH	Löbau (DE)	AS	220	yes	yes		
Palfinger Platforms GmbH	Ebersbach (DE)	Service	0				
Palfinger Platforms GmbH	Seiffhennersdorf (DE)	MA	60	yes	yes		
Palfinger Platforms GmbH	Krefeld (DE)	MA, AS, DI	114	yes	yes		
MBB Palfinger GmbH	Ganderkesee-Hoykenkamp (DE)	MA, AS, DI	220	yes	yes		
Guima Palfinger S.A.S.	Caussade (FR)	MA, AS, DI	268	yes		yes	
MBB Inter S.A.S.	Silly en Gouffern (FR)	DI	15	yes			
MBB Interlift N.V.	Erembodegem (BE)	DI	2				
Ned-Deck Marine B.V.	Barneveld (NL)	AS, DI	58	yes			
Fast RSQ B.V.	Barneveld (NL)	AS, DI	29				
Ratcliff Palfinger Ltd.	Welwyn Garden City (GB)	MA, AS, DI	157		yes		
Palfinger Gru Idrauliche S.r.l.	Cadelbosco di Sopra (IT)	AS	72	yes			
Palfinger Proizvodnja d.o.o.	Maribor (SI)	MA	517	yes	yes		
Palfinger Marine d.o.o.	Maribor (SI)	AS	85				
NDM Romania S.r.l.	Cluj-Napoca (RO)	Purchasing	1				
Palfinger Proizvodna Tehnologija Hrvatska d.o.o.	Delnice (HR)	MA	78	yes	yes		
MBB Hubfix s.r.o.	Bratislava (SK)	DI	3				
Palfinger Produktionstechnik Bulgaria EOOD	Cherven Brijag (BG)	MA	397	yes	yes		
Palfinger Produktionstechnik Bulgaria EOOD	Tenevo (BG)	MA	483	yes	yes	plan 2013	
Palfinger Inc.	Niagara Falls (CA)	AS, DI	96		yes		
Palfinger USA, Inc.	Tiffin (US)	Holding	22		yes		
Omaha Standard, Inc.	Council Bluffs (US)	MA, AS, DI	329		yes		OSHA 29 CRF 1910
Palfleet Truck Equipment, Co.	9 US sites	MO, DI	200				
Omaha Standard, Inc.	Trenton/New Jersey (US)	AS, FT	53				
Equipment Technology, LLC	Oklahoma City (US)	MA, AS, DI	241				
Interlift, Inc.	Cerritos (US)	AS, DI	53				
Madal Palfinger S.A.	Caxias do Sul (BR)	MA, AS, MO, DI	409	since Dec 2011	plan 2013: ISO 3834	plan 2012	plan 2013
Palfinger Asia Pacific Pte.Ltd.	Singapore (SG)	DI	12				
Palfinger Marine Pte. Ltd.	Singapore (SG)	DI	4				
Palfinger (Shenzhen) Ltd.	Shenzhen (CN)	MA, AS, DI	58	since Aug 2010	yes	plan 2013	
Palfinger Cranes India Pvt. Ltd.	Chennai (IN)	MA, AS, MO, DI	67				
Ned-Deck Marine Vietnam Co. Ltd.	Hung Yen (VN)	MA	75				

*DI = distribution, AS = assembly, MA = manufacturing, MO = mounting

**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 HNS/AWS D 1.1 issued to individuals.

STAKEHOLDER RELATIONS MANAGEMENT

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

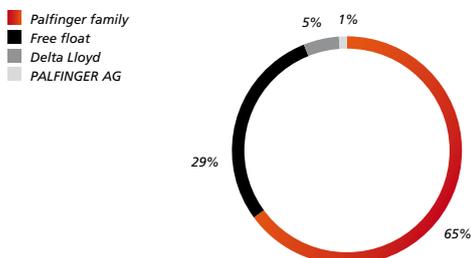
Balancing individual interests is also part of sustainable development.

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

SHAREHOLDERS

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

SHAREHOLDER STRUCTURE



We attach great importance to the continuous and transparent information of our investors which becomes increasingly important in an uncertain economic and stock exchange environment marked by high volatilities. This was confirmed by the fact that in 2011 PALFINGER AG once again received numerous awards, including international ones, for its Annual Report 2010.

PALFINGER attaches great importance to the continuous and transparent information of its investors.

In 2011, the Management Board and the IR team of PALFINGER AG attended investors conferences in Austria and abroad. Moreover, personal conversations were held with investors, also on the occasion of roadshows. Analysts and investors came to our headquarters, where they were given the opportunity to get to know our products and/or production facilities on site. For our small investors, we were represented at investors fairs in Vienna and Stuttgart as well as stock exchange days held in Hamburg, Frankfurt and Munich.

STAFF

The core success factor of PALFINGER is our staff of well-trained and highly motivated employees, who make a significant contribution towards the achievement of our goals. As a consequence, PALFINGER strives to offer existing as well as potential employees attractive jobs. Our corporate culture promotes a high level of self-responsibility and provides the employees with broad opportunities to contribute their own ideas to the continuous improvement process and to take part in adequate training measures.

The annual staff survey is an indicator for the satisfaction of our employees and serves as a basis for highlighting potential for improvement on an international scale. In this connection, mention should be made of the pleasing results of the 2011 annual staff survey, in which a record number of employees participated and which showed higher satisfaction ratings than before.

Annual staff review talks are an important source of information on where human resources potential needs to be promoted.

Regular appraisal interviews are designed to harmonize the individual goals pursued by employees with those pursued by PALFINGER and also to improve the quality of work and cooperation as a whole. In addition, annual staff review talks between HR managers and executives provide an important source of information on existing human resources potential and where it needs to be promoted, so as to ensure the best possible career and succession planning.

Other valuable means of communication include the Intranet and the staff magazine PIN (PALFINGER International Newsletter), which is now to be published three times a year instead of twice due to great demand. The different national languages pose an increasing challenge in this connection. The PIN is, for example, being translated into 10 languages.

NETWORK OF CUSTOMERS AND DEALERS

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

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

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

The end-customer surveys launched in 2010 were also continued in 2011 for additional product groups and countries. Moreover, in the first half of 2011, PALFINGER started a qualitative assessment of the needs of its service partners and end customers for the German market, the results of which will be integrated into an extensive project in the Services area.

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

SUPPLIERS AND PARTNERS

Essential procurement factors for PALFINGER include advanced technologies and innovation, primarily in the fields of hydraulics, electronics and high-tension steel. Therefore, procurement focuses primarily on the EU market, where these issues are strongly promoted. However, due to the current price pressure, the Eastern European procurement markets are gaining further importance. It is also in that light, in particular, that procurement, which is the largest cost item of the Group, accounting for approx. 50 per cent of the overall costs, is a material driver of the business development of the PALFINGER Group.

We maintain long-term relationships with our suppliers, which contributes to continuously increasing the development of components and consequently also the competitiveness of our products. This objective is supported by quality assurance agreements entered into with around 130 main suppliers. The quality of our supplier relationships is enhanced by including ecological and social issues as well as corruption prevention. This helps reduce, at an early stage, any image and default risks that might be caused, for instance, by suppliers' failure to comply with environmental requirements. PALFINGER recently started to carry out surveys among all strategic partners and other suppliers (paint shops, disposal contractors, cleaning and linen rental companies) regarding their environmental management systems. The results of these surveys will be included in supplier assessments in the future.

In 2010, a passage referring to our Code of Conduct, which provides for a commitment to environmental protection and social responsibility for the employees as well as economic ethics, has been incorporated in all contracts with suppliers. Compliance with this Code will be checked in the course of all future audits. Every second year, an international supplier meeting is held to further improve involvement in compliance. On these occasions, current topics and planned developments are presented.

LOCAL SURROUNDINGS

Through responsible action, PALFINGER positions itself as a reliable partner and an attractive employer in the respective regions, thus making a sustainable contribution to society through its business activities and social commitment.

In a first step, an adequate dealer and sales network is built up. Only when demand for products has reached a certain level in a country or an area do we start to consider creating value locally – starting with assembly, later proceeding to assembly and manufacturing. As a consequence, an increasing amount of business is given to local suppliers and partners. The objective of this strategy is to cater to differing customer requirements by providing products adjusted to local needs and to optimize costs in an international competitive environment. Moreover, any dependence on foreign-exchange fluctuations is minimized through this “natural hedge”.

By continuously emphasizing ecological and social issues as well as corruption prevention in its dealings with suppliers, PALFINGER is enhancing their quality.

Through its cooperation with local suppliers and partners, PALFINGER is able to cater to differing customer requirements by providing products adjusted to local needs.

SUSTAINABILITY PROCESS AND STRUCTURE

MAJOR TRENDS IN 2010/2011:

- Key performance indicators are reported annually.
- The majority of measures from the previous reporting period were implemented.
- The Management Board adopted the sustainability programme for 2012/2013.



REPORTING AND SUSTAINABILITY PROGRAMME

Sustainability data are collected annually to guarantee high process and data quality and efficiency.

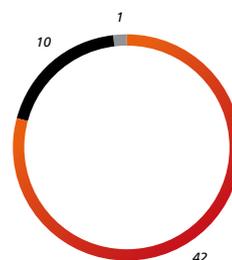
PALFINGER's sustainability reports are still published every two years, whereas the necessary data are collected on an annual basis in order to guarantee increased efficiency of the process and the data quality. For collection purposes, data entry forms were sent to all fully consolidated companies and/or their sites unless data were already available via a central reporting system. Moreover, teleconferences were held with those in charge at individual sites. Data quality was improved considerably, for instance in the field of human resources. Nevertheless, in general the data collection process and/or the systems applied show potential for improvement. To this end, PALFINGER intends to continue sharpening its definitions and refining its systems in the years to come.

The measures determined in the most recent sustainability programme were fed back to those in charge via a central tool called myICS, which is linked to the e-mail task area and thus is used for various control processes within the Group. This was meant to guarantee uniform tracing and reporting. However, the feedback of tasks via this system was not as successful as hoped for and therefore, in addition, several controlling interviews across all areas were held with the individual persons in charge.

