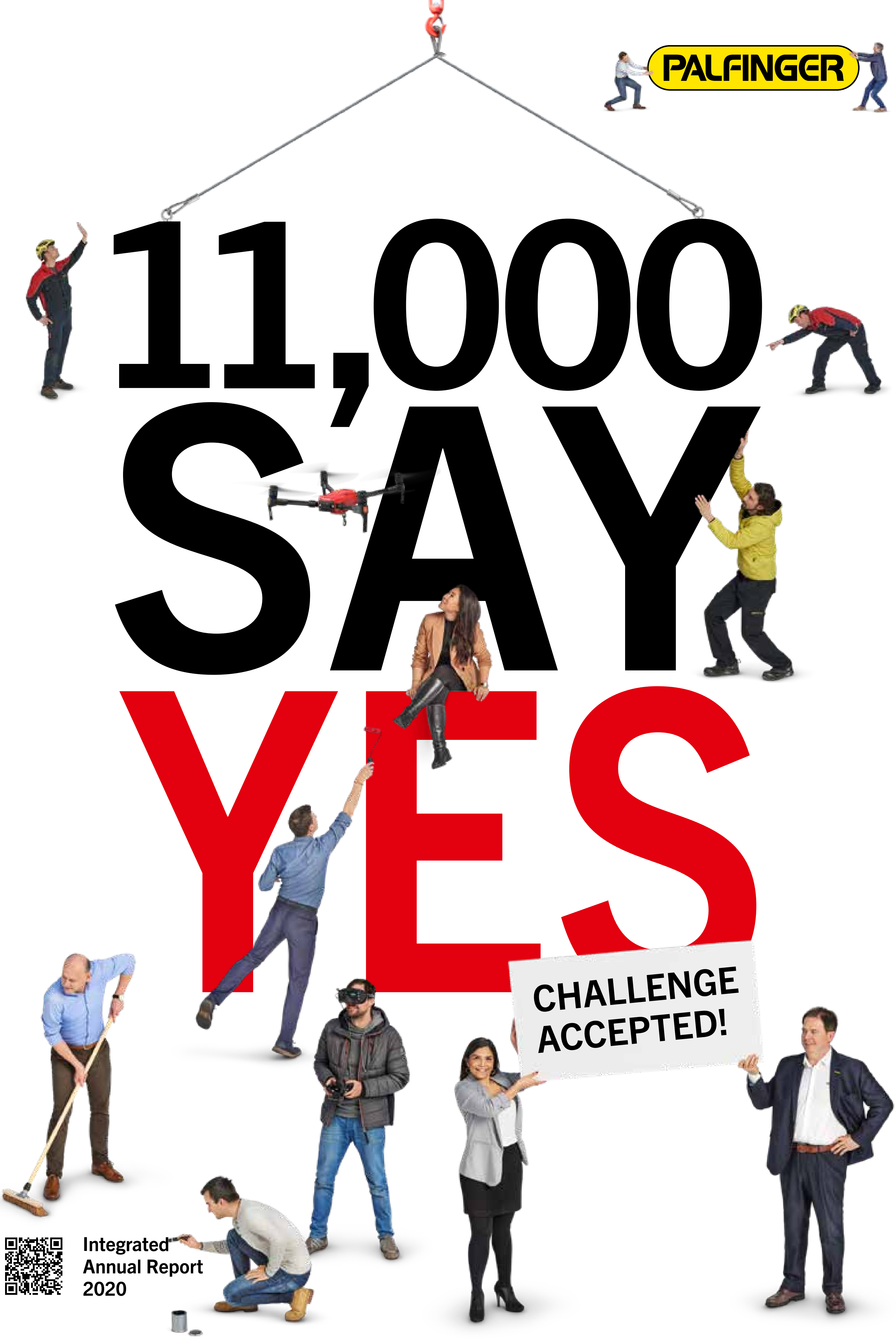


Integrated Annual Report 2020

TABLE OF CONTENT

WHEN 11,000 SAY YES,

it is much easier to overcome large challenges. Together with our customers, partners and employees, recognizing changes faster and turn them into opportunities to become even stronger and better.

As unique as each and every one of the around 11,000 PALFINGER employees (in more than 30 countries on all continents) is, together they are facing these challenging times more united than ever.

This is possible by the teamwork of all employees and PALFINGER stakeholders, who accept all challenges so that they can, in the future, continue to produce the best possible products and solutions: Challenge Accepted.

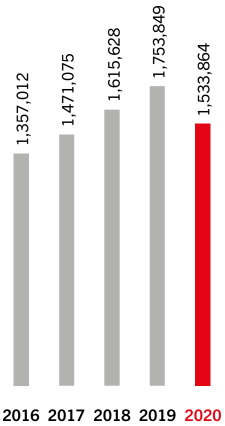
Before all photoshoots, all protagonists in this report (and the entire photography team) were tested daily for COVID-19.

KEY FIGURES OF THE PALFINGER GROUP

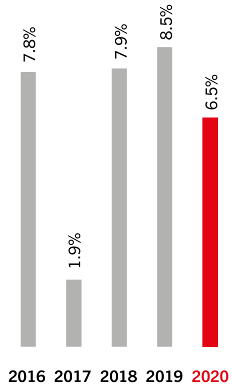
EUR thousand	2016	2017	2018	2019	2020
Income statement					
Revenue	1,357,012	1,471,075	1,615,628	1,753,849	1,533,864
EBITDA	155,997	167,350	196,749	223,643	188,664
EBITDA margin	11.5%	11.4%	12.2%	12.8%	12.3%
EBIT	106,049	27,788	126,974	149,015	100,288
EBIT margin	7.8%	1.9%	7.9%	8.5%	6.5%
Earnings before income tax	93,213	6,117	111,048	133,124	85,095
Consolidated net result	61,173	(11,423)	57,951	80,028	49,789
Balance sheet					
Net working capital (average)	275,896	303,758	334,786	352,681	348,278
Capital employed (average)	975,784	1,059,029	1,048,266	1,113,102	1,084,139
Equity	579,920	511,780	555,726	629,092	616,449
Equity ratio	37.7%	34.6%	36.4%	38.3%	39.6%
Net debt	513,077	513,282	515,739	525,647	397,088
Gearing	88.5%	100.3%	92.8%	83.6%	64.4%
Cash flows and investments					
Cash flows from operating activities	109,579	91,978	126,502	156,031	224,669
Free cash flow	(68,700)	43,058	46,775	112,355	173,319
Net investments	71,359	68,301	95,674	90.846[1)]	68,171[1)]
Depreciation, amortization and impairment	49,948	139,562	69,774	74,628	88,376
Value creation					
ROCE	8.1%	1.7%	8.5%	9.9%	6.9%
ROE	12.7%	0.2%	14.4%	16.5%	10.1%
EVA	20,546	(45,187)	31,551	43,391	10,776
WACC	6.0%	5.9%	5.5%	6.0%	5.9%
Employees					
Number of employees[2)]	9,846	10,212	10,780	11,126	10,824
Percentage of women	13.3%	13.1%	13.0%	13.6%	13.7%
Employee turnover	14.8%	19.3%	18.7%	16.8%	14.7%
Downtimes due to industrial accidents	0.20%	0.16%	0.17%	0.14%	0.12%
Training hours (per employee)	15.6	19.7	17.1	18.6	8.7
Environment					
CO_2 emissions from production in tonnes	58,950	54,341	55,039	36,588	30,796
Index: Energy consumption in relation to revenue	104.3%	100.1%	88.8%	86.5%	91.8%
Index: Hazardous waste in relation to revenue	108.8%	105.7%	82.7%	75.9%	97.4%
Share					
Market capitalization	1,075,167	1,280,050	834,570	1,099,603	973,665
Price as at year-end (EUR)	28.60	34.05	22.20	29.25	25.90
Earnings per share (EUR)	1.63	(0.30)	1.54	2.13	1.32
Dividend per share (EUR)	0.57	0.47	0.51	0.35	0.45[3)]

1) Including additions from leases (IFRS 16).
2) Reporting date figures of consolidated Group companies without equity investments and without contingent workers.
3) Proposal to the Annual General Meeting.

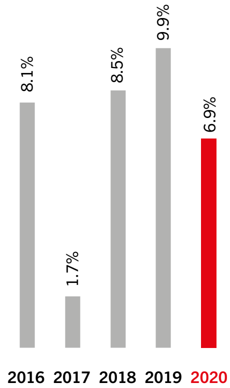
FINANCES



REVENUE
(EUR thousand)

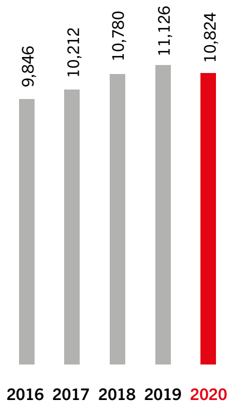


EBIT MARGIN
(in percent)

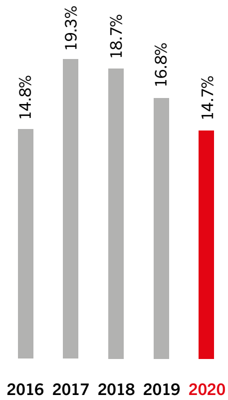


ROCE
(in percent)

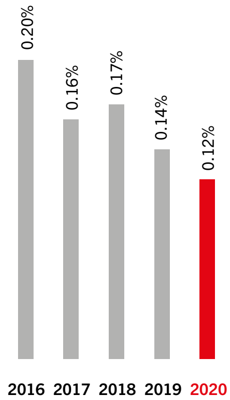
HUMAN RESOURCES



EMPLOYEES
(as at 31 Dec)

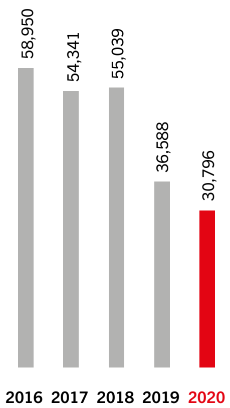


EMPLOYEE TURNOVER
(in percent)

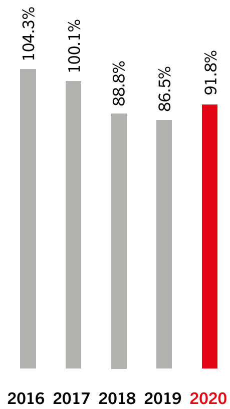


DOWNTIME DUE TO INDUSTRIAL ACCIDENTS
(in percent)

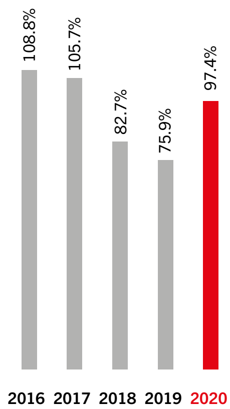
ENVIRONMENT



GREENHOUSE GAS EMISSIONS
(in tonnes of CO_2 equivalents)



INDEX: ENERGY CONSUMPTION IN RELATION TO REVENUE
(volume 2015 = 100%)



INDEX: HAZARDOUS WASTE IN RELATION TO REVENUE
(volume 2015 = 100%)

EMERGING FROM THE CRISIS EVEN STRONGER.

Worldwide, business in 2020 was affected by the COVID-19 pandemic crisis. CEO Andreas Klauser, CFO Felix Strohbichler and COO Martin Zehnder explain just how PALFINGER coped with the crisis and how strategies are being put in place for post-COVID times.

What was the most important lesson learned from 2020?

Andreas Klauser: PALFINGER had already begun a process of transformation prior to 2020. This is most apparent in our GLOBAL PALFINGER ORGANIZATION (GPO). It enabled PALFINGER to maintain communication at all times, under all conditions, and across all segments. Especially with our employees, customers and partners. At the peak of the crisis, PALFINGER itself proved it was a dependable and stable partner. Therefore, the most important lesson learned was that together, we can master all challenges.

Martin Zehnder: I totally agree! In March and April 2020, we faced the difficult task of maintaining the supply chain in a very unsteady environment. Because of the differing lockdowns and border shutdowns across Europe, this was no simple matter. That we reacted and interacted so quickly is a strength that we are proud of, and one we can continue to build on.

Felix Strohbichler: Especially in this confusing situation, it was necessary and we succeeded in taking all essential aspects into account, setting priorities and taking the right actions in a targeted, coordinated and rapid manner.

During the crisis, what was PALFINGER particularly successful at?

Andreas Klauser: As a manufacturing company, we immediately initiated all possible steps to achieve three main goals: protecting the health of our employees, short-term liquidity optimization - Felix can say more about that - and the long-term safeguarding of our company, and thus jobs. On top of that was the responsibility to our customers and partners. In order to achieve that, we introduced a 3-step plan that enabled us to operate efficiently and flexibly during and beyond the crisis.

Felix Strohbichler: As Andreas already mentioned, the liquidity optimization got top priority from the start. We were able to secure additional lines of credit at relatively short notice, optimize working capital and reduce fixed costs as well by deferring taxes and implementing short-time work models when and wherever possible. In addition to that, we took on project prioritization - by that I mean every project and every planned investment was reviewed carefully. At no time did we run the risk of getting into financial trouble. Even at the height of the crisis, we always remained a very stable company with high liquidity and we were fully capable of meeting our commitments at all times.

Martin Zehnder: What Felix has just described applies to production as well. Along with liquidity optimization and health, it too was top priority. Our target was to uphold our commitments to our customers and partners. Given the supply shortages, market demand and short-time work, plant capacities were aligned. Our big advantage is our footprint; when shortages occurred, regions jumped in and supplied one another so that PALFINGER could always deliver. We got PALFINGER through extremely short shutdown periods for only a few plants and through a coordinated effort ramped production back up by the end of April. This was also possible thanks to our excellent hygiene concepts in production, which ranged from mandatory mask wearing and keeping distance on the job and regular taking of employee temperatures, to awareness training and communication. This also helped in preventing employees from cross-infecting one another. All this was the basis for being able to benefit from the overall economic recovery that began in the third quarter.

You were very quick to set up your own Task Force. What were its main duties and how did this teamwork function within the company?

Andreas Klauser: We set up our Task Force as we realized, through our plants in China, that COVID-19 was going to become a problem that we needed to actively manage. We have already mentioned the three very important tasks. The main connective mission was to keep PALFINGER operational, at all times and under all circumstances. The #1 priority was to react quickly and comprehensively. Crucial was that the focus on the common task, close cooperation and proactive management of the Group worked from the very start. By the end of May, the Task Force had developed over 220 actions addressing „Health and Safety", „Production and Operations", as well as „Liquidity Optimization" which were implemented by management. Another important point: every person in the company knew what had to be done, when it had to be done, and how it had to be done. The flow of information worked, as well as the coordination between one another and the work with one another. On all levels, and that is important to me. We always communicated our actions openly and asked ourselves all the questions. Openness is an important element in every company. Given how COVID-19 was brought about, it is essential to survival. Only when everyone pulls together as a team, can enormous and difficult challenges be overcome.

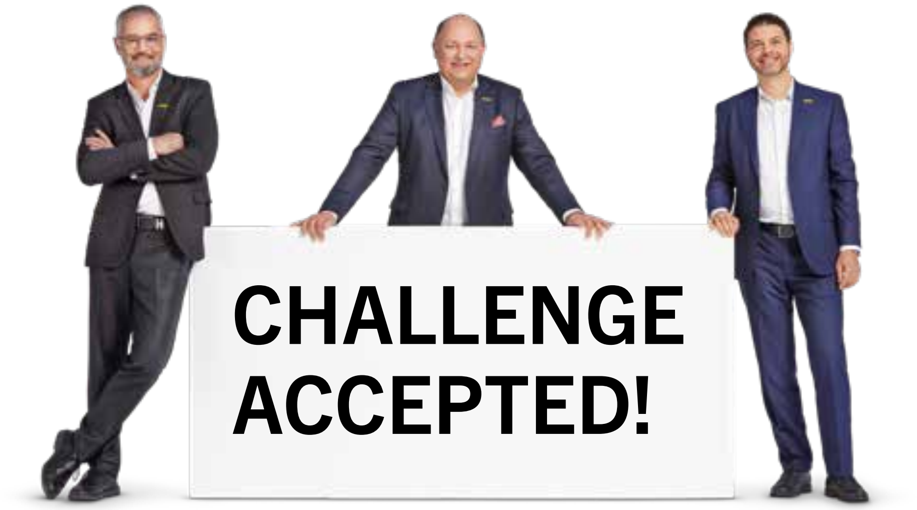
Taking actions internally is one thing, but how were you able to maintain the supply chain through external suppliers during the lockdown?

Martin Zehnder: What especially paid off here was our worldwide „Double and Multiple Sourcing"; it enables us to detect bottlenecks quickly and react flexibly. In future, we'll be relying on it more and more. Crucial is the closeness we share and live with our suppliers, with whom we've shared these very tricky times. Specifically during the crisis, they were confronted with major fluctuations and had to be absolutely flexible. We've had longstanding business relationships with most of them. Successfully emerging together from difficulty is much more important than reaping benefits in the short term.

The quick actions taken in order to maximize liquidity were successful. Are there also longer-term consequences?

Felix Strohbichler: Our net debt has reached its lowest level since 2013 after taking the effect of IFRS 16 into account. That's something we can be proud of. By taking such actions we fundamentally strengthened PALFINGER's balance sheet. After the crisis year 2020, we are now in the position to start the biggest investment in PALFINGER history through our own strength. We also used 2020 to optimize processes. For example, the Sales and Operations planning process provides us with full transparency globally and facilitates future-orientated corporate management. Additionally, with our partner SANY HEAVY INDUSTRIES, we are currently in the process of unbundling our complex business collaboration. By planning the reversal of the cross-holding and concentrating on the essential aspects of our partnership, we are working towards our target of generating additional financial resources and significantly expanding our scope.

Andreas Klauser: What Felix and Martin have touched on here communicates a very important message. In all of our actions taken, we were always thinking about the time post crisis. It is not just about mastering the immediate situation; it comes down to shaping the future. That is the claim on which we measure ourselves. In that respect, COVID-19 accelerated change and we are using it in a targeted way. Only one example: with the PALFINGER World Tour we established a highly successful digital platform for direct communication with our partners worldwide, in October 2020. For three days, attendees in Europe, Russia and China were able to take part in discussions and view product presentations interactively. With the tagline „Challenge Accepted", we showed that we used our close-knit ties with our customers and partners, to develop future-orientated, innovative solutions together.
In 2021, we will continue using this platform. Together with our customers and partners, we'll use our technological competencies to develop the best solutions for their challenges.



That means, PALFINGER is broadening its range?

Andreas Klauser: We are adding to and further developing our competencies. We are utilizing our strengths and passing them on to our partners. With them, we create value every day, and together we shape the future.

Martin Zehnder: That means we are developing holistic solutions. Our customers want to be successful with their business models. PALFINGER supports them optimally. We can because we know them; we have looked at their needs and their sectors carefully, and in depth; we‘ve put ourselves in their shoes. And, we offer them much more than just a product. We offer comprehensive solutions. If a customer needs a crane on a truck, the total package needs to be tailored optimally towards their specific needs. In other words: I don‘t succeed with just a crane, but an entire crane-vehicle system. A holistic solution also includes all aspects of the sustainability mega trend, which we are integrating into all of our solutions and offers.

Andreas Klauser: Our investment program plays a major role here. With our PALFINGER Campus in Lengau, we are further expanding training and continuing education. And our new research and development center strengthens our innovative capacity. This way we are in the position to offer our customers and partners the best individual solutions.

With all steps and actions taken in 2020, you were always thinking of the future. What do you expect in the coming year?

Felix Strohbichler: In 2021 we are putting our focus back on track for growth. The important core markets of Europe, North America and Russia are going to bounce back quickly. With due caution, I think our sales and profitability will approach 2019‘s record year. PALFINGER is fully on course to reaching its financial targets - two billion euros in revenues from organic growth, a 10 percent average EBIT margin and a 10 percent average ROCE over the business cycle - by 2024.

Martin Zehnder: In 2021 we are actively moving forward with transformation and are also addressing upcoming major topics such as sustainability with even more intensity. Among other things, we are looking into how sustainability and the 1.5 degree pathway influence our products, solutions and our business models to formulate targets and answers.

Andreas Klauser: 2021 is going to be characterized by the far-reaching impacts of the health and economic crises. We are going to face these challenges head-on. We are well prepared, highly motivated and we have every chance to shape 2021 proactively. We are going to do that – together with our employees, investors, partners and customers. Challenge Accepted.

Thank you very much for the interview.

STRONG ALONE, TOGETHER UNBEATABLE.

CHALLENGE

Being reliable and remaining so into the future: PALFINGER wants to live up to this claim, especially in these times of unpredictable change. Personal interaction needs to be rethought and trade fairs have to be redesigned in order to present products and solutions in the best possible way.

SOLUTION

To meet this challenge, PALFINGER must not only remain open to change, but also break new ground to maintain maximum customer proximity. Hardly any project underlines this better than the PALFINGER World Tour 2020: clear proof that distances that seem insurmountable at first glance can be overcome together and ultimately, can even become a competitive advantage.

This innovative format ensured customer contact, demonstrated performance, gave presentations a new dimension and promoted direct exchange between all involved. To deliver a powerful message to the sector, and to better be able to understand the new needs of customers and partners, the „Challenge Accepted" campaign was launched. A communication campaign that strengthens the sense of community between all employees, dealers, customers and suppliers. Above all, it awakens the interest to master any challenge, no matter how big!

WE WERE MORE LIKE FILM PRODUCERS THAN EVENT MANAGERS.

Magdalena Eder, Team Lead Eventmarketing

What was your biggest challenge this year?
The PALFINGER World Tour 2020. I was responsible for project management. We switched from planning a trade fair to planning an online event, which was actually more like film production. Our online guests were offered an exciting program in which both informational content and entertainment came across really well. The PALFINGER World Tour premiere already had an international flair - with its focus on markets such as Europe, Russia and Asia. And, by the way, a continuation with a marine focus is taking place in May 2021. Dates have also been planned for both North America and Latin America.

How was the feedback from your partners and customers?
They were enthusiastic about the professional implementation and gave us positive feedback through diverse channels.

What has changed for you personally and how do you see the future?
Personally speaking, we are used to planning and organizing a lot. This changed in 2020. It's okay to take a break for a moment to reevaluate things. You learn to appreciate what already exists.


TRANSITION
WITH A SYSTEM

CHALLENGE

The digital transformation has not just reached PALFINGER, it has long been part of the company's successful culture. To best respond to individual customer needs with tailored solutions, continuous development is essential – for all product lines and business processes. Processes within the organization are digitized from start to finish and are based on a uniform system that can be used globally by everyone. This creates synergy and enables knowledge sharing within the PALFINGER Group.

SOLUTION

As a driver of innovation, that's why PALFINGER doesn't only think in terms of products but in terms of customized solutions. Potential is identified with the goal of securing long-term customer success. New digital business models, smart product solutions and digitalized processes are key to mastering the challenges of digital transformation. One such important digitalization undertaking involved the initiation of the implementation of a standardized global Customer Relationship Management (CRM) system, which happened early in 2020. This system enables PALFINGER to perfectly orchestrate the planning, management, and execution of interactive processes for sales, service and marketing. Standardized processes are also the prerequisite for automation and across-the-board PALFINGER Group resource bundling. In keeping with this, PALFINGER successfully continued this Group-wide rollout in 2020.

EVEN MORE CUSTOMER FOCUS.

Philip Schütz, Project Manager CRM

Please briefly tell us about your scope of responsibility at PALFINGER!
Since 2019, I have been leading the global CRM project. My responsibilities, among others, include project controlling and process definition as well as need alignment of the sales, service and marketing departments.

What can you tell us about the CRM project and about the challenges of 2020?
Since the start of implementation in February 2020, we have already been able to make the system available to over more than 160 international users in diverse areas of business. With the go-live of our own general importer EMEA, we will generate a template by September 2021 that is going to be successively rolled out in the PALFINGER World. In a very short time, we have created many functionalities and interfaces that now need to be expanded and fine-tuned to meet the needs of general importers. Our target is to digitalize the PALFINGER customer journey for the long term, and to continue to focus on the customer.

Our readers should also get to know you a bit better. What did you experience last year? How do you see the future?
I get to live where others spend their holidays – I ski, hike and dive. Like everyone else, I miss socializing. I am however, quite confident that we will have our light-heartedness back by the end of 2021.

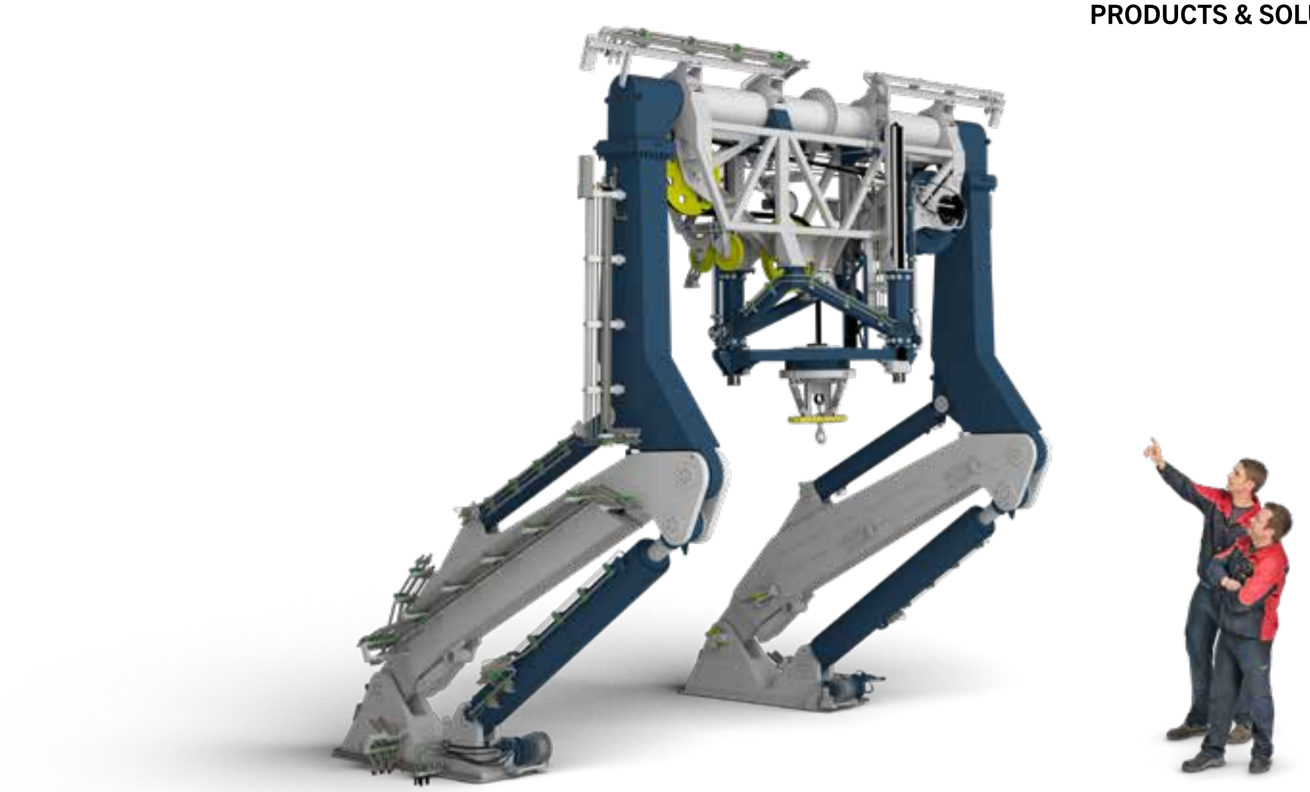
YES, WE CRANE!

CHALLENGE

To continue producing impressive results seen as benchmarks in countless industries and in ever new areas of application across the globe, it is essential to always be one step ahead and to make the impossible possible. To achieve this, PALFINGER‘s typical innovation „engine“ must continue to be „driven“ confidently - through intelligence, creativity, and the dedication of outstanding employees. Above all, to offer customers the best products and solutions of tomorrow, these new challenges must be faced as a team.

SOLUTION

One of the best examples of such teamwork is the trendsetting knuckle boom A-Frame for flexible launch and recovery maneuvers of underwater vehicles, used on the world‘s most advanced research vessel: the OceanXplorer. The focus during development was to find a safe, gentle solution for launching and recovering manned submarines that could be operated in a wide range of weather conditions. PALFINGER was also in its innovative element this year concerning the addition of its new tail lift models to the „tail lifts & passenger systems“ product line for the light commercial vehicle segment, which were even further enhanced by yet another remote control with Bluetooth® 5.0 technology, available across the entire tail lift product range.



IT'S NOT ABOUT THE SINGLE PRODUCT; IT'S ABOUT DELIVERING THE RIGHT PACKAGE TO DO THE JOB WELL.

Jarle Sørstrønen, Managing Director PALFINGER Marine Norway & Product Line Leader – Marine Handling Solutions

What was the last year like for you at PALFINGER and what was most important to you?
The challenging part was to safeguard all our employees and the business during the COVID-19 crisis, and to also deliver on the commitments made to our customers prior to and after the pandemic breakout.

One of your biggest challenges in 2020 was the construction of the A-Frame for the OceanXplorer. What can you tell us about it?
This was definitely a successful and prestigious delivery for PALFINGER. There were several achievements, but the biggest was the customer's realization that we had the right solution package for their specific challenge. The delivered solution consisted of a special A-frame for handling manned submarines, one offshore crane, one AHC winch and a towing winch.

Are there any new tasks for you in the pipeline? And if so, what are they?
As always, the tasks are queuing up but, worthy of mention is that, together with our partners, we are developing the first fully autonomous offshore crane. We have high hopes that the project will start materializing in 2021. I am proud of the PALFINGER remotely-operated winches for a series of fully autonomous vessels.

When life gets back to normal again. What are you most looking forward to?
Travelling with my family. And having beers with my colleagues.

EMERGING EVEN STRONGER.

CHALLENGE

To manage the challenge of emerging even stronger from the crisis requires everyone to work together. Only in such a way can measures be proactively developed and implemented speedily and efficiently. To ensure that the health of PALFINGER employees is safeguarded at work and the stability of the company is secured.

SOLUTION

Through its plants in China, PALFINGER had been directly confronted already in January by the effects of COVID-19. Based on first-hand experience, a COVID-19 task force was set up immediately in February 2020 to proactively develop measures to address the situation. In February, proactive measures were developed and implemented. The top priority was to guarantee employee health and the security of the company. Different times require different methods. A key issue was to quickly switch to working remotely, including facilitating the immediate supply of all necessary IT and work equipment. In order minimize the risk of infection in the manufacturing plants, a COVID-19 health concept was introduced. Among other things, this consisted of procurement of masks and disinfectants, taking employee temperatures on site upon plant entry and compliance with physical distance guidelines, as well as providing information regularly to the entire workforce.

LEADERSHIP ALWAYS MEANS TAKING AWAY FEAR.

Raimund Widmar, Corporate Health, Safety and Environmental (HSE) Manager PALFINGER

What challenges did you face in 2020, and how did they affect the way you work and your areas of responsibility?
The COVID-19 pandemic turned my entire planning for 2020 upside down. We quickly established our COVID-19 Task Force at the end of February to assess and minimize the impact on our global operations. We soon developed a pandemic policy and communication platform for all sites. Ensuring the health of our employees while maintaining our production output took top priority. Leadership always means taking away fear, especially in times of increasing uncertainty. That is why last year I spent around 50 percent of my daily activities supporting our pandemic teams worldwide.

What makes your job special for you personally?
My job gives me the opportunity to be in contact with colleagues from many different countries in a successful international company and to help shape the future both strategically and operationally. What makes it special for me is to contribute to safe workplaces and environmental protection at PALFINGER on a daily basis.

THROUGH GLOBAL KNOW-HOW, MORE WOW.

CHALLENGE

Successful people are, and remain, those who constantly improve. Especially internationally. The challenge here is to be well informed about different markets and their specific requirements, to adapt to changes as quickly as possible and to do so as a team. It's crucial to bring local partners on board and thus make the PALFINGER success story even more global. Only so can the best products and solutions always be provided.

SOLUTION

The synergies of the GLOBAL PALFINGER ORGANIZATION (GPO) paid off immediately. They enabled PALFINGER to provide the best solutions across countries and, in many cases, concerning competition, to be ahead of the game. PALFINGER's powerful sales and service network provides knowledge of market needs to offer the right solutions to customers according to their applications. In 2020, this resulted in PALFINGER landing numerous major contracts. Included was a tender of the Provincial Electricity Authority (PEA) of Thailand for 301 aerial work platforms and loader cranes, most of which were also delivered in 2020. With this PALFINGER equipment, the PEA will, in the future, supply electricity to authorities in all Thai provinces. PALFINGER is also proud of the acquisition of an important Scandinavian player: Hinz Försäljnings AB. Merging with its second largest independent worldwide distributor strengthens PALFINGER's presence in the Swedish core market as an Austrian technology and engineering company.

UNCERTAINTY IS PART AND PARCEL OF LIFE.

Santhosh Rao, Senior Vice President APAC

What did a workday in 2020 look like for you and the people around you?
The interaction with our colleagues and partners last year was much more intense than usual. We were particularly engaged, very focused on what we wanted to achieve.

Were there positive experiences and work processes that will be kept?
Accepting that uncertainty is part and parcel of life. Every opportunity ahead of us becomes extremely important – as if there might not be another. We now have a stronger sense of urgency and the resolve to pursue every business opportunity. Only good things can happen when you are prepared like that.

Would you tell us something about the win of the Thai tender, your most important challenge of 2020?
Strategically, it was extremely important for us because it was for the insulated access platform from the US, the ETI PALFINGER brand. And the market for this product is not yet mature in the region. All global players were therefore looking at this tender with great interest. Fortunately for us, this project became a project of the organization and not just the region, thanks to the GPO. This enabled us to work together even better to win the tender.

If you had to describe the year 2020 in one sentence what would it be?
2020 revealed the hidden capability within the company of still being able to do things in an effective manner as compared to what we thought in the past.

RESPONSIBILITY – WITH INTENT.

CHALLENGE

To PALFINGER, thinking about tomorrow, today means working sustainably and using resources responsibly - in all areas of the company. Implementing the same Health, Safety and Environment (HSE) standards at all PALFINGER sites worldwide to ensure employee safety and health can be particularly challenging. For example, by motivating all employees at all sites to take part in sporting activities.

SOLUTION

For this reason, PALFINGER placed particular emphasis on rolling out the international standardization of its HSE program. This especially serves to avoid the impact of the COVID-19 pandemic on the company. In addition, the expansion and integration of future-oriented projects was completed, including the establishing of a universal global platform for use by HSE managers at all sites, improved accident reporting and analysis, and implementation of site-specific HSE action plans.
Staying healthy involves movement. October, therefore, saw the launch of the first global PALfit campaign to promote employee health: PALFINGER's Global Running Days. The purpose was not only to improve employee health, but to also spark joy and create enthusiasm in employees for exercise. Whether through running, jogging, or walking, it was all about active participation! In total, team PALFINGER, ran 64,801.8 kilometers – thus circling the world 1.6 times!

TEAMWORK IN UNUSUAL TIMES.

Kelli MacDonald-Risner,
HSE region manager PALFINGER North America

As HSE region manager at PALFINGER probably your biggest challenge was the rollout and implementation of global HSE standards. How did this work out for you?
The process itself wasn't that hard, even though I had only just started my role with PALFINGER at the beginning of the pandemic. I was still able to meet all the region HSE leaders through video calls and they were all very helpful in assisting me in grasping the HSE standards and COVID-19 policies. The biggest challenge was much more the standardizing of the differing compliance and regulations across each region and ensuring each of the HSE leaders understood and met those accordingly. We all had to comprehend that what might work for one country may not work for another, particularly concerning COVID-19 policy. Nevertheless, we worked very well together as a team during these very unusual times.

Are there any new tasks or projects for you in the pipeline? And if so, what are they?
This year, we are also trying out a new software tool that assists in tracking accidents, inspections and monitoring. It was my target to finish the HSE guidelines for the North American Region and to implement the HSE software by the beginning of 2021, and we did it.

