

REPORT OF THE SUPERVISORY BOARD

In fiscal year 2019, the Supervisory Board performed all duties assigned to it by law and by the company's Articles of Association. Four Supervisory Board meetings were held, on February 18, June 3, September 30, and December 16, 2019, and attended by the Executive Board. The Executive Board informed the Supervisory Board regularly, both in writing and verbally, about the course of business and the position of the company and of the Group companies. The Chairman of the Supervisory Board communicated regularly with the Executive Board, also outside the scope of the Supervisory Board meetings, in order to confer with the Executive Board concerning the company's strategy, business development, and risk situation.

In addition to current developments and planning, the Supervisory Board dealt with the following key issues in the 2019 fiscal year: the strategy in the individual segments, product lines and regions, the wide-ranging organizational changes in the course of the GPO, restructuring in the Segment SEA, major investment decisions, developments in Group-wide risk management, as well as concomitant prevailing economic, ecological, and social risks. Furthermore, three Audit Committee meetings were held in 2019, focusing on the 2018 annual financial statements, the internal control system, risk management, IFRS and accounting issues, internal auditing and cooperation with the external auditors. The Nominating Committee met regularly in 2019 and discussed the following topics in particular: the collaboration and functioning of the Executive Board, the preparation of proposals for the new appointment of for the new appointment of a Supervisory Board member, and the filling of a vacant position in the course of the 2020 Annual General Meeting. At its regular meetings held in 2019, the Remuneration Committee dealt with the remuneration of Executive Board members and conducted feedback interviews with the individual members of the Executive Board. Also in 2019, the Remuneration Committee worked on the preparation of a proposed resolution on the remuneration policy for the Executive Board and Supervisory Board for the 2020 Annual General Meeting.

PALFINGER AG's financial statements for the year ended December 31, 2019, and the 2019 management report including the company's accounting records and the non-financial explanations according to section 267a UGB were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg. The audit revealed that the accounting records, the financial statements, and the management report of PALFINGER AG comply with the applicable legal regulations and the provisions of the Articles of Association. The final findings of the audit did not give rise to any objections, thus allowing an unqualified auditor's opinion to be issued for 2019. The same applies to the 2019 consolidated financial statements. The consolidated financial statements prepared in accordance with IFRS (as adopted by the European Union) were supplemented by the Group management report and additional information in accordance with section 245a of the Austrian Commercial Code (Unternehmensgesetzbuch, UGB).

The Supervisory Board has approved the financial statements for the year ended December 31, 2019, and the management report for fiscal year 2019, thereby adopting the 2019 financial statements of PALFINGER AG in accordance with section 96(4) of the Austrian Stock Corporation Act (Aktiengesetz, AktG). The Supervisory Board has approved the consolidated financial statements and the Group management report for 2019 prepared in accordance with section 244 et seq. UGB. The Supervisory Board has evaluated and approved the proposal of the Executive Board with respect to the distribution of profits for fiscal year 2019.

The Supervisory Board would like to express its thanks and recognition to the members of the Executive Board and all employees of PALFINGER for their outstanding commitment and excellent achievements in fiscal year 2019.

Bergheim, February 18, 2020


Hubert Palfinger

Chairman of the Supervisory Board