However, the technical handling of the measures tracking did not have any impact on the success of the implementation of the tasks. 79.2 per cent of the measures were implemented during the reporting period. One measure from the field of human resources was cancelled, another 10 measures are still in progress and are thus listed again in the sustainability programme for 2012.

STATUS OF IMPLEMENTATION 2011

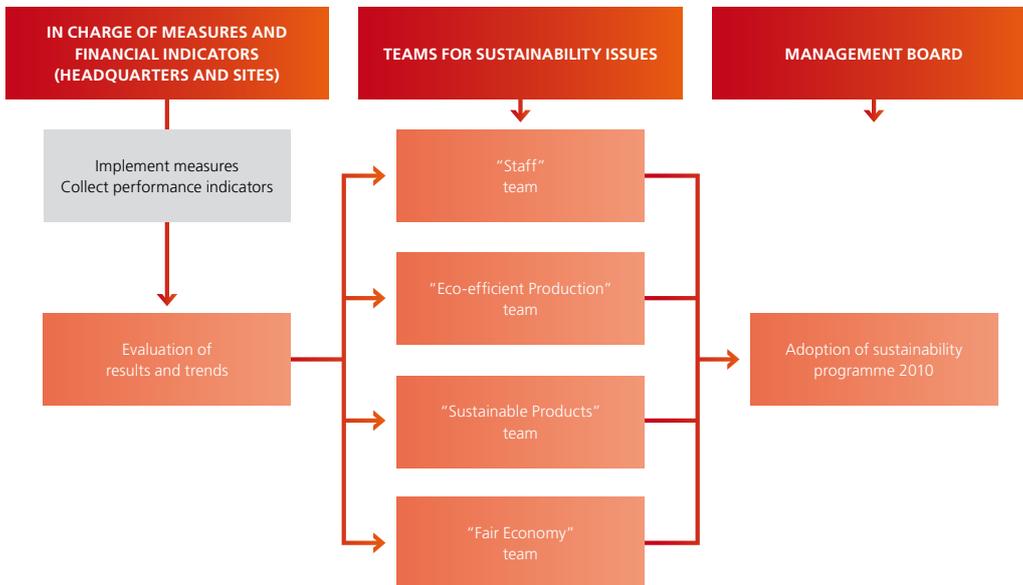
- implemented
- in progress
- terminated



SUSTAINABILITY PROCESS

The sustainability process has proven its worth in recent years and has therefore been retained. This report and the future measures basically follow the central ecological, social and societal topics already identified in earlier years. During the current reporting period, the status quo was analyzed based on PALFINGER's key performance indicators and trends identified during the previous reporting period and graphically assessed. They were then presented to various teams – "Staff", "Eco-Efficient Production", "Sustainable Products" and "Fair Business" – in workshops, and the developments were interpreted. Moreover, the implementation of measures was discussed and a new sustainability programme was drafted. This programme was presented to the Management Board by workshop participants and ultimately accepted by the Board.

PALFINGER SUSTAINABILITY PROCESS



MEASURES FOR 2012/2013:

- **Centralized sustainability reporting system**

Ecological and social indicators will be increasingly integrated in software-based reporting systems in order to accelerate and further standardize the reporting process.



SUSTAINABILITY PROGRAMME

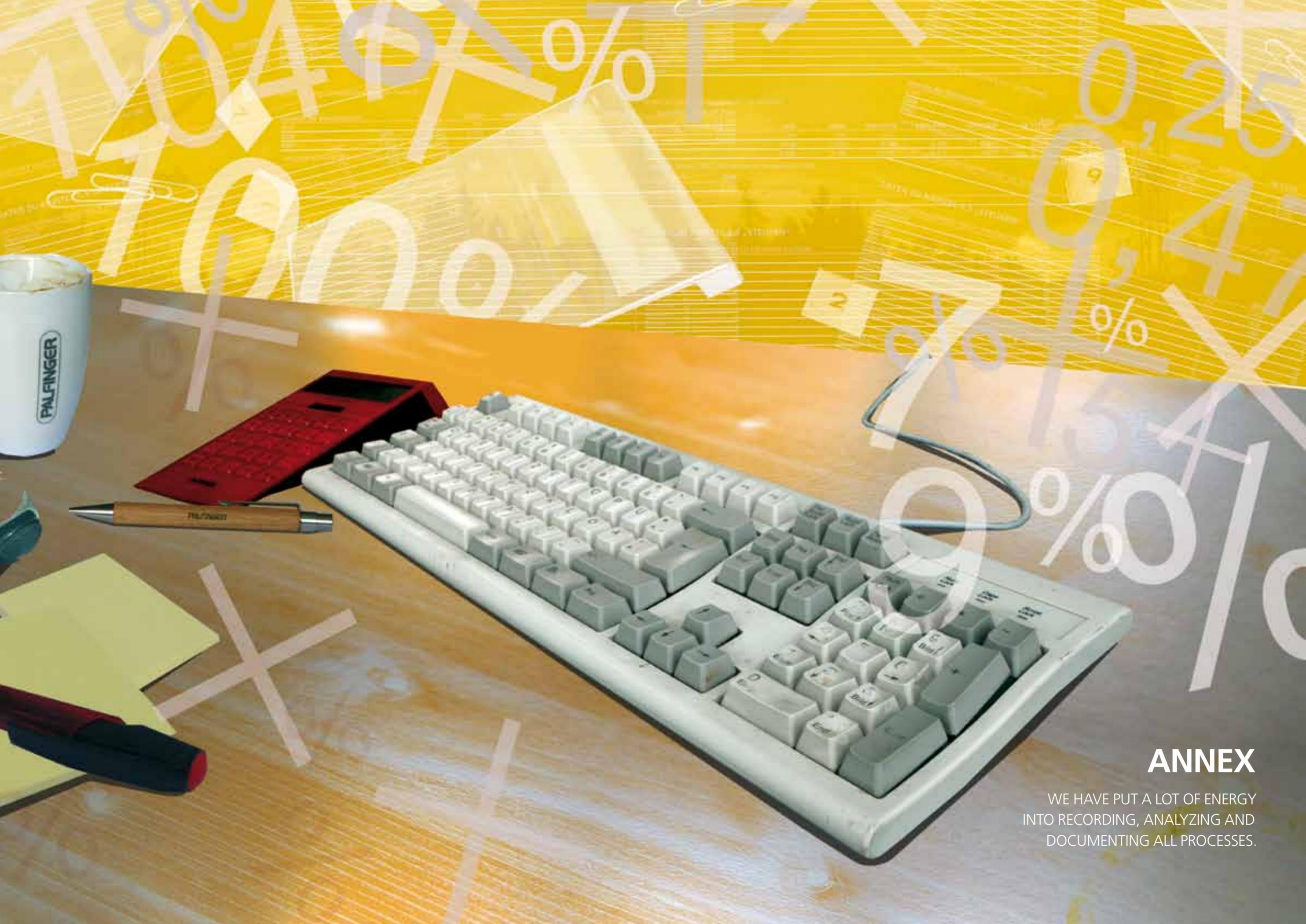
The following table lists all measures that form our sustainability programme for the next two years. In addition, it provides you with an overview of the progress in implementing the measures announced in our previous report.

Measures from the previous Report 2008/2009	
● = completed	● = in preparation
● = cancelled	
FAIR BUSINESS	Status
Global suppliers' Code of Conduct for purchasing	●
Internal audits regarding the Code of Conduct for purchasing	●
Analysis of environmental/social reviews in the course of supplier audits	●
CSR in tenders	
Modification of decision matrix: Tenders of a certain volume will have to meet CSR aspects.	
More detailed assessment of environmental/social aspects in supplier audits	
Further refinement of social and environmental criteria in the supplier audit checklist. This is to ensure a more detailed sustainability check of the 130 strategic suppliers. The checklist will be adjusted to include various ecological/social risks, depending on the country of origin, as well as critical production processes (e.g. electroplating, painting).	
Advantage for suppliers committed to CSR	
Points will be awarded for ecological and social aspects (e.g. existence of an environmental management system) when assessing suppliers.	
Communicating the importance of CSR for suppliers	
Suppliers will be more clearly informed – e.g. at the supplier meeting on 20 September 2012 – of the benefits of a commitment to CSR with respect to inclusion in PALFINGER's preference list.	
CORPORATE ETHICS AND CORRUPTION PREVENTION	Status
Awareness-raising for the Integrity Line	●
Inclusion of the PALFINGER Code of Conduct in all major contracts by means of a reference	●
Training in corporate ethics for new employees	
Various aspects of corporate ethics are to become part of the training course for new employees: Integrity Line, rule on acceptance of gifts, general values, Code of Conduct. Training documents will be adjusted accordingly.	
Round Table on corporate ethics	
Cases well known from the media will be discussed internally in order to strengthen ethical behaviour within the Group. Employees from the distribution, purchasing, payment and human resource departments will be invited to attend.	
DONATIONS AND SPONSORSHIPS	Status
No donations to party-affiliated organizations	
So far, PALFINGER has not given any donations to party-affiliated organizations. The rule that no donations may be given to political parties, party-affiliated or other political organizations will be officially incorporated into the marketing guideline.	
Re-alignment of social project "Pescar"	
In Brazil, the training project for socially disadvantaged young people is being re-designed, adding, for example, a training programme for welders.	
FINANCIAL SECURITY	Status
Organizational support for company pension scheme	●
Continuation of Living Wages	●
Selection of potential methods to calculate Living Wages and application under a pilot project at one of our sites.	
HEALTH AND SAFETY	Status
Analysis of HR measures carried out in Brazil	●
Crisis intervention team	●
Uniform global definition of accidents	●
Group-wide minimum safety standards	●
Local officers for health and safety	
Each regional management team is to ensure that local officers promote health initiatives (e.g. PALfit) and safety. The firm establishment of the principle of supporting health and safety by encouraging employee participation is to be a key part of this. Health circles with employees from various fields will be set up to stimulate a steady improvement process in all PALFINGER companies.	