If you had to describe the year 2020 in one sentence, what would it be?
2020 allowed us to re-evaluate what exactly is important – not to concentrate on things that are beyond our control.

PALFINGER at a Glance

The PALFINGER Group

Bergheim near Salzburg, Austria
1932 founded as a family business
Best **service network** & optimal **solutions**
Technology & innovation leader in its industry
On the stock exchange since **1999**

EUR 1,534
million in revenue

82
Companies

32
Countries

10,824
Employees

35
Production and assembly locations

Sales and service network

≈ 5,000
Service centres

≈ 200
Independent general importers

>130
Countries

Product Solutions

LOADER CRANES

TIMBER/ RECYCLING

HOOKLIFTS & SKIPLOADERS

TAIL LIFTS

TURNKEY SOLUTIONS

PASSENGER SYSTEMS

ACCESS PLATFORMS

TRUCK MOUNTED FORKLIFTS

BRIDGE INSPECTION & MAINTENANCE

RAILWAY SYSTEMS

MARINE CRANES

OFFSHORE CRANES

WIND CRANES

DAVITS

BOATS

WINCHES

Sustainability Areas

Responsible Employer

Eco-Efficiency in Production

Sustainable Products

Fair Business

Key events in 2020

COVID-19 Task Force

The COVID-19 task force set up at the end of February 2020 is implementing more than 220 proactive management actions in three work packages: health and safety, production and operations management, and liquidity optimization.

PALFINGER World Tour

In order to stay close to customers, partners and dealerships around the world despite the restrictions imposed by the pandemic, the PALFINGER World Tour takes place in October with the tagline "Challenge Accepted". More events will follow as part of the PALFINGER World Tour.

Go Live SAP S/4 HANA

In December, process optimization in EMEA was completed and updated by implementation of SAP S/4 HANA in the production and assembly plants in Lengau, Köstendorf, and Maribor. Roll-out at other sites is planned.

PALFINGER CAMPUS

In December work begins on building the new PALFINGER Campus in Lengau. This is the first step toward implementing an extensive investment program of site enhancement, greening, and digitalization totaling approximately EUR 40 million.

SEA Segment

Following successful restructuring in Q1 of 2020, the Sea segment is integrated into the new GPO structure from April 1 to become the Marine division in the Sales & Service and Operations segments.

Takeover of HINZ

In November the contract is signed sealing the takeover of PALFINGER's second-largest sales partner worldwide, the Swedish company HINZ Försäljnings AB. PALFINGER therefore secures the company's excellent sales and service structures as well as essential contacts with customers, partners and industry.

Reversal of cross-holding

In December, dissolution of the complex business relationship with SANY HEAVY INDUSTRIES is negotiated. Reversing the cross-holding established in 2014 generates additional funds for PALFINGER and creates new opportunities for investment.

„Together we are shaping the future of our customers' lifting solutions."

As the world's leading provider of innovative crane and lifting solutions, PALFINGER accepts the challenges of the present and innovates solutions for the future. To achieve this, the Group relies on its **four strategic pillars – innovation, internationalization, flexibilization and PALFINGER 21st (P21st)** – to develop new approaches and comprehensive solutions together with customers, partners and employees.

Following the launch of the GLOBAL PALFINGER ORGANIZATION (GPO) in 2019, PALFINGER now acts with rapid and target-driven cooperation across all levels and units. It creates the conditions for efficiently and effectively exploiting synergies within the Group and promptly reacting to changes in the market. The GPO impressively passed its acid test during the 2020 COVID-19 pandemic.

With the tagline "Creating value together", PALFINGER intensifies its close cooperation with customers and business partners. Maintaining this close relationship is a core competence and strength of the company. PALFINGER understands their challenges and needs, and makes them its own. PALFINGER thinks beyond the product and develops solutions with additional benefits together with and for its customers. PALFINGER creates values together. This vision is supported by the employees who live the company values - entrepreneurship, respect and learning - on a daily basis. That is why PALFINGER supports and encourages its employees in accordance with the tagline: "We value people. People create value".

To live a vision and consistently implement a strategy requires a high level of leadership.
The leadership principles apply to the Executive Board as well as to the Global Management Team and all leadership functions:

DRIVE. FOCUS. INSPIRE. EMPOWER. DEVELOP. DELIVER.

Dear Reader,

Nothing is like it once was. The pandemic in 2020 has had massive impact on the world. Not only did it bring the global economy to a standstill and shook major industries, above all, it was the driving force behind quick and profound change. It also continues to pose great challenges that can only be overcome successfully through teamwork.

Through its plants in China, PALFINGER had been directly confronted already in January by the effects of COVID-19. As a result of the establishment of the COVID-19 Task Force in February, PALFINGER was able to react proactively and comprehensively to the rapidly-changing situation. The GLOBAL PALFINGER ORGANIZATION (GPO), already implemented in 2019, enabled constant global communication and collaboration across all areas of the company. Management and the Task Force were thus able to act quickly, flexibly and efficiently.

Thanks to the implementation of more than 220 actions divided into three areas: „Health, Safety, HR and Communication“, „Production and Operations“ and „Optimization of Liquidity“, PALFINGER was able to maintain sales and service despite production restrictions. After a first wave of lockdowns and measures (such as short-work schemes etc.) we were able to get to back to business as usual by the end of June. This meant we could start our recovery process at the beginning of Q3, 2020.

The effects of the health and economic crisis have left their mark, however. PALFINGER recorded decreases in business volume in all regions with revenue falling to EUR 1.53 billion, EBITDA reduced to EUR 188.7 million and the EBIT margin declined to 6.5 percent. At the same time, after implementing numerous actions, management was able lower net debt to EUR 397.1 million, the lowest level reported since 2013 excluding the effect of IFRS 16.

PALFINGER took on the challenges of 2020 and managed them well. This success was thanks also to our stakeholders, our partners and our customers, as well as our 11,000 employees worldwide, who we thank for their commitment, their flexibility and their solidarity. Together we are ONE PALFINGER. This success and the lessons learned from the crisis are the basis for the continued positive development of PALFINGER. Together, we shape the future.

During the pandemic, we already took steps and actions to proactively shape tomorrow. PALFINGER‘s close ties with customers and partners have always been one of its strengths. We are building on this intensively. By responding to every specific challenge they face and together with them work to find customized solutions. This is only an intermediate step; digital transformation opens up the possibility of digital services and supplemental tools, that combined, create holistic solutions. We don‘t have just a single system; we integrate many to create a greater one. At the same time, we are taking on the challenges of climate change and offering solutions that are both economically and ecologically sustainable and innovative. With our customers and partners, we are shaping the future together.

In order to build on and intensify contact with our customers and partners, especially in this time of crisis, we developed an innovative solution fit for the future: the PALFINGER World Tour. In October 2020, around 6,000 attendees from Europe, Russia and Asia took part in the 3-day digital event and experienced first hand just how PALFINGER utilizes digital transformation. After the success of the October 2020 premiere, further such events for single markets and segments are being planned for 2021.

This is our approach. We combine our strengths with the experience gained in 2020. We are actively shaping the future. Our future, as well as the futures of our customers and partners. Every day, we create value - for our employees, customers, partners and investors. Thank you for taking this path together with us.

Andreas Klauser **Felix Strohbichler** **Martin Zehnder**

GRI 102-14
NaDiVeG

ABOUT THIS REPORT

- **This Integrated Annual Report describes the challenging fiscal year 2020**
- **It covers financial, environmental, and social aspects**
- **This Integrated Annual Report complies with IFRS, GRI Standards and the Austrian Sustainability and Diversity Improvement Act (NaDiVeG)**

This Integrated Annual Report 2020 published by the PALFINGER Group contains all reporting on the fiscal year just ended. Because sustainability is an integral part of PALFINGER's strategy and operations, PALFINGER has published one Integrated Annual Report comprising both financial and non-financial information since 2013.

This report complies with International Financial Reporting Standards (IFRS). It has been prepared in accordance with the GRI Standards: Core option. PALFINGER is committed to the UN Global Compact, the United Nations' Sustainable Development Goals, and the OECD Guidelines for Multinational Enterprises. The management report also includes the corresponding non-financial statement pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) along with an overview of how the contents are thematically allocated within this report detailing the exact location.

In line with this integrated approach, financial and non-financial information is presented together in the corresponding sections. The management report contains information on PALFINGER as a responsible employer, on sustainable products, on research and development, and on eco-efficient production. The section on corporate governance covers principles of fair business and the diversity plan. The consolidated financial statements of the PALFINGER Group follow the section on corporate governance. This integrated report contains the activities of all the companies included in the consolidated financial statements. The consolidated financial statements and the Group Management Report were subjected to an external audit conducted by the independent auditors PwC Wirtschaftsprüfung GmbH. The detailed GRI and sustainability disclosures in the annex to this report include detailed data on the geographical regions pertaining to the sustainability topics that have been determined as material and to the GRI content index, including the UNGC guidelines.

To help the reader, the report contains the following reference icons:

Information regarding a GRI disclosure and/or information of relevance pursuant to the Austrian Sustainability and Diversity Improvement Act (NaDiVeG)

Reference to another passage in the Integrated Annual Report

Reference to detailed information online

A PDF version of the complete report can be downloaded from the company's website at www.palfinger.ag. For reasons of efficiency, environmental protection, and conserving resources while maintaining various stakeholder interests, printed copies of the report do not contain the consolidated financial statements in accordance with IFRS or the detailed GRI and sustainability disclosures. A condensed version of the report is also available as a web version.

GRI 102-12, 102-54

NaDiVeG

Corporate governance report, p. 103; Consolidated financial statements, p. 115; Detailed GRI and sustainability disclosures, p. 195

www.palfinger.ag/en/news/publications; www.palfinger.ag/en/news/publications/sustainability-publications; i-report.palfinger.ag

THIS SUCCESS WAS CONTRIBUTED TO BY OUR STAKEHOLDERS, OUR PARTNERS AND OUR CUSTOMERS, AS WELL AS OUR 11,000 EMPLOYEES WORLDWIDE.

Andreas Klauser, CEO

INVESTOR RELATIONS

- **Share price falls in 2020 by 11.45 percent (ATX: -12.76 percent)**
- **Dividend of EUR 0.45 per share will be proposed to the Annual General Meeting on April 7, 2021**

PALFINGER attaches great importance to maintaining transparent communication and ongoing dialog with its investors and the national and international financial community.

Despite the COVID-19 pandemic, the Executive Board and Investor Relations team kept investors and analysts fully informed by means of video conference calls, digital road shows, and other media. For example, PALFINGER was represented at the *Gewinn* trade fair, the Börsentag München investors' fair, and the "money day" organized by the *Oberösterreichische Nachrichten* newspaper in Linz, Upper Austria.

In 2020, the EU Commission action plan on sustainable finance resulted in closer communications with sustainability-oriented investors. PALFINGER also took part in several digital expert meetings and conferences on topics relating to sustainability.

PALFINGER SHARES

The shares of PALFINGER AG are listed on the prime market on the Vienna Stock Exchange. In Germany, they are traded over the counter in Frankfurt, Stuttgart, Berlin, Munich, and Dusseldorf. Since March 2005, there has been an ADR 1 Level listing in New York. PALFINGER stock is included in the ATX Prime and ATX Global Players indexes as well as the Austrian VÖNIX sustainability index. PALFINGER AG stock has been included in the MSCI Global Small Cap Index since 2018.

Starting from a price of EUR 29.95 at the end of 2019, the share price rose to a high of EUR 30.50 on January 8 and 13, 2020. With imposition of the lockdown, the share price fell to a low of EUR 15.40 on March 19, mirroring the trend of other stock in Austria. The price subsequently recovered, especially after publication of the Q3 2020 results. On December 31, 2020, shares closed at EUR 25.90, 11.45 percent below the 2019 closing price. The average trading volume in 2020 fell by 26.4 percent compared to the preceding year.

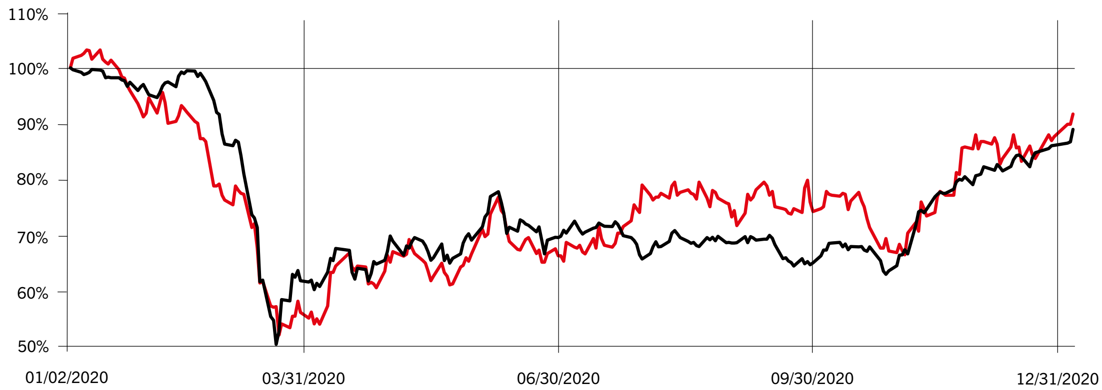
Shareholder information as at 31 December 2020

ISIN	AT0000758305
Number of shares issued	37,593,258
Own shares	0
Shares outstanding	37,593,258
Listing on the Vienna Stock Exchange	Prime market
OTC listing	New York, Frankfurt, Stuttgart, Berlin, Munich, Dusseldorf
Ticker symbols	Reuters: PALF.VIE; Bloomberg: PALF:AV; Vienna Stock Exchange: PAL

EUR	2018	2019	2020
Low	21.10	20.85	15.40
High	37.70	30.70	30.50
Average exchange rate	31.30	25.69	22.29
Price at year-end	22.20	29.25	25.90
Earnings per Share[1)]	1.54	2.13	1.32
Operating cash flows per share[1)]	3.36	4.15	5.98
Dividend per share	0.51	0.35	0.45[2)]
Dividend yield in relation to the average share price	1.6%	1.4%	2.0%
Market capitalization as at year-end (EUR million)	834.57	1,099.60	973.67

1) Calculated using the weighted average number of shares outstanding.
2) Proposal to the Annual General Meeting.

SHARE PRICE DEVELOPMENT IN 2020



RESEARCH REPORTS

- Berenberg Bank
- Erste Group
- Hauck & Aufhäuser
- Kepler Cheuvreux
- Raiffeisen Centrobank
- UBS

RATINGS

Regular assessments by leading ESG ratings show PALFINGER as an opportunity for sustainability-oriented investors. PALFINGER is not subject to any ethical exclusion criteria given that none of the products or product lines it manufactures comprise, for example, weapons or products for the nuclear power industry. In the Marine sector, however, boats are also produced for the coast guard and the military.

Products such as loader cranes, hooklifts, skiploaders, truck mounted forklifts, and boats, as well as marine cranes, davits, and slipway systems are also purchased by the military and civil defense. Revenue from products used in the military and civil defense sectors amounted to EUR 27.1 million (2019: EUR 54.9 million). This corresponds to 1.8 percent of consolidated revenue. PALFINGER does not produce any weapons systems and observes all embargoes imposed by the EU or the international community.

In its 2020 corporate rating, Oekom (part of ISS ESG since 2018) rated PALFINGER B– (2018: B–). This rating corresponds to prime status. The action taken by PALFINGER to ensure resource-friendly production and product safety was considered particularly positive. In the rating for the VÖNIX sustainability index, PALFINGER received a B+ rating as a sustainable business in 2020, as in the previous year. In particular, PALFINGER's strategy and sustainability management, its stakeholder orientation, and its corporate ethics were highlighted. The Marine region prevents the Group from obtaining a higher rating as it covers aspects which are sensitive from a sustainability perspective. An analysis by the Carbon Disclosure Project (CDP) gave the Group a C rating in 2020, as it had the previous year. This score places the Group in the "Awareness" category.

For the fourth time in succession, GREEN BRANDS confirmed PALFINGER's status as a Green Brand Austria. PALFINGER is thus one of the first Austrian companies to have its recognition as a GREEN BRAND renewed three times and can bear the seal for another two years, in 2020 and 2021.

GRI 102-12
NaDiVeG

DIVIDENDS

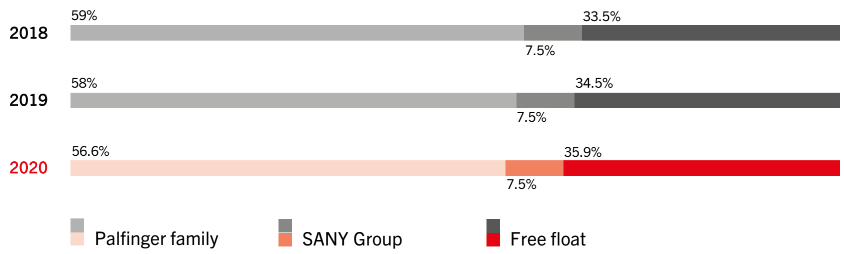
PALFINGER AG pursues a continuous dividend policy. Under this policy, approximately one-third of annual profit is to be distributed to shareholders. In 2020, the consolidated net profit of PALFINGER AG amounted to EUR 364.1 million. Based on this, the PALFINGER Executive Board and Supervisory Board will propose a dividend of EUR 0.45 (2019: EUR 0.35) per share at the Annual General Meeting on April 7, 2021.

OWNERSHIP STRUCTURE

The Palfinger family, which either directly or indirectly owns approximately 56.6 percent of the shares in PALFINGER AG, is PALFINGER's stable core shareholder and also has seats on the Supervisory Board. In addition, there is a cross shareholding between PALFINGER and the SANY Group, which holds 7.5 percent in PALFINGER AG. At the end of 2020, PALFINGER and SANY negotiated the parameters of a reversal by mutual consent of the cross-holding effective from 2021. The remaining approximately 35.9 percent of shares are in free float. According to the information available to PALFINGER AG, a significant portion of the free float is held by retail shareholders. The majority of shares, however, are held by institutional investors, which are primarily located in continental Europe.

GRI 102-5
NaDiVeG

SHAREHOLDER STRUCTURE



2020 REVEALED THE HIDDEN CAPABILITY WITHIN THE COMPANY.

Santhosh Rao, Senior Vice President APAC

GROUP MANAGEMENT REPORT

STRATEGY AND VALUE MANAGEMENT

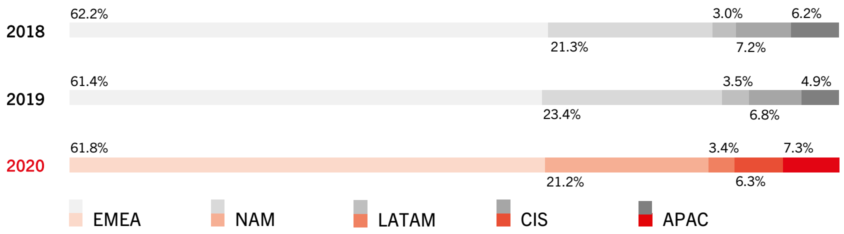
- **Status as a leading provider of innovative crane and lifting solutions reinforced**
- **Research and development activities intensified**
- **Schedule for reaching financial and non-financial targets extended by two years to 2024**

In the coming years, PALFINGER strives to generate further organic growth on the basis of the four strategic pillars innovation, internationalization, flexibility, and PALFINGER 21st (P21st). The company aims to build on and secure its status as the leading global supplier of innovative crane and lifting solutions.

Continuously increasing earnings and revenue across all products and in all customer segments secure long-term and profitable growth. The focus is also on the four defined sustainability areas: Responsible Employer, Eco-efficiency in Production, Sustainable Products, and Fair Business.

PALFINGER is committed to becoming one of the top three suppliers in all product lines worldwide. To achieve this, PALFINGER focuses not only on growing its core business in the EMEA, NAM, and CIS regions, but also on the growth markets in the APAC and LATAM regions. PALFINGER's global structure enables optimal exploitation of the opportunities offered by the procurement, production, and sales markets in the various regions.

REVENUE BY REGION
(in percent)



The KPI return on capital employed (ROCE) enables precise evaluation of profitability in relation to allotted resources. Investment in Group-wide digitalization projects, such as rollout of the state-of-the-art ERP system SAP S/4 HANA in all product lines and all sites, increases efficiency.

GRI 102-1, 102-2, 102-16
NaDiVeG
Strategic objectives, p. 36; Market review, p. 58; Responsible Employer, p. 77;
Research and Development, p. 88; Eco-Efficiency in Production, p. 94; Corporate governance report, Fair Business, p. 108

STRATEGIC OBJECTIVE

SUSTAINABLE PROFITABLE GROWTH

RESPONSIBLE EMPLOYER

ECO-EFFICIENCY IN PRODUCTION

SUSTAINABLE PRODUCTS

FAIR BUSINESS

STRATEGY & PILLARS TO MEET THE OBJECTIVE

INNOVATION

INTERNATION-ALIZATION

FLEXIBILITY

PALFINGER 21st

IMPACT

PRODUCT LINES

Loader-, Marine- & Wind Cranes
Timber- & Recycling Cranes
Hooklifts & Skip Loaders
Aerial Work Platforms & Special Solutions
Self Propelled Lifting Solutions
Tail- & Passenger Lifts
Boats & Davits
Marine Handling Solutions

INDUSTRIES

Construction
Industry
Railway
Offshore Wind
Aquaculture & Fishing
Forestry & Agriculture
Transport & Logistics
Waste Management & Recycling
Passenger
Commercial
Infrastructure
Public Sector
Offshore Supply / Oil and Gas

REGIONS

EMEA
NAM
LATAM
CIS
APAC
MARINE

PRODUCTION SITES

Argentina
Brazil
Bulgaria (2)
China (2)
Germany (4)
France
Italy (2)
Canada
Croatia
Netherlands
Norway
Austria (3)
Poland (2)
Romania
Russia (4)
Slovenia
USA (4)
Vietnam

PROMISE

LIFETIME EXCELLENCE

EFFICIENCY

RELIABILITY

INNOVATION

GRI 102-2, 102-16
NaDiVeG

STRATEGIC PILLARS AND SUSTAINABLE ASPECTS

Innovation is one of PALFINGER core competencies. Through its close relations with customers, partners, and users, PALFINGER knows each group's challenges and needs – and joins forces with them to develop the best solutions. To achieve this, PALFINGER uses state-of-the-art technologies along with internal and external networks. The result is innovative, application-oriented solutions that create added value through their entire life cycle (lifetime excellence).

For PALFINGER, internationalization means the opportunity of growing in new markets. Geographical diversification also means spreading the risk, and this plays an essential role in stabilizing the company and increasing resilience in times of crisis. The GPO guarantees that the primary strategic objectives are implemented in every region with the greatest possible effectiveness and efficiency. This global cooperation takes place across all functional areas, product lines, and regions on the basis of transparent processes and management cycles.

Flexibility is founded on a wide sales network and therefore on customer focus, a matrix-type organization, and streamlined processes. This allows PALFINGER to identify volatile market developments at an early stage and to adapt its own capacities and resources accordingly along the entire value chain.

P21st, the innovation incubator of PALFINGER AG, focuses on disruptive innovations, the digital transformation in all its aspects, and on defining new business models. Partnerships and cooperation with both start-ups and leading research institutions play a central role in this. Aligning its topics with the core business guarantees that P21st initiatives build on the competencies of the organization and pursue the same targets.

P21st, p. 89

Strategic sustainability aspects

PALFINGER carries out a regular analysis to identify the aspects of sustainability that are important to internal and external stakeholders. The 13 material topics remained unchanged in the reporting year. Following fundamental restructuring necessitated by the COVID-19 pandemic, the new materiality analysis planned for 2020 will now be carried out in 2021.

SUSTAINABILITY AREAS

RESPONSIBLE EMPLOYER	ECO-EFFICIENCY IN PRODUCTION	SUSTAINABLE PRODUCTS	FAIR BUSINESS
Health & safety	Innovation in production	Product safety	Viability of the business model
Employee development	Energy efficiency & climate protection	Product research & development	Compliance with legal & ethical standards
Attractive employment	Raw materials demand & efficiency	Product lifecycle	Industry 4.0 & digitalization
Corporate culture & values			

GRI 102-47
NaDiVeG
Sustainability management, p. 43; Impact table, p. 49; Detailed GRI and sustainability disclosures, p. 195

STRATEGIC OBJECTIVES

Owing to the global health and economic crisis caused by COVID-19, the current strategic objectives refer to the year 2024. The steps taken to achieve these objectives will be implemented with all due care and attention in consideration of current risks.

Global number one for innovative crane and lifting solutions

The global number one ranking for innovative crane and lifting solutions is safeguarded by the focus on the company's own strengths and the honing of synergies. The market position in growth products and regions is being reinforced. To achieve the maximum synergy potential taking account of universal standards and the highest quality standards, improvements will be pursued with a global approach in all product areas.

Financial targets

ORGANIC GROWTH

PALFINGER strives to achieve continuous organic growth. Revenue growth to EUR 2.0 billion is targeted through 2024. PALFINGER expects above-average growth in the North America (NAM), Latin America (LATAM), Asia and Pacific (APAC) regions, and for marine products (MARINE).

10 % EBIT MARGIN

An average 10-percent EBIT margin is targeted throughout an entire economic cycle. Through the GPO, additional synergies will be exploited, for example in global procurement, the further development of shared service centers, and the optimization of the functional areas, which are now organized globally. Professionalizing processes and activities by pooling competencies will safeguard the company's position as a leading supplier in the global context.

10 % ROCE

The optimal use of current and non-current assets will ensure that an average return on capital employed of 10 percent can be achieved throughout the economic cycle. To this end, the PALFINGER Group is focusing on strict current capital management and CAPEX optimization.

Non-financial targets

The four quantitative targets with regard to human resources that concern the three topics turnover, absenteeism, and diversity remain in place, as do the four long-term environmental targets, namely climate protection, energy efficiency, renewable energy, and waste reduction.

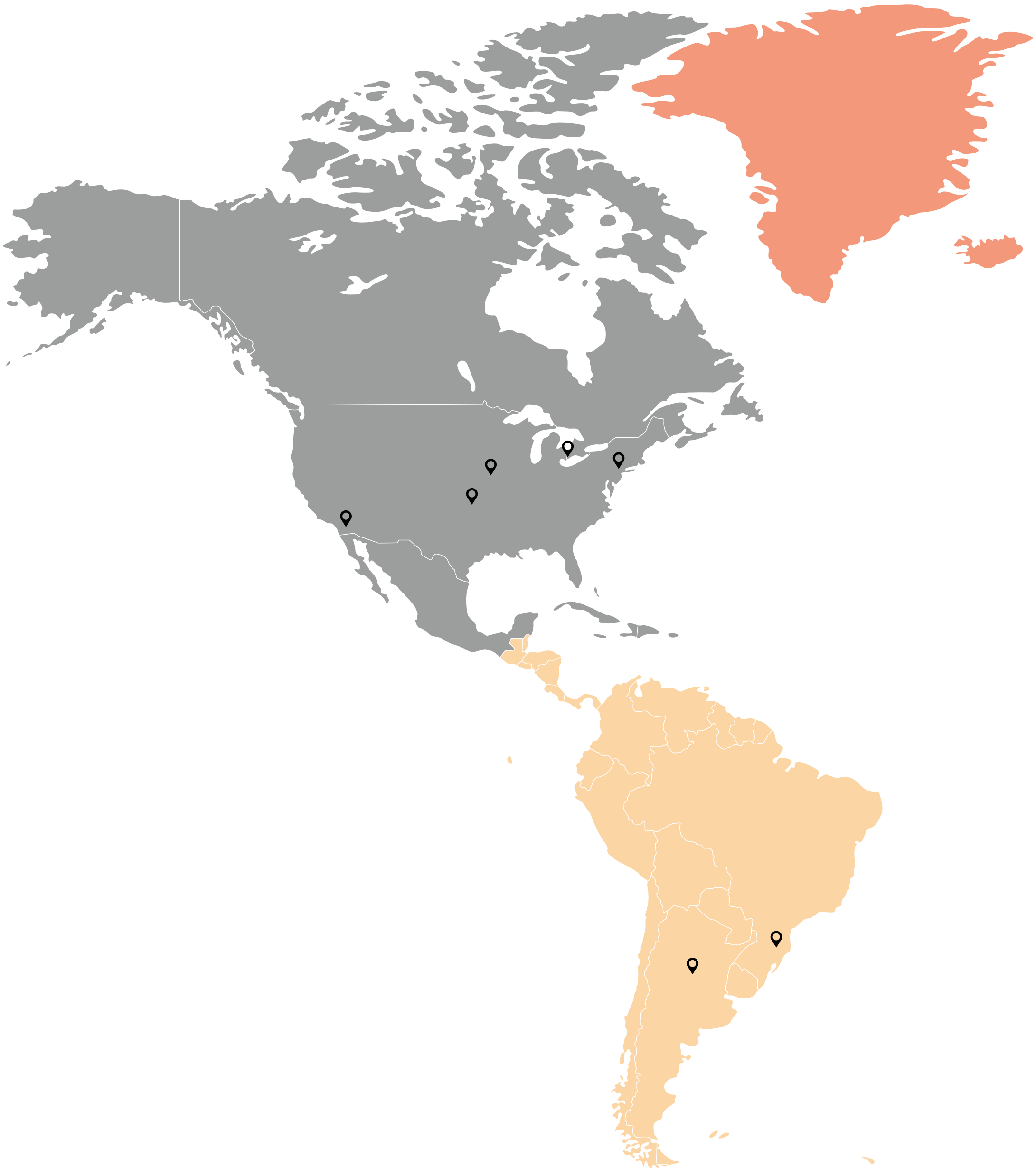
Sustainability management, p. 43

Creating added value every day

PALFINGER has committed itself to creating added value for its customers every day. To this end, employees in all product lines are making the customer the focus of their day-to-day activities. This forms the foundation for achieving all of the other strategic objectives.

The following table presents an overview of the priorities, the progress made in 2020, and the objectives for the period through 2024.

	IMPLEMENTATION IN 2020	OBJECTIVES THROUGH 2024
PALFINGER Group	• Optimize the GPO structure to increase efficiency and crisis-resilience • Promote cooperation between the global core functions • Successfully completed restructuring and integration of segment SEA into the GPO and realization of synergies	• Organic growth to EUR 2.0 billion through 2024 • 10-percent average EBIT margin over the economic cycle • 10-percent average ROCE over the economic cycle
Turnkey solutions	• Intensify PALFINGER's focus on turnkey solutions in Sales & Service • Ongoing development of solutions offered and roadmap at Group level	• Expansion of turnkey solutions offered based on a strategy defined across the Group
Further growth with focus on BRIC countries	• Increase activities in the Asian market with the Sany Palfinger joint venture • Continue revenue and earnings growth in cooperation with SANY (APAC region) • Successful integration of Hidro-Grubert and visible revenue increases for the Group	• Increase market share and achieve further revenue growth in the APAC region • Establish and improve range of products in the LATAM region • Further optimization of production plants in the CIS region to safeguard revenue growth
Global use of production facilities	• Fine-tune capacity management using the established Sales & Operations Planning (S&OP) and by means of fast reaction times, e.g. during the COVID-19 crisis.	• Global use of production capacities • Optimize capacity utilization of plants globally and the supplier network
Maintain technology leadership in the field of innovation	• Further development of R&D organization toward customer orientation and realize synergy potential • Merge P21st with the established product development • Marketability of the start-up STRUCINSPECT which again won an award	• Technology leader for innovative crane and lifting solutions • Continue to implement international projects • Important revenue contribution from disruptive solutions • Utilize centers of excellence to expand core competencies for all product lines
Customer focus	• Strengthen customer focus in the various strategies, structures, processes, and among employees • Expand the global sales network to guarantee customer proximity • Hold the 2020 PALFINGER World Tour as an entirely digital event	• Develop fully integrated and networked solutions for customers • Additional focus on turnkey solutions • Brand core revised and new direction with strong customer focus
Ensure viability through social and environmental responsibility	• Exceed the CO_2 target • 74-percent share of renewable energy already attained • Establish an HSE function • Run diversity awareness campaigns • Revise existing Code of Conduct	• Establish a global climate protection strategy • Conduct a materiality analysis in 2021 • Achieve long-term sustainability targets with regard to HR and the environment • Focus on global management systems • Establish an employer branding strategy • Reinforce and use employees' diversity and meet diversity targets



82
Companies

32
Countries

35
Production sites

MARINE

Revenue:	EUR 199.1 million
Production sites:	4
Employees:	1,343

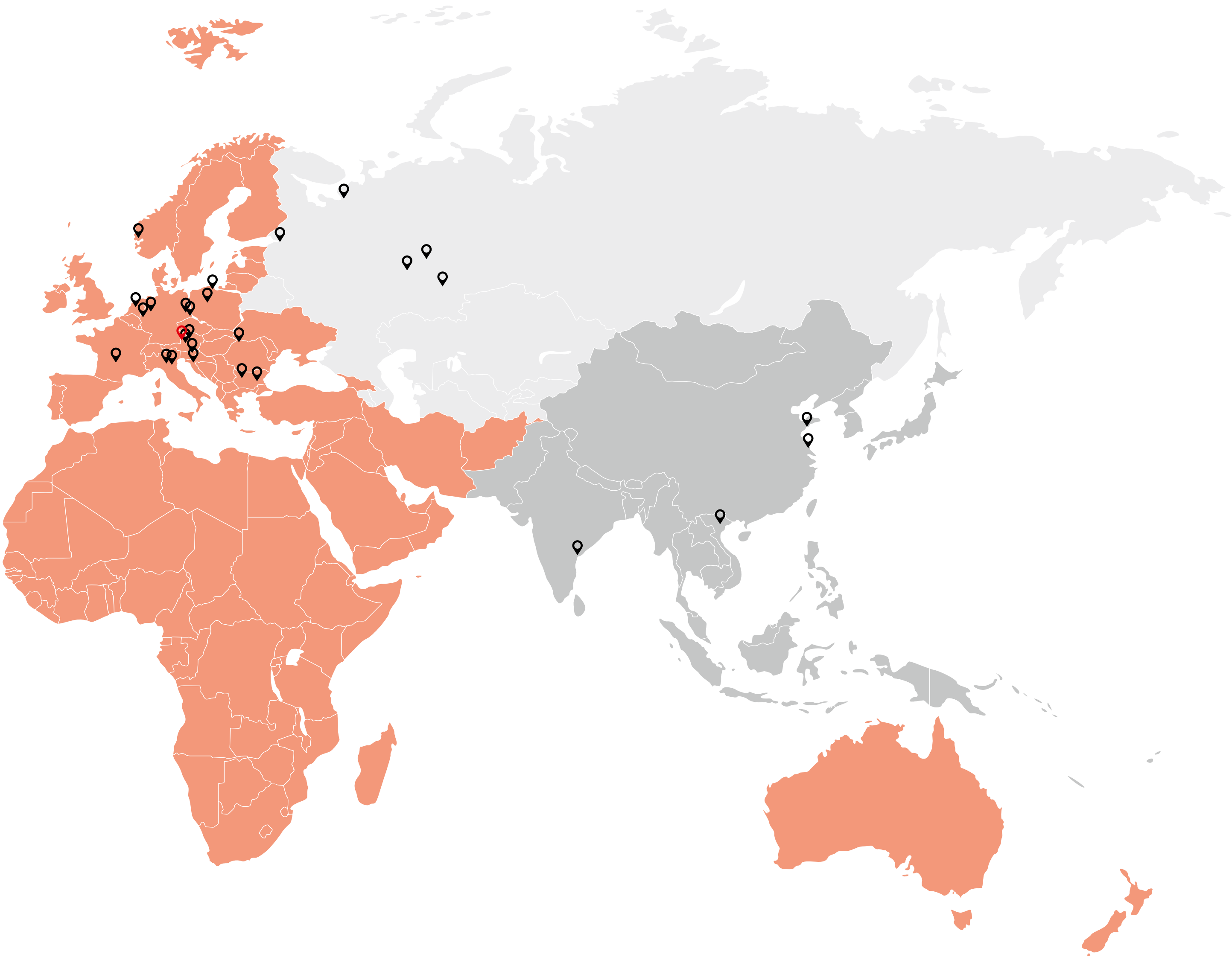
NAM

Revenue:	EUR 304.0 million
Production sites:	5
Employees:	999

LATAM

Revenue:	EUR 41.3 million
Production sites:	2
Employees:	620

GRI 102-3, 102-4, 102-6, 102-7
NaDiVeG



EMEA	
Revenue:	**EUR 867.7 million**
Production sites:	**16**
Employees incl. headquarters:	**6,289**

CIS	
Revenue:	**EUR 81.8 million**
Production sites:	**5**
Employees:	**1,439**

APAC	
Revenue:	**EUR 40.0 million**
Production sites:	**2**
Employees:	**134**

Headquarters in Bergheim near Salzburg (AT)

STAKEHOLDER MANAGEMENT

- **Health and safety has greater relevance owing to COVID-19**
- **Greater relevance to digitalization, product research, and climate protection**
- **New materiality analysis will be carried out in 2021**

Stakeholders

PALFINGER takes into account the consequences of its operations along the entire value chain, not just for the company itself but also for the environment and society. To achieve this, PALFINGER proactively engages its stakeholders. The result is reflected in the following four sustainability areas: Responsible Employer, Eco-efficiency in Production, Sustainable Products, and Fair Business.