HEALTH AND SAFETY	Status
Uniform reporting of individual accidents	
In addition to absence periods, individual accidents will also be reported Group-wide in accordance with a uniform definition regarding severity. This will contribute to local continuous improvement processes.	
Best practice pool for health initiatives	
Successful measures are to be exchanged electronically among the locally responsible persons throughout the Group, with the objective of achieving more widespread health initiatives within the Group as quickly as possible.	
EDUCATION AND FURTHER TRAINING	Status
10 training days for indirectly productive staff	–
Breaking-in programmes for welders in North America	●
Promotion of introduction of Group-wide staff review talks for indirectly productive staff	●
Initiation of a 50-plus management project	●
Increase of the percentage of women	●*
Women in the junior executive programme (trainees, advertising measures, etc.)	●
Female students for technical jobs	●
Screening to identify job opportunities	●
Analysis by experts. In which fields can staff with disabilities be employed?	
Boosting of local management teams	●
Staff satisfaction survey	●
Women in executive training	
In order to raise the percentage of women executives in the Group, a special focus will be placed on women when selecting candidates for internal executive training courses.	
HR marketing for women	
More women are to be recruited for technical positions at PALFINGER. HR marketing will focus on communicating the good opportunities for women at PALFINGER – for both apprenticeship and management positions.	
Diversity Circle	
Women at PALFINGER will draft suggestions for a gender-appropriate corporate culture. The results of the income report in Austria will also be discussed.	
Raising the percentage of employees with disabilities	
Various measures will be taken to raise the percentage of employees with disabilities, e.g. better communication of equal opportunities and a more intensive policy of inclusion.	
CLIMATE PROTECTION AND CORPORATE CARBON FOOTPRINT	Status
Stronger incorporation of ecological aspects in our company standards	●*
Revision of the use of waste heat recovery, various measures to reduce heat energy, fuel and electricity consumption at sites	●
Various measures to reduce energy consumption including, e.g. in the course of a Facility Management project	●
Training: European Energy Manager	●
Optimization of the fleet	●
Lighthouse projects for energy efficiency	
In Austria and Eastern Europe, where the energy-efficiency initiative “Facility Management” has already been launched, further lighthouse projects will be established, e.g. establishment of energy management systems, development of building control systems for detailed control over energy consumption, use of LED.	
Expansion of energy efficiency initiative to cover North and South America	
Energy efficiency competences at an educational level corresponding to that of an European Energy Manager will be developed. A PALFINGER energy saving manual will support the Group-wide implementation of measures.	
Best practice pool for energy efficiency	
Information on measures that have been successfully implemented will be electronically exchanged between the locally responsible managers in order to speed up the Group-wide establishment of energy efficiency measures.	
Sustainability certificate for new headquarters	
The planned new PALFINGER headquarters are to be so constructed as to achieve the “DGNB Silver” sustainability certificate.	
RESOURCE MANAGEMENT	Status
Development of environmental standards for PALFINGER plants in various regions and for the entire Group	●*
Optimization of painting	●
Integration of environmental aspects in risk audits	●

RESOURCE MANAGEMENT	Status
PALFINGER environmental standards – including environmental aspects in the Group guidelines	●
Group-wide environmental reporting system Every site reports specific environmental indicators via a Group-wide reporting system. In their reports, the individual sites also present specific indicators that give a uniform overview of the progress achieved in terms of efficiency.	
Local environmental protection officers Every regional management ensures that local officers promote energy efficiency and environmental protection. Teams at all companies control a continuous improvement process.	
ECOLOGICAL AND SOCIAL ASPECTS OF THE USE OF PALFINGER PRODUCTS	Status
Evaluation of global safety standards	●
Further development on the basis of standards	●
Various safety measures for tail lifts, hookloaders and cranes	●
Lighter PALfit container handling systems	●
Sale of electrically operated tail lifts	●
Various measures to reduce maintenance and servicing costs	●
Expansion of maintenance-free extension system to additional crane types	●
Increase of share of biodegradable hydraulic oil through a campaign	●
Review: Chrome-VI-free products	●
Reduction of use of electroplated parts in tail lifts	●
Eco-efficiency awareness campaign	●
Project Carbon Footprint Logistics advantages of light-weight PALFINGER products	●
Continuation of communication as regards our product-related environmental initiatives	●
Incorporation of eco-social trends in strategic corporate planning	●
Prototype of a fully automated wheelchair access system for mobility-handicapped passengers EU research project for MBB access systems in rail transport	●
Improved inclusion of industries in e-claim projects Optimizing the entry of the industries in which our end customers, to which PALFINGER products are delivered, operate.	●
New website: environmental friendliness and safety of products At the new website, the products will be the centre of attention. For all product groups, environmental and safety advantages will be highlighted.	
Sustainability at the dealer meeting in June 2012 Environmental and safety aspects related to PALFINGER products will be a priority topic.	
Environmental criteria for product development It is to be ensured that environmental criteria, such as the reduction of hazardous substances, reparability, separability/ recyclability are embedded in all PALFINGER product development processes.	
SUSTAINABILITY MANAGEMENT	Status
Evaluation of management systems for the environment/energy	●
Evaluation of whether an environmental management system under ISO 14001 should be introduced at the sites in Köstendorf (AT) and Caussade (FR)	●
Evaluation of whether a quality management system under ISO 9001 should be introduced at the site in Tenevo (BG)	●
Video/telephone conferences for environmental protection officers	●
Sustainability as corporate targets	●
Sustainability in strategy development Ecological and social aspects will be priority issues of the 2012 strategic corporate development process.	
Introduction of a human capital management system	
Certified environmental management systems at additional sites Environmental management systems certified under ISO 14001 will be introduced at the sites in Madal (BR), Tenevo (BG) and Shenzhen (CN).	
Centralized sustainability reporting system Ecological and social indicators will be increasingly integrated in software-based reporting systems in order to accelerate and further standardize the reporting process.	
Group conference for environmental and health officers All local officers for the environment, health and safety will exchange their experience and ideas. Objective: team building, answering questions on reporting systems, exchange of best practices.	

*Old measures were redefined while they were reviewed or completed and included in the current programme. Therefore, the original measures are all marked as "completed".



ANNEX

WE HAVE PUT A LOT OF ENERGY INTO RECORDING, ANALYZING AND DOCUMENTING ALL PROCESSES.

REPORTING PROFILE AND LIMITS

In this Sustainability Report, indicators have been presented in a more comprehensive manner than in the previous reporting period: Instead of showing a three-year trend, we have presented developments over four years, which allows for a better interpretation of how indicators have developed. The year 2008 was a successful year for PALFINGER in economic terms, which makes that year's indicators a good basis for comparisons with 2011 – a year that was also highly positive in economic terms. The years 2009 and 2010 reflect the effects of the economic crisis on PALFINGER's sustainability performance. The presentation of a four-year trend thus makes it possible to show the effects of the economic downturn and the subsequent recovery.

Publication of the next sustainability report is scheduled for 2014. The choice of topics to be covered in this Report was made on the basis of those identified as essential in previous reports. In addition, new topics were added based on ideas put forward in discussions among the sustainability team, which is composed of representatives from various departments.

The Sustainability Report at hand comprises data from 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), NDM Barneveld* (NL), Fast RSQ Barneveld* (NL), Welwyn Garden City (GB), Cadelbosco (IT), Maribor (SI), Marine Maribor* (SI), Cluj-Napoca (RO), 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), Tiffin (Palfleet, US), Trenton* (US), Oklahoma City* (US), Cerritos (US), Caxias do Sul (BR), Singapore (SG), Marine Singapore* (SG), Shenzhen (CN), Chennai* (IN), Hung Yen* (VN).

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 sites in Norway and Russia, which were newly acquired and/or founded in 2011, were not considered in the report for that year. Starting with the next sustainability report, all data from these sites 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.

GLOBAL REPORTING INITIATIVE INDEX

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

Core indicator pursuant to GRI G3
Additional indicator pursuant to GRI G3
● = fully observed ● = partly observed ○ = not relevant – = not reported

NO.	INDICATOR	REFERENCE/EXPLANATION	STATUS
Profile/Report Parameters/Governance			
1.1	Statement from the most senior decision-maker of the organization		●
1.2	Description of key impacts, risks and opportunities		●
2.1	Name of the organization		●
2.2	Primary brands, products and/or services		●
2.3	Operational structure of the organization		●
2.4	Location of organization's headquarters		●
2.5	Number and names of countries		●
2.6	Nature of ownership and legal form		●
2.7	Markets served		●
2.8	Scale of the reporting organization		●
2.9	Significant changes during the reporting period regarding size, structure or ownership		●
2.10	Awards received in the reporting period		●
3.1	Reporting period for information provided		●
3.2	Date of most recent previous report		●
3.3	Reporting cycle		●
3.4	Contact point for questions regarding the report and its contents		●
3.5	Process for defining report content		●
3.6	Boundary of the report		●
3.7	State any specific limitations on the scope or boundary of the report		●
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities		●
3.9	Data measurement techniques and bases of calculation		●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports		●
3.11	Significant changes from previous reporting periods		●
3.12	Table		●
3.13	Policy and current practice with regard to seeking external assurance for the report		●
4.1	Governance structure of the organization		●
4.2	Indicate whether the Chair of the highest governance body is also an executive officer		●
4.3	For organizations that have a unitary board structure: state the number of members of the highest governance body that are independent and/or non-executive members		●
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		●
4.5	Compensation for members of the highest governance body, senior managers and executives		●
4.6	Processes in place to ensure conflicts of interest are solved		●
4.7	Qualifications and expertise of the members of the highest governance body		●
4.8	Internally developed statements of mission or values, codes of conduct and principles		●
4.9	Procedures of the highest governance body		●
4.10	Processes for evaluating the highest governance body's own performance		●
4.11	Explanation of whether and how the precautionary approach or principle is addressed		●
4.12	Externally developed economic, environmental and social charters, principles or other initiatives		●
4.13	Memberships in associations and/or national/international advocacy organizations		●
4.14	List of stakeholder groups engaged by the organization		●
4.15	Basis for identification and selection of stakeholders		●
4.16	Approaches to stakeholder engagement		●
4.17	Key topics and concerns that have been raised through stakeholder engagement		●

NO.	ECONOMIC PERFORMANCE INDICATORS	REFERENCE/EXPLANATION	STATUS
EC1	Direct economic value generated and distributed		●
EC2	Financial implications of climate change		●
EC3	Company's benefit plan obligations		●
EC4	Significant government assistance		●
EC5	Ratios of standard entry level wage compared to local minimum wage	Financial Security of Staff	●
EC6	Relations with locally based suppliers		●
EC7	Local hiring		●
EC8	Impact of infrastructure investments		●
EC9	Significant indirect economic impacts	Fair Taxes	●

NO.	ECOLOGICAL PERFORMANCE INDICATORS	REFERENCE/EXPLANATION	STATUS
EN1	Materials used		●
EN2	Percentage of recycled materials		●
EN3	Direct energy consumption		●
EN4	Indirect energy consumption		●
EN5	Energy saved	Facility Management	●
EN6	Initiatives regarding renewable energy sources and energy efficiency	Sustainable Products/Environmentally Sound Products	●
EN7	Initiatives to reduce indirect energy consumption	Facility Management	●
EN8	Total water withdrawn		●
EN9	Water sources		●
EN10	Water recycled and reused		●
EN11	Protected areas	PALFINGER has no noteworthy impact on protected areas.	●
EN12	Biodiversity	PALFINGER has no noteworthy impact on biodiversity.	●

ANNEX
GLOBAL REPORTING INITIATIVE INDEX

NO.	ECOLOGICAL PERFORMANCE INDICATORS	REFERENCE/EXPLANATION	STATUS
EN13	Habitats protected or restored	PALFINGER has no noteworthy impact on protected areas and biodiversity.	●
EN14	Managing impacts on biodiversity	PALFINGER has no noteworthy impact on protected areas and biodiversity.	●
EN15	Number of IUCN Red List species and national conservation list species	PALFINGER has no noteworthy impact on protected areas and biodiversity.	●
EN16	Direct and indirect greenhouse gas emissions		●
EN17	Other relevant greenhouse gas emissions	Not of relevance as there were no noteworthy emissions of that type.	●
EN18	Initiatives to reduce greenhouse gas emissions	Facility Management	●
EN19	Emissions of ozone-depleting substances	Not of relevance as there were no noteworthy emissions of that type.	●
EN20	NOx, SOx and other significant air emissions	Not of relevance as there were no noteworthy emissions of that type.	●
EN21	Total water discharge		●
EN22	Total weight of waste		●
EN23	Significant spills	There were no material spills during the reporting period.	●
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention		●
EN25	The organization's discharges of water		●
EN26	Initiatives to mitigate environmental impacts of products/services		●
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		●
EN29	Environmental impacts of transport		●
EN30	Environmental protection expenditures and investments		-

NO.	SOCIAL PERFORMANCE INDICATORS: EMPLOYMENT	REFERENCE/EXPLANATION	STATUS
LA1	Workforce by employment type and region		●
LA2	Employment turnover		●
LA3	Benefits provided		-
LA4	Employees covered by collective bargaining agreements		●
LA5	Notice periods regarding significant changes	No material staff cutbacks were made during the reporting period. There are currently no Group-wide regulations on notice periods.	●
LA6	Joint management-worker health and safety committees		-
LA7	Rates in injury, lost days, work-related fatalities		●
LA8	Training sessions on serious diseases		●
LA9	Health and safety topics covered in formal agreements with trade unions		-
LA10	Training sessions for employees		●
LA11	Programs for skills management and lifelong learning		●
LA12	Regular performance and career development reviews		●
LA13	Composition of governance bodies		●
LA14	Ratio of basic salary of men to women		●

NO.	SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS	REFERENCE/EXPLANATION	STATUS
HR1	Investment agreements that include human rights clauses		●
HR2	Suppliers and contractors that have undergone screening on human rights		●
HR3	Employee training concerning human rights		-
HR4	Incidents of discrimination	During the reporting period, no incidents of discrimination became known, were pending in court or resulted in fines.	●
HR5	Risk of violating the right to exercise freedom of association		●
HR6	Risk of child labour		●
HR7	Risk of forced and compulsory labour		●
HR8	Security personnel		●
HR9	Indigenous people		●

NO.	SOCIAL PERFORMANCE INDICATORS: SOCIETY	REFERENCE/EXPLANATION	STATUS
SO1	Assessment of impacts of operations on communities		●
SO2	Analysis of risks related to corruption		●
SO3	Anti-corruption training		●
SO4	Anti-corruption actions		●
SO5	Public policy positions	At present, no noteworthy lobbying is being pursued.	●
SO6	Contributions to political parties		●
SO7	Legal actions for anticompetitive behaviour		●
SO8	Fines and sanctions for non-compliance with laws and regulations		●

NO.	SOCIAL PERFORMANCE INDICATORS: PRODUCT	REFERENCE/EXPLANATION	STATUS
PR1	Product safety		●
PR2	Incidents of non-compliance with regulations concerning health and safety		●
PR3	Product information on sustainability aspects		●
PR4	Incidents of non-compliance concerning product information		●
PR5	Customer satisfaction		●
PR6	Programmes for adhering to laws and standards related to advertising and sponsorships	Only of relevance in connection with unfair competition. No incidents have occurred.	●
PR7	Incidents of non-compliance with competition regulations	No incidents occurred.	●
PR8	Breaches of customer privacy	No incidents are known.	●
PR9	Fines for non-compliance with laws and regulations on the use of products		●

ERNST & YOUNG INDEPENDENT ASSURANCE STATEMENT

Limited assurance over disclosures and data in the Sustainability Report 2010/2011 of PALFINGER AG.

Scope of engagement

We were requested by PALFINGER AG to perform a limited assurance engagement related to disclosures and data in the Sustainability Report 2010/2011 (hereinafter "Report").

We performed the engagement in order to obtain limited assurance that the information as stated above provides, in all material respects, a reliable and sufficient representation of the policy, business operations, events and performance with respect to sustainability during the reporting period 2010/2011.

Our procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than for that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

The "General Conditions of Contract for the Public Accounting Professions"¹ in the version of 21 February 2011 (AAB 2011), issued by the Chamber of Public Accountants and Tax Advisors are binding for this engagement. Our liability is limited with regards to section 8, according to which an accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence the maximum liability towards PALFINGER AG and any third party together is EUR 726,730 in the aggregate.

Limitations to our review

- We have not tested comparative data, derived from the Sustainability Reports from previous years, unless this was deemed necessary for plausibility reasons;
- We did not perform any assurance procedures on data which were subject of the annual financial audit. We merely checked that data were presented in accordance with the GRI Guidelines.

Criteria

The information included in the Report was based on the criteria applicable in the financial year 2010/2011 (the "Criteria"), consisting of:

- External guidelines consisting of G3.0 elaborated by the Global Reporting Initiative (GRI), application level A+²

We assessed the information in the Report against these Criteria. We believe that these Criteria are suitable for our assurance engagement.

Management responsibilities

The management of PALFINGER AG is responsible for the preparation of the Report and the information therein in accordance with the Criteria mentioned above. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the Report that is free of material misstatements, selecting and applying appropriate reporting policies and using measurement methods and estimates that are reasonable in the circumstances.

What we did to form our conclusion

It is our responsibility to express a conclusion on the information included in the Report on the basis of the limited assurance engagement.

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000³ and the Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC), which includes requirements in relation to our independence. We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Our main procedures were:

- Assessing the suitability of the Criteria for the purpose of this engagement;
- Obtaining insight into the industry and the characteristics of the organization;
- Reviewing the sustainability management including reporting systems and processes underlying the preparation of the information in the Report;
- Reviewing the application of the Criteria on sustainability information on a sample basis;
- Reviewing the reporting principles and significant estimates and calculations used in the preparation of the Report;
- Assessing the plausibility of selected information in the Report;
- Identifying inherent risks that might affect the reliability of the information and, if necessary, investigating the extent to which such risks are covered by internal controls;
- Performing analytical procedures at Company level;
- Conducting interviews with responsible officials of PALFINGER AG in order to verify the implementation of the policies and measures described in the Report;
- Inspection of the Lengau site, including on-site interviews;
- Evaluating the overall view of information provided in the Report.

Our conclusions

Based on our procedures performed to obtain a limited assurance, nothing came to our attention that causes us not to believe that the information in the Report provides, in all material respects, a reliable and sufficient representation of the policy, business operations, events and performance with respect to sustainability during the reporting period 2010/2011, in accordance with the external guidelines consisting of G3.0 elaborated by the Global Reporting Initiative (GRI), application level A+.

Commentary

Our observations and recommendations for improvement of the reporting process have been raised in a report to the management of PALFINGER AG.

Vienna, 2 May 2012

ERNST & YOUNG Wirtschaftsprüfungsgesellschaft m.b.H.

Brigitte Frey m.p.

ppa. Christine Jasch m.p.

¹http://www.kwrt.or.at/de/PortalData/2/Resources/downloads/downloadcenter/AAB_2011_de.pdf

²<http://www.globalreporting.org/ReportingFramework/G3Online/>

³International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE3000)

This letter has been translated from German to English for referencing purposes only. Please refer to the officially legally binding version as written and signed in German. Only the German version is the legally binding version.