Stakeholders are all legal entities and natural persons affected by the company's activities or whose activities influence PALFINGER. Their individual interests and needs are taken into account in a way that is as balanced as possible. As part of the materiality analysis, PALFINGER regularly conducts a comprehensive stakeholder survey. The stakeholders identified here as material, their involvement, and stakeholder dialog are shown in the table below and described in detail in the respective sections.

STAKEHOLDERS & DIALOGUE

EMPLOYEES

Direct contact and dialogue
Performance reviews
Events
Employee magazine ONE
Intranet & blog
Social media network Yammer
Surveys
Works council
College program
Code of Conduct
Newsletter

LOCAL ENVIRONMENT & SOCIETY

Direct contact and dialogue
Local media relations
Events
Plant tours
Voluntary investments in public welfare
Memberships
Partnerships

SUPPLIERS & PARTNERS

International supplier meeting
Direct contact & dialogue
Visits to PALFINGER
Supplier & quality assurance agreements
Code of Conduct

PALFINGER

INVESTORS

Continuous & transparent communication
Annual General Meeting
One-on-one talks & dialogue
Conferences
Trade events
Roadshows
Conference calls
Stock exchange days
Trade fairs

SUPERVISORY BOARD

Direct dialogue
Supervisory Board meetings

CUSTOMERS & DEALERS

International dealer conference
Direct contact & dialogue
Newsletter & surveys
Training & instruction
Involvement in continuous process of improvement
Dealer standards
Events & trade fairs
Plant tours
Code of Conduct

GRI 102-21, 102-40, 102-42, 102-43, 102-44
NaDiVeG
Sustainability management, p. 43; Responsible Employer, p. 77; Responsible Employer, p. 88; Eco-Efficiency in Production, p. 94; Corporate governance report, Fair Business, p. 108

MONETARY FLOWS TO STAKEHOLDERS

Employees, suppliers, investors, banks, and public authorities contribute as stakeholders to PALFINGER's success and share in the Group's earnings. PALFINGER's income also includes income from other services, from leases and the sale of assets, and interest income. The directly generated economic value decreased from EUR 1,758.4 million in 2019 to EUR 1,538.6 million in fiscal year 2020. In 2020, the economic activity resulted in the following monetary flows to stakeholders:

In the reporting period 2020, suppliers – as the largest recipient of monetary flows – received payments totaling EUR 886.0 million (2019: EUR 1,136.3 million) for commodities such as raw materials, parts and components, facilities, operating supplies, and energy.

Employees were transferred wages and salaries totaling EUR 425.1 million (2019: EUR 469.4 million). This represents a decrease of 9.4 percent compared with the previous year, 2019, and is primarily attributable to the introduction of short time and similar models during the COVID-19 pandemic.

The flow of payments to lenders such as banks, investors, and the Palfinger family as majority owners is made up of interest and dividends. Owing to COVID-19, one-sixth of the consolidated earnings was paid out instead of the usual one-third in the reporting year 2020. Payments to equity holders and lenders totaled EUR 37.4 million (2019: EUR 43,6 million).

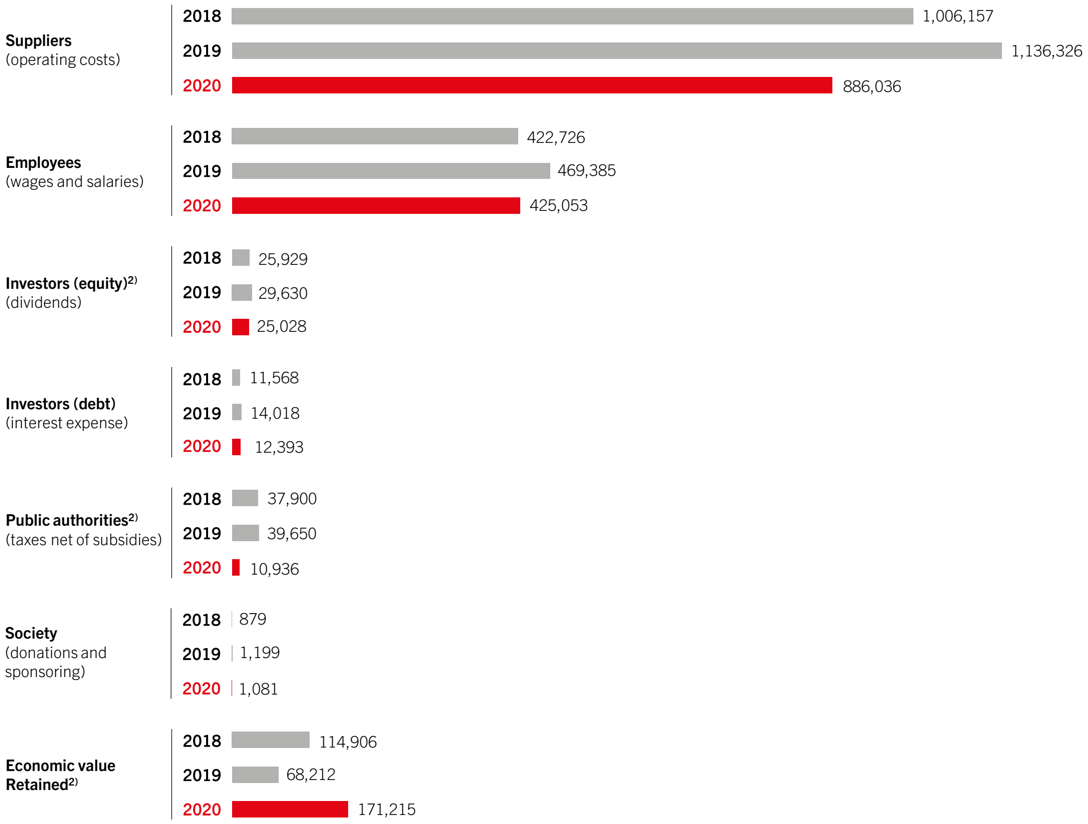
Payments to public authorities in 2020 comprised taxes other than on income and income-related taxes. In 2020, total taxes net of investment grants and research and development grants fell by approximately 55 percent. In the reporting period, the tax expense decreased to EUR 29.7 million (2019: EUR 41.1 million). Grants plus COVID-19 aid rose to EUR 18.8 million (2019: EUR 1.5 million).

PALFINGER considers fair tax payments to be a responsibility to society. On principle, PALFINGER refrains from engaging in tax optimization by shifting income to countries with lower income tax rates. There are no specific constructs under corporate law to avoid or circumvent taxes. PALFINGER pays the majority of its taxes on the value the company adds in Austria.

Investments in the common good in society and the local area declined by 9.8 percent in 2020. Total outlay for donations and sponsoring came to EUR 1,081 thousand in fiscal year 2020 (2019: EUR 1,199 thousand),

Monetary flows overall totaled EUR 1,366.3 million (2019: EUR 1,689.0 million). In the chart below, the difference between income and monetary flows to stakeholders represents the monetary value retained, which increased by approximately 151 percent compared with the previous year Income from companies measured using the equity method only impacts the balance sheet and causes no monetary flows and is therefore not shown.

MONETARY FLOWS TO STAKEHOLDERS[1] (EUR thousand)
Direct economic value generated and distributed

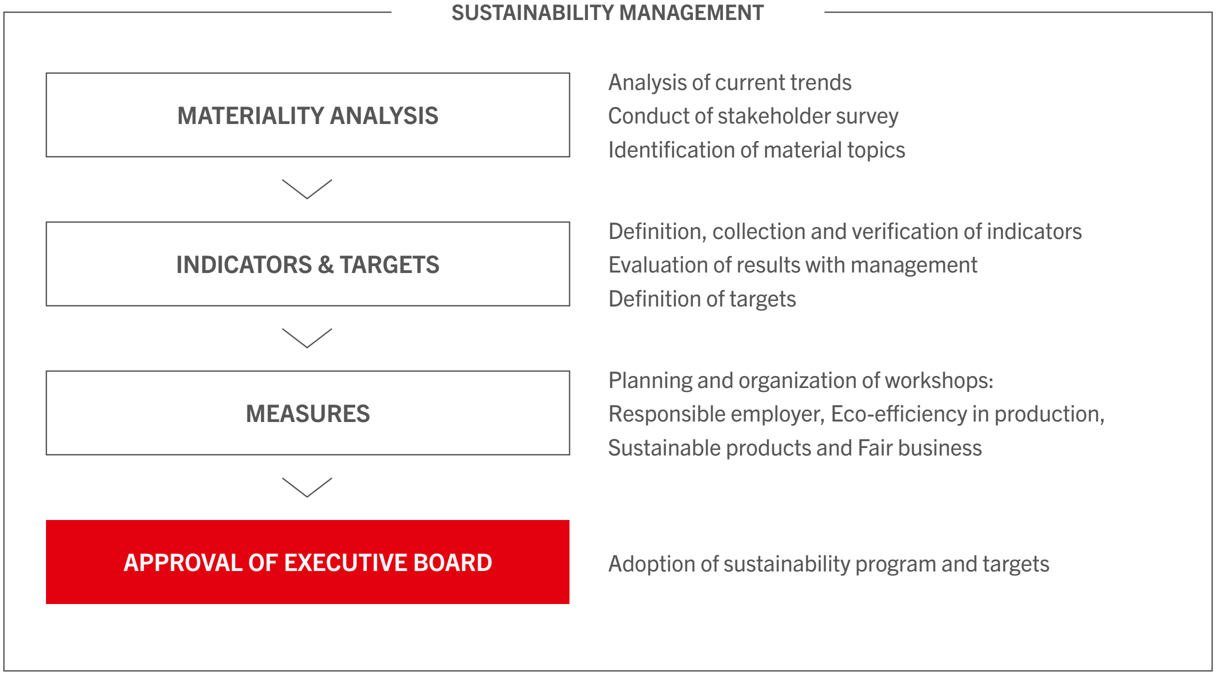


1) The above are exclusively actual monetary flows derived from the income statement that have occurred in the respective year. This explains any differences that may exist with regard to the income statement presented in the Integrated Annual Report.
2) Misprint in the Integrated Annual Report 2019, number 2019 corrected here.

GRI 201-1, 207-1

Sustainability management

The topic of sustainability has been a key component of the PALFINGER Group's strategy for many years. Sustainability management is a responsibility of the CEO. The future structures will be elaborated in 2021.



GRI 102-18, 102-20, 102-32

Corporate governance report, Executive Board, p. 104

MATERIALITY ANALYSIS

In a materiality analysis carried out in 2017, the economic, social, ecological, and ethical aspects that are identified as material both internally and externally were defined in a multi-stage process. Although a stakeholder survey was conducted in 2020, a comprehensive materiality analysis will not take place until 2021 owing to COVID-19. The topics identified as material are reflected in the four sustainability areas. The materiality analysis and subsequent evaluation of target attainment or relevant company progress is based on the frameworks of the Global Reporting Initiative (GRI): Core option, and the International Integrated Reporting Council (IIRC). In addition, the Austrian Sustainability and Diversity Improvement Act (NaDiVeG) and the United Nations Sustainable Development Goals (SDGs) are taken into consideration.

An internal review of the significance of the 13 currently most important sustainability topics identified in the materiality analysis is conducted every year. In 2020, four topics were found to have greater significance for stakeholders or a greater impact on them:

- Health and safety:

As a result of the health and economic crisis caused by the COVID-19 pandemic, the topic of health and safety was assigned an even greater significance than before. The corporate HSE manager is responsible not just for the COVID-19 actions implemented, but for other topics relating to health and safety as well. In this regard, the Total Recordable Incident Rate (TRIR) was added as a Group-wide HSE indicator in 2020.

- Energy efficiency and climate protection

Owing to their increasing relevance and long-term impact on the Group's strategy and products, the topics of energy efficiency and climate protection were given higher priority. Appropriate actions are contained in the new climate protection strategy.

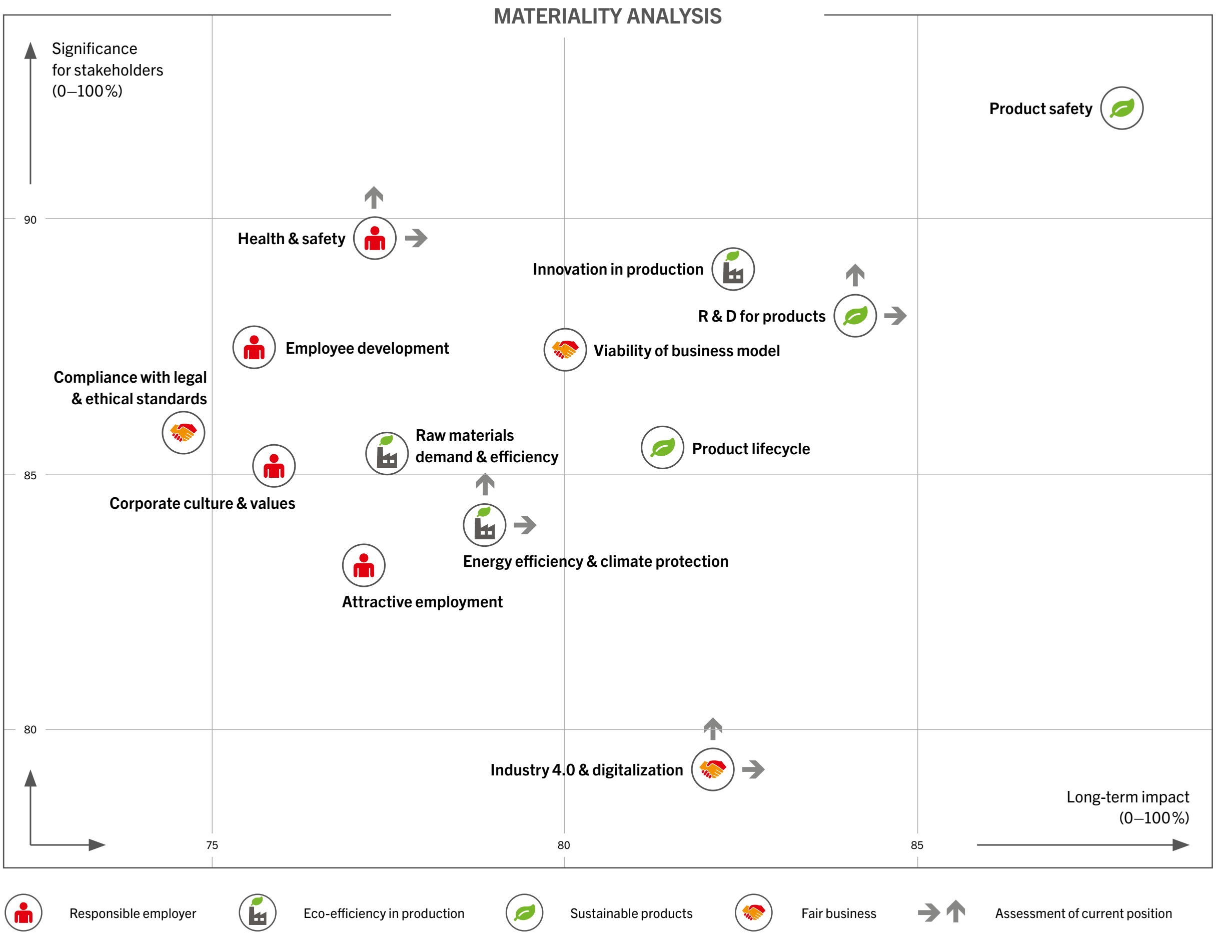
- Industry 4.0 and digitalization:

Another consequence of the COVID-19 crisis is the increasing importance of digitalization for working life. Remote working and online meetings are regular features of daily work. This has increased the focus on the notion of viability and is driving Industry 4.0 and digitalization in both dimensions.

- Product research and development:

In the context of the increasing relevance of climate protection, product research and development will have an important role to play. With centers of excellence and in product lines this development is regarded as a strategic success factor.

Apart from the increased significance of these four topics, there were no noteworthy changes in the overall ranking of the material aspects compared with the previous year.



The above chart shows the top 13 material sustainability topics classified by significance to the stakeholders on the Y-axis and the impact on PALFINGER on the X-axis. This analysis is the basis for all stakeholder communication and all action taken by PALFINGER in this regard.

GRI 102-43, 102-44, 102-46, 102-47, 102-49, 103-1
NaDiVeG
Impact table, p. 49, Detailed GRI and sustainability disclosures, p. 195

SUSTAINABILITY INDICATORS AND TARGETS

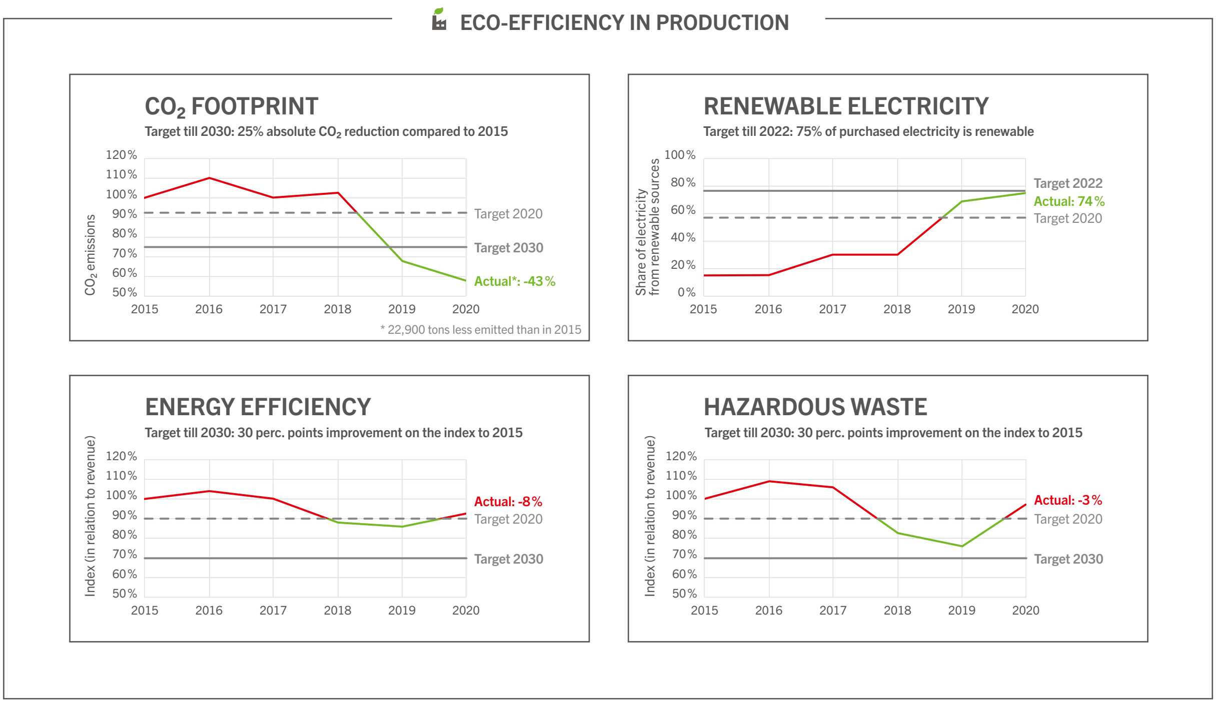
All corporate key performance indicators (KPIs) in the non-financial category at PALFINGER are defined on the basis of the results of the materiality analysis. These indicators are fully integrated into the overall Group-wide reporting. The required data is collected on a monthly or quarterly basis. Top-level management regularly addresses the trends of these KPIs as well as the other relevant topics.

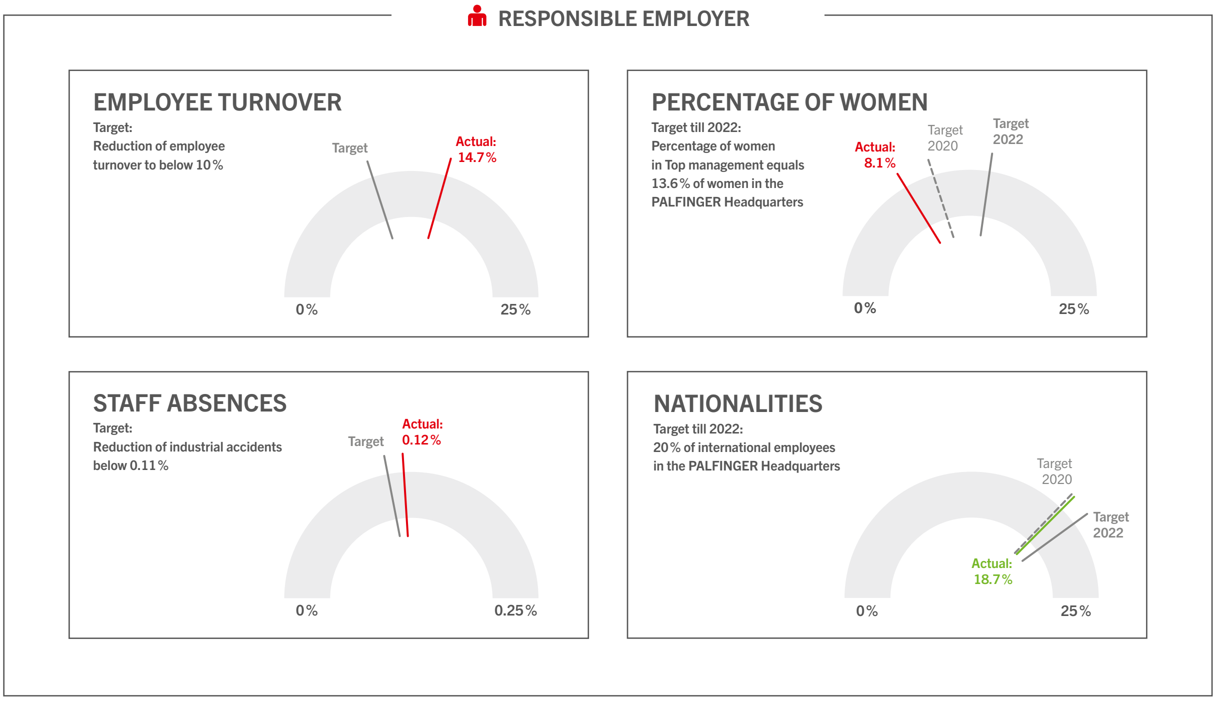
The Group Management Report provides aggregated KPIs at Group level. Similar to the consolidated financial statements, more detailed reporting is included in the sections of the detailed GRI and sustainability disclosures.

PALFINGER defined two long-term targets in human resources that are to be met every year: employee turnover shall remain below 10 percent at all times, and staff absences due to industrial accidents shall be under 0.11 percent. These two targets were not met in 2020. Two additional quantitative targets serve to underpin PALFINGER's diversity plan through 2022: these are to raise the percentage of international employees working at headquarters to 20 percent and to increase the proportion of women in top-level management. The interim target for international employees was met in 2020, whereas the targeted proportion of women was not achieved.

With respect to environmental topics, PALFINGER set four long-term targets for the areas of climate protection, energy, and waste reduction back in 2017. Two of these targets concern climate protection. PALFINGER undertook to reduce production-related CO_2 emissions to 25 percent of 2015 levels through 2030 and to source 75 percent of the electricity purchased throughout the Group from renewable energy sources by 2022. The CO_2 emissions target was exceeded by a wide margin in 2020, while proportionate progress was made toward meeting the second target. Additionally, compared with the reference year 2015, energy efficiency and waste intensity are to be improved by at least 30 percentage points by 2030. The impact of COVID-19 on capacity utilization at the various plants and the resultant drop in revenue led to significantly reduced intensity indicators.

The following chart presents an overview of the targets and the current status of their fulfillment. The detailed results and procedures are described in the corresponding sections.





Responsible Employer, p. 77; Eco-Efficiency in Production, p. 94; Corporate governance report, Diversity plan, p. 107; Consolidated financial statements, p. 115; Detailed GRI and sustainability disclosures, p. 195

SUSTAINABILITY PROGRAM

The Executive Board works with other executives to define the corporate strategy, policies, and values. The Executive Board establishes the sustainability program and targets on the basis of the materiality analysis. The program's actions are broken down according to the four sustainability areas. They contribute to achieving the qualitative and quantitative targets and support the Sustainable Development Goals (SDGs) that are relevant to PALFINGER.

GRI 102-19, 102-32
NaDiVeG
Detailed GRI and sustainability disclosures, sustainability program, p. 205
www.palfinger.ag/en/sustainability

RESPONSIBLE EMPLOYER

Measures	Status	Goal
Occupational health & safety 3		
Expansion of PALfit	●	2020
Global health campaign	◒	2021
GPO reorganization: Health protection, HSE and PALfit	◒	2021
Occupational physician	○	2021
COVID-19 Group policy & task force	○	2021
Employee development 4 8		
Expansion of employee development	⊗	2020
Learning strategy & learning platform	◒	2022
Leadership framework & program	⊘	2020
PALFINGER Campus	◒	2021
Apprenticeship program in China	○	2020
Attractive employment 4 5 8		
Establishment of an employer branding strategy	◒	2021
Onboarding process	⊗	2020
HR system	◒	2021
Job architecture	◒	2022
Global salary & wage increase process	◒	2021
Talent & performance management	◒	2022
Corporate culture & values 8		
Cultural analysis	●	2020
Diversity and equal opportunity 5 10		
Diversity plan	◒	2022
Objectifying the recruiting process	◒	2022
Diversity in talent & performance management	◒	2022
Communication with employees 10		
New intranet	○	2021
Internal communication concept	●	2020

SUSTAINABLE PRODUCTS

Measures	Status	Goal
Product safety		
Safety through product data tracking	◒	2021
Product research & development 9 13		
R&D process (Product Development)	◒	2021
Training of R&D employees	◒	2021
Product life cycle 12		
Best invest (= lifecycle app)	◒	2021
Business model innovation (TCO)	◒	2022
Environmentally friendly products 12 13		
Definition of environmentally friendly products	◒	2021
CO_2 emissions from product use	◒	2021
PALFINGER lubricants	◒	2021
Product information and fair marketing		
End customers in the system	◒	2021

ECO-EFFICIENCY IN PRODUCTION

Measures	Status	Goal
Innovation in Production 9 13		
R&D process (Production)	◒	2021
Energy efficiency and climate protection 13		
Environmental information exchange	●	2020
Photovoltaic systems	◒	2021
Energy efficiency tutorial	○	2021
Climate protection strategy	◒	2020
Renewable energy	◒	2022
Raw material demand & efficiency 12		
Evaluation of steel suppliers	◒	2021
Environmentally friendly transport		
CO_2 emissions from transport	◒	2021

FAIR BUSINESS

Measures	Status	Goal
Viability of the business model 8 9		
GLOBAL PALFINGER ORGANIZATION	◒	2024
Compliance with legal & ethical standards 5 8 10 16		
Compliance training	●	2020
Compliance risk assessment	◒	2022
Human rights assessment	◒	2021
Updating the code of conduct	●	2020
Integration of sustainability issues into risk assessment	○	2021
Industry 4.0 & digitalization 9		
Digital Transformation Officer	○	2021
Overall performance		
PALdrive platform	◒	2021

SUSTAINABILITY MANAGEMENT

Measures	Status	Goal
Targeted stakeholder communication	◒	2021
Concept for health, safety, environment & quality	◒	2021
HSE action plan	○	2021
Merchandise fan shop	●	2020
Sustainable mobility	◒	2021

○ New ◒ In preparation ● Completed ⊘ Deferred ⊗ Cancelled

Priority:

Detailed GRI and sustainability disclosures, sustainability program, p. 205

SUSTAINABLE DEVELOPMENT GOALS

The United Nations' 2030 Agenda for Sustainable Development contains 17 global Sustainable Development Goals (SDGs), which were adopted by the UN General Assembly in September 2015 and signed by Austria.

PALFINGER incorporates the SDGs into all aspects of its business operations. The direct and indirect impacts of PALFINGER's operations on the 17 SDGs were discussed in a multi-stage process. PALFINGER has identified five development goals as being most relevant to its activities: SDG 8 – Decent work and economic growth, SDG 9 – Industry, innovation, and infrastructure, SDG 10 – Reduced inequalities, SDG 12 – Responsible consumption and production, SDG 13 – Climate action.

Detailed GRI and sustainability disclosures, Sustainable Development Goals, p. 198

Impact table

This abridged impact table presents the 13 sustainability topics with the greatest significance for PALFINGER. Risks are assigned to these from an external perspective (risks from the company to the topics). It also shows at which stage of the value chain their impacts occur and to which areas their impacts are allocated. Applicable guidelines, reporting standards, and topic-specific actions are also categorized accordingly. The ranking of the material topics corresponds to their long-term impacts and the overall relevance based on the materiality analysis conducted in 2017. A complete impact table including all 38 topics can be found in the sustainability disclosures in the annex to this report.

Responsible employer | Eco-efficiency in production | Sustainable products | Fair business

Ranking	Relevant topics	Impact on value chain: Supply chain	Impact on value chain: Within the company	Impact on value chain: Product use	External perspective on risk	Actions
1	**Product safety** PALFINGER products shall be distinguished by utmost safety. The prevention of accidents during their use shall go beyond statutory requirements.		Fair business	Sustainable products Fair business	Failure to meet statutory requirements with regard to safety could present a risk to employees involved in the production process and to persons using the product in their everyday work. It could also result in environmental damage.	• Product data tracking for safety
2	**Product research and development** PALFINGER aims to invest more heavily in product research and development and offer the latest technologies.	Fair business	Sustainable products Fair business	Sustainable products	If PALFINGER fails to keep pace with the latest developments, outdated technologies may remain on the market and in the supply chain and result in loss of efficiency and profitability at the customer. The opportunity to achieve technological leaps that could also contribute to solving urgent global problems would be missed. Sustainable consumer behavior cannot be achieved.	• Product development R&D process • Training of R&D employees
3	**Innovation in production** PALFINGER aims to promote sustainable innovations and technologies in the production process in order to increase efficiency ("more output with less input").	Eco-efficiency in production Fair business	Eco-efficiency in production Fair business		Developments in the production process always go hand in hand with product developments. If these are neglected, customer requirements and global challenges may not be met. Sustainable production and consumer behavior is not achieved. Inefficient, error-prone or possibly dangerous production processes can result in long-term damage if not improved.	• Production R&D process
4	**Viability of the business model** PALFINGER must ensure the long-term viability of its business model and actively pursue trends (e.g. urbanization, rental instead of purchase, circular economy, etc.). PALFINGER aims to make a contribution to society.	Fair business	Responsible employer Fair business	Fair business	If business models are not designed to be viable, necessary improvements such as those that could meet global challenges or reduce environmental harm are not made. Through their dependencies, suppliers and partners could also be negatively impacted in terms of their operations. It would be difficult to guarantee job security and additional social benefits.	• GLOBAL PALFINGER ORGANIZATION • Business model innovation (TCO)
5	**Occupational health and safety** must protect its employees against accidents and proactively promote occupational health and safety as well as preventive health care and social security provision. A good work-life balance should be achieved, since it contributes to the employees' well-being.	Fair business	Responsible employer Fair business		If PALFINGER does not respect the health and safety of its employees, negative consequences could also result for external third parties. A lack of global health and safety standards could result in lengthy employee illnesses/injuries that institutions cannot proactively prevent. This ultimately leads to higher costs for health insurance companies and the insured. In a pandemic, employees are in danger of falling ill and may spread the infection both within the company and outside it unless effective action is taken at the workplace. A lack of initiatives to encourage a healthy life balance could cause employees to lose their sense of security in the workplace, which could lead to a reluctance to make long-term investments (construction of homes) or start a family, which would negatively impact the economy and demographic trends.	• Restructuring the GPO: Health protection, HSE and PALfit • Concept for health, safety, environment, and quality • Expansion of PALfit • Global health initiative • Occupational health specialist • COVID-19 Group policy and Task Force • HSE action plan

Ranking	Relevant topics	Impact on value chain: Supply chain	Impact on value chain: Within the company	Impact on value chain: Product use	External perspective on risk	Actions
6	**Product life cycle** Hallmarks of PALFINGER products should be their lower weight, lower energy consumption and reduced need for operating supplies over the entire product life cycle. The product design must be high-quality, reliable, durable, and low-maintenance.				Failure to consider a product's entire life cycle could lead customers to make bad purchase decisions if they only take the initial product cost into consideration and disregard the use of consumables and supplies. These aspects could also be disregarded during the development phase in consequence. This could lead to a negative impact on the environment. Responsible patterns of production and consumption will not be achieved.	• Best Invest • Business model innovation (TCO)
7	**Employee development** PALFINGER should promote the training and further education of its employees and prepare them in good time for changes in their working environment (e.g. Industry 4.0, expert development).				Failure to support employees with their development will make it difficult for them to stay in employment in the future (structural unemployment, age-related unemployment); the risk of injury could increase, particularly in production, and lower motivation could result in illness and substandard work. This can lead to product defects, thus endangering the user. Global challenges can only be met with well-trained and versatile employees. A lack of support, training, incentives, and diversity hinders innovation.	• Learning strategy & learning platform • Leadership framework and program • PALFINGER Campus • Apprentice scheme in China
8	**Energy efficiency and climate protection** PALFINGER must strive to continuously optimize energy consumption and intra-company transport (e.g. on-demand logistics, e-drive, induction loops) and to reduce costs and emissions, this making an active contribution to climate protection. PALFINGER must aim for the highest building efficiency possible under regional conditions.				If PALFINGER does not make a contribution to climate protection, efficiency and the use of renewable energy technologies may decline, slowing the process of transformation in that direction. Failure to meet climate goals may lead to considerable government intervention and high taxes. CO_2 emissions will also rise and the 1.5-degree target will not be achieved, which would have negative implications for the ecosystem and the economy. This negative impact will be multiplied if PALFINGER does not impose environmental requirements on its supply chain.	• Climate protection strategy • Renewable energy • Photovoltaic systems • Exchange of information on environmental topics • Energy efficiency tutorial • Sustainable mobility • Merchandise fan shop
9	**Raw material requirements and efficiency** In production, PALFINGER aims to use raw materials such as steel, aluminum, and glass fiber efficiently.				Inefficient use of raw materials could increase waste volumes and lead to raw material shortages and higher product prices. This could lead to use of raw materials or substitutes whose extraction, production, or use is less socially or environmentally compatible, causes political crises as a result of relocation to resource-rich countries, or favors corruption and the emergence of black markets.	• Steel supplier assessment
10	**Attractive employment** PALFINGER aims to be known as an attractive employer, to maintain a high employee retention rate and to create development opportunities (horizontally and vertically) within the company.				Attractive employment models and development opportunities provide for decent work conditions and economic growth. A lack of these can negatively impact purchasing power, result in fluctuations on the labor market, and increase emigration to more attractive countries. Corruption and discrimination may increase if values and principles are not adhered to, and topics such as fair working conditions may be neglected. A lack of job satisfaction can negatively impact the standard and quality of living (mental resignation, poorer performance).	• Establish an employer branding strategy • HR system • Job architecture • Global pay raise process • Talent and performance management
11	**Corporate culture and values** PALFINGER employees, in particular executives, should set an example when it comes to embracing PALFINGER's corporate culture, and act in accordance with its values of entrepreneurship, respect, and learning. This is intended, among other things, to lead to intercultural understanding, a higher level of recognition, appreciation, and an active exchange of knowledge.				Values serve as an important moral compass for actions. A lack of culture and values – and the associated lack of role models – could lead to an increase in corruption and discrimination. Inequality could increase and the motivation to participate in the labor market could decrease. This could also negatively impact purchasing power and economic growth. Furthermore, moral decline endangers fundamental institutional principles and the quality of life within the employee community.	• Cultural analysis

Ranking	Relevant topics	Impact on value chain: Supply chain	Impact on value chain: Within the company	Impact on value chain: Product use	External perspective on risk	Actions
12	**Compliance with legal and ethical standards** PALFINGER must act in an ethically correct manner. Laws are obeyed, taxes are paid properly, and action is taken to prevent corruption.				Long-term business relationships based on the principle of a partnership with customers, suppliers, and employees could suffer as a result of misconduct, which could also lead to a loss of contractual and legal security. Breaches of fair taxation, anti-corruption, anti-trust laws, etc. may lead to more international legislation and guidelines that restrict the ability to act. There could be an increase in global tax havens and incidents of corruption. Actions with a distorting effect on competition could result in an imbalance of power and thus in significant limitations for the end customer in particular.	• Compliance training • Compliance risk assessment • Human rights assessment • Code of Conduct update • Integration of sustainability topics in risk analysis
13	**Industry 4.0 and digitalization** PALFINGER must focus increasingly on the digitalization and connectivity of machinery; this also extends to its suppliers (open sourcing). Responsible handling of data, in particular rigorous data protection, must be guaranteed.				If PALFINGER fails to prioritize digitalization, innovation, and data protection it will be difficult to meet the global challenges in many of PALFINGER's customer segments, limiting the advancement of innovative solutions. Working with partners to develop innovations could also be negatively impacted, and corruption topics (particularly with regard to data protection) could increase throughout the entire value chain as a result.	• Digital transformation officer

GRI 102-47, 103-1

NaDiVeG

Detailed GRI and sustainability disclosures, Impact table, p. 200

Commitment

PALFINGER plays an active role in shaping standards and guidelines for its products, cooperates with educational organizations and institutes, and commits to climate protection and to upholding principles relating to human rights, working conditions, environmental protection, and anti-corruption. PALFINGER initiates training programs around the world and in some cases is also responsible for their implementation in cooperation with local institutions.