DATA ANNEX

DATA ON TAXES

Income tax payments (EUR thousand, excl. deferred taxes)	2011	2010	2009	2008
Austria	3,552	1,208	(334)	14,076
Belgium	0	0	0	0
Brazil	1	497	(52)	1,200
Bulgaria	0	0	0	0
Canada	0	3	39	(480)
China	0	0	0	0
Croatia	0	0	0	0
France	846	0	0	16
Germany	3,841	2,678	1,755	3,443
Great Britain	0	(4)	(6)	1
India	0	0	–	–
Italy	496	189	224	630
Netherlands	1,354	775	–	–
Norway	0	–	–	–
Romania	0	–	–	–
Russia	73	–	–	–
Singapore	44	40	(14)	33
Slovakia	8	5	5	10
Slovenia	0	0	0	0
USA	(529)	921	28	11
Vietnam	0	–	–	–
Total	9,686	6,312	1,643	18,940

DATA ON MONETARY FLOWS TO STAKEHOLDERS

Distribution of added value (EUR)	2011	2010	2009	2008
Income (direct economic value generated)	848,954,217	654,952,784	507,729,397	797,132,215
Monetary flows to stakeholders				
Suppliers (operating costs)	564,800,803	406,907,823	373,165,690	529,038,529
Employees (wages and salaries)	216,858,351	178,722,187	149,177,268	167,002,670
Investors (dividend incl. interest expense)	22,009,760	11,071,577	27,649,794	34,810,247
Dividend to investors/shareholders (equity)	11,599,937	1,085,000	17,288,060	28,231,000
Interest expense (debt)	10,409,822	9,986,577	10,361,734	6,579,247
Public authorities (less subsidies)	11,639,541	7,566,653	1,104,191	22,172,291
Taxes other than those on income (property tax, etc.)	3,229,369	2,242,469	254,513	4,647,534
Tax expense (income tax)	9,686,278	6,312,094	1,642,688	18,938,182
Subsidies	(1,276,106)	(987,910)	(793,010)	(1,413,425)
Donations and sponsorships	406,807	340,301	390,228	614,935

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 leases). Operating costs comprise expenditures 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 insti-

tutions), interest expenses (finance leases). In this Sustainability Report, costs for equity providers and debt providers are indicated separately. Payments to public authorities comprise tax expense (income tax) and taxes other than those on income (property 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 financial support for sports, culture and public welfare organizations (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 ON EMPLOYMENT TREND

The reporting date for all staff-related data was 31 December. Directly productive staff are directly involved in manufacturing products, indirectly productive staff work in supporting processes such as administration.

Total headcount – Group	2011	2010	2009	2008
Average payroll during the reporting period (according to Annual Report)	5,600	4,671	4,517	4,664
Payroll at 31 Dec	6,043	5,045	4,370	4,982
Calculation basis for personnel key figures in the sustainability report (31 Dec)	5,856	4,852	4,366	4,468
of which PALFINGER staff	5,601	4,671	4,355	4,382
temporary workers	255	181	11	86

Employment trend broken, down by region (incl. temporary workers)	2011	2010	2009	2008
Western Europe	2,673	2,395	2,274	2,249
Core workforce	2,288	2,216	2,158	2,220
Staff at new sites	263	107	107	0
Temporary workers	122	72	9	29
Eastern Europe	1,564	1,283	1,099	1,517
Core workforce	1,363	1,195	1,096	1,461
Staff at new sites	106	3	3	0
Temporary workers	95	85	0	56
North America	994	632	532	182
Core workforce	181	166	162	181
Staff at new sites	781	448	369	0
Temporary workers	32	18	1	1
South America	409	438	417	478
Core workforce	409	438	417	478
Staff at new sites	0	0	0	0
Temporary workers	0	0	0	0
Asia	216	104	44	42
Core workforce	70	62	43	42
Staff at new sites	140	36	0	0
Temporary workers	6	6	1	0

Staff turnover (incl. all employees leaving the Company)	2011	2010	2009	2008
AG – Kasern (AT)	24	27	7	5
PEU – Kasern (AT)	31	34	101	56
PSB – Lengau, Köstendorf (AT)	15	11	23	24
Elsbethen (DE)	9	6	10	11
Ainring (DE)	31	0	32	7
Löbau (DE)	6	12	30	44
Ebersbach (DE)	–	–	8	0
Seiffhennersdorf (DE)	4	1	10	0
Krefeld (DE)	7	6	23	0
Ganderkesee (DE)	11	21	15	11
Caussade (FR)	32	27	28	33
Silly en Gouffern (FR)	0	0	1	0
Erembodegem (BE)	0	0	0	0
Barneveld (Ned-Deck Marine BV) (NL)	2	–	–	–
Barneveld (Fast RSQ BV) (NL)	0	–	–	–
Welwyn Garden City (GB)	20	12	26	52
Cadelbosco (IT)	0	1	0	0
Maribor (Proizvodnja doo) (SI)	33	13	98	98
Maribor (Marine doo) (SI)	1	–	–	–
Cluj-Napoca (RO)	0	–	–	–
Delnice (HR)	5	1	18	14
Bratislava (SK)	0	0	0	0
Cherven Brjag (BG)	37	17	135	111
Tenevo (BG)	27	18	97	91
Niagara Falls (CA)	26	12	7	25
Tiffin (US)	2	3	8	14
Council Bluffs (US)	107	48	39	0
Birmingham, Palfleet (US)	3	2	0	0
Atlanta, Palfleet (US)	4	2	0	0
Charlotte, Palfleet (US)	5	3	0	0
Dallas, Palfleet (US)	1	2	0	0
Fort Lauderdale, Palfleet (US)	13	1	0	0
Indianapolis, Palfleet (US)	3	2	0	0
Louisville, Palfleet (US)	5	2	0	0
Council Bluffs, Palfleet (US)	6	7	0	0
Nashville, Palfleet (US)	5	2	0	0
Tiffin, Palfleet (US)	4	4	–	–
Trenton (US)	6	4	–	–
Oklahoma City (US)	30	–	–	–
Cerritos (US)	1	8	8	0
Caxias do Sul (BR)	120	123	153	119
Singapore (SG)	3	3	3	0
Singapore (Marine Pte. Ltd.) (SG)	0	–	–	–
Shenzhen (CN)	14	9	8	0
Chennai (IN)	9	4	–	–
Hung Yen (VN)	0	–	–	–

In accordance with the GRI definition, the above table includes the entire staff turnover (terminations, dismissals, retirements, etc.).

Type of employment	2011	2010	2009	2008
Number of employees in permanent position	5,054	4,318	4,251	4,207
Number of employees with fixed-term employment and/or temporary work contract	442	102	58	57
Number of part-time employees	207	158	109	130

DATA ON FINANCIAL SECURITY OF STAFF

Total expenses for wages and salaries (EUR thousand)	2011	2010	2009	2008
Austria	79,522	65,073	55,685	75,660
Belgium	88	92	79	88
Brazil	12,286	11,711	8,698	10,155
Bulgaria	7,250	5,834	5,294	7,522
Canada	3,275	2,941	2,179	3,101
China	751	557	350	298
Croatia	1,217	567	486	684
France	13,799	13,220	13,654	15,389
Germany	36,562	32,748	31,353	26,343
Great Britain	5,629	4,684	4,361	6,950
India	686	292	40	0
Italy	3,447	3,008	2,554	3,075
Netherlands	2,470	1,103	–	–
Norway	77	–	–	–
Romania	1	1	–	–
Russia	2,218	–	–	–
Singapore	1,130	668	575	487
Slovakia	63	56	56	50
Slovenia	12,118	8,417	7,574	10,648
USA	33,930	27,603	16,239	6,554
Vietnam	339	147	–	–
Total	216,858	178,722	149,177	167,003

DATA ON EDUCATION AND FURTHER TRAINING

Training hours per staff member	2011	2010	2009	2008
AG – Kasern (AT)	19.3	15.5	9.0	9.2
PEU – Kasern (AT)	16.0	11.7	19.8	8.9
PSB – Lengau, Köstendorf (AT)	10.1	4.9	13.1	9.6
Elsbethen (DE)	8.2	0.3	0	0
Ainring (DE)	0.6	–	16.1	24.0
Löbau (DE)	0	0.4	0	1.0
Ebersbach (DE)	–	–	0	0
Seiffhennersdorf (DE)	17.9	0	0	0
Krefeld (DE)	1.1	0	1.0	0
Ganderkesee (DE)	–	12.1	5.9	7.9
Caussade (FR)	4.9	3.1	12.3	–
Silly en Gouffern (FR)	–	–	0	0
Erembodegem (BE)	–	–	0	0
Barneveld (Ned-Deck Marine BV) (NL)	–	–	–	–
Barneveld (Fast RSQ BV) (NL)	–	–	–	–
Welwyn Garden City (GB)	–	–	12.7	12.7
Cadelbosco (IT)	1.9	6.4	0	0
Maribor (Proizvodnja doo) (SI)	10.1	4.18	26.1	14.7
Maribor (Marine doo) (SI)	–	–	–	–
Cluj-Napoca (RO)	–	–	–	–
Delnice (HR)	78.6	20.8	83.0	41.3
Bratislava (SK)	–	–	0	0
Cherven Brjag (BG)	7.3	–	0.7	7.4
Tenevo (BG)	3.3	8.4	62.0	11.4
Niagara Falls (CA)	7.1	27.6	13.7	17.4
Tiffin (US)	0	2.1	14.1	10.2
Council Bluffs (US)	–	–	0	0
Birmingham, Palfleet (US)	3.1	4.0	4.2	0
Atlanta, Palfleet (US)	7.5	16.6	8.3	0
Charlotte, Palfleet (US)	11.8	10.8	25.0	0
Dallas, Palfleet (US)	4.5	8.3	4.0	0
Fort Lauderdale, Palfleet (US)	0	8.2	13.6	0
Indianapolis, Palfleet (US)	6.4	8.4	5.5	0
Louisville, Palfleet (US)	0.3	0	12.0	0
Council Bluffs, Palfleet (US)	0.4	0	0	0
Nashville, Palfleet (US)	3.5	0	0	0
Tiffin, Palfleet (US)	0.4	0.6	–	–
Trenton (US)	–	–	–	–
Oklahoma City (US)	6.6	–	–	–
Cerritos (US)	–	–	6.1	0
Caxias do Sul (BR)	21.0	3.8	5.8	0
Singapore (SG)	–	–	16.3	0
Singapore (Marine Pte. Ltd.) (SG)	53.5	0	0	0
Shenzhen (CN)	12.9	8.6	1.4	0
Chennai (IN)	0	1.6	0	0
Hung Yen (VN)	0	–	–	–

DATA ON EQUAL OPPORTUNITIES

Diversity – Number of employees, broken down by age group	2011	2010	2009	2008
<30 years	1,259	924	904	1,011
30–50 years	3,203	2,739	2,558	2,604
>50 years	1,186	1,004	876	812

Diversity – Age structure employees (in %)	2011	2010	2009	2008
<30 years	22.3%	19.8%	20.8%	22.8%
30–50 years	56.7%	58.7%	59.0%	58.8%
>50 years	21.0%	21.5%	20.2%	18.3%

Diversity – Age structure employees 2011	<30 years	30–50 years	>50 years
AG – Kasern (AT)	58	174	39
PEU – Kasern (AT)	241	465	103
PSB – Lengau, Köstendorf (AT)	12	26	0
Elsbethen (DE)	31	34	1
Ainring (DE)	63	139	54
Löbau (DE)	29	88	69
Ebersbach (DE)	–	–	–
Seiffennersdorf (DE)	9	34	17
Krefeld (DE)	16	71	27
Ganderkesee (DE)	37	126	46
Caussade (FR)	15	170	80
Silly en Gouffern (FR)	1	9	5
Erembodegem (BE)	0	2	0
Barneveld (Ned-Deck Marine BV) (NL)	29	20	9
Barneveld (Fast RSQ BV) (NL)	23	6	0
Welwyn Garden City (GB)	15	60	82
Cadelbosco (IT)	11	43	14
Maribor (Proizvodnja doo) (SI)	71	327	40
Maribor (Marine doo) (SI)	21	38	9
Cluj-Napoca (RO)	0	1	0
Delnice (HR)	21	51	6
Bratislava (SK)	1	2	0
Cherven Brjag (BG)	52	222	123
Tenevo (BG)	89	279	115
Niagara Falls (CA)	9	32	26
Tiffin (US)	3	12	7
Council Bluffs (US)	57	175	94
Birmingham, Palfleet (US)	3	17	14
Atlanta, Palfleet (US)	2	4	9
Charlotte, Palfleet (US)	1	8	5
Dallas, Palfleet (US)	2	12	1
Fort Lauderdale, Palfleet (US)	0	1	1
Indianapolis, Palfleet (US)	0	13	7
Louisville, Palfleet (US)	3	18	7
Council Bluffs, Palfleet (US)	3	13	1
Nashville, Palfleet (US)	2	8	6
Tiffin, Palfleet (US)	3	19	17
Trenton (US)	7	26	20
Oklahoma City (US)	65	104	72
Cerritos (US)	4	36	13
Caxias do Sul (BR)	154	214	41
Singapore (SG)	1	9	2
Singapore (Marine Pte. Ltd.) (SG)	1	1	2
Shenzhen (CN)	28	30	0
Chennai (IN)	18	47	2
Hung Yen (VN)	48	17	0

Diversity – Gender – Women	2011	2010	2009	2008
AG – Kasern (AT)	77	54	6	9
PEU – Kasern (AT)	46	45	47	50
PSB – Lengau, Köstendorf (AT)	7	15	42	54
Elsbethen (DE)	3	3	3	5
Ainring (DE)	62	35	37	39
Löbau (DE)	22	26	17	21
Ebersbach (DE)	–	–	6	–
Seiffennersdorf (DE)	4	4	5	–
Krefeld (DE)	12	11	12	–
Ganderkesee (DE)	24	29	24	27
Caussade (FR)	25	25	27	31
Silly en Gouffern (FR)	2	2	2	2
Erembodegem (BE)	1	1	1	1
Barneveld (Ned-Deck Marine BV) (NL)	7	–	–	–
Barneveld (Fast RSQ BV) (NL)	2	–	–	–
Welwyn Garden City (GB)	15	15	14	16
Cadelbosco (IT)	6	6	6	7
Maribor (Proizvodnja doo) (SI)	20	17	15	21
Maribor (Marine doo) (SI)	13	–	–	–
Cluj-Napoca (RO)	0	–	–	–
Delnice (HR)	7	3	3	3
Bratislava (SK)	1	1	1	1
Cherven Brjag (BG)	47	41	35	51
Tenevo (BG)	57	54	47	56
Niagara Falls (CA)	14	12	13	13
Tiffin (US)	0	1	1	3
Council Bluffs (US)	19	20	21	–

ANNEX
DATA ANNEX

Diversity – Gender – Women	2011	2010	2009	2008
Birmingham, Palfleet (US)	5	1	0	–
Atlanta, Palfleet (US)	2	2	2	–
Charlotte, Palfleet (US)	1	2	1	–
Dallas, Palfleet (US)	0	0	0	–
Fort Lauderdale, Palfleet (US)	0	2	1	–
Indianapolis, Palfleet (US)	1	1	1	–
Louisville, Palfleet (US)	2	2	2	–
Council Bluffs, Palfleet (US)	3	1	2	–
Nashville, Palfleet (US)	0	0	0	–
Tiffin, Palfleet (US)	3	5	–	–
Trenton (US)	2	2	–	–
Oklahoma City (US)	19	–	–	–
Cerritos (US)	10	10	9	8
Caxias do Sul (BR)	48	49	38	40
Singapore (SG)	4	4	4	3
Singapore (Marine Pte. Ltd.) (SG)	0	–	–	–
Shenzhen (CN)	9	8	7	7
Chennai (IN)	5	1	–	–
Hung Yen (VN)	11	–	–	–

DATA ON CLIMATE PROTECTION

Total energy consumption, broken down by primary energy source	2011	2010	2009	2008
Diesel consumption (in litre)	1,103,468	974,245	773,016	831,916
Petrol consumption (in litre)	371,993	288,358	263,304	170,581
Natural gas (in m ³)	4,979,062	5,064,228	4,646,162	3,868,304
LPG (in litre)	106,574	123,335	81,557	100,057
Heating oil (in litre)	162,939	198,421	199,568	471,366
Butane (in kg)	55,651	67,863	75,372	62,372
Propane (in kg)	495,273	449,828	426,957	400,731

Slight changes in the figures for 2008 and 2009 are the result of an expansion of the data base.

Total energy consumption (in kWh)	2011	2010	2009	2008
Electricity	53,692,741	45,856,737	39,065,812	42,926,598
Diesel	10,828,041	9,560,015	7,585,409	8,163,373
Petrol	3,300,058	2,558,105	2,335,848	1,513,272
Natural gas	49,989,782	50,844,850	46,647,468	38,837,775
LPG	735,492	851,160	562,843	690,516
Heating oil	1,637,537	1,994,131	2,005,658	4,737,228
Butane	707,876	863,217	958,732	793,365
Propane	6,339,494	5,757,793	5,465,045	5,129,350
Total	127,231,020	118,286,008	104,626,815	102,791,478

Direct and indirect CO ₂ emissions, broken down by site (in t)		Electricity	Fuel	Heat
Kasern (AT)	2011	326	439	350
	2010	343	397	345
	2009	372	36	469
	2008	401	39	388
Lengau (AT)	2011	3,552	237	3,151
	2010	3,272	236	3,150
	2009	2,742	134	2,731
	2008	3,631	274	3,351
Köstendorf (AT)	2011	425	87	754
	2010	462	86	808
	2009	413	54	683
	2008	494	85	815
Elsbethen (DE)	2011	128	60	61
	2010	138	50	41
	2009	63	7	39
	2008	119	19	49
Ainring (DE)	2011	335	947	453
	2010	209	785	251
	2009	181	802	185
	2008	200	634	222
Löbau (DE)	2011	917	65	911
	2010	833	94	906
	2009	763	43	766
	2008	735	75	1,482
Ebersbach (DE)	2011	37	–	84
	2010	37	–	85
	2009	128	38	192
	2008	–	–	–
Seiffhennersdorf (DE)	2011	214	19	182
	2010	184	21	189
	2009	157	12	146
	2008	–	–	–
Krefeld (DE)	2011	229	19	276
	2010	208	17	175
	2009	306	–	134
	2008	–	–	–

Direct and indirect CO₂ emissions, broken down by site (in t)		Electricity	Fuel	Heat
Ganderkesee (DE)	2011	983	54	1,185
	2010	901	54	1,322
	2009	806	38	1,006
	2008	927	61	991
Caussade (DE)	2011	179	45	1,150
	2010	162	69	1,461
	2009	161	70	1,584
	2008	197	68	1,512
Silly en Gouffern (FR)	2011	5	106	17
	2010	6	104	21
	2009	7	110	16
	2008	7	117	20
Erembodegem (BE)	2011	2	8	0
	2010	2	5	0
	2009	2	8	2
	2008	3	6	5
Barneveld (Ned-Deck Marine BV) (NL)	2011	61	68	51
	2010	–	–	–
	2009	–	–	–
	2008	–	–	–
Barneveld (Fast RSQ BV) (NL)	2011	0	0	0
	2010	–	–	–
	2009	–	–	–
	2008	–	–	–
Welwyn Garden City (GB)	2011	515	193	378
	2010	495	177	432
	2009	477	188	390
	2008	589	252	461
Cadelbosco (IT)	2011	375	42	264
	2010	395	44	293
	2009	344	40	290
	2008	550	52	410
Maribor (Proizvodnja doo) (SI)	2011	3,489	75	2,721
	2010	2,980	88	2,595
	2009	2,464	56	2,095
	2008	3,448	112	2,700
Maribor (Marine doo) (SI)	2011	347	44	0
	2010	–	–	–
	2009	–	–	–
	2008	–	–	–
Cluj-Napoca (RO)	2011	0	0	0
	2010	–	–	–
	2009	–	–	–
	2008	–	–	–
Delnice (HR)	2011	280	5	105
	2010	155	2	105
	2009	138	3	74
	2008	162	11	52
Bratislava (SK)	2011	0	17	0
	2010	0	15	0
	2009	1	17	0
	2008	1	19	0
Cherven Brjag (BG)	2011	2,765	101	783
	2010	2,200	77	681
	2009	1,791	91	639
	2008	3,130	140	607
Tenevo (BG)	2011	4,492	77	577
	2010	3,922	83	704
	2009	3,009	83	782
	2008	4,716	119	647
Niagara Falls (CA)	2011	185	1	165
	2010	178	1	165
	2009	167	3	193
	2008	77	3	87
Tiffin (US)	2011	376	291	193
	2010	378	261	172
	2009	341	341	214
	2008	377	427	226
Council Bluffs (US)	2011	4,719	36	2,657
	2010	3,832	9	2,765
	2009	3,392	–	2,811
	2008	–	–	–
Birmingham, Palfleet (US)	2011	198	110	1
	2010	183	111	1
	2009	289	86	1
	2008	–	–	–
Atlanta, Palfleet (US)	2011	112	76	1
	2010	98	62	2
	2009	94	61	2
	2008	–	–	–