Within the framework of its membership of the Austrian sustainability network respACT, PALFINGER took on the role of respACT coordinator for the province of Salzburg in August 2019. Moreover, PALFINGER has been a member of Cercle Investor Relations Austria (C.I.R.A.) since 2000 and also has a seat on the board.

Donations and sponsoring amounted to EUR 1,081,414 in 2020.

GRI 102-12, 102-13, 201-1

NaDiVeG

Monetary flows to stakeholders, p. 41; Corporate governance report, Fair Business, p. 108

SPONSORING

PALFINGER uses sponsoring to enhance brand awareness and interaction with customers. It is also an important marketing tool.

Despite the restrictions imposed as a result of COVID-19, PALFINGER has continued its existing and longstanding sponsorship deals. In the field of sport, one such partnership is with Thomas Geierspichler, Paralympic gold medalist and multiple world and European champion in wheelchair racing. In addition, PALFINGER sponsors the two young Austrian winter sports athletes Elisabeth Reisinger (alpine skiing) and Barbara Walchhofer (cross-country skiing), the KAMAZ-Master truck racing team at the 2020 Dakar Rally, and Austria's bobsled team. In the realm of sustainability, PALFINGER sponsors development at Graz University of Technology and the Karl-Franzens University of a biosensor to diagnose the disease American foulbrood in bees, and the "HektarNektar" project for young beekeepers. PALFINGER also sponsors the Mattseer Diabelli Sommer music festival and cooperates with the Burgtheater in Vienna.

DONATIONS
PALFINGER donates to initiatives and organizations including the Order of the Brothers Hospitallers, UNICEF, CARITAS and Austrian radio's Ö3 Weihnachtswunder. As a matter of principle, PALFINGER does not make any donations to political parties or political organizations. PALFINGER is a partner of AMREF (African Medical and Research Foundation), the Institute of Co-operation for Development Projects (ICEP), and the latter's corporAID initiative. Donations are also made to Salzburg children's cancer charity, Kinderkrebshilfe Salzburg.
GRI 102-12, 415-1
NaDiVeG

Awards
PALFINGER's efforts to benefit its stakeholders have been recognized time and again in the form of Austrian and international awards.

EMPLOYEES
The positive image of PALFINGER was underscored by certification of its training center in Lengau as a "Great Place to Start" and the plant in Brazil as a "Great Place to Work". For the fourth time, EPSILON Kran GmbH was granted the "BGF stamp of quality" by the Austrian health insurance provider.

BUSINESS AND COMMUNICATION
In 2020, STRUCINSPECT won the "State Digitalization Award" and the "Digital Impuls Award 2020" presented by *Die Presse*, a daily newspaper. The Vienna Stock Exchange awarded PALFINGER first place in the "Mid Cap" category in 2020, and the company also ranked first in Salzburg's "International" category of the Austria's Leading Companies Award.
www.palfinger.ag/company

VALUE MANAGEMENT

- **PALFINGER proves robust and diversified**
- **The global production network successfully compensated for bottlenecks**
- **Indicators in 2020 impacted by COVID-19**

PALFINGER measures the progress of the Group's development progress in the long term using financial and non-financial indicators. PALFINGER's short-term value enhancement is seen in the operational profitability and revenue. In Q2 of 2020, the COVID-19 pandemic and its effects massively impacted on these indicators. However, the trend toward year-end shows a return to PALFINGER's profitable growth. Indicators such as capital employed, employee health, and environmentally friendly business operations point to medium- to long-term success. The main indicators for PALFINGER in 2020 were:

- Revenue
- EBIT margin
- Capital employed
- Return on capital employed (ROCE)
- Free cash flow
- Net financial debt
- Staff absences due to industrial accidents
- Absentee rate due to sick leave, occupational diseases, and other causes
- Energy consumption in relation to revenue

PALFINGER strives to achieve long-term, profitable growth. Therefore, the focus is on the long-term trend of the KPIs listed here. In reporting year 2020, revenue fell by 12.5 percent, chiefly due to the COVID-19 crisis. The EBIT margin dropped to 6.5 percent. A significant drop in the average capital employed to EUR 1,084.1 million was recorded in the reporting year as a result of actions taken by the COVID-19 Task Force. In the reporting period, ROCE reached 6.9 percent. Free cash flow increased to EUR 173.3 million in 2020,compared to EUR 112.4 million in 2019. Despite a markedly poorer earnings situation, the actions taken for more efficient deployment of working capital and the lower investment rate due to the pandemic had a positive effect. Net debt amounted to EUR 397.1 million, which – excluding the effect of IFRS 16 – is the lowest level since 2013. The action currently being taken by PALFINGER supports the recovery and improvement of these indicators, particularly profitability and return on investment.

The significance of integrated sustainability management is shown by the lower rate of staff absences as a percentage of normal working hours: in 2020, absences due to work-related accidents dropped to 0.12 percent (2019: 0.14 percent), while those resulting from sick leave, occupational diseases, and other causes fell to 3.80 percent (2019: 4.02 percent). Comparability of the figures to those of the previous year is limited owing to the effects of COVID-19.

Energy efficiency in relation to revenue in 2020 was below the 2019 level. This was due to production downtimes resulting from COVID-19. These losses of efficiency led to computed costs of approximately EUR 0.27 million for gas and electricity in the reporting year (2019: EUR -0.26 million).
Sustainability management, p. 43; Performance of the PALFINGER Group, p. 63; Detailed GRI and sustainability disclosures, p. 195

Value creation

The GPO and process optimization measures were ideally suited as means of coping with the pandemic of 2020. The COVID-19 Task Force was quick to identify critical situations and lent support with precise actions to safeguard employees' health and maintain production and supply chains. The volatile situation with regard to demand made it necessary to adjust capacities at short notice. The slight improvement in the COVID situation in Q3 of 2020 was accompanied by rapid market recovery and high production levels. During the COVID-19 pandemic, PALFINGER achieved a high degree of planning quality for the suppliers and the company's own production plants.

Away from managing the COVID crisis, standardization of processes was prepared in 2020, and January 2021 saw rollout of SAP S/4 HANA in the majority of the EMEA production network.

GLOBAL FOCUS

In 2020, work continued on key projects to further consolidate value creation processes and harmonize production expertise in the global production network. Central components of the value creation strategy are production and procurement "in the region, for the region". The regional production network fulfills customer requirements with their specific regional characteristics in terms of cost considerations, delivery reliability, and quality standards. In fiscal year 2020, intensive work was done on designing end-to-end processes and developing and implementing globally standardized process templates. The go-live of SAP S/4 HANA in the majority of the EMEA production network in January 2021 paved the way for cutting process costs and implementing the digital transformation within the value chain. Introduction of a low code platform makes standardized implementation of specific requirements of plants or departments in applications possible or enables them to be shared in the network. This prevents redundant application development within the production network.

The operations excellence (OPEX) organization with its global focus reflects important strategic aspects such as the PALFINGER Production System (PPS), the process organization, and support functions for the four core value creation stages: manufacturing, painting, assembly, and mounting. PPS brings the lean culture to all levels of the company and is a source of significant cost savings that increase profitability. Lean management and Industry 4.0 are complementary topics for PALFINGER and operate using the approach of first establishing stable processes before automating and digitalizing them. Humans, machines, and data form a network with far greater transparency of operating performance. This makes it possible to promote continuous improvement throughout the entire value chain even more effectively. In the four value creation stages, the support functions have the aim of rendering production and business processes in the network homogeneous, raising the degree of maturity in industrial production and accompanying product developments in accordance with the principles of simultaneous engineering.

LOCAL FOCUS

Making value creation a more flexible process while maintaining a focus on the value creation stages and specific product lines in the plants is extremely important for the further development of PALFINGER's production network. Production and assembly plants need to react more quickly to changing market demand. The ability of the production network to react quickly was proved during the challenging phases of the COVID-19 pandemic. The ability to adapt capacity to market demand is a key factor for future success even under "normal" circumstances. In fiscal year 2020, investments were made in infrastructure, technology, expanding production of turnkey solutions, and when capacity bottlenecks arose.

SEGMENT SALES & SERVICE AND SEGMENT OPERATIONS

EMEA

The EMEA region holds the largest share of PALFINGER's production network. It includes assembly plants and production sites for the individual product lines, and supplies customers and sales units both within the EMEA region and outside it. Thanks to precise internal coordination, the supply chain was successfully maintained during the lockdowns imposed as a result of COVID-19. The assembly plants in Austria, Italy, and Germany steadily cleared their production backlog over a period of two to three months. In the second half of 2020, a good order intake stabilized the plants' level of capacity utilization.

CIS

In the CIS region, demand was extremely low at the beginning of the year, especially for the Timber & Recycling product line. As the year ended, however, increased demand led to significantly higher capacity utilization at the plants in Velikiye Luki and Archangelsk. Following a tender received at short notice at the plant in Ishimbay in the Crane product line, the workforce there was confronted with a 3-4 shift schedule from October. Production in Archangelsk was reduced to cast parts and a specific welded component for the plants in Velikiye Luki and Ishimbay. In Velikiye Luki a new wet coating and powder coating machine is being purchased.

NAM

Besides quality and output initiatives at the Oklahoma and Trenton plants, consolidation of tail lift production at the Council Bluffs site was the main priority. Demand for pickup bodies with service cranes was below expectations. Relocating the first bodies from Oklahoma to Council Bluffs for fitting with access platforms resulted in considerable cost-savings, however. Comprehensive restructuring measures were necessary at the Oklahoma plant in order to ensure positive earnings contributions in future. In the Hooklifts & Skiploaders product line, mounting took place in a truck production plant for the first time in Q4 of 2020.

LATAM

Market conditions in Brazil were challenging. From the second half of 2020, demand rose disproportionately, but because of COVID-19 the plant in Caxias do Sul was unable to meet demand one hundred percent. Expanded shift schedules, an increased headcount, employee qualification, and investment will ensure that the necessary capacities will be available from mid-2021. Caxias do Sul successfully established itself as a supplier of pre-assemblies in the NAM region.

Since the purchase of a majority stake in the joint venture with Hidro-Grubert and the resultant takeover of the plant in Rio Tercero in December 2019, Argentina has played a central role in the production network in LATAM.

APAC

The production site in Rudong (CN), a joint venture with SANY (SPV), was more closely integrated into the global PALFINGER production network in 2020. Production was swiftly resumed after the first phase of the COVID-19 pandemic. Since Q4 of 2020, output at Rudong has reached record levels. In India, the plant in Chennai was barely operational owing to the pandemic.

MARINE

In Q1 of 2020, all product lines in segment SEA were integrated into the GPO structure. Production of davits was split between operations management in the EMEA region and APAC. Production of boats and Marine Handling Solutions remains the responsibility of the MARINE region. The focus was on harmonizing the business processes and reorienting the boat construction plants in Norway, the Netherlands, China, and Vietnam.

DIGITALIZATION IN PRODUCTION
In 2020, measures continued to ensure more widespread use of the low code platform for plant- and field-specific applications. Introduction of an IoT platform with manufacturing execution system (MES) functionality in the initial phase was postponed to Q2 of 2021 owing to COVID-19. Digital data consistency, defined data models, and system architecture are priorities of the digital transformation strategy in 2021.
GRI 102-9, 102-10
NaDiVeG

Brand and brand world

At the beginning of 2019, a brand process was launched with the aim of defining and positioning the PALFINGER brand more precisely and emphasizing its forward-looking character. Implementation was postponed because of the COVID-19 pandemic. Communication and introduction of the results are now planned for 2021. The promise of LIFETIME EXCELLENCE made to customers by the PALFINGER brand remains valid in every respect.

The brand process is being carried out by the Corporate Marketing & Communications corporate function with the aim of qualitatively managing perception of the PALFINGER brand and mobilizing it globally. A first result was the global brand and product campaign “Challenge Accepted”. Accompanying the campaign, a communication platform was created to accept the challenges presented by customers and partners and to develop solutions together. The highlight of the campaign was the digital PALFINGER World Tour in October 2020.

In light of the cancellation of fairs and events owing to COVID-19, the newly conceived PALFINGER World Tour proved to be a viable solution for the future. The digital event was an opportunity for personal interaction with customers and partners in the EMEA, CIS and APAC markets. The PALFINGER World Tour will continue in 2021 with the NAM, LATAM, and MARINE regions.

The digital format was received extremely positively by PALFINGER’s customers and partners who made intensive use of the opportunities for active communication and individual discussions with sales and service. As a result of the positive feedback, this format will be continued beyond 2021. The PALFINGER World Tour will be developed further and expanded as a communication instrument.

PALFINGER

RAW MATERIALS & MATERIALS

RECYCLING
ORES
CRUDE OIL

MATERIAL PRODUCTION, IN PARTICULAR STEEL, ALUMINUM & GLASS FIBER

CO_2 intensity in production

Lightweight materials (high tension steel grades, share of aluminum, glass fiber, etc.)

Recycling share

R&D for alternative materials (e.g. carbon)

HYDRAULIC OILS & LUBRICANTS

Biodegradability

PURCHASED PARTS

Increase in safety of end products

Lower weight of purchased parts

Human rights protection of employees in production

Occupational health and safety of employees in production

Free of conflict minerals

HYDRAULIC COMPONENTS, DIN & STANDARD PARTS, ELECTRONICS & CABLES

No hazardous substances (REACh, RoHS, etc.)

MECHANICAL PARTS (ROPE WINCHES, GEARBOXES, ETC.)

Coating with water-soluble paints

ENGINES & PUMPS

Engine efficiency, rotational speed control

ENERGY PROCUREMENT

SOURCES OF ENERGY (ELECTRICITY, HEAT, FUEL)

Share of renewable energy sources

Security of supply

TRANSPORT TO PLANTS

Fuel consumption and regional approach (local sourcing)

Transport mix (truck, rail, ship, air)

PLANTS

FOR PRODUCTION & ASSEMBLY

Energy efficiency

Substitution of hazardous substances as operating supplies

Reduction of raw materials, operating supplies, water and effluents

Avoidance of air and noise emissions for employees and local residents

User safety

OPERATING SUPPLIES

PAINTS

Solvent-based paints

Water-soluble paints

Paints free of heavy metals and chromate

Ecological substitute products

OTHER OPERATING SUPPLIES

Tools, lubricants, cooling agents, welding gases and wires, chemicals for electroplating

SUPPORTING ACTIVITIES

EMPLOYEES

Occupational health and safety

Protection of human rights

Employee development

Diversity and equal opportunity

Occupational health management

Fair remuneration and support in hardship cases

Corporate cultur (values, employee communication, etc.)

Attractive employment (employee involvement, continuous process of improvement, incentive system, modern workplace, etc.)

BUILDINGS (WORKSHOPS, WAREHOUSES, OFFICES, ETC.)

Energy efficiency of compressed air, ventilation, heating, cooling, lighting

Photovoltaic systems

Fire safety

TRANSPORT WITHIN THE PLANT

Fuel consumption and regional approach

Transport mix (truck, rail, ship, air)

Alternative engine systems

MANUFACTURING PLANTS

CUTTING (LASER, PLASMA)
BENDING, WELDING
CHIPPING (LATHING, MILLING, DRILLING)
CASTING, BONDING
COATING (PAINTING, ELECTROPLATING, CDP)

Safety: accident prevention

Health: eye protection, protection from air emissions and noise

No chromium VI in electroplating

Reduction of hazardous waste

WASTE, MATERIAL OUTPUT

Safe storage on-site

Responsible employer
Eco-efficiency in production
Sustainable products
Fair business

VALUE CHAIN

FLEET & BUSINESS TRIPS
- Mobility mix
- Alternative engines and fuel savings

RESEARCH & DEVELOPMENT
- Safety innovations
- Ecodesign
- Digitalization

GOVERNANCE
Business ethics and prevention of corruption
Data security
Compliance with legal and ethical standards

& BETWEEN PLANTS
Safety: accident prevention
Capacity optimization

ASSEMBLY PLANTS
MOUNTING
FILLING
TESTING
FINISHING

MCC[1]
COMPLETE MOUNTING FROM FACTORY

Reduction of cuttings and reject rates
Energy efficiency
Efficiency of operating supplies and water
Safe storage of hazardous waste and avoidance of emissions to water and soil

Separate collection

TRANSPORT OF PRODUCTS & SPARE PARTS
Fuel consumption
Transport mix
Capacity optimization

DEALERS
MOUNTING OF TRUCK BODIES
Reduction of truck body weight

INFORMATION & COMMUNICATION
Training courses on safety and environmental protection for users
Fair marketing

SERVICE

SECOND-HAND MARKET
PALDRIVE
Platform for turnkey and second-hand market solutions

END CUSTOMERS
Safety in use
Energy efficiency during use and alternate engines (e.g. electricity, hybrid)
Fuel savings in transport due to lower product weight
Reduction of noise and emissions
Avoidance of discharge of hydraulic oil
Reduction of use of operating supplies (e.g. lubricants)
Low maintenance and long service lives
Product life cycle

MARKETS
Developing countries and emerging markets
Products for ecological/ social purposes
Civil defense and military applications (protection of human rights)

REGION
Regional development and employment
Reduction of troublesome effects on local residents
Fair taxation
Donations and sponsoring
Stakeholder involvement

END-OF-LIFE
Separability
Recycleability

WASTE MANAGEMENT COMPANIES
Ecologically optimized disposal

RECYCLING OF WASTE MATERIALS

LANDFILL

1 – MCC = Mounting Competence Center

MARKET REVIEW

- **Effects of the COVID-19 crisis felt in all regions and product lines**
- **Noticeable recovery in all regions since summer, but high volatility remains**
- **Stable revenues in Q3 and Q4 2020**

Around the world, PALFINGER has a broad customer base and a wide range of products in various customer segments. The service and sales network, proximity to the customers, and the Group's swift and efficient action was crucial in mastering the COVID-19 pandemic so successfully.

REGIONS AND INDUSTRIES

EMEA

In the EMEA region, PALFINGER's customers come from the most diverse industries. This diversity helped to largely cushion the impact of the COVID-19 crisis. While the core markets of Spain, Italy, France, and Great Britain were strongly affected in March and April of 2020, others remained almost unaffected. The impact of the pandemic on PALFINGER's core industries (construction, transport and logistics, rentals and leases, agriculture and forestry, waste management, railways, and state institutions) differed. Thanks to long-term infrastructure projects in the public sector and investment in housing construction, the construction sector proved to be a solid foundation in 2020. Forestry recovered in the second half of 2020 from the low demand in the first months of the year attributable to COVID-19 and low timber prices. PALFINGER's leading position in the field of intelligent and digital solutions contributed to its ability to win orders in the public sector.

Maintaining the good level of delivery reliability proved a challenge in fiscal year 2020 owing to the volatile demand.

NAM

PALFINGER has a wide-ranging product portfolio in the NAM region. Following a strong start driven by the construction industry, the first half of 2020 was very much in the shadow of COVID-19. Demand improved after the summer. In spite of the pandemic and uncertain market conditions connected to the US presidential elections, PALFINGER adhered to its strategy for profitable growth, especially in the construction, building materials, transportation logistics, and waste management segments. Continuous investment in the nationwide mobile services strengthened PALFINGER's position on the market.

LATAM

Mining, construction, agriculture, energy, transport and logistics, and rentals and leases are PALFINGER's most important customer segments in Latin America (LATAM region). In Brazil, the largest market, the lockdown was most strongly felt in the transport sector. Brazil marked an upturn from August 2020, and Chile also made a speedy recovery. In Argentina, manufacturers with local added value posted positive results despite restrictions and economic problems.

CIS

The loader crane and the timber crane remain PALFINGER's core products in the CIS region. The main industries include agriculture and forestry, the construction industry, transport and logistics, the oil and gas industry, and energy supply. In addition to local added value, PALFINGER maintains a comprehensive sales and service network in the region.

Demand, which was low at the start of the year, recovered from the summer on, but remained volatile. Following an eight-percent drop in the commercial vehicles market in the first half of 2020, the trend in Q3 was positive. Despite negative factors in the business environment overall, demand for loader cranes increased. The Early Procurement State Program launched by the Russian Federation supported the positive trend in the second half of 2020. In forestry, the need to clear backlogs meant that timber cranes recovered in Q3 and Q4.

APAC

PALFINGER's most important customer industries in the APAC region are construction and infrastructure, transport and logistics, railways, waste management and recycling, forestry, and state institutions. Every economy in the region is affected by the COVID-19 lockdowns. China's economy experienced a V-shaped recovery. Thanks to large-scale infrastructure projects, PALFINGER recorded faster growth in 2020 compared to the preceding year. The effects of the pandemic were felt considerably more strongly in the region's other countries. Although India was worst hit, demand in the public sector and railways remained high – and PALFINGER won an order for a major project. PALFINGER was awarded another large order in Thailand. In Japan, the stability of the forestry sector meant that business in that country held firm. Demand in Korea showed a negative trend owing to falling scrap metal prices.

In China, demand for cranes in 2020 remained as high as the previous year, in spite of COVID-19. India still continues to show preference for the pick-and-carry cranes, although demand for truck loader cranes rose.

The political instability of many countries in Southeast Asia had a negative impact on demand.

www.palfinger.com/en/segments

MARINE

With its product portfolio, PALFINGER serves the offshore (oil and gas), wind, cruise, navy and coast guard, aquaculture and fisheries, and trade and transport industries.

In spite of the worldwide recession in the wake of COVID-19, the trend toward larger-scale projects with higher order volumes and more equipment continued in 2020 for all marine products with the exception of the cruise sector. Nevertheless, the positive trend in the offshore (oil and gas), navy and coast guard, and aquaculture and fisheries sectors could not compensate fully for the deferment of orders in the cruise ship industry caused by COVID-19. COVID-19 and the cruise ship crisis also affected income from services.

GRI 102-6
NaDiVeG
www.palfingermarine.com/en/segments

CUSTOMERS AND DEALER NETWORK

PALFINGER's network of sales and service partners in more than 130 countries all over the world with some 200 general importers and independent dealers and over 5,000 service partners proved to be a solid and crisis-proof basis that reacted quickly to changing conditions.

In place of the international sales conference, PALFINGER launched the digital format "PALFINGER World Tour" in October 2020. Dealers, customers, and partners took part in a live stream comprising discussions and presentations with the tagline "Challenge Accepted". With this format PALFINGER has introduced new and innovative ways of communicating and interacting with customers and partners.

In 2020, PALFINGER conducted over ten customer surveys in selected product areas and the results are being incorporated into subsequent actions.

In the EMEA region, sales is the responsibility of an extensive network of general agents and dealers, most of whom are independent partners who work exclusively for PALFINGER. In Germany, Spain, Portugal, and Denmark PALFINGER sells its products itself. In December 2020, the takeover of PALFINGER's Swedish partner, Hinz Försäljnings AB, was signed. From the beginning of 2021, Hinz is a subsidiary of PALFINGER. In France the Group holds 49 percent of stock in the general agent Palfinger France. Additionally, products in some lines are sold directly for OEMs and key accounts. Thanks to the resilience of the sales and service network, PALFINGER was able to further reinforce its market position during the pandemic.

In the NAM region, a network of dealers and general agents in the United States, Canada, and Mexico is responsible for sales. Not all of these are exclusive partners, although in most cases sales and service for truck mounted installations account for the lion's share of the dealers' business. In addition, PALFINGER owns and operates its own dealership in the USA that covers a large area in the Midwest and southeast. With its first-class product and service portfolio, PALFINGER can guarantee excellent access to markets and added value for customers.

In 2020, PALFINGER continued with the expansion of the product portfolio and of its sales and service network in the LATAM region. New general agents were appointed in Uruguay and Nicaragua. In Peru, hooklifts and access platforms were successfully added to the product range, and in Chile the hooklift of the longstanding partner was added to the product portfolio. Expansion of direct sales in Brazil and Argentina led to increased sales and service revenue. Owing to the COVID-19 pandemic, service training including implementation of the PALFINGER standards was carried out in digital form.

In the CIS region, PALFINGER focused on developing the larger truck mounting partners and improving service quality and employee training in the service centers in 2020. Sales of PALFINGER complete solutions through the dealer network continued to perform well.

In the APAC region, PALFINGER expanded direct sales and handled some markets itself side by side with the existing dealer structure. Alongside several new product launches, the focus in 2020 was on training the service organization and implementing processes and systems.

As an original equipment manufacturer (OEM) of international standing, PALFINGER sells its MARINE products itself or through carefully selected dealerships. In 2020, the COVID-19 crisis created opportunities to work intensively with customers on finding solutions to the challenges of the market together. In all segments, the changes to the project management approach in the fields of sales and the clear customer focus were recognized as the basis of a long-term partnership and clearly positioned PALFINGER as a provider of solutions in the shipbuilding industry that offers long-term stability.

There are no markets in which PALFINGER products and services are not approved for use.
GRI 102-2, 102-6, 102-7
NaDiVeG

SUPPLIERS

As a result of COVID-19, the entire supply chain was affected by resource shortages and delays in delivery. To begin with, it was chiefly suppliers in China who were affected. However, because transportation times were generally longer, buffer stock had been stored, enabling shortages caused by COVID-19 to be made good at short notice.

Italy, with more than 30 strategic suppliers for hydraulic components in particular, is an important procurement market for PALFINGER. In March 2020, a complete two-week shutdown with border closures was imposed in the Lombardy, Veneto, Emilia-Romagna, and Piedmont regions. Thanks to prompt provisioning measures, it was possible to purchase many components before the shutdown came into effect. Additionally, the "supply essential goods" policy meant it was possible to obtain an early production start on the part of the Italian suppliers. The situation improved significantly in the second half of 2020.

For timely identification of potential liquidity bottlenecks, strategically important suppliers are being subjected to more frequent risk analysis on the basis of the PALFINGER sourcing strategy. Owing to the general COVID-19 travel restrictions in place, meetings, negotiations, and initial audits are chiefly taking place in digital form. PALFINGER smart-eye technology was successfully used for initial design inspection.

This success is based on PALFINGER's good collaboration with suppliers. PALFINGER has around 200 strategic main suppliers with whom delivery and quality assurance contracts have been concluded regarding cost effectiveness, products, the environment, and social matters.

Procurement factors, markets, and strategies

PALFINGER considers flexibility in its procurement to be a success factor. The main purchasing flows at PALFINGER involve the procurement of raw materials (steel, aluminum), building parts and components (hydraulics, electronics, plastics), facilities (buildings, machinery), operating supplies, energy, and outsourced manufacturing. Raw materials accounted for the biggest share of procurement costs in fiscal year 2020, approximately 13 percent.

PALFINGER enters into long-term contracts with its strategic main suppliers in which the prices are fixed and the annual purchase quantities are variable. This enables PALFINGER to keep up with the expected demand while also allowing it to act quickly in response to volatile market conditions.

To make procurement of building parts less complex, to lower process costs, and to increase flexibility, PALFINGER increasingly uses electronic interfaces to its suppliers.

The cooperation with an Austrian bank to implement reverse factoring of supplier invoices was expanded further in 2020. Reverse factoring enables PALFINGER's suppliers to receive payment within just a few days. PALFINGER's own payment terms vis-à-vis the bank are significantly longer.

The "local for local" procurement strategy increases flexibility, reduces transport distances, improves the ecological footprint, and helps to stimulate the local economy. Global sourcing harnesses the potential of new procurement markets for PALFINGER, for example in Asia. New suppliers are required to be reliable when it comes to upholding quality and sustainability standards such as human rights and prevention of corruption. PALFINGER is not subject to Section 1502 of the Dodd-Frank Act on conflict minerals. Thus, the supply chain is not examined for their presence.

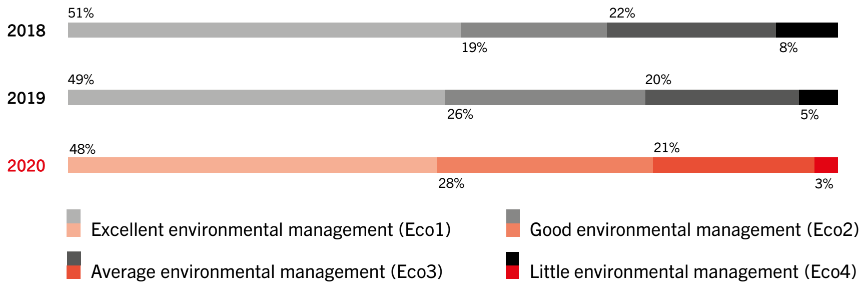
Strategically important suppliers regularly undergo audits. These allow changes in the processes and in economic stability to be identified at an early stage. If necessary, PALFINGER provides assistance to its suppliers with optimizing their processes.

Sustainability at PALFINGER suppliers

PALFINGER conducts surveys among all strategic partners and among suppliers of environmentally relevant materials (such as paint shops, disposal contractors, and cleaning and linen rental companies) on their environmental management systems and analyzes the results using an evaluation scale. This means that suppliers' environmental management has an active impact on their ranking in the quarterly supplier assessment. PALFINGER believes that suppliers' environmental and social awareness and corruption prevention improve the quality of the business relationship.

Suppliers' environmental management in the reporting year was broadly at the same level as 2019. In 2020, 76 percent (2019: 75 percent) of suppliers had a very good or a good environmental management system in place (Eco1 and Eco2), and the proportion of suppliers with a very good environmental system was 48 percent (2019: 49 percent).

ENVIRONMENTAL MANAGEMENT OF STRATEGIC AND OTHER ENVIRONMENTALLY RELEVANT SUPPLIERS (in percent)



As a matter of principle, all new suppliers have to undergo an initial audit. In 2020, just under half of the 250 strategic suppliers were subjected to an audit by PALFINGER. Some of these were conducted as virtual audits, while others, especially at the start of the year and in the summer, were held on the suppliers' premises. The main focus – as in previous years – was on inspecting the quality of the processes. The sustainability aspects within the audit process are based on the PALFINGER Code of Conduct, which all strategic suppliers agree to follow.

The PALFINGER Code of Conduct applicable in the reporting year includes the following:
- human rights: prohibition of child labor, free choice of employment, prohibition of discrimination, freedom of association, and a proactive approach to health and safety
- environmental standards: environmental responsibility in general, environmentally friendly production, and manufacturing environmentally friendly products
- business ethics: active corruption prevention and compliant conduct in accepting gifts, hospitality, and invitations

The suppliers' own assessments of their environmental management systems are verified specifically in on-site and virtual audits. In 2020, the sustainability audits resulted in no objections relating to environmental or social topics. No such severe misconduct was observed that should have resulted in a termination of the contract with the supplier.

GRI 102-9, 102-10, 308-1, 308-2, 407-1, 408-1, 409-1, 412-1, 414-1, 414-2
NaDiVeG
Eco-Efficiency in Production, p. 94; Corporate governance report, Fair Business, p. 108

PALFINGER AND ITS COMPETITORS

EMEA
In the EMEA region, PALFINGER was able to further strengthen its market position in 2020. The market was characterized by price competition in almost all product lines, and this intensified following the COVID-19 lockdowns. COVID-19 severely impacted the supply chains and delivery times of some Italian manufacturers. HIAB further consolidated its sales and service organization. Factors such as reliability, product availability and performance, and the sales and service network are becoming increasingly important to customers, and this meant that PALFINGER was able to stabilize at a high level.

NAM
In the NAM region, PALFINGER operates in several product groups whose markets are characterized by a highly diverse competitive environment. In 2020, PALFINGER was able to increase its market share, particularly for loader cranes, hooklifts and service cranes.

LATAM
In the LATAM region, PALFINGER was able to maintain its leading position in the loader crane segment and increase overall sales despite the effects of the pandemic. The Brazilian market was characterized by intensive price competition among local manufacturers and restricted production capacities from Q2 of 2020. Interruptions to truck manufacturers' supply chains resulted in longer delivery times and reduced product availability. In Argentina, the ongoing devaluation of the peso had a favorable impact on manufacturers with local added value, enabling PALFINGER to improve its market position.

APAC
In the APAC region, PALFINGER further reinforced its good position in the loader crane segment in 2020. Its competitors here are HIAB, Fassi, and the Chinese crane manufacturer XCMG. The APAC region is highly price sensitive, and some countries require local added value. In the region, PALFINGER is perceived as a strong brand and a technology leader.

CIS
Despite growing competition from Russian and Korean manufacturers, PALFINGER still holds a leading position in the market for loader cranes in the CIS region. The market for loader cranes increased in 2020 compared to the year before. The demand for timber cranes reached a low-point in the second quarter of 2020. The second half of 2020 was marked by steady growth.

MARINE

In 2020, PALFINGER's competitors MacGregor and Kongsberg concentrated on organizing and integrating past acquisitions in the crane, winch, and handling system sectors. PALFINGER, on the other hand, was able to focus fully on the market in 2020. With its takeover of Norsafe, Viking is aggressively positioning itself as a full-service provider of lifesaving equipment. New regulations and COVID-19 have resulted in small suppliers pushing to enter this market with even greater vehemence. It is easier for large providers like PALFINGER to implement new rules and regulations (MSC402) and thus to defend their market leadership.