Direct and indirect CO ₂ emissions, broken down by site (in t)	Electricity			Fuel			Heat		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Charlotte, Palfleet (US)	348	350	113	81	55	52	2	2	2
	2010	350	113	81	55	52	2	2	2
	2009	113	52	81	55	52	2	2	2
	2008	-	-	-	-	-	-	-	-
Dallas, Palfleet (US)	110	82	155	49	37	48	0	1	1
	2010	82	155	49	37	48	0	1	1
	2009	155	48	49	37	48	0	1	1
	2008	-	-	-	-	-	-	-	-
Fort Lauderdale, Palfleet (US)	89	83	95	1	38	50	0	0	0
	2010	83	95	1	38	50	0	0	0
	2009	95	50	1	38	50	0	0	0
	2008	-	-	-	-	-	-	-	-
Indianapolis, Palfleet (US)	134	140	132	40	19	29	1	1	1
	2010	140	132	40	19	29	1	1	1
	2009	132	29	40	19	29	1	1	1
	2008	-	-	-	-	-	-	-	-
Louisville, Palfleet (US)	139	136	149	42	25	37	1	2	2
	2010	136	149	42	25	37	1	2	2
	2009	149	37	42	25	37	1	2	2
	2008	-	-	-	-	-	-	-	-
Council Bluffs, Palfleet (US)	114	131	124	197	76	75	1	2	2
	2010	131	124	197	76	75	1	2	2
	2009	124	75	197	76	75	1	2	2
	2008	-	-	-	-	-	-	-	-
Nashville, Palfleet (US)	117	144	139	103	27	34	1	1	1
	2010	144	139	103	27	34	1	1	1
	2009	139	34	103	27	34	1	1	1
	2008	-	-	-	-	-	-	-	-
Tiffin, Palfleet (US)	0	0	-	0	0	-	0	0	0
	2010	0	-	0	0	-	0	0	0
	2009	-	-	0	0	-	0	0	0
	2008	-	-	-	-	-	-	-	-
Trenton (US)	416	389	-	43	24	-	6	5	-
	2010	389	-	43	24	-	6	5	-
	2009	-	-	43	24	-	6	5	-
	2008	-	-	-	-	-	-	-	-
Oklahoma City (US)	935	-	-	0	-	-	25	-	-
	2010	-	-	0	-	-	25	-	-
	2009	-	-	0	-	-	25	-	-
	2008	-	-	-	-	-	-	-	-
Cerritos (US)	97	97	95	275	198	154	0	0	0
	2010	97	95	275	198	154	0	0	0
	2009	95	154	275	198	154	0	0	0
	2008	123	224	275	198	154	0	0	0
Caxias do Sul (BR)	649	654	556	397	494	358	111	224	140
	2010	654	556	397	494	358	111	224	140
	2009	556	358	397	494	358	111	224	140
	2008	593	316	397	494	358	111	224	131
Singapore (SG)	30	35	30	0	0	0	0	0	0
	2010	35	30	0	0	0	0	0	0
	2009	30	0	0	0	0	0	0	0
	2008	27	0	0	0	0	0	0	0
Singapore (Marine Pte. Ltd.) (SG)	0	0	-	0	0	-	0	0	0
	2010	0	-	0	0	-	0	0	0
	2009	-	-	0	0	-	0	0	0
	2008	-	-	-	-	-	-	-	-
Shenzhen (CN)	155	111	78	49	28	21	0	0	0
	2010	111	78	49	28	21	0	0	0
	2009	78	21	49	28	21	0	0	0
	2008	64	35	49	28	21	0	0	0
Chennai (IN)	50	28	-	7	11	-	0	-	-
	2010	28	-	7	11	-	0	-	-
	2009	-	-	7	11	-	0	-	-
	2008	-	-	-	-	-	-	-	-
Hung Yen (VN)	8	-	-	23	-	-	0	0	0
	2010	-	-	23	-	-	0	0	0
	2009	-	-	-	-	-	0	0	0
	2008	-	-	-	-	-	-	-	-

Updated emission factors were used when calculating the CO₂ emissions for 2008 and 2009. These factors reflect changes in the electricity mix of the individual countries.

Transports between PALFINGER plants (in tkm)	2011	2010	2009	2008
Truck transports	57,692,153	54,777,685	40,274,622	61,050,878
Rail transports	15,491,111	8,375,901	554,332	4,015,468
Seafreight	48,478,292	39,893,340	24,508,394	18,038,731
Airfreight	1,436,255	1,325,479	537,165	341,162

DATA ON RESOURCE MANAGEMENT

Waste (in t)	2011	2010	2009	2008
Scrap/discarded metal	14,284	12,035	9,108	16,184
Hazardous waste	2,104	1,795	1,585	1,690
Non-hazardous waste	2,129	1,886	2,440	1,984

Water consumption per site (in m ³)	2011	2010	2009	2008
Kasern (AT)	1,742	1,584	1,496	1,966
Lengau (AT)	10,449	10,808	8,913	9,506
Köstendorf (AT)	1,505	1,381	1,740	2,803
Elsbethen (DE)	488	341	346	484
Ainring (DE)	1,541	797	909	742
Löbau (DE)	2,200	2,186	2,086	2,994
Ebersbach (DE)	92	130	439	0
Seiffhennersdorf (DE)	759	916	761	0
Krefeld (DE)	1,348	1,876	849	0
Ganderkesee (DE)	2,453	2,574	1,793	2,503
Caussade (FR)	3,327	3,317	2,879	4,482
Silly en Gouffern (FR)	0	0	0	0
Erembodegem (BE)	0	0	0	0
Barneveld (Ned-Deck Marine BV) (NL)	0	-	-	-
Barneveld (Fast RSQ BV) (NL)	0	-	-	-
Welwyn Garden City (GB)	8,899	7,991	9,798	8,912
Cadelbosco (IT)	1,301	1,296	1,231	1,035
Maribor (Proizvodnja doo) (SI)	6,903	6,841	6,274	9,067
Maribor (Marine doo) (SI)	-	-	-	-
Cluj-Napoca (RO)	-	-	-	-
Delnice (HR)	730	318	473	852
Bratislava (SK)	0	0	0	0
Cherven Brjag (BG)	8,446	9,321	16,609	21,357
Tenevo (BG)	12,881	14,565	17,043	16,651
Niagara Falls (CA)	682	503	541	1,068
Tiffin (US)	2,400	2,500	2,300	4,640
Council Bluffs (US)	9,922	11,907	14,076	-
Birmingham, Palfleet (US)	462	382	303	-
Atlanta, Palfleet (US)	193	184	204	-
Charlotte, Palfleet (US)	793	807	897	-
Dallas, Palfleet (US)	193	193	202	-
Fort Lauderdale, Palfleet (US)	55	75	61	-
Indianapolis, Palfleet (US)	306	174	193	-
Louisville, Palfleet (US)	34	42	53	-
Council Bluffs, Palfleet (US)	238	143	159	-
Nashville, Palfleet (US)	203	170	144	-
Tiffin, Palfleet (US)	-	-	-	-
Trenton (US)	0	0	-	-
Oklahoma City (US)	1,575	-	-	-
Cerritos (US)	9	8	8	6
Caxias do Sul (BR)	6,732	5,130	5,275	5,494
Singapore (SG)	240	240	250	245
Singapore (Marine Pte. Ltd.) (SG)	0	-	-	-
Shenzhen (CN)	960	516	1,143	1,860
Chennai (IN)	800	250	-	-
Hung Yen (VN)	0	-	-	-

GENERAL INFORMATION

PALFINGER AG

Franz-Wolfram-Scherer-Strasse 24
5020 Salzburg
Austria

INVESTOR RELATIONS

Hannes Roither

Company Spokesperson
Phone +43 662 4684-2260
Fax +43 662 4684-2280
h.roither@palfinger.com

Daniela Werdecker

Sustainability Management
Phone +43 662 4684-2219
Fax +43 662 4684-2280
d.werdecker@palfinger.com

Claudia Rendl

Corporate Communications
Phone +43 662 4684-2261
Fax +43 662 4684-2280
c.rendl@palfinger.com