PERFORMANCE OF THE PALFINGER GROUP

- **Performance affected by COVID-19**
- **Revenue fell to EUR 1.53 billion, EBIT to EUR 100.3 million**
- **Net debt and borrowing costs decreased**

BUSINESS PERFORMANCE IN 2020

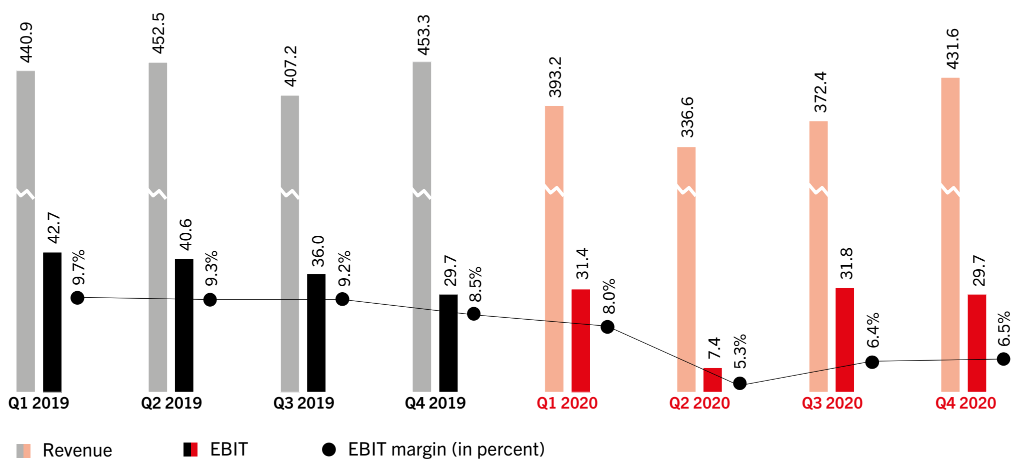
The effects of the 2020 health and economic crisis on the PALFINGER Group were felt chiefly in the first half of the year. From Q3 of 2020, the general economic upturn had a positive effect on PALFINGER's business operations, and revenue reached EUR 1,533.9 million. Compared to revenue in 2019, which amounted to EUR 1,753.8 million, this represents a fall of 12.5 percent.

Business volume declined in every region except Marine. Following a slump at the start of the COVID-19 crisis, order intake was successfully stabilized in the second half of 2020.

The COVID-19 crisis led to a reduction in the profitability of PALFINGER's operations in the reporting year compared to 2019. From EUR 223.6 million, EBITDA fell by 15.6 percent to EUR 188.7 million, and the EBITDA margin was 12.3 percent compared to 12.8 percent in fiscal year 2019.

GRI 102-7

DEVELOPMENT OF REVENUE AND EBIT (EUR million)



FINANCIAL POSITION, CASH FLOWS, AND RESULTS OF OPERATIONS

Results of operations

Revenue decreased by 12.5 percent to EUR1,533.9 million in fiscal year 2020 (2019: EUR1,753.8 million). The EMEA region was the most important market in 2020, accounting for 61.8 percent of revenue, followed by NAM with 21.2 percent, and APAC with 7.3 percent. Exchange rate changes (primarily of the Russian ruble, Brazilian real and the Norwegian krone) had a negative impact of EUR 45.4 million on revenue development.

RESULT OVERVIEW

EUR million	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2020
Revenue	1,615.6	1,753.8	1,533.9
EBITDA	196.7	223.6	188.7
EBITDA margin	12.2%	12.8%	12.3%
EBIT	127.0	149.0	100.3
EBIT margin	7.9%	8.5%	6.5%
Consolidated net result	58.0	80.0	49.8
Earnings per share (EUR)	1.54	2.13	1.32
Dividend per share (EUR)	0.51	0.35	0.45[1)]

1) Proposal to the Annual General Meeting.

Consolidated financial statements, Consolidated income statement, p. 115,
Notes on the consolidated income statement, p. 132

The decrease in revenue led to a fall in the cost of sales from EUR 1,321.3 million to EUR 1,155.0 million, with the relative cost of materials below the previous year's level. Variable personnel costs dropped by 15.1 percent to EUR 159.6 million and were consequently also lower than in 2019. Gross profit fell in comparison with the same period of the previous year from EUR 432.6 million to EUR 378.9 million. The gross profit margin remained unchanged at 24.7 percent as at the reporting date.

Structural costs, which include research and development, selling, and general and administrative expenses, decreased from EUR 304.4 million to EUR 288.2 million. Apart from short time in Austria and Germany, the suspension of projects in Q2 of 2020 and a complete re-evaluation of all current projects by a specially appointed project panel also played a major role in cutting costs in 2020. Inevitably, travel expenses also fell, by EUR 11.9 million. In the interests of attaining the mid- and long-term targets, the forward-looking PALFINGER Process Excellence and P21st Group-wide initiatives were continued. Compared with the same period of the previous year, structural costs in relation to revenue rose by 17.4 percent to 18.8 percent.

EBITDA, which had reached EUR 223.6 million in 2019, declined by 15.6 percent to EUR 188.7 million in 2020. This drop is a direct consequence of COVID-19. The EBITDA margin was 12.3 percent compared to 12.8 percent in the previous year. The operating result (EBIT) was further impacted by amortization of brands and impairment of development cost capitalization, and decreased by 32.7 percent from EUR 149.0 million in 2019 to EUR 100.3 million. The EBIT margin fell from 8.5 percent in 2019 to 6.5 percent in 2020. Following successful restructuring, segment SEA was integrated into segment Sales & Service and segment Operations with effect from April 1, 2020.

The net financial result shows a slight improvement of EUR 0.7 million from EUR -15.9 million to -15.2 million year-on-year. Thanks to focused working capital management and other liquidity optimization measures, it was possible to improve net debt by approximately 25 percent, from EUR 525.6 million to EUR 397.1 million. Absolute expenses for income taxes were higher than in the previous year, totaling EUR 22.1 million after EUR 35.3 million in 2019. The tax rate dropped to 26.0 percent. The consolidated net result for 2020 of EUR 49.8 million, was 37.8 percent lower than the previous year's EUR 80.0 million. Earnings per share decreased from EUR 2.13 in the previous year to EUR 1.32 in the reporting period. In line with PALFINGER's dividend policy, the Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of EUR 0.45 be distributed for fiscal year 2020 (2019: EUR 0.35).

Investor Relations, Dividends, p. 31

Net assets

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	12/31/2018	12/31/2019	12/31/2020
Assets			
Non-current assets	811.3	914.6	757.1
Current assets	716.8	727.0	799.8
	1,528.1	**1,641.6**	**1,556.9**
Equity and liabilities			
Equity	555.7	629.1	616.4
Non-current liabilities	557.0	609.0	536.1
Current liabilities	415.3	403.5	404.4
	1,528.1	**1,641.6**	**1,556.9**

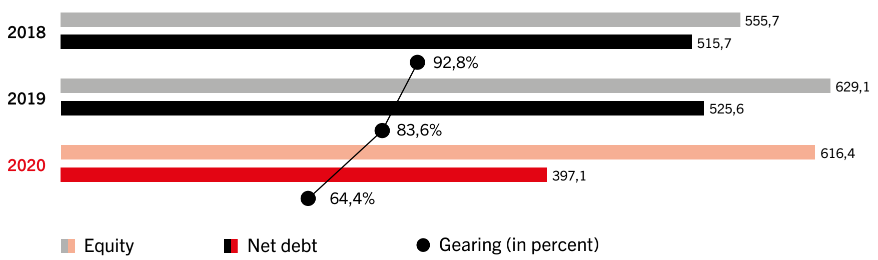
Consolidated financial statements, consolidated balance sheet, p. 117, Notes on the consolidated balance sheet, p. 141

Total assets decreased from EUR 1,641.6 million as at December 31, 2019 to EUR 1,556.9 million as at the December 31, 2020 balance sheet date. Non-current assets fell from EUR 914.6 million to EUR 757.1 million. This was principally due to the accounting treatment of the SANY Automobile Hoisting Machinery Co., Ltd. (SAHM) shares held for sale, amortization of brands, exchange rate effects, and reduced investment activities during the COVID-19 crisis. On the other hand, recognition of the SAHM shares in accordance with IFRS 5 meant that current assets increased from EUR 727.0 million in 2019 to EUR 799.8 million in fiscal year 2020.

Equity declined from EUR 629.1 million to EUR 616.4 million as at December 31, 2020 due chiefly to exchange rate effects. The equity ratio increased from 38.3 percent to 39.6 percent as at the balance sheet date 2020 due to the lower total assets.

Non-current liabilities decreased from EUR 609.0 million in the previous year to EUR 536.1 million as at year-end 2020. Current liabilities remained virtually unchanged, increasing from EUR 403.5 million to EUR 404.4 million. As at the balance sheet date of December 31, 2020, 105.8 percent of capital employed was secured on a long-term basis. Net debt amounted to EUR 397.1 million, the lowest level since 2016. The gearing ratio amounted to 64.4 percent as at the reporting date of December 31, 2020, compared to 83.6 percent as at the previous year's reporting date. Net investments in the reporting period amounted to EUR 68.2 million.

EQUITY AND NET DEBT (EUR million)



Financial position

EUR million	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2020
Cash flows from operating activities	126.5	156.0	224.7
Cash flows from investing activities	(87.7)	(54.0)	(60.5)
	38.8	**102.1**	**164.2**
Adjusted interest on borrowings after tax	8.0	10.3	9.1
Free cash flow	**46.8**	**112.4**	**173.3**

Consolidated financial statements, consolidated statement of cash flows, p. 120

Cash flows from operating activities reached EUR 224.7 million in 2020 after EUR 156.0 million in 2019. In a markedly poorer earnings situation, the action taken for more efficient deployment of working capital had a positive effect. Cash flows from investment activities amounted to EUR –60.5 million in 2020 after EUR –54.0 million in the previous year's reporting period. The reason for this negative development was that, despite reduced investment activities compared to the previous year, no significant proceeds from the sale of stock were generated. Free cash flow increased to EUR 173.3 million, after EUR 112.4 million in 2019.

Cash flows from financing activities amounted to EUR –98.2 million, following EUR –95.2 million in the previous year's reporting period, reflecting the continuing debt redemption. The value creation indicators were negatively impacted by COVID-19 in fiscal year 2020. The return on equity fell from 16.5 percent at year-end 2019 to EUR 10.1 percent as at December 31, 2020. The return on capital employed showed a significant 6.9 percent fall compared to the previous year's level of 9.9 percent. The weighted average cost of capital (WACC) was 5.9 percent in 2020, and therefore lower than the previous year's level (2019: 6.0 percent). This was due to lower market capitalization and reduced borrowing costs. These developments resulted in a sharp decrease in economic value added from EUR 43.4 million to EUR 10.8 million in reporting year 2020.

EUR million	Jan–Dec 2018	Jan–Dec 2019	Jan–Dec 2020
NOPLAT			
EBIT	127.0	149.0	100.3
Adjusted income tax	(37.8)	(39.3)	(25.9)
	89.2	**109.7**	**74.4**
Capital employed[1]			
Inventories	308.2	339.4	331.6
Trade receivables	271.9	276.2	252.3
Trade payables	(154.7)	(165.9)	(154.2)
Payments received on account of orders	(25.8)	(25.5)	(29.7)
Current capital	**399.6**	**424.3**	**400.0**
Other current receivables and assets	55.0	54.3	93.4
Income tax receivables	4.3	8.6	5.9
Current provisions	(20.9)	(22.3)	(28.5)
Current liabilities	(92.7)	(102.7)	(114.6)
Income tax liabilities	(10.6)	(9.5)	(7.9)
Net working capital[1]	**334.8**	**352.7**	**348.3**
Non-current operating assets	792.0	840.9	819.0
Non-current provisions	(47.6)	(55.2)	(64.8)
Deferred tax liabilities	(13.3)	(11.5)	(9.7)
Liabilities from puttable non-controlling interests	(1.3)	-	-
Other non-current liabilities	(16.3)	(13.8)	(8.8)
	1,048.3	**1,113.1**	**1,084.1**
ROCE	**8.5%**	**9.9%**	**6.9%**

1) Annual average.

SIGNIFICANT CHANGES WITHIN THE PALFINGER GROUP

Takeover of Hinz Försäljnings AB

In late November 2020, PALFINGER AG signed the paperwork concluding the takeover of Swedish company Hinz Försäljnings AB. Buying in to its second-largest independent sales partner worldwide reinforces PALFINGER's presence in the core market of Sweden. Hinz Försäljnings AB has five service centers, 45 service partners, 71 employees, and a turnover of approximately EUR 44.0 million in 2019.

PALFINGER and SANY negotiate reversal of their cross-holding

In the interests of reducing complexity, PALFINGER and SANY HEAVY INDUSTRIES have been negotiating the reversal of their cross-holding since the end of 2020. The potential transaction involves the sale of the 7.5 percent share in Sany Automobile Hoisting Machinery indirectly held by PALFINGER to a company within the SANY Group in return for the opportunity of transferring the approximately 7.5 percent share in PALFINGER held by Sany Germany GmbH to PALFINGER.

Full implementation of GPO

In Q2 of 2020, segment SEA was integrated into the segments Sales & Service and Operations as planned following its successful restructuring. This means that the new global organizational structure is now complete. It guarantees faster communication channels, enables clear decisions to be reached, and creates the conditions necessary for successful cooperation across business units worldwide.

Supervisory Board

Isabel Diaz Rohr was elected as a new member of the Supervisory Board at the Annual General Meeting on August 5, 2020.

Significant changes at PALFINGER's sites and in regions

Production in Archangelsk was reduced to cast parts and a specific welded component for the sites in Velikiye Luki and Ishimbay. At the Ishimbay site, a 3-4 shift schedule was introduced from October 2020. At the Velikiye Luki site a new wet coating and powder coating machine is under construction.

At the Council Bluffs site, consolidation of tail lift production continued, and the first bodies were transferred from Oklahoma for fitting with access platforms. Comprehensive restructuring measures were necessary in Oklahoma to ensure positive earnings contributions in future.

The production site in Rudong (CN) was more closely integrated into the global PALFINGER production network in 2020 as the operational part of the joint venture with SANY (SPV). The site in Chennai was barely operational owing to the pandemic.

Further changes in the PALFINGER Group under company law

On January 1, 2020 Palfinger North America Inc. was founded in the USA as a 100-percent subsidiary of Palfinger US Holdings Inc.

With effect from April 1, 2020, the sub-operation "Distribution/After Sales - Spare Part Center" was transferred by demerger from the Austrian company Palfinger Europe GmbH to be included in the Austrian company Palfinger EMEA GmbH. On April 15, 2020, all shares in the Slovenian company Palfinger Marine d.o.o. were transferred from the Austrian company Palfinger Marine GmbH to the Austrian company Palfinger EMEA GmbH.

With effect from May 22,2020 Fair Wind Renewable Energy Services LLC in the USA was liquidated and dissolved.

On August 21, 2020 a minority share of 0.2 percent in Kestreleye GmbH, Austria, was purchased by Palfinger Structural Inspection GmbH, Austria.

With effect from October 7, 2020 MBB Interlift N.V. was liquidated and dissolved.

On November 11, 2020, Palfinger Taiwan Co., Ltd. was established as a 100 percent subsidiary of Palfinger Asia Pacific Pte. Ltd., Singapore. The Norwegian company Heron Davits AS was merged into the Norwegian company Palfinger Marine Safety AS with effect from November 19, 2020. On November 30, 2020 the Austrian company Palfinger EMEA GmbH concluded a contract for the purchase of 100 percent of the shares in the Swedish company Hinz Försäljnings AB and its subsidiaries Hinz Fastighets AB and Handelsbolaget Bunsön 7:1. The closing took place on January 4, 2021, rendering the acquisition legally effective.

On Wednesday, December 23, 2020, the transaction documents were completed for the establishment of a joint venture between Jiangyin Neptune Marine Appliance Co. Ltd., China and Palfinger Marine Netherlands BV, Netherlands, and the concomitant transfer of the shares held by Palfinger Marine Safety AS, Norway in Palfinger Marine Shanghai Co., China (which will operate under the name Palfinger Neptune Co., Ltd. in future) to the above-mentioned joint venture partners, each to receive 50 percent of the shares. Legal effectiveness of the transaction requires inspection and approval on the part of the Chinese authorities. Approval is expected in Q1 of 2021. Also on December 23, 2020, PALFINGER AG, Austria, signed a contract for the purchase of a 33-percent stake in Jetfly Airline GmbH, Austria. Effectiveness of the purchase contract is contingent on approval subject to the Merger Regulation which is expected in Q1 of 2021.

With effect from December 30, 2020, Palfinger Marine d.o.o., Slovenia, was merged into Palfinger proizvodnja d.o.o., Slovenia.

GRI 102-10
NaDiVeG

DISCLOSURES PURSUANT TO SECTION 243a OF THE AUSTRIAN BUSINESS CODE

As at December 31, 2020 the share capital of PALFINGER AG was EUR 37,593,258, divided into 37,593,258 no-par value bearer shares. Each PALFINGER share entitles the holder to one vote at the Annual General Meeting.

As at December 31, 2020, PALFINGER AG did not hold any treasury shares.

PALFINGER AG is not aware of any restrictions regarding the voting rights of the PALFINGER shares and their transferability, including restrictions agreed on between shareholders. Nor are there any PALFINGER shares with special control rights.

As at December 31, 2020, the Palfinger family directly or indirectly held approximately 56.6 percent of the shares in PALFINGER AG. About 7.5 percent of the shares were held by the Chinese SANY Group through the German company, SANY Germany GmbH. The reversal by mutual consent of this cross-holding was negotiated at the end of 2020 and is effective from the start of 2021. The share of PALFINGER shares in free float was around 35.9 percent as at the reporting date.

There is no employee stock option plan within the PALFINGER Group, and no equity investment system in which an employee does not directly exercise the voting rights for their shares in PALFINGER AG.

Furthermore, there are no provisions in the Articles of Association that go beyond the statutory provisions on the appointment of the Executive Board and Supervisory Board members and on amendments to the Articles of Association.

The agreements on promissory note loans include change of control clauses.

No agreements on compensation in the event of a public takeover bid have been entered into between PALFINGER AG and the members of the Executive Board and the Supervisory Board.

GRI 102-5
NaDiVeG
Investor Relations, Ownership structure, p. 31

NON-FINANCIAL STATEMENT PURSUANT TO SECTION 267a OF THE AUSTRIAN BUSINESS CODE

As a family enterprise, sustainable business is a matter of course for PALFINGER. For over 15 years, PALFINGER has taken an active approach in this connection, supporting the United Nations' Global Compact and its Sustainable Development Goals.

In a multi-stage process, which also involved stakeholders, PALFINGER defined the material aspects of sustainability, most recently in fiscal year 2017. These aspects are broken down into the following four sustainability areas:

- Responsible Employer
- Eco-efficiency in Production
- Sustainable Products
- Fair Business

PALFINGER publishes an integrated annual report, which contains financial and non-financial information about the Group including PALFINGER AG presented by topic. Information on individual sustainability aspects and schemes, their outcomes, and the relevant indicators – including disclosures required under the Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz - NaDiVeG) – is disclosed in the respective sections of this Integrated Annual Report 2020. A summary of risk topics can be found in the risk report.

This consolidated non-financial statement, in conjunction with the following table, provides an overview of the relevant aspects and topics, and references the relevant pages in the management report of this Integrated Annual Report 2020 of the PALFINGER Group.

ASPECTS AND TOPICS AND THEIR MANAGEMENT APPROACHES

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NaDiVeG

CORPORATE GOVERNANCE

The corporate governance report prepared by PALFINGER AG for fiscal year 2020 is also available on the company's website.
Corporate governance report, p. 103
www.palfinger.ag/en/investors/corporate-governance

TREASURY

The PALFINGER Treasury department coordinates and manages Group-wide currency and interest rate risks and centrally manages the liquidity of the entire PALFINGER Group. Treasury adheres to the principle of ensuring sufficient liquidity at all times, both for payment obligations and for further corporate growth. Cash inflows from operating activities are the most important source of financing for PALFINGER.

In March 2020, extensive liquidity optimization programs were implemented as a result of the COVID-19 crisis. As part of these actions, the liquidity reserves were increased and net debt significantly reduced. The factoring and reverse factoring programs were extended.

The principle of internal financing applies within the PALFINGER Group. Under PALFINGER's in-house banking scheme, the financing needs of subsidiaries are covered by internal loans as far as possible. Excess cash and cash equivalents are used to reduce the need for external financing and thus also the net interest paid. Bank transactions and fees are reduced by settling intra-Group transactions through settlement accounts. Centralized management of Group financing enables use of the Group's credit rating to finance Group companies and secure the necessary liquidity at low cost.

Financial management is based on uniform principles applied globally across the Group. At the level of the subsidiaries, the heads of finance are responsible for compliance with these Treasury guidelines. The Group Treasury department also centrally manages global insurance solutions, such as property, liability, cyber, and transport insurance.

Cash and liquidity management

In day-to-day liquidity management, PALFINGER uses cash management systems to assign liquidity surpluses of individual Group companies (cash pooling) to cover the funding needs of other Group companies. In 2020, several more PALFINGER companies were added to the existing US cash pool. In addition, first subsidiaries from the eurozone were incorporated into the SEPA cash pool.

PALFINGER has access to extensive approved credit lines made available by the core banks currently providing financing. This further reinforces the solvency of the PALFINGER Group at all times. Owing to the COVID-19 crisis, the unused approved financing lines were temporarily increased by EUR 100 million in 2020 to over 40 percent of PALFINGER's net debt.

In January 2020, implementation was completed of monthly rolling currency-differentiated liquidity planning to optimize the PALFINGER Group's liquidity and foreign exchange management. During the COVID-19 pandemic, week-by-week reviewing of liquidity planning became a key management tool for PALFINGER.

In 2020, a factoring program similar to the one implemented in Europe was introduced in the USA. Five companies are covered by the program. An Austrian banking group was appointed to implement the US program. As at the December 31, 2019 balance sheet date, such receivables amounted to EUR 39.2 million (2019: EUR 49.3 million). In accordance with IFRS 9, these receivables were derecognized in full at the close of the fiscal year due to the transfer of control.

The existing reverse factoring structure was extended to other suppliers and PALFINGER companies in four countries in 2020. As at December 31, 2020, this concerned trade payables totaling EUR 41.9 million (2019: EUR 21.2 million).

RISK REPORT

Risk management system

PALFINGER's risk management serves to comprehensively identify, assess, and monitor risks within the PALFINGER Group at an early stage. To this end, PALFINGER has developed and documented Group-wide planning, management, and control processes along with Group policies and reporting systems across the Group. Risk management supports the achievement of financial and strategic goals.

The Executive Board has general responsibility for risk management at PALFINGER. Corporate Governance, Risk & Compliance (Corporate GRC) manages and coordinates the risk management process and reports directly to the Executive Board. Corporate GRC coordinates the global and corporate functions, which are the risk carriers. The risk management process is documented in a Group policy that applies throughout the Group.

RISK IDENTIFICATION

PALFINGER defines risk as the possibility of a positive or negative deviation from targets, which may occur due to the unpredictability of the future or to unplanned events, for example. A standardized risk catalog and discussions with the responsible executives and experts ensure that strategic and operating risks are fully identified.

RISK ASSESSMENT

The long-term and short-term risks are assessed in consultation with the global and corporate functions and experts from the areas in question. The assessment dimensions relate to the probability of occurrence and financial impact on Group results, which also determines the materiality of the individual risks for the PALFINGER Group.

RISK REPORTING

The long-term and short-term risk position at Group level is presented and reported in a clear and evaluated form as part of the budget. The Executive Board is regularly informed about the Group's material risks.

RISK MANAGEMENT AND MONITORING

The decision on whether to mitigate or accept a risk is based on monetary considerations, taking into account the overall risk acceptable to PALFINGER and the effects on the long-term market position. The executives concerned are responsible for defining and implementing measures.

Central monitoring by Corporate GRC ensures the implementation of risk mitigation measures and thus the management of risks. The relevant reports are submitted to the Executive Board. In addition, regular reports on the overall risk position and material risks are submitted to the Supervisory Board, which thus exercises its monitoring function with regard to the risk management process.

The Group-wide risk management process and its design and appropriateness are reviewed and assessed annually by an external auditor in accordance with rule 83 of the Austrian Code of Corporate Governance.

Risk exposure

The PALFINGER Group's current risk position greatly depends on market developments. The risk position for 2021 is determined above all by the COVID-19 pandemic and its consequences. The crisis is being proactively managed by the COVID-19 Task Force that was set up at the end of February. In three work packages the Task Force analyzed the challenges presented, devised countermeasures, and put them into practice. The Task Force was managed by Corporate GRC, which was also responsible for following up the action taken. The defined actions were systematically introduced, incorporated, and integrated into routine procedures. The consequences of COVID-19 are potentially far-reaching, and this was taken into account in the risk assessment. The material consequences are described below.

The risks identified and assessed in the course of the enterprise risk management process are essentially summarized in the following categories: strategy & organization, product development & innovation, sales & service, purchasing & supply chain, operations & production, IT & communication management, legal & compliance, human resources, finance & taxes, and risk related to preparation of the financial statements. Equal importance is attached to sustainability risks in the process and reporting to ensure that data on climate and environmental protection, social and employee concerns, human rights, and combating corruption is systematically recorded and their effects taken into account in the overall risk position. The risk management process particularly took account of the implications of climate change in the relevant individual risks. The PALFINGER Group's strategic and operational risks are described in more detail in the following table:

Risk category		Risk description	Risk mitigation measures
Strategy & Organization			
SAP S/4 HANA rollout – WAVE 1	With migration of the existing SAP systems into S/4 HANA, PALFINGER takes another step toward digitalization.	• Migration at eight PALFINGER production sites could cause production downtimes or delays or lead to additional costs.	• Close project supervision by responsible management and the Executive Board • Definition and monitoring of measures by responsible management • Preventive trials
Dependence on JV partners	PALFINGER has opted for strategic partnerships in selected areas.	• The resulting dependence with respect to partners' performance, integrity, and loyalty constitutes a significant cooperation risk	• High standards regarding matching values when choosing a partner. • Continuous control through coordination in the regular steering committee meetings
Fraud and gaps in the ICS	A sound internal control system is needed to safeguard PALFINGER's assets and business operations, minimize risks, and support governance.	• Gaps in the ICS can lead to financial losses. • COVID-19 increases the risk of fraud (e.g. CEO fraud or manipulations).	• Measures planned to strengthen process governance and process compliance • Group policies and internal audits that address the risk

Risk category		Risk description	Risk mitigation measures
Product development & innovation			
Loss of technology leadership	PALFINGER intends to secure its position as a market and innovation leader in the long term.	• Product development projects could be cost-intensive and complex or require higher upfront costs and/or longer development times. • Changes in legal and regulatory requirements, including those concerning climate change, could delay product development or cause additional development costs. • Changed priorities and allocation of resources as a result of COVID-19 could lead to postponement of innovation projects.	• Standardized processes in product development for continuous development work and innovation projects • Close monitoring of project costs for efficient cost and project management • Establishment of a requirements management system to ensure implementation of legal and regulatory requirements • Project prioritization to maintain technology leadership in the medium and long term
Disruptive technologies	Disruptive technologies and current digitalization trends influence PALFINGER's markets.	• Disruptive technologies and current digitalization trends not only offer opportunities but also harbor risks for PALFINGER, such as loss of existing markets. • Sustainability requirements could lead to a change in customer behavior.	• Continuation of P21st as a hotbed of innovation for new business models • In Q4 2020 a digital transformation officer was appointed to move digitalization forward • Focus on developing digital solutions that cover the customer's entire value chain
Sales & Service			
Sales market development	Macroeconomic, political, and economic developments influence the size, stability, and growth of markets.	• Negative market developments could lead to a decline in sales. • Further consequences of the pandemic could continue to negatively impact sales markets and therefore revenue. • The effects of climate change could diminish the potential of markets.	• Established reporting system and coordination in regular management meetings enable prompt steering measures. • Concept for measures to be taken if revenue declines • Comprehensive action in the context of the COVID-19 Task Force
Market consolidation	Mergers of competitors and customers are changing the sales market.	• Mergers of competitors could lead to progressive consolidation of the market and strengthen the market power of competitors or the bargaining power of customers.	• Establishment of strategic partnerships
Dependence on external partners	Markets are worked through the sales and service network, generally with external dealers.	Dependence on external dealers.	• Strategic partnerships with dealers. • Establishment of dealer standards for long-term quality improvement
Credit risk/default on receivables	PALFINGER grants customers credit periods.	• Customer-specific macroeconomic developments or political circumstances may lead to insolvency, illiquidity or other defaults by creditors. • The COVID-19 pandemic increases the risk of customer or dealer insolvency.	• Establishment of a uniform process for the preventive reduction of credit risks through management of credit periods and defined credit limits. • Credit insurance for specific receivables from end customers. • Closer monitoring of receivables
Sales & Service			
Export and customs regulations	PALFINGER operates as an international company and is subject to export regulations.	• Economic sanctions and import and export restrictions could minimize existing market potential. • Changes in customs regulations could lead to additional fees and higher costs and thus to lower demand in export markets.	• Implementation of processes to identify and avoid economic sanctions. • Strategic direction: cultivation of markets as a global player with local production.

Risk category		Risk description	Risk mitigation measures
Purchasing & Supply Chain			
Price fluctuations	As an industrial company, PALFINGER's cost structure greatly depends on material prices.	• Purchase prices for raw materials and components are volatile and depend on supply and demand, market conditions, seasonality, purchase quantities, CO_2 taxes, etc. and could fluctuate.	• Longer-term supply agreements reduce the risk of fluctuating purchase prices.
Shortfall in supply of particular purchased parts/loss of strategic suppliers	PALFINGER relies on strategic cooperation with suppliers.	• The loss of strategic suppliers (e.g. through closure of plants by authorities) could crucially impact the supply chain. • Interruption of international supply chains owing to stricter border controls or border closures	• Implementation of multiple procurement options • Performance monitoring of suppliers is carried out with the help of selection, risk management, and supplier management systems
Import and customs regulations	PALFINGER operates as an international company and is subject to import regulations.	• Changes in import and customs regulations could lead to delays in cross-border shipments or higher costs.	• Optimization of the supply chain and ongoing development of the sourcing strategy (local vs. international procurement)
Operations & Production			
Product quality and liability	PALFINGER focuses on high product quality and has a quality management system in accordance with ISO 9001.	• High capacity utilization in assembly and production sites could increase the error rate and thus lead to additional costs through rework. • Defective products could cause injury to people and environmental damage and result in additional costs and damage to reputation.	• Improvement of the central quality management system and further establishment of Group-wide standards
Machine failures	PALFINGER's main stages in the value chain are manufacturing and assembly.	• Machinery and production tools could be out of service at short notice and lead to local interruptions in production processes and additional costs. • Long-term machine breakdowns could lead to considerable delays in the entire production chain and thus increase concomitant costs, especially at strategically important sites.	• Implemented measures such as renovation of machinery and optimization of production systems.
Operations & Production			
Interruption of operations due to lack of infrastructure, pandemics, disasters, hazards and force majeure, and strikes	PALFINGER's main stages in the value chain are manufacturing and assembly.	• The natural disaster COVID-19 caused interruptions of operations and additional costs. • Insufficient supplies of electricity, gas, and water as well as IT system failures could lead to interruptions of operations and cause additional costs. • Energy required for heating and cooling can lead to high fluctuations in energy demand and high costs because climate change results in periods of more intense heat and cold. • Political dissatisfaction in general, or dissatisfaction with our industry or with PALFINGER in particular, could lead to strikes and thus to production outages and loss of efficiency.	• Measures to comply with legal regulations, e.g. fire protection provisions • Comprehensive central insurance program established • Fair remuneration and creation of an attractive work environment • Close monitoring through the COVID-19 Task Force
Production outages and supply bottlenecks as a result of COVID-19 regulations	Political COVID-19 measures (lockdown, border closures, etc.) have a particularly strong impact on PALFINGER's supply chain and capacities.	• COVID-19 could lead to supply and capacity bottlenecks. This could lead to additional costs and reduced output.	• Close monitoring by management and the COVID-19 Task Force

Risk category		Risk description	Risk mitigation measures
IT & Communication Management			
System failure and data availability	Operational and strategic management decisions in particular depend on information generated by IT systems.	• Failure of systems and processes could lead to operational downtime • Temporarily limited availability of data and data loss could affect information needed for operational and strategic management decisions. • Physical intrusion into production facilities, headquarters or data centers could result in the theft of or damage to hardware, thus causing data loss and increased costs. • Risk of system failures is greater due to the increase in remote working.	• Regular maintenance of the ICT infrastructure • Implementation of technical security and protection measures to minimize risks of data loss
Cybercrime[1)]	Recent incidents have clearly shown that international enterprises are increasingly targets of cybercrime.	• Rise in cybercrime due to remote working.	• Establishment of a central office for data security • Implementation of training courses, newsletters, information campaigns • Continuous development of the internal control system • Investment in cyber security
Legal & Compliance			
Compliance	As an internationally operating company, PALFINGER is subject to a large number of local laws, international standards, and jurisdictions. Important compliance topics for PALFINGER include: • Fraud and corruption • Sanctions and export control • Antitrust law • Data protection • Securities issuer compliance • Human rights • Environmental standards	• Violations of laws and international standards, fraud and corruption could lead to severe fines and significant damage to the company's reputation.	• Binding Code of Conduct forms the basis for employees and PALFINGER partners • Organizational measures: Establishment of a compliance department in the Corporate GRC and appointment of Group-wide responsible persons, e.g. data protection manager, securities issuer compliance officer • Group policy for implementing compliance-related topics e.g. anti-corruption • Group-wide training program on compliance topics to raise employee awareness
Legal proceedings and litigation	The outcome of ongoing legal proceedings is forecast as best as possible and related costs are recognized as a provision.	• Legal proceedings and litigation could unexpectedly prove disadvantageous for PALFINGER and lead to higher-than-expected penalties and costs.	• Ongoing legal proceedings are managed centrally by corporate counsels.
Human resources			
Lack of qualified personnel	PALFINGER regards its employees as a key factor for long-term success.	• Demographic and geographic developments may limit the availability of qualified personnel and lead to a shortage of specialists and managers. • Attractive offers from competitors or trends toward climate-neutral companies could lead to loss of employees.	• Positioning as an attractive employer through healthcare offers, flexible working time models, etc. • Establishment of additional measures for training and continuing education of employees, e.g. training centers for apprentice training, courses for executives. • Attractive and fair remuneration as a significant contribution to employee satisfaction (collective agreements, voluntary social benefits, etc.).
Personnel costs	PALFINGER employs people worldwide. Personnel costs represent a significant proportion of total costs.	• Collective bargaining or the local need to increase wages and salaries could increase personnel costs more than planned.	• Establishment of a standardized process and centralized management of wage and salary increases for the entire Group

1) See significant events after the balance sheet date, p. 100

Risk category		Risk description	Risk mitigation measures
Human resources			
Occupational safety and health	PALFINGER sees its employees as a key factor for success and assumes social responsibility for the health of its employees.	• Accidents at work could result in damage to PALFINGER's reputation and financial costs. • Employees who test positive for COVID-19 could reduce productivity through above-average absenteeism and increase the risk of the virus spreading within the company.	• Rollout of Group-wide standards for occupational safety • Continual development of the PALfit company health management system. • Monitoring of compliance with employee protection provisions, such as maximum working hours and rest periods. • Implementation of a comprehensive and Group-wide package of measures in the context of the COVID-19 Task Force to ensure best-possible protection of employees' health and safety • Continual adaptation of the measures, information campaigns, and monitoring of measures by the COVID-19 Task Force
Finance & Taxes			
Foreign currency risks	PALFINGER's international activities give rise to receivables and liabilities in foreign currencies.	• Changes in exchange rates can lead to losses. Natural hedges, i.e. offsetting payment obligations and incoming payments from operating activities in the same currency, reduce the foreign currency risk.	• Risk positions are analyzed, monitored, and limited by implementing appropriate hedging strategies. • Regular meetings with the Executive Board; adjustment of the hedging strategy if necessary
Liquidity risk	PALFINGER relies on Group-wide cash reporting to control the efficient use of funds.	• Liquidity bottlenecks could lead to increased refinancing costs and outstanding liabilities not being settled on time. • The market situation and the increased risk of insolvencies and non-payment of grants mean that liquidity remains a primary consideration.	• Early coordination of liquidity requirements by means of medium- to long-term planning • Centralized control by the company's internal Treasury department: distribution of funds throughout the Group is carried out via cash pooling and a centralized clearing system
Interest rate risk	Group-wide financing requirements are covered by short-term and long-term financing instruments.	• There is a risk of changes in variable interest rates.	•Centralized management of interest rate risk for the entire Group by the internal Treasury department • Hedging of variable interest rates through the use of derivative financial instruments.
Tax risks	Due to its international activities, PALFINGER is not only subject to Austrian tax laws but also to local tax laws in other countries.	• Tax regulations in an international context are not always clear; tax legislation changes over time, especially in less developed countries. Tax audits by local tax authorities could result in subsequent tax payments from previous years.	• Tax compliance ensured by Group-wide and local managers
Risks relating to balance sheet preparation			
Disclosure and estimates	The necessary use of estimates and judgments in connection with non-financial assets, deferred tax assets, evaluation of inventories and receivables, provisions for pensions, severance payments and anniversary bonuses, and provisions for guarantees and warranties directly affects the presentation of the Group's assets and results of operations. The constantly increasing requirements imposed by regulators have made financial reporting more complex.	• Changes in accounting regulations in the national or international context may lead to errors in the consolidated financial statements or corrections of previously reported figures. • Estimation risks may arise due to the accounting recognition of acquisitions and the related evaluation of facts necessary for this purpose. The consolidation of entries posted according to different types of logic entails a certain reporting risk.	• Corporate manual defining the material accounting treatments used by PALFINGER ensures a standardized process and thus minimizes the risk of different approaches being used within the Group. • An internal control system tailored to the company is integrated into the accounting process. • The separation of functions and the dual control principle are essential elements of this system. • Audits by the Internal Audits department ensure that processes are continuously improved and optimized.

Risk category		Risk description	Risk mitigation measures
Finance & Taxes			
Impairments	When evaluating assets and allocating purchase prices in connection with business acquisitions, assumptions are made. Consequently, the recoverability of particular assets (especially goodwill, investments) and purchase price allocations can be influenced by external developments.	• If the market situation deteriorates drastically, there is the risk that particular assets will have to be adjusted to the revised evaluation (impairment) or that investments may not amortize as planned.	• Monitoring and identification of indications of impairments

GRI 102-11, 102-15, 201-2, 203-2, 207-2
NaDiVeG

Summary risk assessment and outlook

The PALFINGER Group's risks can be managed by taking appropriate measures From the perspective of the December 31, 2020 reporting date the continued existence of the Group as a going concern is unequivocally ensured.

Important features of the internal control and risk management systems with respect to the accounting process

The internal control system is based on the Group policies applicable throughout the Group. These Group policies include standards and rules such as the dual control principle and separation of functions, which are aimed at minimizing the risk of errors and losses that may be caused by PALFINGER's own employees or by third parties. In addition, the relevant accounting-related controls to be implemented by the executives responsible for the respective business processes are defined from the Group's perspective. The implementation of key controls is reported by the Group companies as part of quarterly reporting.

Corporate GRC & Internal Audit monitors compliance with Group policies and implementation of internal controls. Based on the audit plan approved by the Supervisory Board, Corporate GRC & Internal Audit conducts regular audits in the form of ad hoc inspections. The results of audits are reported to the Executive Board and the Supervisory Board's Audit Committee. PALFINGER works continually to improve the effectiveness, efficiency, and accuracy of the entire system.

Uniform Group rules for the recognition, posting, and accounting of business transactions for the preparation of annual financial statements are set out in the IFRS Group manual. The Group manual is updated on an ongoing basis and must be implemented by the Group companies. A Group-wide standardized monthly reporting system ensures that management has an overview of the performance of the PALFINGER Group for steering purposes.

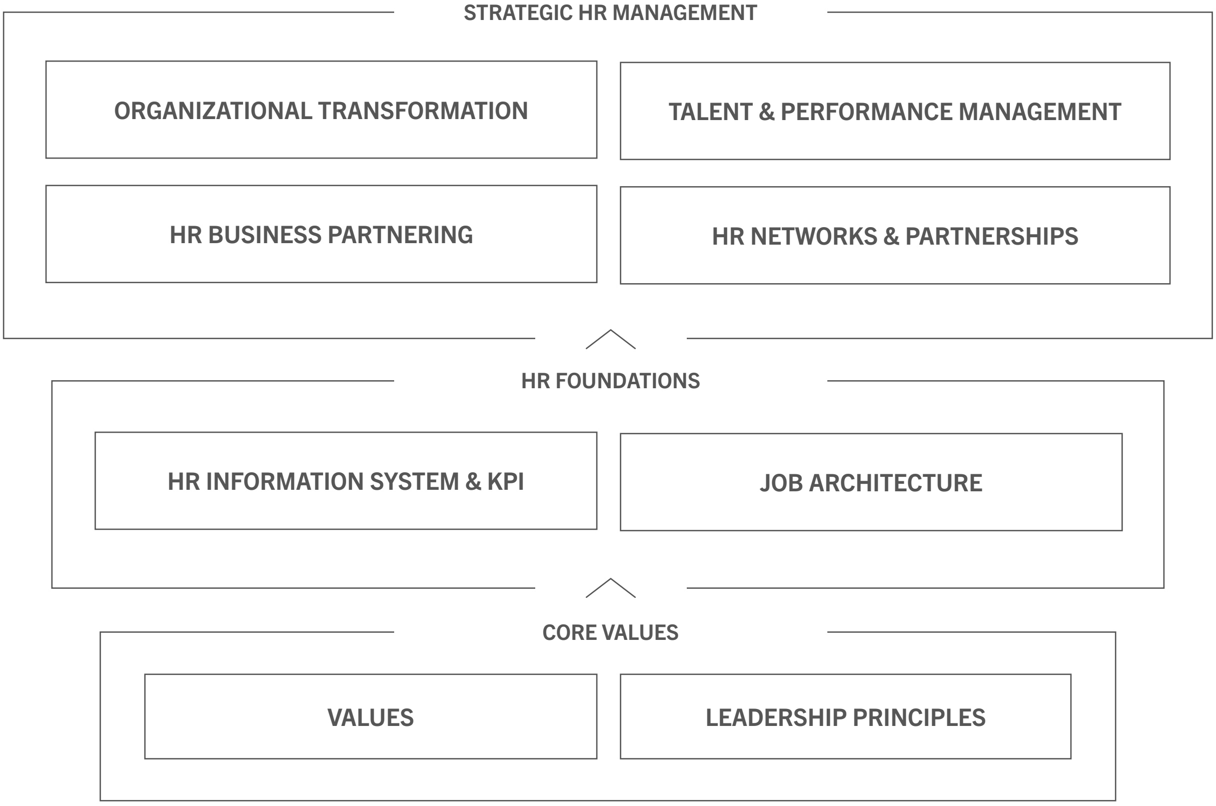
RESPONSIBLE EMPLOYER

- **10,824 internal and external PALFINGER employees worldwide (including 209 trainees) and 383 contingent workers**
- **HR strategy: rollout of process organization**
- **Priorities for 2020: COVID-19 management and ongoing development of GPO**

PALFINGER's employees make the Group what it is with passion, energy, and enthusiasm. The motto is "We value people. People create value." Accordingly, PALFINGER actively promotes the satisfaction, motivation, and loyalty of its staff through an open corporate culture and open communication.
GRI 102-7
NaDiVeG

HR Strategy

The HR strategy developed in 2017 to ensure continuation of the Group's successful development takes into account the changing demands on employees and the organization, as well as on human resources management.



Crisis management and communications

In February 2020, PALFINGER set up a task force to minimize the effects of the COVID-19 pandemic by quickly and transparently drafting measures for the Group and its individual units. The COVID-19 reports give management daily updates on the infection rate and the number of suspected cases and allow prompt decisions to be made. Over the course of the pandemic, the format was adapted to meet specific situations arising from the changing level of infections.

When the pandemic broke out, PALFINGER focused on three targets:
- protecting employees' health
- optimizing short- and medium-term liquidity
- safeguarding as many jobs as possible in the long term

PALFINGER successfully implemented a range of actions to achieve this, including different working time models (e.g. short time), a moratorium on recruitment, smart sizing, and flexible working conditions such as remote working.

Corporate culture and values

PALFINGER has built up a solid corporate culture. The organization's values and leadership principles provide direction and a joint framework for action. Diversity — that is, diversity within the company, respectful interaction with people from different cultures with different ideas and values — plays an important role in the further development of the shared corporate culture.

Entrepreneurship, respect, and learning form the basis of successful collaboration. Together with the PALFINGER leadership principles, these values give employees a high degree of individual responsibility and autonomy as well as stability.

LEADERSHIP PRINCIPLES

DRIVE

Understand customer needs. Know what your customers need before they know it. Drive current and future markets, and discover new opportunities early.

FOCUS

Define targets, give direction and set clear priorities. Stay focused on our daily business. Finish what you start.

INSPIRE

Be authentic in demonstrating passion. Lead by example, and inspire people to create an open team environment.

EMPOWER

Respectfully coach, support and empower your people. Show courage by proactively providing and requesting honest feedback.

DEVELOP

Take calculated risks, and make decisions. Act and develop quickly in a challenging and ambiguous environment. Learn from your mistakes, and make fast improvements.

DELIVER

Take accountability, and deliver on commitments and results. Add value every day.

This flexibility as an integral part of day-to-day corporate practice allows rapid responses to professional, private, and family topics. During the COVID-19 crisis, it was significantly extended for many groups of employees.

PALFINGER advocates communication across all hierarchies. This also applies to internal bodies that represent employees and to works councils. In 2020, PALFINGER initiated the process of establishing a Europe-wide works council. In principle, there is freedom of assembly and the possibility of employee representation at all sites to the extent that this is legally permitted in the country in question.

For PALFINGER, respecting human rights is of paramount importance. The PALFINGER Code of Conduct defines the binding principles and measures that must be observed both within the Group and externally. These include measures to prevent human trafficking, child labor, and forced and compulsory labor, and to respect freedom of assembly both within the company's own organization and along the value chain. The "integrity line", which has been implemented globally, allows customers, suppliers, shareholders, and employees to anonymously report possible misconduct at all times. PALFINGER guarantees to follow up any information received.

GRI 102-16, 407-1, 408-1, 409-1, 412-1

NaDiVeG

Diversity, p. 80; Corporate governance report, Fair Business, p. 108

Community activities

PALFINGER considers it important to offer its employees all over the world activities to strengthen the sense of community. Executives have a special responsibility to set an example of cooperation and team spirit, even more so in challenging times. The COVID-19 pandemic meant that many informal events that promote a sense of community, such as barbecues and family days, did not take place.

GRI 102-43

NaDiVeG

blog.palfinger.ag/en/

Diversity

The PALFINGER Group currently employs 11,207 people from different nations and regards diversity as an opportunity. PALFINGER's diversity strategy defines targets and initiatives that aim at increasing diversity within the Group through 2022. The plan is described in detail in the corporate governance section of this report.

PALFINGER aims to find the best person for each position. At the same time, the company is committed to measurable diversity targets and abides by the relevant indicators. The objectives are to increase the proportion of international employees at headquarters in Bergheim to 20 percent by 2020. The interim target for 2020 of 18.6 percent was reached in the reporting year (2019: 18.7 percent). A second objective is to align the proportion of women in upper management with the proportion of women in the PALFINGER Group overall. In 2020, 8.1 percent of upper management positions were held by women (2019: 6.9 percent). The total proportion of women in management positions was 14.2 percent and was therefore virtually unchanged compared to the 2019 figure of 14.4 percent. The proportion of female employees overall was 13.7 percent (2019: 13.6 percent).

Numerous measures were taken in 2020, particularly in connection with employee postings, partnerships to promote diversity, and intercultural competence. Examples of this are the global communication campaign for International Women's Day 2020 and PALFINGER's participation in the "Divörsity" action days in Austria. Since 2018, regular reports have been issued specifically on the topic of diversity and presenting the current status and the achievement of annual targets. As in previous years, no incidents of discrimination were reported at PALFINGER in 2020.

GRI 406-1
NaDiVeG
Corporate governance report, Diversity plan, p. 107; Detailed GRI and sustainability disclosures, Diversity, p. 214
blog.palfinger.ag/en/divorsity-at-palfinger-it-is-worth-being-diverse/

Communication

In 2020, regional and global internal change communication was dominated by COVID-19. All employees were informed promptly and in the language of their respective countries of the current situation, measures in place, and any changes. An internal COVID-19 website provides regular information worldwide on issues relevant to health and the company, supported by video updates. In addition, regular health information campaigns, best-practice solutions, training videos, inspirational messages such as "stay positive – stay active", and bulletins from the global pandemic team were issued in print and digital media.

Along with MS Teams and Yammer, which have been implemented throughout the Group, the central internal communication channels are the staff magazine ONE, published three times a year in eleven languages, and the online newsletter, also published three times a year in eight languages.

The minimum notice period regarding significant operational changes varies from country to country and is observed in close consultation with employees' representatives, other internal stakeholders and, if necessary, external organizations (e.g. public authorities).

GRI 402-1
NaDiVeG

Organizational development

In 2020, the GPO led to further optimization of structures and processes. A reorganization of the extended leadership team (eLT), adjusting membership from 23 to 17, has made management of the Group even more effective and transparent, and cuts costs.

Smart sizing initiatives were implemented to relocate production capacities, consolidate functions, reallocate responsibility for particular topics, and realize potential synergies. Continuous monitoring and anticipatory personnel cost management play a vital role, and in 2020 planning and simulation activities were intensified in this regard.

In all the functions, a process organization was set up which placed central responsibility and further development of the processes with the senior process experts. In addition, regional representatives (process experts) take on responsibility for defining and implementing the global solutions, taking specific regional characteristics into account. This model supports knowledge transfer and strengthens cooperation across all units and regions.

Attractive employer

PALFINGER endeavors to offer its employees and interested applicants attractive jobs. The basis of these are the core values of entrepreneurship, respect, and learning. In addition, factors such as the opportunity to help shape one's own work environment, global career and development options, and attractive social benefits such as PALfit, a stable environment, and long-term future prospects speak for PALFINGER.

Feedback on the attractiveness of the employer can be derived not only from employee satisfaction but also from loyalty to the company. Satisfied employees are the best brand ambassadors and form the most effective basis for employer branding. At many sites, PALFINGER has numerous employees who have been with the company for many years. In addition to the feedback from loyal employees within the organization, exit interviews with employees who have decided to leave PALFINGER are used to gather feedback. Owing to the global pandemic, greater emphasis was placed on regular and transparent internal change communication in 2020.

In order to increase PALFINGER's attractiveness, investment is specifically targeted at enhancing the PALFINGER employer brand. PALFINGER raises its profile through activities such as participation in job fairs, collaborations with schools and universities, and guided plant tours at various locations. The COVID-19 restrictions meant that in 2020 many of these job fairs and collaborations were staged in digital form and with a new concept. Further strengthening of the PALFINGER employer brand is planned for 2021. A project is planned specifically to build on local examples of best practices which will subsequently be consolidated into a clear, generally applicable message in a global context. The positive image of PALFINGER was confirmed by certification of its training center in Lengau as a "Great Place to Start" and the site in Brazil as a "Great Place to Work".

PALFINGER's HR strategies, processes, and activities are subject to a continuous improvement process in order to attract and retain the best employees. In this context, the company pays particular attention to talent and performance management as well as decision-making processes for salary increases and promotions. The ongoing professionalization of managerial remits is supported not least by training in labor law, leadership basics, coaching, and mentoring. Senior managers are available as mentors across all functions and countries to strategically promote managers and talents and to take part in mutual learning in exchanges based on trust. In the reporting year, several pilot projects were launched in this connection.

RECRUITING, TALENT AND PERFORMANCE MANAGEMENT

The new PALFINGER Group recruiting policy ensures standardized, Group-wide, and state-of-the-art recruiting on the basis of clear procedures, appropriate communication, fair play, diversity, quality, and confidentiality. The focus is on the "candidate's experience".

PALFINGER clearly shows available opportunities for career advancement by adhering to the principle of job advertising (mandatory internally, optional externally). An environment is created in which every employee has the chance for professional and personal advancement. These opportunities are directed at talents both within the organization and outside it.

The central office for talent and performance management established in 2019 plays a vital role in strengthening the global talent management strategy. The globally standardized template for appraisal interviews introduced in early 2020 serves as the basis for feedback processes and recognizing potential. The process will be presented in the integral HR information system SAP SuccessFactors across the entire Group at the beginning of 2021. Because of the changeover to a new, globally standardized process, no data on appraisal interviews is available for the transitional year 2020.

REMUNERATION

Attractive and fair remuneration significantly contributes to employee satisfaction. PALFINGER usually pays wages above the respective regional standard and offers specific voluntary social benefits and initiatives at many locations. PALFINGER's salary policy also includes many variable remuneration components.

Personnel costs account for a large percentage of structural costs in the PALFINGER Group. The introduction of a standardized remuneration structure with binding principles and approval procedures will guarantee the quality and transparency of such decisions. This will serve as the basis of a compensation portlet that will be rolled out globally in 2021.

PALFINGER is required by law to present income reports for its Austrian companies. These reports serve as the basis for reviewing and evaluating pay according to gender. No significant differences have appeared in recent years. When hiring employees, distinctions are made solely on the basis of the collective bargaining agreement. 62.3 percent of all PALFINGER employees are paid under the terms of collective agreements.

GRI 102-41
NaDiVeG

WORK TIME MODELS

PALFINGER attaches importance to flexible work time schemes in order to maintain a high level of entrepreneurial flexibility. To this end, PALFINGER created a new flexitime agreement for employees in Austria in fiscal year 2019 on the basis of which new employment contracts were introduced for all employees. At most of our worldwide locations, regulations are also in place governing remote working and flexible work time models – which are now more widespread owing to COVID-19 – wherever the work itself and local circumstances permit. This enables PALFINGER to offer its employees not only compatibility of work and family life, but also a comparatively high level of job security even in periods of lower demand.

Learning organization

Training and continuing education measures are strategically expanded and improved with the objective of enhancing the qualifications of employees in all countries. The number of training hours per employee fell from 18.6 in 2019 to 8.7 in 2020. This was primarily due to COVID-19 related travel and distancing restrictions.

In addition to regional programs that have been established for years, such as the PALFINGER College in Austria, PALFINGER uses e-learning platforms in NAM, EMEA, and CIS and gives many employees access to further training. A modern, digital learning platform will be added through 2022 to the SAP SuccessFactors HR information system. This makes global, integrated learning possible using a combination of on-site sessions and e-learning.

English is used as the lingua franca in the PALFINGER Group. In 2020, the first global language-learning program was launched. Approximately 500 participants started using the new English-learning program. Languages can be learned on all mobile terminals, anywhere, anytime. Integration of the solution into the learning management system is scheduled for 2021.

GRI 404-1
NaDiVeG
Detailed GRI and sustainability disclosures, Learning organization, p. 216

DEVELOPMENT PROGRAMS

In addition to continuing professional education, personal development programs enable PALFINGER to fill strategic leadership roles and lower management positions through internal recruitment.

Management

In several countries, CAPTain potential analysis is a requirement when filling management positions. Participants in internal management development programs are given the opportunity to reflect on and expand their potential in a practice-based environment. Internal decision-makers from PALFINGER's senior management are available as mentors and discussion partners in all programs.

The Global Leadership Program, which is at the heart of internal management development, had to be postponed in 2020 due to COVID-19 and its associated travel restrictions. All other programs were launched and continued as planned.

The Regional Leadership Program launched in the EMEA region in September 2019 was held as a digital event. In 2021, Leadership Program EMEA will be expanded with the aim of training all executives. Similar programs are also planned in the other regions.

In addition to this, PALFINGER supports the individual development of executives. Mentoring and coaching by selected internal and external trainers are offered, as is targeted professional training through executive courses or basic leadership programs — depending on the various characteristics, regions, and needs. Numerous employees in positions of responsibility participate in 360-degree feedback interviews to critically analyze their abilities and use the personal evaluations for tailored development measures.

Apprentices

Apprentice training is a key qualification topic at PALFINGER. In 2019 it was decided to expand the training center at the Lengau (AT) site into a PALFINGER Campus. Construction began in December 2020. From 2022, the campus will offer state-of-the-art facilities and therefore the chance for a significantly higher number of apprentices to train in more fields.

In fiscal year 2020, 80 apprentices were trained in Austria, primarily mechanical engineers, process engineers, mechatronic engineers, designers, vehicle construction engineers, welders, and industrial management assistants. As many as 70 of the 80 apprentices graduated from vocational school with distinction or merit. The “Lehre mit Matura” (apprenticeship and vocational school-leaving certificate) model remains popular. Currently, 25 apprentices are preparing for their school-leaving exam in German. The centralized high-school diploma exams were held in January 2021. 95 percent of all apprentices stay with PALFINGER after they finish their training.

PALFINGER offers the dual training model for the qualification of skilled workers in specific fields at locations outside Austria, too. In Bulgaria, Slovenia, and China, for example, government-certified training models are being promoted in cooperation with local technical colleges.

A new training format for graduates of high schools in Austria is the dual academy. In 2020, training as a forwarding merchant was offered in addition to mechatronics.

Since 2016, PALFINGER has offered an Austrian apprenticeship in welding to 30 apprentices in Rudong (China) as a pilot project. In October 2020 the first ten apprentices sat their final apprenticeship examination. Owing to travel restrictions in place as a result of COVID-19, the examination board, composed of experts from the International Business Promotion Institute WIFI and PALFINGER, appraised the candidates via a live video link over the three days. PALFINGER’s Smart Eye, installed in addition to the fixed and mobile cameras, gave the examiners a heightened impression of being there in person and allowed them to communicate directly with the candidates, thereby making a significant contribution to the success of the examinations. All the apprentices passed, five with merit, one with distinction.

At the end of reporting year 2020, PALFINGER employed 209 apprentices and interns around the world (previous year: 188), 59 of whom were women.

International assignments

International assignments for a specified period are a special form of development opportunity. Despite the COVID-19 crisis, 27 employees were on such assignments in 2020.

Owing to the COVID-19 pandemic, it was necessary to suspend the global expert training program PALFINGER Production System (PPS), probably until Q3 of 2021.

PALFINGER attaches great importance to its international character. However, this often leads to complex forms of employment . In order to train our employees all over the world and to ensure compliance with legislation and regulations around the globe, a Group policy was drawn up. The policy on so-called “hybrid employment” was published in the fall of 2020. Hybrid employment is defined as employment in which the employee is employed at a PALFINGER company in one country (“legal employer”), but performs his duties for a different company (“economic employer”) within the PALFINGER Group in another country (cross-border).

Occupational health and safety

OCCUPATIONAL HEALTH MANAGEMENT

Under the GPO, health management including PALfit was placed under the umbrella of the global function HR. This makes it possible to roll out measures in the field of health management more effectively and globally. PALfit stands for a healthy organization and employees who are healthy too – physically, mentally, and socially.

To promote employees' physical and mental health, PALfit offers a wide range of activities and campaigns. Information on these is provided in the PALfit newsletter, on bulletin boards, and on the intranet. Employees can make appointments via PALfit or through the internal college program. Physiotherapy sessions can be booked with the therapists themselves.

In 2020, PALfit took on a vital role as part of the global COVID-19 Task Force and its fight against the pandemic. Measures taken were the definition and communication of universal standards, fast tracing in a cockpit developed in-house, and effective implementation of comprehensive prevention schemes.

At the same time, the targets of occupational health management remain unchanged. They include programs for ergonomic workstation design and optimum planning of work content, and promote the personal development and support of each employee.

The survey using the ABI Plus™ work ability index was postponed to the first half of 2021 because of COVID-19.

To promote occupational health management, the health, safety, and environment (HSE) standards and processes are being developed and implemented for health protection, occupational safety, and environmental protection in close cooperation with the Sustainability, PALfit, Operations, Research & Development, and Human Resources functions. Exploitation of these synergies ensures efficient implementation of health protection measures and PALfit campaigns at all locations worldwide.

Management of occupational health and safety aspects at PALFINGER is regulated by certification pursuant to ISO 45001 (OHSAS 18001). In 2020, 40 percent of employees were working at sites that have this certification.

GRI 403-1, 403-6

www.fit2work.at

OCCUPATIONAL HEALTH MANAGEMENT

PALFIT HEALTH MANAGEMENT

Actions to promote health awareness
Health counselors in the event of physical stresses and strains
Work ability index ABI+
Health lectures & workshops
Health checks with partner institute SIPCAN
PALplus Intergenerational solidarity program
Healthy diet & Fruit basket
Sports & Fitness program
Cost contributions for recreational sports & fitness clubs
Physical therapy
Non-smoking program

OCCUPATIONAL SAFETY

Safety management systems
Occupational safety audits
Actions to promote safety awareness
Safety training
Reduction of risks, stresses & strains
Accident survey & implementation of countermeasures
Ergonomic workplace design
Coordination of safety & health protection activities
Preparation and implementation of pandemic guidelines

MENTAL HEALTH

Evaluation of physical stresses
Crisis intervention team
Burnout prevention
College courses for mediation
Seminars for managing stress
Mindfulness seminars
Work ability coaching
Sharing of experiences in an appreciative way

OCCUPATIONAL HEALTHCARE

Assessment & avoidance of health risks
Aptitude tests & medical check-ups (hearing, vision)
5S & workplace design for an aging workforce
Transitional/part-time work for gradual reintegration into workplace
Integration of employees with health problems

ABSENCES

The overall absenteeism rate fell to 3.80 percent in reporting period 2020 (2019: 4.02 percent).

It is likely that several contradictory factors connected to the pandemic, such as reduced working hours, consumption of outstanding leave, COVID-19 cases, and less frequent notification of sickness owing to job anxiety, influenced the development of this figure in 2020.

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OCCUPATIONAL SAFETY AND ACCIDENT PREVENTION

From 2020, work-related accidents are documented in accordance with GRI Standard 403, Occupational Health and Safety (2018). Amendments to GRI 403 mean that more categories of accidents are now subject to mandatory reporting (e.g. instances of medical treatment, restricted ability to work, work-related accidents causing absences of one day) which, under national regulations, did not have to be reported in the past.

Expansion of the assessments undertaken by Corporate HSE Management is planned for 2021 with the aim of introducing even more precisely targeted accident-prevention measures at PALFINGER sites worldwide.

Despite the increase in the types of accidents that must be reported, the total of 295 reported accidents in 2020 is 98 fewer than in the previous year. Absenteeism resulting from work-related accidents that must be reported also fell, to 0.12 percent of regular working time. In addition to the total number of accidents and the absenteeism rate, the TRIR was reported as an HSE indicator at Group level for the first time in reporting year 2020. This rate amounted to 14.23 accidents per million hours of work.

PALFINGER actively implements measures to prevent accidents. A program to increase awareness of occupational safety and accident prevention was developed at the beginning of 2020, and first workshops were held. Global rollout was stopped by the pandemic. The program will be resumed as soon as circumstances permit.

Because regulations and requirements relating to occupational health services differ from country to country, a survey of existing occupational health services was conducted in 2020. On the basis of the findings, a standard for occupational health services is being drawn up. This standard lays down guidelines for defining a service catalog and the time allowed for performing the services irrespective of the number of employees at a given location. Involvement of employees and consultation are ensured at regular meetings of the occupational safety committee. At these meetings, company safety officers and the works council are joined by safety experts and occupational health specialists in representing the interests of the employees and securing their participation.

During the onboarding process, employees receive documented safety training to make them aware of workplace hazards and risks. This safety training is repeated at regular intervals and whenever procedures or duties change, and whenever circumstances require, e.g. in the event of an accident. A project is currently underway to introduce a learning management system that will provide safety training relevant to particular workplaces that can also be done online. This process has not only led to standardization of training planning, content, and documentation, but has also enhanced the quality of the safety training provided.

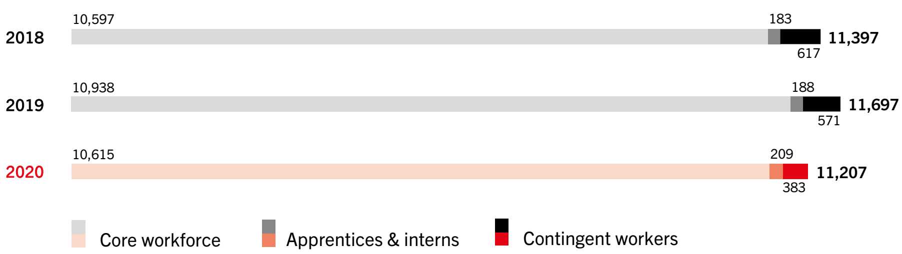
PALFINGER attaches the utmost importance to the safety of visitors to its sites and its contractors. In reporting year 2020, a new safety video was produced for them, and new safety rules were drawn up and translated into the relevant language at each of the PALFINGER locations worldwide.

GRI 403-2, 403-3, 403-4, 403-5, 403-7, 403-9
NaDiVeG
Strategy and Value Management p. 33; Detailed GRI and sustainability disclosures, Occupational health and safety, p. 217

Employment trend

The total number of people employed by the PALFINGER Group fluctuated slightly during the year. This is principally due to (temporary) measures affecting contingent workers. As at December 31, 2020, the consolidated companies had 11,207 employees, including 209 apprentices and interns, and 383 contingent workers. This represents a drop of 4.2 percent or 490 individuals compared to the previous year.

EMPLOYMENT TREND AS AT 31 DEC



GRI 102-8
NaDiVeG

TYPES OF EMPLOYMENT

As a mechanical engineering company with a high level of value creation, PALFINGER has a large percentage of full-time employees. In 2020, 3.3 percent (2019: 3.4 percent) of the core workforce were on part-time contracts. Most PALFINGER employees are employed for an indefinite term because PALFINGER strives to retain its highly qualified, motivated staff on a long-term basis. Temporary employment is only used in special situations, e.g. temporary replacements, projects, or to cover peaks in capacity utilization. The share of temporary employment was 1.4 percent in the reporting period (2019: 1.9 percent).

GRI 102-8

NaDiVeG

EMPLOYEE TURNOVER AND NEW EMPLOYEE HIRES

Several effects, some of them contradictory, influenced employee turnover in reporting year 2020: fear of being made redundant, reduction in the number of contingent workers, smart sizing, temporary dismissals protection as a result of short time and reorganizations.

Employee turnover fell by 2.1 percentage points compared with fiscal year 2019 to 14.7 percent in 2020. There were 1,611 departures (2019: 1,779) and 1,148 new hires (2019 2,346). The lower number of new hires is primarily due to the moratorium on recruitment imposed as a result of the pandemic.

PALFINGER has targeted annual employee turnover of no more than 10 percent, and thus came closer to reaching this target in the reporting period. In 2021, splitting the turnover indicator into the two categories “planned” and “unplanned” will create greater clarity as well as opportunities to steer measures.

GRI 401-1

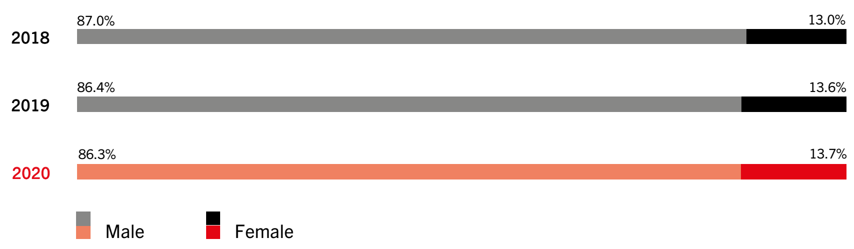
NaDiVeG

GENDER

The share of female employees was 13.7 percent (+0.1 percent compared to the year before). The percentage is lower at production sites, which is typical for the branch.

The share of women in management positions was 14.2 percent in 2020, which is 0.5 percentage points higher than in the Group as a whole. The proportion in upper management was increased by 1.2 percentage points to 8.1 percent in fiscal year 2020.

GENDER DISTRIBUTION (in percent)



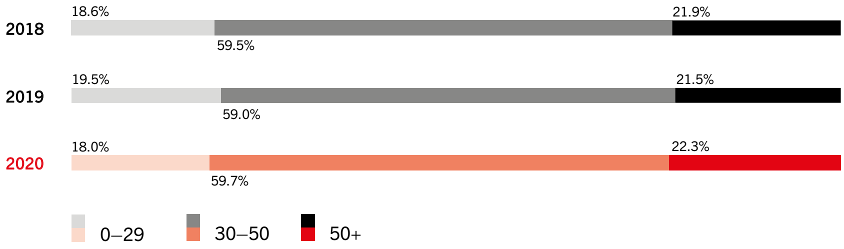
GRI 405-1

NaDiVeG

GENERATIONS

The average age structure in the PALFINGER Group has changed only slightly in recent years. The majority of employees are in the 30 to 50 age bracket, namely 59.7 percent. 18.0 percent are in the youngest age group of 29 or under, and 22.3 percent are over 50.

GENERATIONS (in percent)



GRI 405-1
NaDiVeG
Corporate governance report, Diversity plan, p. 107; Detailed GRI and sustainability disclosures, Development of employment, p. 210; Detailed GRI and sustainability disclosures, Diversity, p. 214

RESEARCH AND DEVELOPMENT

- **New and critical capabilities in mechatronics and digitalization defined and expanded in 2020**
- **Group-wide research and development center at the Köstendorf site in Austria**
- **PALFINGER focuses on safe and efficient products**

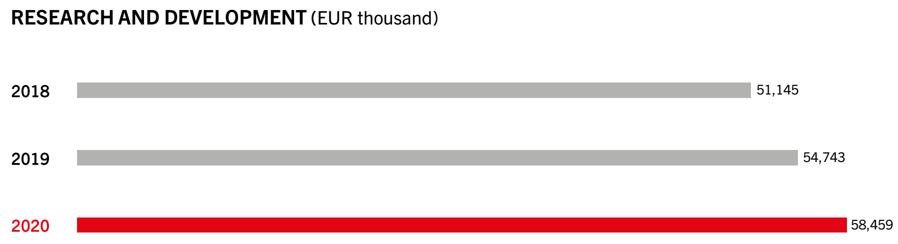
The PALFINGER brand stands for innovative, reliable, safe, and efficient crane and lifting solutions. Strategic investment in research and development (R&D) strengthens the core business and supports the advance of the digital transformation at all levels. In this way, PALFINGER delivers on its promise of LIFETIME EXCELLENCE – solutions and products that create added monetary value for customers throughout and beyond the products' life cycles. At the same time they serve to develop new business models and new markets.

With the introduction of the GPO, the decentralized R&D organization was turned into a global matrix for Product Line Management & Engineering (PLM & E Organization). This matrix defines and develops all product lines globally and exploits synergies, shared processes, and reusable elements on the basis of a modular construction kit.

Four business models specify the internal value creation and address various market and application needs:

- Standard offers standard configurations of the construction kit in a minimum-cost and highly efficient internal value chain.
- Configurated is PALFINGER's central business model and defines global modular construction kit architectures.
- Customized allows design variations to customer specifications within the defined modular construction kit architecture.
- Project makes it possible to offer defined solutions on the basis of specific customer and tender requirements.

PALFINGER's digital expertise and the opportunities it creates enabled the organization to minimize the effects of the COVID-19 pandemic on product development projects. In 2020, PALFINGER invested EUR 58.46 million in research and development. This corresponds to 3.8 percent of total revenue.



Ongoing development of the R&D organization

PALFINGER continuously develops decisive new competencies in order to create the products of the future.

PROJECT AND PORTFOLIO MANAGEMENT

Establishment of a central project management office (PMO), introduction of a joint project management process, rollout of a joint project management tool chain, and development of global qualification standards laid the foundations for continuing to develop new and complex products while taking account of time, cost, and quality considerations, and launch those products on the market.