WWW.PALFINGER.AG

CONSULTING

Denkstatt GmbH

DESIGN

Rahofer Werbeagentur

PHOTOGRAPHY

Sonja Priller, carolineseidler.com

ILLUSTRATION

Gina Müller, carolineseidler.com

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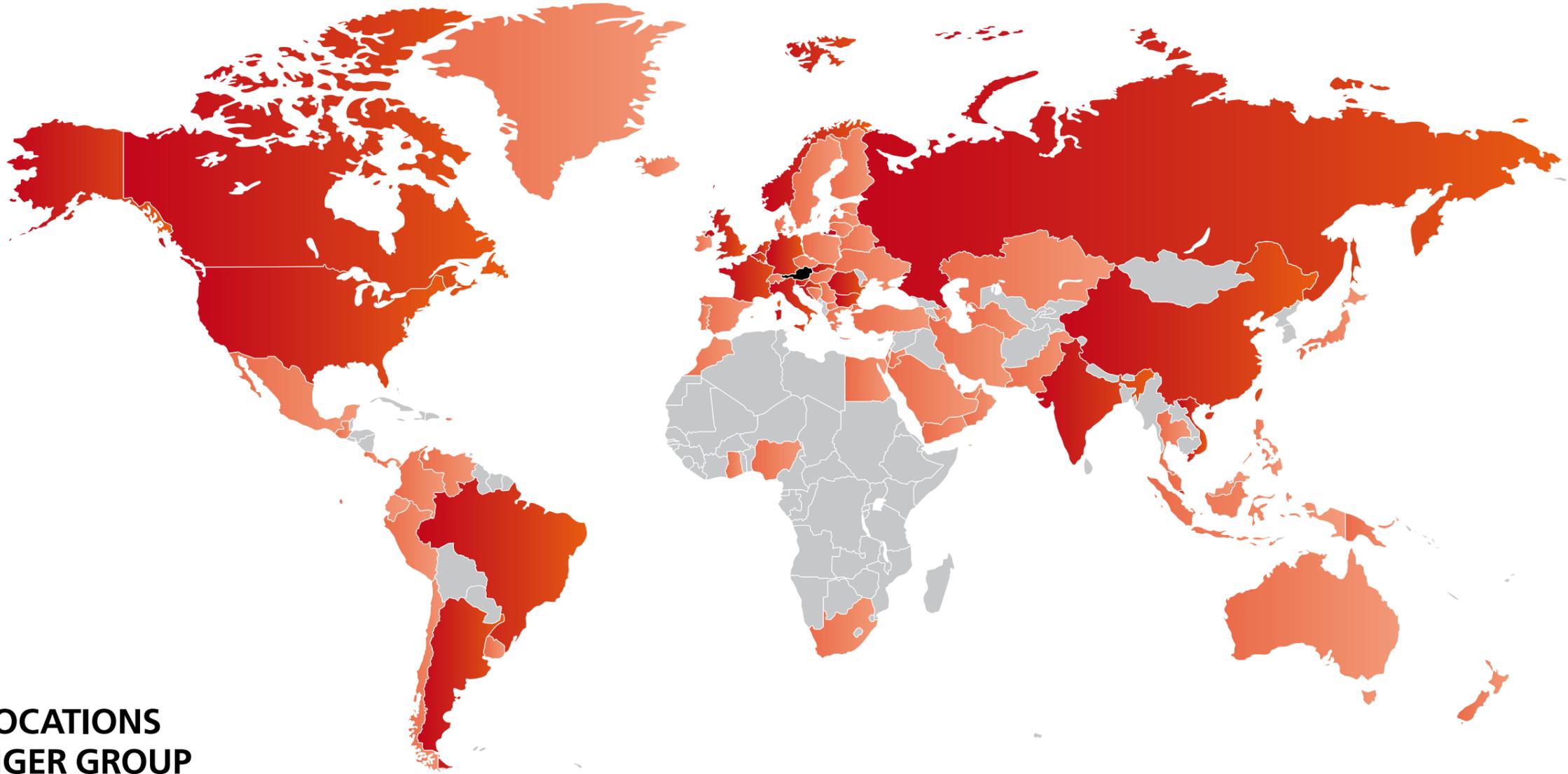
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CORPORATE LOCATIONS OF THE PALFINGER GROUP

AUSTRIA

PALFINGER AG

- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Palfinger Area Units GmbH**
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Palfinger North America GmbH**
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Palfinger South America GmbH**
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Palfinger European Units GmbH**
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- EPSILON Kran GmbH**
- Christophorusstrasse 30, 5061 Elisabethen/Glasenbach
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Palfinger Russland GmbH**
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Palfinger CIS GmbH**
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Palfinger Europe GmbH**
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Moosmühlstrasse 1, 5203 Köstendorf
- Kapellenstrasse 18, 5211 Friedburg
- Palfinger Marine- und Beteiligungs-GmbH**
- Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
- Moosmühlstrasse 1, 5203 Köstendorf
- Vogelweiderstrasse 40a, 5020 Salzburg
- STEPA Farmkran Gesellschaft m.b.H.**
- Christophorusstrasse 28, 5061 Elisabethen/Glasenbach
- ARGENTINA**
- Palfinger Argentina S.A.**
- Av. Corrientes 327, 3° Piso, Buenos Aires

BELGIUM

MBB Interlift N.V.

- Industrielaan 4, 3e Industriezone, 9320 Erembodegem

BRAZIL

Madal Palfinger S.A.

- Rua Flavio Francisco Bellini 350, CEP 95098 – 170, Caxias do Sul
- Estrada do Embu, 485 – Jardim São Vicente, CEP 06713 – 100, Cotia

BULGARIA

Palfinger Produktionstechnik Bulgaria EOOD

- 5980 Cherven Brijag
- 8672 Tenevo

CANADA

Palfinger, Inc.

- 7942 Dorchester Road, Niagara Falls, Ontario L2E 6V6

CHINA

Palfinger (Shenzhen) Ltd.

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

CROATIA

Palfinger Proizvodna Tehnologija Hrvatska d.o.o.

- Lučkica Cesta 1, 51300 Delnice
- Ind. Zona R-27, 51223 Skrljevo

FRANCE

A.C.I. SARL

- Avenue Descartes, 33370 Artigues près Bordeaux
- Guima France S.A.S.**
- 29A, Avenue des Tourondes, 82300 Caussade
- Guima Palfinger S.A.S.**
- 29A, Avenue des Tourondes, 82300 Caussade
- JCB Poids Lourds S.A.S.**
- ZI de l'Alouette – BP 12, 62801 Lievin
- MBB Inter S.A.S.**
- Rue de l'Eglise, 61310 Sully en Gouffern
- Mesle Equipement S.A.S.**
- Za de la Longuerie, 56140 Saint Abraham
- Nord Benne SARL**
- Avenue Kuhlmann – BP 106, 59373 Loos Cedex
- Palfinger France S.A.**
- ZA Les Basseaux – BP 73, 26802 Étoile sur Rhône Cedex
- Palfinger Service S.A.S.**
- Avenue Condorcet, 91240 Saint Michel/Orge
- Parthemat S.A.S.**
- Avenue Kuhlmann – BP 106, 59373 Loos Cedex
- Sand SARL**
- ZAC des Deux Vallées, 10 Avenue des Mineurs, 54910 Valleroy

GERMANY

MBB Palfinger GmbH

- Fockestrasse 53, 27777 Ganderkesee-Hoykenkamp
- Palfinger GmbH**
- Feldkirchener Feld 1, 83404 Ainring
- Rauheckstrasse 4, 74232 Abstatt
- Industriestrasse 4, 89188 Merklingen
- Düsseldorf Strasse 100, 47809 Krefeld
- Johann-Andreas-Schubert-Strasse 6, 02730 Ebersbach
- Brachwitzer Strasse 20, 06118 Halle/Saale
- Färberstrasse 2, 85276 Pfaffenhofen a. d. Ilm
- Bullerleich 59, 20537 Hamburg
- Palfinger Platforms GmbH**
- Düsseldorf Strasse 100, 47809 Krefeld
- Äussere Bautzner Strasse 47, 02708 Löbau
- Halbendorfer Strasse 4, 02782 Seiffennersdorf
- Johann-Andreas-Schubert-Strasse 6, 02730 Ebersbach

GREAT BRITAIN

Ratcliff Palfinger Ltd.

- Bessemer Road, Welwyn Garden City, Herts AL7 1ET

INDIA

Palfinger Cranes India Pvt. Ltd.

- 37, Varadarajapuram, Nazarethpet, Poonamallee, Chennai – 600 123

ITALY

Palfinger Gru Idrauliche S.r.l.

- Via Dante Aleghieri 50, 42023 Cadelbosco di Sopra

NETHERLANDS

Fast RSQ B.V.

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

NORWAY

Palfinger Marine Services AS

- Skålegato 50, Box 134, 5486 Rosendal

ROMANIA

NDM Romania S.r.l.

- Str Unirii Nr. 1, Ap. 27j, Cluj-Napoca
- Nimet Srl**
- 137121, Lazuri, Comisani

RUSSIA

PALFINGER AG (office)

- Ulitza Marata, 47–49, Litera A, office 501, 191002, St. Petersburg
- Palfinger Crane Rus LLC**
- Parkovaya Ulitza, 7, 196084, St. Petersburg
- INMANZAO**
- 2 Pervootkryvateley Bashkirkiskoy Nefti, 453210, Ishimbai, Respublika Bashkortostan

SINGAPORE

Palfinger Asia Pacific Pte. Ltd.

- 16 Tuas Avenue 6, Singapore 639303
- Palfinger Marine Pte. Ltd.**
- 79 Joo Koon Circle, Singapore 629107

SLOVAKIA

MBB Hubfix s.r.o.

- Tovarenska 14, 81571 Bratislava

SLOVENIA

Palfinger Marine d.o.o., Maribor

- Špelina Ulica 22, 2000 Maribor
- Palfinger Proizvodnja d.o.o.**
- Jaskova 18, 2001 Maribor

USA

Composite Works, LLC

- 341 NW 122nd Street, Oklahoma City, OK 73114, Oklahoma
- Equipment Technology, LLC**
- 341 NW 122nd Street, Oklahoma City, OK 73114, Oklahoma
- Interlift, Inc.**
- 15939 Piuma Avenue, Cerritos, CA 90703, California
- Omaha Standard, Inc.**
- 3501 South 11th Street, Council Bluffs, IA 51501, Iowa
- 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey
- Palfinger USA, Inc.**
- 4151 West State Route 18, Tiffin, OH 44883, Ohio
- Palfleet Truck Equipment, Co.**
- 2490 Pinson Valley Parkway, Birmingham, AL 35217, Alabama
- 5178 Old Dixie Highway, Forest Park, Atlanta, GA 30297, Georgia
- 4101 Trailer Drive, Charlotte, NC 28269, North Carolina
- 3030 Irving Boulevard, Dallas, TX 75247, Texas
- 6700 Powerline Road, Fort Lauderdale, FL 75247, Florida
- 2770 Bluff Road, Indianapolis, IN 46225, Indiana
- 5620 Fern Valley Road, Louisville, KY 40228, Kentucky
- 2109 South 35th Street, Council Bluffs, IA 51501, Iowa
- 1801 Lebanon Pike, Nashville, TN 37210, Tennessee
- 4151 West State Route 18, Tiffin, OH 44883, Ohio

VIETNAM

Ned-Deck Marine Vietnam Co. Ltd.

- 7 Phan Huy Chu, Hoan Kiem, Hanoi
- Road D2, Area D, IZ Pho Noi A, Hung Yen

- Corporate Locations
- Headquarters
- Dealers



WWW.PALFINGER.AG

PALFINGER AG
FRANZ-WOLFRAM-SCHERER-STRASSE 24
5020 SALZBURG
AUSTRIA