PRODUCT LIFE CYCLE MANAGEMENT

The PLM&E global function brings together the Product Line Management and Product Development functions and creates an integrated end-to-end chain of responsibility for product life cycle management within the PALFINGER organization.

MODEL-BASED SYSTEM ENGINEERING

PALFINGER introduced model-based system engineering as a means of reducing the increasing complexity of products and solutions. By developing digital mock-ups and prototypes, customer feedback can be generated at an early stage, and the digital transfer of designs to companies, suppliers, and partners is facilitated.

BUSINESS INTELLIGENCE AND BIG DATA ANALYTICS

The availability of valid product and system data from production to deployment is a crucial aspect of PALFINGER's product development and product life cycle process. It serves as the basis of decisions and the development of new data-based business models.

P21st

The corporate incubator P21st pursues digital ideas and disruptive innovations. To this end, P21st cooperates with PALFINGER's core organization, particularly the product lines and centers of excellence, as well as with external partners from industry and research. P21st has also been able to successfully support a number of initiatives with outside research grants.

COVID-19 caused P21st to shift its focus more to promoting the innovation network within the PALFINGER organization. Significant new ideas were introduced thanks to a range of initiatives, such as the Innovation Challenge, a company-wide ideas competition, and the setting-up of a digital innovation platform for the entire Group.

STRUCINSPECT – PALFINGER joint venture for digital bridge inspection

The digital bridge inspection service STRUCINSPECT, a joint venture of PALFINGER, the Angst Group, and VCE Vienna Consulting Engineers ZT GmbH, successfully completed its second year of operation in 2020. It won the Austrian "State Digitalization Award" as well as the "Digital Impuls Award" presented by *Die Presse*, a daily newspaper, and 3 Business, a mobile telephony provider.

Protecting PALFINGER's intellectual property

For PALFINGER as a technology and market leader, intellectual property (IP) is vitally important. IP management is an integral part of the System Management & Engineering center of excellence. It assesses IP risks and opportunities, supports the research process, and manages the interfaces to external patent attorneys and the PALFINGER IP database.

In 2020, PALFINGER had over 111 active patent families (utility models, national and international patents). A large number of other ideas, utility models and patents are being prepared or have been filed. PALFINGER also holds design patents to protect functional designs.

Sustainable products and solutions

For PALFINGER, supplying sustainable products and solutions is of paramount importance. PALFINGER defines sustainable products according to two main factors: (1) the health and safety of customers, operators, and users, and (2) the environmental impact of producing and operating the products and solutions.

PRODUCT FUNCTIONS AND PRODUCT CHARACTERISTICS THAT MINIMIZE RISKS TO HEALTH AND SAFETY

The new Smart Control system supports the crane operator by making lifting work easier and safer and reduces the training time needed by new and inexperienced operators. PALFINGER's crane and lifting solutions are being systematically fitted with more and more sensors, and digitalization of the hydraulics is also advancing to pave the way for introducing more forward-thinking control and assistance functions.

With Virtual Drive, the crane operator can control the crane from the truck cabin, meaning he is sheltered from the weather during lifting work, and the accident risk is drastically reduced. Continual development of the virtual drive control is part of PALFINGER's long-term strategy to make use of new digital functions in order to offer customers superior operating and assistance functions to maximize safety and improve performance.

The ILA (Intelligent Load Assist) function supports hooklift operators when a truck approaches a container, and automates pick-up and release of containers. This function makes loading safe, and ensures safe positioning of the container on the truck ready for transport. A function for detecting obstacles warns the operator of any obstruction or people in the work area and increases operating safety.

With the Automatic Cycle function, containers can be loaded, tilted, or unloaded using a joystick.

The new PALFINGER RCBT remote control unit with Bluetooth® 5.0 technology combined with the innovative Slim Control panel offers a wide range of extra functions for safe and reliable tail lift operation and makes several installations possible on different types of commercial vehicle and interface.

An LED display provides a clearer overview of the functions of bus passenger systems. The next generation of PALFINGER PBR and PBU bus lifts contains a fully electric drive mechanism that allows greater control of operating speed when passengers with reduced mobility board.

The reduction in the number of installed components and systems increases both the operating safety and the operator's safety of the US Coast Guard's electric davit. Power is supplied directly from the ship's electrics.

All PALFINGER products are assessed with regard to their effects on the health and safety of the operators. Improvements are continually being made.

In reporting year 2020 there were no convictions of PALFINGER for non-compliance with safety regulations. Irrespective of the question of fault, PALFINGER nevertheless examines all incidents involving PALFINGER products in which persons are injured. The majority of these incidents stem from errors in operation, as a result of which no legal claims can be brought against PALFINGER. In these cases, a good network and an understanding of safety awareness in the countries concerned are a prerequisite for PALFINGER's being notified of these incidents. All accident-related information is then evaluated internally so that PALFINGER can design its products to be even safer than required by legal standards in the future.

There were 14 reported accidents in the field with PALFINGER products in 2020. Use of PALFINGER products led to twelve injuries of varying degrees and, regrettably, to three fatal accidents. In the reporting year, PALFINGER initiated product recalls in 14 instances as internal testing and ongoing quality assurance revealed a need for improvement in each case. At PALFINGER, product safety comes first.

Accidents involving PALFINGER products	2018	2019	2020
Reported accidents	18	18	14
Fatalities[1)]	5	10	3
Injuries of varying severity[1)]	14	21	12
Penalties imposed by court due to accidents	0	0	0
Pending complaints (in negotiation) due to accidents involving products (as at 31 Dec)	3	7	7
Convictions	0	0	0

1) Irrespective of fault.

GRI 403-7, 416-1, 416-2

NaDiVeG

Product safety inspection and labeling

PALFINGER products combine ease of use with utmost safety. They are sold on the international market in accordance with the relevant standards applicable in each country. Some of the standards of relevance in Europe are the Machinery Directive 2005/42/EC, safety standards such as EN ISO 13849 (functional safety), and the related product standards such as EN 12999 for loader cranes or EN 50128 (safety-related software in the railway industry). For marine applications, PALFINGER certifies its products in accordance with the MED (Maritime Equipment Directive) standards.

What counts, however, is that PALFINGER complies with these safety standards in a user-friendly manner, in such a way that the corresponding functions remain active. All PALFINGER products are assessed with regard to their effects on health and safety, and any potential for improvement is continuously realized.

PRODUCT FUNCTIONS AND PRODUCT CHARACTERISTICS THAT MINIMIZE THEIR ENVIRONMENTAL IMPACT

By simulating the flow characteristics of the hydraulic oil in the oil tank and using the results to optimize flow, oil tank volume can be significantly reduced. This reduction in the amount of oil makes the overall system lighter, increases the payload, cuts fuel consumption, and is therefore better for the environment. PALFINGER eDrive makes emission-free crane operation possible and reduces the total energy consumption by using energy stores.

Telescopic hookloaders move containers horizontally backward and forward. The Soft Sliding system reduces friction, energy consumption, and noise emission.

In accordance with the new UNECE regulation no. 58, new rear impact protection systems have been developed that can withstand substantially greater forces but have virtually no effect on the vehicle’s dead weight.

The new telescopic hookloader for trucks is 15 percent lighter, reduces the overall weight of the integrated solution, and reduces the total energy consumption.

The level-5 engine series for the European TMF product range complies with the new EU emission standard for engines in non-road mobile machinery.

The latest series of lightweight tail lifts (PTC 750 L – 1000 LLW) increases payloads and helps reduce CO_2 emissions.

In the next generation of PALFINGER bus lifts in LATAM, an electric drive replaces the classic hydraulic oil solution.

PALFINGER boats in all product families are fitted with low-emission diesel engines and with electric or hybrid drive systems.

Fiber-reinforced plastic (FRP) is to be used less frequently in the construction of boat hulls and cockpit enclosures, thereby reducing the amount of hazardous waste. The first product that features these modifications is a standardized tender boat in the PALFINGER product range that needs around one metric ton less FRP.

Electric davit systems render the use of hydraulic oils and all their concomitant ecological risks redundant.

Major innovations in 2020

To increase PALFINGER's lead in the market and offer customers outstanding crane and lifting solutions, the company has combined its product development activities in the following product lines:

LOADER CRANES, MARINE CRANES & WIND CRANES

The Loader Crane, Marine Crane & Wind Crane product line focused chiefly on the launch of knuckle boom TEC models in EMEA and NAM. For container handling, new stabilizers were developed and launched on the market in 2020. Series development of the Smart Control system for digitalization of crane operation was completed and commercialization will start in 2021 following successful system verification and validation.

TIMBER & RECYCLING CRANES

The Timber & Recycling product line developed a customized hydraulic servo control option for stand-up steered cranes for recycling applications.

ACCESS PLATFORMS & SPECIAL SOLUTIONS

In 2020 the new ETO 55 access platform with pilot-operated controls in the crane basket and a load recognition system was launched on the North American market.

HOOKLIFTS & SKIPLOADERS

Fast Tipping Down for TEC5 models: this new function guarantees safe movements and a constant working speed no matter what kind of load is in the container.

TAIL LIFTS & PASSENGER SYSTEMS

In the Tail Lifts & Passenger Systems product line, new tail lift models were added to the light commercial vehicle sector. The new RCBT remote control unit with Bluetooth® 5.0 technology is available for all tail lifts in the range.

BOATS & DAVITS

A new electric davit is developed for the US Coast Guard and certified by the American Bureau of Shipping (ABS) and the US Coast Guard. The electric davit is integrated into the US Coast Guard's fleet.

MARINE HANDLING SOLUTIONS

PALFINGER has developed a new generation of unmanned offshore cranes which can be controlled remotely from a cockpit on land and offer a range of support functions that improve safety when working in challenging weather conditions.

A new advanced A-frame system was developed for the research vessel R/V OceanX for starting flexibly and recovering submarine vehicles.

ENHANCED CORROSION PROTECTION FOR HOOKLOADER STEEL CONSTRUCTION

In 2020, "Metallization", the new surface protection, was introduced. This new process provides vastly improved protection against corrosion of surfaces subjected to heavy use.

Important partnerships with business partners, research institutes, and universities

PALFINGER actively maintains business and cooperation partnerships with vehicle OEMs, suppliers, research institutes, and universities with the aim of developing new technologies, innovations, and integrated solutions. The exchange of knowledge and experience, use of existing technologies from other branches of industry, and participation in research and development initiatives are vital factors in the organization's success for PALFINGER product development.

The business partnership with the OEM SENNEBOGEN Maschinenfabrik GmbH Germany, a leading global manufacturer of material handling machines, was intensified. The Timber & Recycling Crane product line supplies customized knuckle boom systems to SENNEBOGEN.

The firm of Falcon represents one of the leading railway OEM specialists in North America. With Falcon, the first S260L cranes were developed and integrated in the railway car system. Field tests are currently underway.

In close collaboration with MAN Truck & Bus, PALFINGER is working on closer system integration. End customers can expect a more cost-effective all-round solution.

PALFINGER is collaborating with Magna on a project to gather genuine operational data, transfer it to a cycle of accelerated shock and vibration tests, and run the accelerated life tests.

With the Vienna University of Economics and Business, PALFINGER is conducting students' projects on sustainability in order to obtain the results of a recycling economy for tail lifts.

The new passenger systems for buses in LATAM are being validated in association with the end customer and an NVH (noise, vibration, and harshness) laboratory. The expected result is a product that can withstand the vibrations caused by poor road surfaces.

QUALITY MANAGEMENT

The quality of PALFINGER products and solutions represents an essential competitive advantage. The continuous product and system audits contribute to ongoing quality improvements. Guarantee costs at the Group level as a percentage of revenue were again reduced, from 1.11 percent in 2019 to 1.05 percent in 2020. The measures implemented in 2019 to improve the Audit function were continued with great intensity in 2020, despite the COVID-19 crisis. Audits were carried out by regional quality managers in the CIS, APAC, EMEA, and NAM regions, as far as circumstances permitted. This underlined the value of upgrading the regional quality management organization. Remote audits were chosen more often for the welding sector and at suppliers' premises and were conducted with the help of PALFINGER's Smart Eye. This opens up the possibility of using digital technology to support audits in future.

In 2020, around 84 percent of all employees at production sites were employed at locations that have quality management systems in accordance with ISO 9001.
Detailed GRI and sustainability disclosures, Management systems in use, p. 196

QUALITY MANAGEMENT SYSTEM ISO 9001* (in percent of employees at production plants)
*as well as other similar quality management standards

MANUFACTURING FOR THIRD PARTIES

At its locations in best-cost countries, PALFINGER makes production capacity and production expertise available to external customers. Revenue from manufacturing for third parties in reporting period 2020 reached EUR 76.5 million in 2020. PALFINGER is therefore continuing with the business model of manufacturing for third parties. This model generates additional revenue, ensures better capacity utilization, facilitates comparison with the open market, and contributes to improving internal processes at PALFINGER.

ECO-EFFICIENCY IN PRODUCTION

- **COVID-19: Negative impact on Group target of increasing energy efficiency and reducing hazardous waste**
- **Group-wide use of green electricity increased to approximately 74 percent**

PALFINGER is very intent on working as efficiently as possible, both ecologically and economically, especially in production. In this regard, PALFINGER sees itself faced with a range of challenges. These include

- efficient use of raw materials
- responsible handling of hazardous waste and problematic substances
- increasing energy efficiency
- reducing CO_2 emissions in the interest of climate protection.

The HSE department manages Eco-efficient Production as part of the Operations global function. Implementation of the measures is supervised at regional and local level. The Group's long-term targets in this regard focus on the most important environmental and sustainability topics and guarantee that the targets and measures are pursued appropriately.

Efficient use of raw materials

The majority of PALFINGER's products are made of steel. In 2020, 127,466 metric tons of steel were used throughout the company (2019: 124,577 metric tons). In addition, aluminum is used extensively, primarily for tail lifts. In 2020, 1,550 metric tons were used (previous year: 2,249 metric tons). COVID-19 led to lower material consumption, while at the same time material was stockpiled as insurance against potential bottlenecks in 2021. The share of renewable materials is not relevant for the manufacture of the products.

For PALFINGER, the efficiency of using raw materials is of economic and ecological importance: On the one hand, raw materials account for approximately 6.7 percent of total costs. On the other, the upstream generation of raw materials and other materials has a considerable environmental cost. This ranges from the use of large areas of land and natural resources for mining ores to climate-relevant emissions that result from steel and aluminum production. Because of the effects produced by the raw materials used by PALFINGER, great importance is placed on efficient and resource-conserving use of materials, the quality and quantity of the materials used, the mix of materials, their durability, and ease of maintenance, repair, and recycling right from the very first stages of product development. In order to present a more accurate and uniform picture of the waste metal that occurs in the various production processes, the relevant indicator was revised in the reporting year. More information can be found in the detailed GRI and sustainability disclosures.

GRI 301-1
NaDiVeG
Detailed GRI and sustainability disclosures, Efficient use of raw materials, p. 219

Hazardous waste

During production, hazardous waste is generated during surface treatment and painting. This includes paint waste, galvanic sludge, hydraulic oil, lubricants, and coolants. The regional site management is responsible for waste optimization, proper disposal, and compliance with local laws. A minimum standard is set throughout the Group on the basis of a comprehensive Group-wide guideline.

To determine the progress made in efficiency in this area, PALFINGER uses the ratio of waste volume to revenue. The PALFINGER Group's total hazardous waste in 2020 increased in relation to revenue (index) by 22 percentage points to 97.4 percent (previous year: 75.9 percent). The effects of COVID-19 meant that the drop in production output and revenue was markedly more pronounced than the reduction in the absolute volume of hazardous waste. The interim target that had been set for 2020 in order to reduce waste intensity by 30 percentage points by 2030 compared with 2015 was thus not achieved. Due to the fall in revenue, the index is now at almost the same level as it was in 2015. The absolute volume of hazardous waste fell from 5,293 metric tons in 2019 to 4,971 metric tons in 2020.

Solvent-free paints are used for almost all product applications with the exception of the Marine business, which is subject to specific regulations. The PALFINGER sites in Europe that have large paint shops now predominantly use solvent-free paints. PALFINGER still sees potential for improvement outside the EMEA region.

Details of the ecological standards for PALFINGER's electroplating plants and paint shops as well as of hazardous waste by geographical region can be found in the detailed GRI and sustainability disclosures.

NaDiVeG

Detailed GRI and sustainability disclosures, Hazardous waste, p. 219

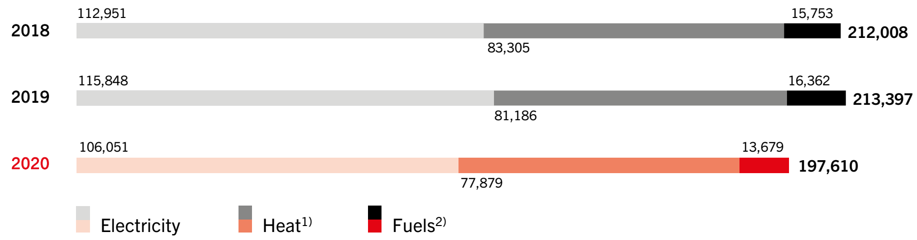
Energy consumption and efficiency

Due to the lower absolute energy consumption attributable to COVID-19 (2020: 195 million kWh, 2019: 213 million kWh) the PALFINGER Group's outlay for energy fell by 12 percent to EUR 7.76 million (2019: EUR 8.82 million) compared to the same period of the previous year. Europe accounted for the largest share of energy consumption.

GRI 302-1

NaDiVeG

ENERGY CONSUMPTION BY ENERGY SOURCE (in MWh)



1) Includes the consumption of heating oil, natural gas, butane, propane, LPG, coal, and district heating.
2) Includes the consumption of diesel fuel, petrol, and kerosene.

From a process perspective, paint shops and electroplating facilities consume the most energy in the PALFINGER Group. All other production processes consume comparatively moderate amounts of energy.

A large part of the energy is used for heating and ventilating the production halls. Weather-related temperature differences are taken into account in the form of heating and cooling degree days and weather effects normalized when calculating the index.

The centrally recorded fuel consumption is included in the presentation of energy efficiency. A large percentage of transport is outsourced to logistics companies. The transport mix at PALFINGER is predominately made up of trucks and ships.

The energy efficiency index shows changes in energy consumption in relation to revenue. A 30-percent improvement in energy efficiency compared to 2015 levels is targeted by 2030. COVID-19 contributed to a decline in the index: certain energy users such as lighting and heating are constant and remain more or less unchanged even when capacity utilization declines. Consequently, it was not possible to decrease energy consumption to the same extent as the production level. Energy consumption therefore increased in relation to revenue in 2020 by approximately 5 percentage points to 91.8 percent (2019: 86.5 percent). Mirroring the trend of the hazardous waste indicator, this figure is again at a high level but is expected to improve significantly once capacity utilization and revenue return to normal.

A detailed statement on energy efficiency and the distribution of consumption, broken down by energy source and geographical region, is available in the detailed GRI and sustainability disclosures.

GRI 302-1, 302-3

NaDiVeG

Detailed GRI and sustainability disclosures, Energy efficiency, p. 221

Climate protection

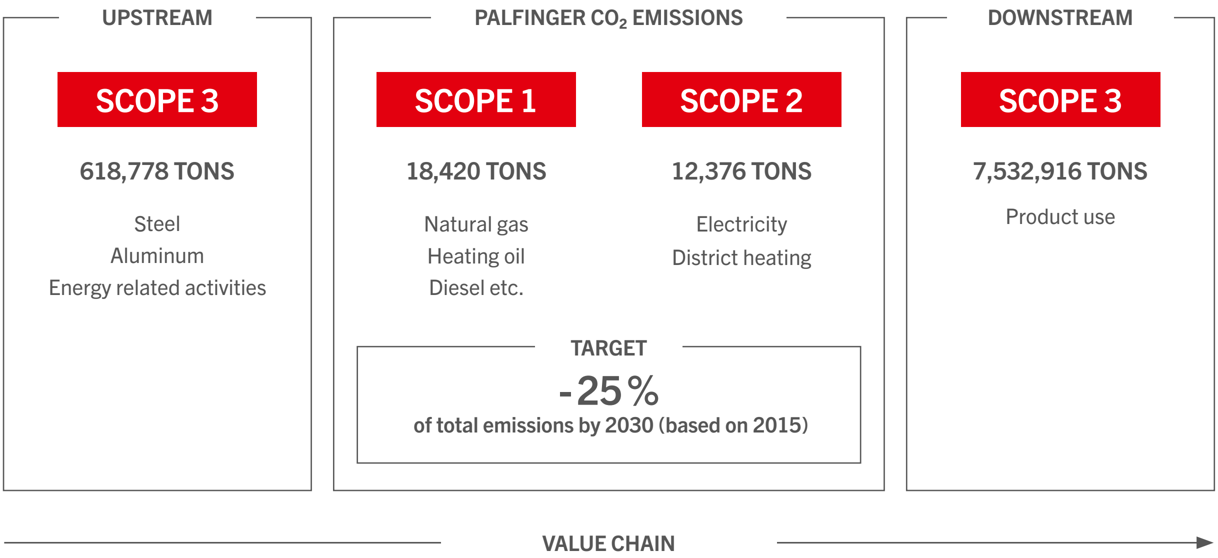
PALFINGER is committed to achieving climate targets. Although not legally obliged to participate in trading emissions certificates, PALFINGER intensively addresses the topic of emissions arising from its own energy consumption that may have an effect on the climate.

At Group level, PALFINGER is pursuing the long-term target of reducing production-related CO_2 emissions by 25 percent compared to 2015 by 2030. The share of renewable electricity is to be increased to 75 percent Group-wide by 2022.

The conversion of all PALFINGER's German sites and of one in Brazil to energy from renewable sources increased the share of green electricity to 73.5 percent across the Group (2019: 68.3 percent). As a direct consequence of COVID-19, the absolute volume of emissions was reduced in the reporting period by approximately one-third to 30,796 metric tons of CO_2 equivalents (2019: 36,588 metric tons).

Since 2017, emissions have been recorded in the Group-wide monitoring system using a notional CO_2 price of EUR 30 per metric ton of CO_2 equivalents. PALFINGER is thus preparing for the taxation of CO_2 that is likely to come.
Risk report, p. 71

Implementation of a comprehensive climate strategy which takes into account emissions from the upstream and downstream value chain could not be completed in the reporting year owing to COVID-19.



PALFINGER reports internal production-related CO_2 emissions (Scope 1 and 2) in two categories: direct emissions from fuels and indirect emissions from electricity and district heating. Emissions caused externally in the upstream and downstream value chain are also included and presented.

In 2020, PALFINGER's activities produced 18,420 metric tons of CO_2 equivalents (2019: 20,168 metric tons) as direct emissions from the following fuels: natural gas, diesel, gasoline, liquefied petroleum gas, butane, propane, and heating oil. The absolute volume of CO_2 emissions thus decreased in reporting period 2019, reflecting the drop in production-related consumption of heat.

In 2020, PALFINGER's activities produced 12,376 metric tons of CO_2 equivalents as indirect emissions (Scope 2, "market based") from electricity and district heating (2019: 16,421 metric tons). This reduction can be attributed primarily to the conversion to electricity from renewable sources in Germany and Brazil.

Details on the specific greenhouse gas emissions broken down by geographical region can be found in the detailed GRI and sustainability disclosures.

Compared to the CO_2 emissions generated externally (Scope 3), the internal CO_2 emissions (Scope 1 and Scope 2) produced by PALFINGER represent only a small proportion of the total climate-relevant emissions.

The following three categories are significant for PALFINGER when considering external emissions along the value chain:

- Emissions generated externally by downstream use of PALFINGER products:
  Calculations are based on use of a medium-sized diesel-driven crane over ten years. If the result is extrapolated to all of the Group's product areas, emissions during the product utilization phase are 200 times higher than production-related emissions. This calculation has to be made on the basis of assumptions, but nevertheless clearly shows the leverage of energy-saving measures during product use.
- Steel production:
  PALFINGER primarily purchases steel and aluminum from Europe. The resulting emissions can therefore be estimated at 606,274 metric tons of CO_2 equivalents. They are thus more than 20 times higher than the production-related emissions at PALFINGER's sites.
- External emissions caused by PALFINGER at energy suppliers:
  By purchasing energy, external emissions in the upstream value chain are generated. These resulted directly from energy consumption from Scope 1 and Scope 2 and also fell as a consequence of lower energy consumption in 2020.

GRI 305-1, 305-2, 305-3
NaDiVeG
Detailed GRI and sustainability disclosures, Climate protection, p. 223

Environmental and energy management

PALFINGER's environmental protection guideline defines uniform Group-wide standards at all production and sales locations. The guideline covers the following areas: energy, waste, water, environmental law, and environmental emergency preparedness. It also regulates environmental protection-related training and communication, responsibility for monitoring the relevant indicators, implementation of measures, and achievement of Group targets.

In accordance with the Group policy, the water risk filter is used at all sites. This tool helps PALFINGER to analyze water risk areas locally and to take appropriate steps.

When new plant or buildings are to acquired, PALFINGER includes binding minimum standards for environmentally relevant aspects in the tender documents. This concerns, in particular, paint shops and electroplating facilities, welding equipment, engines, compressed air systems, offices and production floors, and ventilation systems.

An overview of all relevant sites with environmental management systems certified to ISO 14001 and energy management systems certified to ISO 50001 is provided in the detailed GRI and sustainability disclosures in the annex.

NaDiVeG
Detailed GRI and sustainability disclosures, Management systems in use, p. 196

PERFORMANCE BY SEGMENT

- **COVID-19 affected revenue development in the segments Sales & Service and Operations**
- **Noticeable stabilization of market conditions from Q3**
- **Segment SEA integrated into the new GPO structure**

Following successful integration of segment SEA, PALFINGER has divided its business into the segments Sales & Service and Operations. The HOLDING unit, as a cost pool for the Group's administration and strategic projects for the future, remained unchanged.

EUR million	SALES & SERVICE	OPERATIONS	HOLDING	Consolidation	PALFINGER Group
Revenue	1,443.4	90.5	-	-	1,533.9
Revenue share	94.1%	5.9%	-	-	-
EBITDA	166.0	39.0	(16.3)	-	188.7
EBITDA margin	11.5%	43.1%	-	-	12.3%
EBIT	118.6	4.2	(22.5)	-	100.3
EBIT margin	8.2%	4.6%	-	-	6.5%

SEGMENT SALES & SERVICE

Segment Sales & Service comprises the sales and service units and was expanded in 2020 to include the Sales & Service units of the former segment SEA. The amounts from the previous year were adjusted as described.

Business performance in 2020

Segment revenue fell from EUR 1,641.5 million in 2019 to EUR 1,443.4 million in fiscal year 2020. The biggest decreases were in the regions CIS and NAM where exchange rate differences and COVID-19 were major contributory factors. Segment EBITDA fell from EUR 182.6 million to EUR 166.0 million, while the EBIT margin of 8.2 percent in 2020 was below the 2019 level of 9.0 percent.

EUR thousand	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Revenue	408,142	418,493	384,458	430,451	368,254	314,776	350,552	409,788
EBITDA	48,284	45,488	40,868	47,994	41,299	33,801	43,404	47,481
EBIT	39,745	36,705	34,447	37,535	32,600	17,334	29,854	38,850

Operational highlights

In Q2 of 2020, order intake dropped sharply in all regions as a direct result of the COVID-19 pandemic and the national and international lockdowns. Although market conditions steadied from Q3 of 2020, it was no longer possible to make up the deficit.

Income statement (EUR thousand)	2019	2020	in % of Group
External revenue	1,641,544	1,443,370	94.1%
EBITDA	182,634	165,985	88.0%
Depreciation, amortization and impairment	34,202	47,347	53.6%
EBIT	148,432	118,638	118.3%
EBIT margin	9.0%	8.2%	

SEGMENT OPERATIONS

The segment Operations comprises the production sites and the respective production share of a company and was expanded in 2020 to include the operations of the former segment SEA.

Business performance in 2020

The external segment revenue in 2020 of EUR 90.5 million was significantly lower than the previous year's EUR 112.3 million. Segment EBITDA decreased from EUR 64.8 million in the comparison period, 2019, to EUR 39.0 million in the reporting period. Segment-EBIT reached only EUR 4.2 million after EUR 30.0 million in fiscal year 2019.

EUR thousand	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Revenue	32,773	31,075	25,759	22,698	24,976	21,838	21,880	21,800
EBITDA	18,251	19,784	18,447	8,303	15,107	4,878	14,798	4,177
EBIT	9,559	11,599	7,379	1,420	6,540	(4,345)	6,719	(4,722)

Operational highlights

COVID-19 led to an irregular order intake, and the reduced working hours introduced at several large production sites meant that fulfilling them posed a challenge. As the second half of 2020 progressed, a rising order intake meant that capacity utilization was good.

Income statement (EUR thousand)	2019	2020	in % of Group
External revenue	112,305	90,494	5.9%
EBITDA	64,785	38,960	20.7%
Depreciation, amortization and impairment	34,828	34,768	39.3%
EBIT	29,957	4,192	4.2%
EBIT margin	26.7%	4.6%	

HOLDING UNIT

Reporting on the HOLDING unit presents the set of Group functions that are combined at headquarters, as well as strategic project costs incurred by this unit.

Business performance in 2020

EBITDA in the HOLDING unit amounted to EUR –16.3 million in 2020 after EUR –23.8 million in fiscal year 2019, while EBIT for the unit was EUR –22.5 million after EUR –29.4 million in the previous year. The reduced expenses are primarily attributable to the short time scheme introduced in Austria as a result of COVID-19 (and to similar schemes in other countries) from March through June 2020 and a substantial reduction of the cost of materials, particularly in Q2 of 2020. The forward-looking PALFINGER Process Excellence and P21st Group-wide initiatives were continued.

EUR thousand	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
EBITDA	(5,302)	(6,393)	(4,321)	(7,760)	(6,139)	(4,081)	(3,025)	(3,036)
EBIT	(6,602)	(7,754)	(5,785)	(9,233)	(7,752)	(5,637)	(4,729)	(4,424)

Income statement (EUR thousand)	2019	2020	in % of Group
EBITDA	(23,776)	(16,281)	(8.6)%
EBIT	(29,374)	(22,542)	(22.5)%

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On January 25, 2021 PALFINGER AG and the majority of its sites were hit by a global cyberattack which had an enormous impact of the IT infrastructure. As an immediate response, a controlled shutdown of all systems across the entire Group was carried out. IT experts investigated the incident and worked flat out to restore PALFINGER to full operational capability. As each area was declared safe by the experts the systems were rebooted one by one and production resumed. No money or sensitive data was removed in the attack. PALFINGER AG issued two ad hoc bulletins providing details.

On Wednesday, February 10, 2021 PALFINGER AG signed the takeover of EQUIPDRAULIC, S.L.U, a dealership based in Barcelona. This company was founded in 1992 and has represented PALFINGER in the region since 1999. It also works closely with PALFINGER Iberica. In 2020, EQUIPDRAULIC and its 18-strong workforce generated sales of just under EUR 5 million. The company will be integrated into PALFINGER Iberica. With this takeover, PALFINGER expands its presence in the economically important region of Catalonia.

In addition, no events of particular significance occurred after the end of fiscal year that would have led to a different presentation of the Group’s financial position, financial performance or cash flows.

OUTLOOK

- **Strong order situation promises stability for first half of 2021**
- **Record level of investment planned**
- **Uncertainty in the wake of COVID-19 remains**

The economic knock-on effects of the COVID-19 pandemic will continue to dominate the year 2021 to a large extent. Uncertainty as a result of COVID-19 remains. Regional lockdowns along the PALFINGER supply chain cannot be ruled out. Despite this, PALFINGER expects a far better business year than 2020.

The order situation at the end of 2020 makes it possible to look ahead to the first half of 2021 with confidence. A positive trend is to be expected in the EMEA, CIS, and NAM markets. Within APAC, China already proved a stable market in 2020, and increasingly stable market conditions can also be expected in LATAM.

The effects of the GPO will help PALFINGER to grow synergies internally in 2021. In this connection, particular importance is paid to product development.

In 2020, PALFINGER subjected every project to stringent evaluation, and in 2021 the majority of the investments held over from 2020 will be made so that overall investment amounting to a record sum of over EUR 100 million is planned. The planned reversal of the cross-holding with SANY will free up additional funds, and these will substantially increase PALFINGER's scope for strategic action.

Fiscal year 2021 will see PALFINGER return to a growth trajectory, targeting annual revenue of over EUR 1.7 billion and an EBIT margin of 8 percent.

PALFINGER strives to achieve continuous organic growth. Revenue growth to EUR 2.0 billion is targeted through 2024. An average 10-percent EBIT margin is expected to be achieved across all phases of the economic cycle. The optimal use of current and non-current assets will ensure that an average return on capital employed of 10 percent can be achieved throughout the economic cycle.

OUR TARGET WAS TO UPHOLD OUR COMMITMENTS TO OUR CUSTOMERS AND PARTNERS.

Martin Zehnder, COO

CORPORATE GOVERNANCE REPORT

DECLARATION PURSUANT TO SECTION 243c AND SECTION 267b OF THE AUSTRIAN BUSINESS CODE (UNTERNEHMENSGESETZBUCH, UGB)

PALFINGER is committed to the standards of the Austrian Code of Corporate Governance (www.corporate-governance.at), satisfies the requirements of the binding L-rules (legal requirements), and adheres to nearly all C-rules (comply or explain) of the Code. In accordance with legal provisions, this commitment is evaluated annually by an external auditor. The result of this evaluation confirms that corporate governance is practiced at PALFINGER. The report on the evaluation of compliance with the Austrian Code of Corporate Governance is available to all interested parties on PALFINGER's corporate website (www.palfinger.ag).

www.palfinger.ag/en/investors/corporate-governance; www.corporate-governance.at

GOVERNING BODIES OF THE COMPANY AND FUNCTIONING OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD PURSUANT TO SECTION 243c(2) AND SECTION 267b OF THE UGB

In accordance with the Austrian Stock Corporation Act (Aktiengesetz, AktG), the Executive Board of PALFINGER AG manages the company under its own responsibility in the best interest of the company, taking into consideration the interests of all stakeholders. The foremost principles include fostering a positive working relationship and continuous communication with the other members of the board, keeping an open mind, and reaching decisions quickly and efficiently. The Executive Board directs the management teams responsible for operations in the individual segments and/or businesses and functions. In addition, the Executive Board is represented in the management of several PALFINGER holding companies in Austria. Martin Zehnder is also a member of the Supervisory Board of Palfinger Europe GmbH.

The Supervisory Board of PALFINGER AG supervises the company's management and supports the Executive Board with major decisions. The foundation of good corporate governance is open communication between the Executive Board and the Supervisory Board and within the respective Boards. This has a long tradition at PALFINGER.

The Supervisory Board focused on the following topics during its meetings in 2020: the current performance of the business, the effects of the challenging economic operating environment in light of COVID-19, measures to reduce costs and the capital employed, implementation of the new GLOBAL PALFINGER ORGANIZATION (GPO), projects for integration, restructuring, and expansion, risk management and the internal control system, key sustainability topics, the diversity plan, and the strategic orientation of the PALFINGER Group for the next few years.

Special expertise and experience with respect to sustainability topics are not currently criteria for selecting new members of the Supervisory and Executive Boards. The Palfinger family, as the principal owner, and the Supervisory Board members delegated by the works council ensure that sustainability aspects are taken into account by the Supervisory Board. No independent assessment of sustainability governance or remuneration system based on such criteria is in place within the PALFINGER Group at this time.

GRI 102-18, 102-19, 102-22, 102-24

Group Management Report, Sustainability management, p. 43

EXECUTIVE BOARD

The Executive Board of PALFINGER AG comprised three people over the entire fiscal year 2020.

Name	Initial appointment	End of the term of office	Diversity factors[1]
Andreas Klauser (CEO)	6/1/2018	5/31/2023	male; born in 1965; AT
Felix Strohbichler (CFO)	10/1/2017	12/31/2022	male; born in 1974; AT
Martin Zehnder (COO)	1/1/2008	12/31/2023	male; born in 1967; CH

1) Diversity factors include gender, age, and nationality.

Andreas Klauser

CEO – CHIEF EXECUTIVE OFFICER (SINCE JUNE 1, 2018)
Born in 1965, Andreas Klauser began his career at STEYR Landmaschinentechnik in Upper Austria. He was responsible for the integration of twelve brands and nine business units in Turin, Italy, as the COO of CNH Industrial for the EMEA region until 2015. Most recently, Klauser was a member of the CNH Industrial board of directors based in the USA and Global Brand President of Case IH and STEYR. Andreas Klauser has been Chief Executive Officer of PALFINGER AG since June 2018. In this capacity, his responsibilities include Sales & Service, Business Development, P21st/Digital Transformation, Human Resources, Marketing & Communication, Sustainability, and Investor Relations.

Andreas Klauser is also chairman of the supervisory boards of CTI Holding AG and Trivest AG.

Felix Strohbichler

CFO – CHIEF FINANCIAL OFFICER (SINCE OCTOBER 1, 2017)
Born in 1974, Strohbichler became head of PALFINGER's Legal department in 2000. He went on to hold numerous executive positions in several areas of the PALFINGER Group, most recently that of EMEA Area Manager in charge of Marketing, Sales and Service, and Finance and Controlling. From May 2015 to September 2017 Strohbichler was managing director of B&C Industrieholding GmbH. In his capacity as CFO of PALFINGER AG, he has been responsible for the areas of Controlling, Accounting, Tax, Treasury, Legal, Risk Management, Internal Auditing, Compliance, Sales & Operations Planning, Process and Quality Management, and Information and Communications Technology since October 2017.

Martin Zehnder

COO – CHIEF OPERATING OFFICER (SINCE JANUARY 1, 2008)
Born in 1967, Martin Zehnder began his career at Alstom Schienenfahrzeuge AG in 1984. From 2000 to 2005 he was managing director of development and production at Keystone Europe in France. In 2005, Zehnder took charge of all production facilities in the PALFINGER Group as Global Manufacturing Manager. Since 2008 he has been responsible for the worldwide manufacturing and assembly area as Chief Operating Officer. In addition, his responsibilities include Product Line Management, Research & Development, Procurement, Health, Safety & Environment (HSE), and Supply Chain Management.

Martin Zehnder is also a member of the supervisory board of Rosenbauer International AG.

GRI 102-18, 102-20, 102-22, 102-32, 405-1

NaDiVeG

Group Management Report, Sustainability management, p. 43; Remuneration of the Executive Board and Supervisory Board, p. 108

SUPERVISORY BOARD

In 2020, the Supervisory Board of PALFINGER AG initially comprised six members elected at the Annual General Meeting and three members delegated by the works council. At the Annual General Meeting on August 5, 2020, Isabel Diaz Rohr was elected as the seventh member of the Supervisory Board. Hubert Palfinger was the Chairman. Gerhard Rauch and Hannes Palfinger were Deputy Chairmen.

Report of the Supervisory Board, p. 243

Name	Initial appointment	End of the term of office	Diversity factors[2]
Hubert Palfinger (Chairman of the Supervisory Board since 12/10/2013)	4/13/2005	AGM 2025	male; born in 1969; AT
Gerhard Rauch (First Deputy Chairman since 6/6/2016)	3/9/2016	AGM 2021	male; born in 1963; AT
Hannes Palfinger (Second Deputy Chairman since 12/10/2013)	3/30/2011	AGM 2021	male; born in 1973; AT
Hannes Bogner	3/8/2017	AGM 2022	male; born in 1959; AT
Ellyn Shenglin Cai	3/7/2018	AGM 2023	female; born in 1986; CN
Heinrich Dieter Kiener	3/30/2011	AGM 2021	male; born in 1956; AT
Isabel Diaz Rohr	8/5/2020	AGM 2025	female; born in 1967; ESP/GER
Johannes Kücher[1]	2/6/2015	[1]	male; born in 1963; AT
Alois Weiss[1]	2/13/2006	[1]	male; born in 1962; AT
Erwin Asen[1]	12/20/2017	[1]	male; born in 1971; AT

1) Delegated by the works council.
2) Diversity factors include gender, age, and nationality.

Hubert Palfinger

Chairman of the Supervisory Board
After 15 years in various companies of the PALFINGER Group, Hubert Palfinger took over the management of Industrieholding GmbH in 2004. He has been a member of the Supervisory Board of PALFINGER AG since 2005 and became Deputy Chairman in September 2008. In 2013, he was elected Chairman of the Supervisory Board. Hubert Palfinger is also managing director of IC International Consulting GmbH, HP Immobilien GmbH, and Industrieholding GmbH.

Gerhard Rauch

First Deputy Chairman
As a managing partner of the Walser Group, Gerhard Rauch has wide-ranging experience in truck body manufacturing and vehicle construction and has worked with the PALFINGER Group in this business area for decades. He is also co-owner of Rauch Fruchtsäfte GmbH & Co. OG. Since 2016, he has been a member of the Supervisory Board of PALFINGER AG, serving as First Deputy Chair.

Hannes Palfinger

Second Deputy Chairman
After studying business administration and pursuing a career as an athlete, Hannes Palfinger spent three years working for PricewaterhouseCoopers in Vienna as an assistant auditor. From 2007 to 2010, he held an executive position at Palfinger Systems GmbH. Hannes Palfinger is currently managing director of Clear Holding GmbH, HP Immobilien GmbH, Industrieholding GmbH, and Audiodata Lautsprecher GmbH. He has been a member of the Supervisory Board of PALFINGER AG since 2011 and has served as Second Deputy Chair.

Other positions held by members of the Supervisory Board

HANNES BOGNER
In addition to being a member of the Supervisory Board of PALFINGER AG, Hannes Bogner has a seat on the supervisory boards of Niederösterreichische Versicherung AG, Oberbank AG, BKS Bank AG, and the Bank für Tirol und Vorarlberg AG.

ELLYN SHENGLIN CAI
In addition to being a member of the Supervisory Board of PALFINGER AG, Ellyn Shenglin Cai is senior manager in the Financial & Taxation Management Department of SANY HEAVY INDUSTRIES Co., Ltd and a member of the supervisory board of Putzmeister Holding GmbH.

HEINRICH DIETER KIENER
In addition to being a member of the Supervisory Board of PALFINGER AG, Heinrich Dieter Kiener is managing director of the Stiegl brewery in Salzburg and a member of the supervisory board of Schoellerbank AG. He is a member of the executive council of the Federation of Austrian Industries (Industriellenvereinigung) and its Salzburg branch. He is also a member of the steering committee of the Austrian Brewers' Association (Verband der Brauereien Österreichs) and a member of the management of the Industry Division of the Salzburg Economic Chamber.

ISABEL DIAZ ROHR
Isabel Diaz Rohr was a member of the executive board of Benteler International AG until July 31, 2020, where she was responsible for HR, IT, and communications. At the Annual General Meeting on August 5, 2020 she was elected onto the Supervisory Board of PALFINGER AG.

Apart from Hubert Palfinger and Hannes Palfinger, no Supervisory Board member owns stock or represents the interests of a holding of more than 10 percent in PALFINGER AG.

Pursuant to rule 58 of the Austrian Code of Corporate Governance it is hereby noted that Ms Cai was unable to attend three of the four Supervisory Board meetings in 2020 due to scheduling conflicts.

GRI 102-22, 102-24, 405-1
NaDiVeG
Remuneration of the Executive Board and Supervisory Board, p. 108
www.palfinger.ag/en/company/management

SUPERVISORY BOARD COMMITTEES

Audit Committee
The decision-making authority of the Audit Committee of PALFINGER AG complies with the provisions of the AktG. In 2020, the Audit Committee held four meetings dealing with the 2019 financial statements, the internal control system, risk management, IFRS/accounting topics, internal audits, and cooperation with the independent auditor. Selection of the independent auditor was a further topic covered.

The following were members of the Audit Committee in 2020: Hannes Bogner (Chairman, financial expert), Hubert Palfinger, Gerhard Rauch, Hannes Palfinger, and Johannes Kücher.

Nomination Committee
The Nomination Committee met regularly in 2020 to discuss the following topics in particular: the collaboration and functioning of the Executive Board, the development of recommendations for filling a new seat on the Supervisory Board, and nomination of a member to fill vacancies on that Board at the Annual General Meetings in 2020 and 2021.

The following were members of the Nomination Committee in 2020: Hubert Palfinger (Chairman), Gerhard Rauch, and Hannes Palfinger.

Remuneration Committee
At its regular meetings in 2019, the Remuneration Committee dealt with the remuneration of Executive Board members and held feedback discussions with each member of that Board. The Remuneration Committee also drafted a resolution proposal regarding the remuneration policy for the Executive Board and the Supervisory Board for the Annual General Meeting 2020.

The following were members of the Remuneration Committee in 2020: Hubert Palfinger (Chairman), Gerhard Rauch, and Hannes Palfinger.

Remuneration of the Executive Board and Supervisory Board, p. 108

Project Committee

At the meeting of the Supervisory Board on September 29, 2020 a resolution was passed to set up a permanent Project Committee. The Project Committee is appointed the task of closely examining strategic projects and preparing points for reports and resolutions in connection with them for submission to the Supervisory Board. The Project Committee has yet to be constituted. Its constitution is expected in the first six months of 2021.

GRI 102-18, 102-24
NaDiVeG

AUDITOR

PwC Wirtschaftsprüfung GmbH, Vienna, was proposed by the Supervisory Board as the auditor of the 2020 financial statements and consolidated financial statements of PALFINGER AG and elected by the Annual General Meeting on August 5, 2020.

GRI 102-56
Auditor's reports, p. 235

DIVERSITY PLAN

PALFINGER understands diversity to include not only primary dimensions such as origin, cultural background, gender, and generations, but also secondary dimensions such as a person's working style, values, knowledge, and skills. PALFINGER is convinced that diversity, as part of its corporate culture, benefits all stakeholders and employees.

On the basis of the diversity strategy as revised in 2017, PALFINGER defines specific targets and initiatives for increasing diversity within the Group by 2022. These include the use of English as the common group language, the internationalization and intercultural understanding of the employees, family-friendly working conditions, and the global transfer of knowledge by way of greater mobility.

Two defined quantitative targets underpin this diversity plan: The share of representatives of other nationalities at corporate headquarters in Austria should increase considerably so that PALFINGER can benefit more from the numerous advantages provided by a diverse environment. PALFINGER intends to achieve a 20 percent share of international employees at its headquarters by 2022. However, PALFINGER's commitment to its Austrian roots remains undiminished.

PROMOTION OF WOMEN ON THE EXECUTIVE BOARD, SUPERVISORY BOARD AND IN MANAGEMENT POSITIONS

There are currently no women on PALFINGER's Executive Board. However, there are two women on the Supervisory Board, and in fiscal year 2020 four upper management positions were held by women. By 2022, there should be the same percentage of women in top-level management positions as there is in the PALFINGER Group as a whole. In 2020, the percentage of women in the Group amounted to 13.7 percent, compared with an 8.1 percent share of women in upper management. In the levels below that, the percentage of female executives corresponds more or less to the ratio of women to men in the Group as a whole. At job fairs, PALFINGER specifically addresses prospective female applicants with potential. Whenever executive positions are created or existing ones become vacant, PALFINGER actively encourages women to apply for them. The percentage of women in management positions was 14.2 percent and therefore roughly the same as the 2019 figure of 14.4 percent.

GRI 405-1
NaDiVeG
Group Management Report, Responsible Employer, p. 77;
Detailed GRI and sustainability disclosures, Diversity, p. 214

REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

At the Annual General Meeting on August 5, 2020 a resolution was passed regarding the remuneration policy of Palfinger AG. Further, remuneration of the Supervisory Board in fiscal year 2020 and the ensuing years was revised. The remuneration policy and remuneration report in accordance with section 78c AktG are available on the company website after the Annual General Meeting for all those interested.

www.palfinger.ag/en/investors/corporate-governance

FAIR BUSINESS

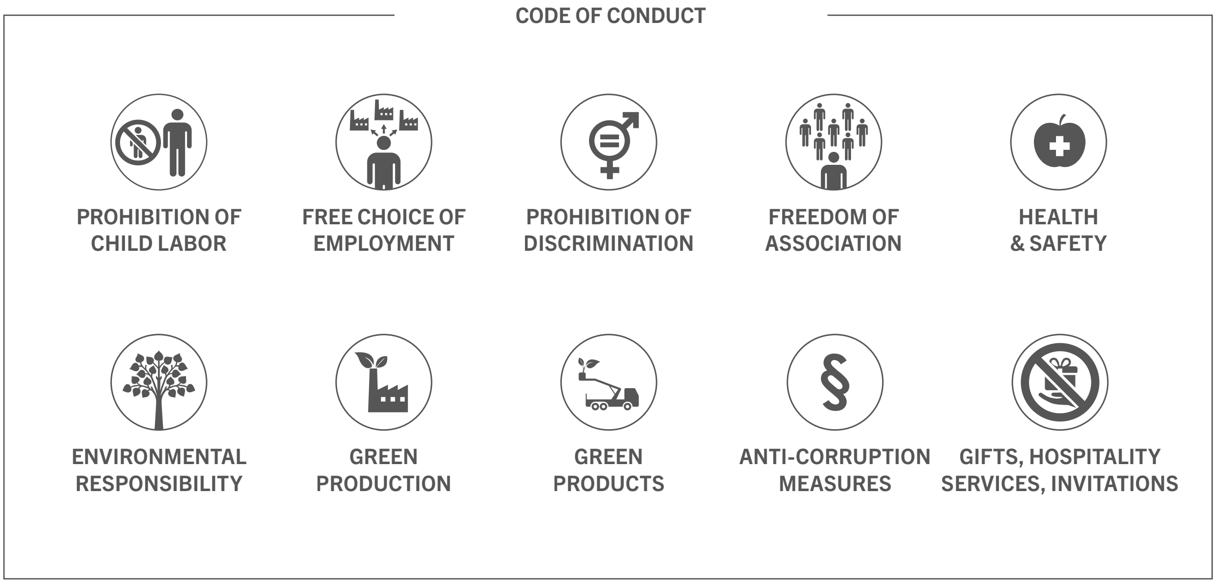
- **Code of Conduct update finalized in 2021**
- **PALFINGER Group policy system established and additional group policies introduced**
- **No instances of corruption in fiscal year 2020**

CORPORATE ETHICS AND PREVENTION OF CORRUPTION

PALFINGER considers human rights violations and corruption to be morally unacceptable. They contradict the organization's corporate values and are harmful to the economy – and consequently also to PALFINGER. PALFINGER takes immediate action whenever any irregularities are suspected. PALFINGER has defined a catalog of multi-stage actions to prevent or, if need be, investigate any violations.

Code of Conduct and Group Policies

The PALFINGER Code of Conduct forms the basis for the fair and ethical conduct of business and governs guidelines for human rights, business ethics, and environmental standards. Agreements with employees, dealers, suppliers, and cooperation partners include binding references to the PALFINGER Code of Conduct. This Code of Conduct is published on PALFINGER's website.



In fiscal year 2020 the Code of Conduct was revised and updated to take account of current requirements that the organization is obliged to meet. The revised version will come into effect in December 2021. Along with PALFINGER's commitment to conducting business fairly and ethically, it also contains the fundamental principles governing daily business operations.

Furthermore, steps were taken to systematically expand and establish the PALFINGER Group policy system. The Group policies contained therein describe the principles for implementation across the entire PALFINGER Group. In the reporting year, new central Group policies were drafted and existing ones updated. Particular emphasis was placed on Group-wide standards for credit limits, stocktaking, travel management, crisis management, the financial planning process, and ICT security. Training sessions were held that increased awareness of the PALFINGER Group policy system and the corresponding group policies.

No instances of child labor or forced or compulsory labor were identified at any of PALFINGER's sites in reporting period 2019, nor were any young employees subjected to dangerous work. Violations of the Code of Conduct and the Group policies are analyzed in internal audits. These also ascertain the level of process compliance and show areas where there is room for improving processes. Ad hoc forensic investigations are conducted on the basis of integrity line reports. These investigations reveal any violations of the Code of Conduct or Group policies that may have occurred. The Corporate Internal Audit department and the responsible managers jointly define specific measures for improving process compliance. Implementation of the measures is monitored by the Corporate Internal Audit department.

GRI 102-16, 102-17, 407-1, 408-1, 409-1
NaDiVeG
www.palfinger.ag/en/code-of-conduct

The principle of dual control and the separation of functions

PALFINGER adheres to the principles of dual control and the separation of functions. These two principles were anchored more firmly in the Group by the GPO in 2019 and 2020. A Group policy governs the internal approval process (delegation of authorities), taking into account the principles of dual control and the separation of functions. The definition and current relevance are ensured by the heads of the PALFINGER global and corporate functions and the Corporate GRC & Internal Audit department. The heads of the respective global and corporate functions are responsible for implementation. Implementation is reviewed by the Corporate Internal Audit department.

Communication regarding the Code of Conduct and Group policies

The Corporate GRC & Internal Audit department makes use of the existing internal communication media, such as the PALFINGER internal newsletter, to circulate current topics and new developments within the company. In addition, a training program in compliance topics is held for PALFINGER employees.

New or updated Group policies are published via the central Group policy system and communicated to the employees by the Corporate GRC & Internal Audit department and the responsible executives. New employees receive an information package on the Code of Conduct and the PALFINGER Group policy system during the onboarding process.

Governance, risk management and compliance; internal audits

Information regarding the PALFINGER Group's risk situation is gathered in interviews with experts and the executives responsible. It is then assessed and reported to the Executive Board. Measures are defined by the executives responsible to actively manage the greatest risks. Implementation of the measures is regularly reviewed by the Corporate GRC.

Awareness of compliance issues is increased through in-house training. In addition, an "integrity line" enables anonymous reporting of potential violations of laws and Group policies. The integrity line can be accessed on PALFINGER's corporate website. The reports are received by the Corporate GRC & Internal Audit department. In the reporting period, 20 such reports were received and investigated by PALFINGER. Appropriate action was defined and initiated.

The Corporate GRC & Internal Audit department performs audits of the companies of the PALFINGER Group in accordance with the annual audit plan. There were four internal audits in fiscal year 2020. Two audits were conducted at PALFINGER's headquarters in Austria. Two others were conducted as remote audits at PALFINGER sites in Germany and Canada. Human rights aspects are also part of the Code of Conduct. They are regularly reviewed and are the subject of regular training sessions. In each case, the results were submitted to the Executive Board of the PALFINGER Group and to the executives responsible.

COMPLIANCE VIOLATIONS

Reports of compliance violations are collected in the Corporate GRC & Internal Audit department. As in previous years, no instances of corruption were reported at PALFINGER in 2020. No public corruption charges were filed against the company or its employees in the reporting period. Similarly, no fines were imposed for any violations of legal provisions by PALFINGER. Neither are any charges pending against PALFINGER on grounds of antitrust law violations.

There are no indications of material violations of environmental laws and regulations, civil and financial laws and regulations, laws regarding health or safety implications attributable to products or services or in connection with product and service information or labeling, nor is there any evidence of breaches of rules in connection with marketing or communications measures on the part of PALFINGER in fiscal year 2020.

GRI 102-17, 205-1, 205-3, 206-1, 307-1, 412-1, 416-2, 417-2, 417-3, 419-1

NaDiVeG

European data protection provisions

PALFINGER reacted quickly to the stricter requirements imposed by the European General Data Protection Regulation (GDPR), which came into effect on May 25, 2018. A Group Data Protection Officer was appointed at the beginning of 2018 who has since ensured the implementation and continuous improvement of provisions to comply with the law. In this connection, processes are evaluated and entered in the records of processing activities, employees are trained, and their knowledge is tested. The exchange of personal data between companies is regulated in corresponding contracts. An additional employee was taken on in 2019 to provide support in this area.

CORPORATE GOVERNANCE CODE

PALFINGER satisfies the requirements of the binding L-rules (legal requirements) and adheres to nearly all C-rules (comply or explain) of the Austrian Code of Corporate Governance as amended in January 2018.

Only the requirements for **C-rules no. 39 and no. 53 (independence of the Supervisory Board and independence of the committee members)** are not met.

For example, PALFINGER AG does not fully adhere to rule no. 53 because criteria for the independence of the Supervisory Board have not been defined. Instead, PALFINGER AG publishes personal and qualification profiles of the members of the Supervisory Board and discloses any circumstances that might limit their independence in the corporate governance report of this Integrated Annual Report 2020 and on the PALFINGER company website. Any shareholder, and the general public, can use this information to check the qualifications of the members of the Supervisory Board and assess their suitability as members of it.

The performance of the Supervisory Board members has contributed substantially to the success of PALFINGER AG in recent years. The balanced composition of the Supervisory Board and the careful selection of the individual members based on their professional qualifications, personal qualities, and knowledge of the company and the sector as a whole have been of great importance in this respect. For all of these reasons, PALFINGER AG does not consider it necessary to establish criteria for the independence of its Supervisory Board members.

This procedure and approach also apply with respect to the committee members (rule no. 39).

Bergheim, February 25, 2021

Andreas Klauser	Felix Strohbichler	Martin Zehnder
Chief Executive Officer	Chief Financial Officer	Chief Operating Officer

GRI 102-22

Consolidated financial statements, Disclosures of business transactions with related parties, p. 183
www.palfinger.ag/en/investors/corporate-governance

DEFINITION OF METRICS AND KEY PERFORMANCE INDICATORS

FINANCES

Capital employed
Reflects capital investment and is calculated as:
- intangible assets
- plus property, plant and equipment, equity interests, and net working capital

Current capital
Current capital is composed of inventories and trade receivables on the assets side and trade payables and advances received on the liabilities side.

EBT
(Earnings before taxes) are the company's earnings before deduction of income tax.

EBIT
(Earnings before interest and taxes) is the company's operating result.

EBITDA
(Earnings before interest, taxes, depreciation, and amortization) is the operating result before amortization of intangible assets and depreciation of property, plant and equipment.

Earnings per share
The ratio of consolidated profit or loss for the period to the weighted average number of shares in circulation.

EVA
(Economic value added) indicates the increase in the value of the company:
- ROCE minus WACC
- Multiplied by average capital employed

Free cash flow
Indicates the amount of cash available, for example to distribute to shareholders or to service debt:
- cash flows generated from operating and investing activities
- plus interest on borrowings
- minus tax-deductible interest expenses

Gearing ratio
The indicator of the company's debt:
- the ratio of net financial debt to equity in percent

Net financial debt
Calculated as:
- noncurrent and current financial liabilities

less
- long-term and short-term securities
- long-term loans
- cash and cash equivalents

Net Capex
capital expenditures in intangible assets, property, plant and equipment, investment property and shareholdings, minus disposals

Net working capital
The absolute surplus of current assets over current liabilities.

NOPLAT
(Net operating profit less adjusted taxes) is calculated as:
- EBIT
- minus taxes on EBIT

ROCE
(Return on capital employed) indicates the rate of return generated on capital invested in the company:
- ratio of NOPLAT and
- average capital employed (from the prior-year reporting date to current reporting date) in percent

ROE
(Return on equity) is a measure of the company's profitability that presents the result in relation to the equity deployed.
- ratio of NOPLAT and
- average capital employed (from the prior-year reporting date to current reporting date) in percent

WACC
(Weighted average cost of capital) is a measure of the average cost of capital employed (debt and equity)

EMPLOYEES

Full-time equivalent	An employee's total hours worked as stipulated in the employment contract in relation to the number of hours worked in a regular full-time schedule. A full-time equivalent of 1.0 is a full-time employee.
Turnover	Defined as the number of employees that have left the company in a twelve-month period, including retirees. Turnover is the number of departures expressed as a percentage of the total headcount at the end of the previous year. This ratio does not take into consideration any new employees joining the company.
Staff absences due to accidents	Staff absences due to accidents are directly measured in hours and include all degrees of severity. They are calculated in relation to the regular working time and full-time equivalents of the company's employees. This rule is taken as the uniform mode of calculation, regardless of the calculation rules in the country concerned.
Absences	Absences are recorded per hour and split into three categories: absences due to sick leave, absences due to occupational diseases, and absences for other reasons (doctors' appointments, voluntary service, etc.). They are calculated in relation to the regular working time and full-time equivalents of the company's employees. Sick leave that is no longer covered by payments from the company, but by government benefits is not included in this count. This rule is taken as the uniform mode of calculation, regardless of the calculation rules in the country concerned.
Training and further education	Any kind of vocational training and education, whether pursued in-house or externally, that does not take place on the job. The hours of training are expressed as a percentage of full-time equivalents of the company's employees.
Percentage of women in management	All female employees with functional management responsibilities ("GPO functional line") in relation to the total number of executives.

ENVIRONMENT

Index: Energy consumption in relation to revenue	This index shows the efficiency of the internal energy input in relation to the local revenue of the individual site (volume in 2015 = 100%). It takes into account electricity, fuel, heating energy, and process energy. In calculating Group-wide indices, the various production sites are weighted by the volume of energy consumed in the reporting period. Since the 2018 reporting period, this index has been adjusted for temperature effects on the basis of each previous year. The index is not adjusted for inflation.
Index: Hazardous waste in relation to revenue	This index shows the intensity of hazardous waste produced in relation to the local revenue of the individual site (volume in 2015 = 100%). In calculating Group-wide indices, the various production sites are weighted by the volume of waste produced in the reporting period. The index is not adjusted for inflation.

GRI 302-3

PALFINGER IS COMPLETELY ON TRACK.

Felix Strohbichler, CFO

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	Jan–Dec 2019	Jan–Dec 2020
Revenue	16	1,753,849	1,533,864
Cost of sales	18, 24, 25, 26	(1,321,250)	(1,154,996)
Gross profit		**432,599**	**378,868**
Other operating income	17	17,220	26,518
Research and development costs	19, 25, 26	(38,988)	(46,197)
Distribution costs	20, 25, 26	(130,268)	(131,358)
Administrative costs	21, 25, 26	(135,130)	(110,671)
Other operating expenses	22	(15,849)	(26,055)
Income from companies reported at equity	23	19,431	9,183
Earnings before interest and taxes – EBIT		**149,015**	**100,288**
Interest income	27	792	1,549
Interest expenses from financial liabilities	27	(12,447)	(10,346)
Other interest expenses	27	(2,371)	(3,078)
Exchange rate differences	27	(1,877)	(3,117)
Other financial result	27	12	(201)
Financial result		**(15,891)**	**(15,193)**
Earnings before income tax		**133,124**	**85,095**
Income tax	28, 67	(35,302)	(22,149)
Result after income tax		**97,822**	**62,946**
attributable to shareholders of PALFINGER AG (consolidated net profit or loss for the period)		**80,028**	**49,789**
attributable to non–controlling interests		**17,794**	**13,157**
EUR			
Earnings per share (undiluted and diluted)	45	2.13	1.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan–Dec 2019	Jan–Dec 2020
Result after income tax		**97,822**	**62,946**
Amounts that will not be reclassified to the income statement in future periods			
Remeasurement according to IAS 19	51	(5,439)	(799)
Deferred taxes thereon		1,326	223
		(4,113)	**(576)**
Amounts that may be reclassified to the income statement in future periods			
Unrealized gains (+)/losses (–) from foreign currency translation of foreign subsidiaries		6,288	(38,075)
Unrealized gains (+)/losses (–) from currency translation of entities reported at equity/non-current assets held for sale	33	1,142	(4,221)
Unrealized gains (+)/losses (–) from foreign currency translation of long-term loans to foreign subsidiaries (pursuant to IAS 21.15)		3,161	(12,084)
Deferred taxes thereon		(319)	1,529
Effective taxes thereon		(307)	1,492
Gains (+)/losses (–) from cash flow hedge	47		
Changes in unrealized profits (+)/losses (–)		(1,062)	(1,094)
Deferred taxes thereon		(365)	91
Effective taxes thereon		658	264
Realized gains (–)/losses (+)		3,253	2,090
Deferred taxes thereon		(89)	115
Effective taxes thereon		(708)	(620)
		11,652	**(50,513)**
Other comprehensive income after income tax		**7,539**	**(51,089)**
Total comprehensive income		**105,361**	**11,857**
attributable to shareholders of PALFINGER AG		**87,860**	**1,609**
attributable to non–controlling interests		**17,501**	**10,248**

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	12/31/2019	12/31/2020
Non-current assets			
Intangible assets	1, 2, 3, 30, 60	280,392	248,675
Property, plant and equipment	2, 31, 61	427,673	410,477
Interests in entities reported at equity	5, 23, 33	155,112	49,944
Other non-current assets	36	3,963	3,360
Deferred tax assets	9, 34, 67	28,382	30,045
Non-current financial assets	13, 35, 56, 64	19,127	14,608
		914,649	**757,109**
Current assets			
Inventories	8, 37, 62	351,357	311,755
Trade receivables	6, 38, 56, 63, 64	240,417	191,508
Contract assets from customer contracts	38, 63	35,137	37,588
Other current receivables and assets	40	42,440	39,535
Income tax receivables	28, 67	10,511	1,386
Current financial assets	13, 39, 56, 64	5,064	8,931
Cash and cash equivalents	41, 56, 64	42,037	104,198
		726,963	**694,901**
Non-current assets held for sale	33	-	104,866
		726,963	**799,767**
Assets		**1,641,612**	**1,556,876**
Equity			
Share capital	42	37,593	37,593
Share premium	43	86,844	86,844
Retained earnings	45, 46, 47	496,149	533,034
Currency translation reserve	44	(40,363)	(93,228)
Foreign currency translation reserve from assets held for sale		-	4,429
Total equity of the shareholders of PALFINGER AG		**580,223**	**568,672**
Non-controlling interests	48	48,869	47,777
		629,092	**616,449**
Non-current liabilities			
Non-current financial liabilities	49, 56, 64	522,083	456,071
Non-current purchase price liabilities from acquisitions	12, 50, 56, 64	10,562	24
Non-current provisions	10, 51, 65, 66	61,337	68,197
Deferred tax liabilities	34, 67	11,060	8,336
Non-current contract liabilities from customer contracts	55	3,881	3,326
Other non-current liabilities	52	75	101
		608,998	**536,055**
Current liabilities			
Current financial liabilities	56, 64	69,715	68,682
Current purchase price liabilities from acquisitions	12, 50, 56, 64	528	12,088
Current provisions	11, 53, 66	21,186	23,153
Income tax liabilities	28, 67	9,042	6,843
Trade payables and other current liabilities	54, 56, 64	273,198	259,238
Current contract liabilities from customer contracts	55	29,853	34,368
		403,522	**404,372**
Equity and liabilities		**1,641,612**	**1,556,876**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to the shareholders of PALFINGER AG	
EUR thousand	Note	Share capital	Share premium
As at 1/1/2019		**37,593**	**86,844**
Total comprehensive income			
Result after income tax		-	-
Other comprehensive income after income tax			
Unrealized gains (+)/losses (–) from foreign currency translation	44	-	-
Remeasurement according to IAS 19	51	-	-
Gains (+)/losses (–) from cash flow hedge	47	-	-
		-	**-**
		-	**-**
Transactions with shareholders			
Dividends	46	-	-
Addition of non-controlling interests		-	-
Disposal of non-controlling interests		-	-
Other changes	43	-	-
		-	**-**
As at 12/31/2019		**37,593**	**86,844**
As at 1/1/2020		**37,593**	**86,844**
Total comprehensive income			
Result after income tax		-	-
Other comprehensive income after income tax			
Unrealized gains (+)/losses (–) from foreign currency translation	44	-	-
Remeasurement according to IAS 19	51	-	-
Gains (+)/losses (–) from cash flow hedge	47	-	-
		-	**-**
		-	**-**
Transactions with shareholders			
Dividends	46	-	-
Addition of non-controlling interests		-	-
Other changes		-	-
		-	**-**
As at 12/31/2020		**37,593**	**86,844**

Equity attributable to the shareholders of PALFINGER AG						
Retained earnings						
Other retained earnings	Remeasurement according to IAS 19	Valuation reserve according to IFRS 9	Currency translation adjustments	Total	Non-controlling interests	Equity
454,826	**(10,766)**	**(3,925)**	**(50,539)**	**514,033**	**41,693**	**555,726**
80,028	-	-	-	80,028	17,794	97,822
-	-	-	10,176	10,176	(211)	9,965
-	(4,031)	-	-	(4,031)	(82)	(4,113)
-	-	1,687	-	1,687	-	1,687
-	**(4,031)**	**1,687**	**10,176**	**7,832**	**(293)**	**7,539**
80,028	**(4,031)**	**1,687**	**10,176**	**87,860**	**17,501**	**105,361**
(19,173)	-	-	-	(19,173)	(10,458)	(29,631)
-	-	-	-	-	2,408	2,408
(2,495)	-	-	-	(2,495)	(2,273)	(4,768)
(2)	-	-	-	(2)	(2)	(4)
(21,670)	**-**	**-**	**-**	**(21,670)**	**(10,325)**	**(31,995)**
513,184	**(14,797)**	**(2,238)**	**(40,363)**	**580,223**	**48,869**	**629,092**
513,184	**(14,797)**	**(2,238)**	**(40,363)**	**580,223**	**48,869**	**629,092**
49,789	-	-	-	49,789	13,157	62,946
-	-	-	(48,435)	(48,435)	(2,924)	(51,359)
-	(591)	-	-	(591)	15	(576)
-	-	846	-	846	-	846
-	**(591)**	**846**	**(48,435)**	**(48,180)**	**(2,909)**	**(51,089)**
49,789	**(591)**	**846**	**(48,435)**	**1,609**	**10,248**	**11,857**
(13,158)	-	-	-	(13,158)	(11,870)	(25,028)
-	-	-	-	-	528	528
(1)	-	-	(1)	(2)	2	-
(13,159)	**-**	**-**	**(1)**	**(13,160)**	**(11,340)**	**(24,500)**
549,814	**(15,388)**	**(1,392)**	**(88,799)**	**568,672**	**47,777**	**616,449**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan–Dec 2019	Jan–Dec 2020
Cash flows from operating activities			
Earnings before income tax		133,124	85,095
Depreciation, amortization and impairment losses (+)/ reversal of impairment losses (–) on noncurrent assets		74,613	88,373
Gains (–)/losses (+) on the disposal of non-current assets	17, 22	(871)	375
Interest income (–)/interest expenses (+)	27	14,028	11,875
Income from companies reported at equity	23, 33	(19,431)	(9,183)
Non-cash change in purchase price liabilities	50	404	325
Other non-cash income (–)/expenses (+)		2,778	8,945
Increase (–)/decrease (+) of assets		(24,983)	48,872
Increase (+)/decrease (–) of provisions		6,094	8,590
Increase (+)/decrease (–) of liabilities		18,778	843
Cash flows from ordinary operations		**204,534**	**244,110**
Interest received		604	1,308
Interest paid		(11,754)	(10,199)
Dividends received from companies reported at equity	33	5,399	5,233
Income tax paid		(42,752)	(15,783)
		156,031	**224,669**
Cash flows from investing activities			
Cash receipts from the sale of intangible assets and property, plant and equipment		7,891	3,636
Cash payments for the acquisition of intangible assets and property, plant and equipment		(95,641)	(65,093)
Cash payments for the acquisition of subsidiaries net of cash acquired[1)]		316	-
Cash payments for the acquisition of entities reported at equity	33	(1,050)	-
Cash receipts from the sale of entities reported at equity	33	28,600	-
Cash receipts from the sale of securities		591	17
Cash payments for the acquisition of securities		(51)	(4)
Cash receipts for other assets		5,369	928
		(53,975)	**(60,516)**
Cash flows from financing activities			
Dividends to shareholders of PALFINGER AG	46	(19,172)	(13,158)
Dividends to non-controlling shareholders	48	(10,458)	(11,870)
Cash payments for the acquisition of non-controlling interests[1)]	48	(4,768)	-
Repayment of purchase price liabilities	50	(2,018)	-
Repayment of financing for the acquisition of investments		(14,000)	(3,000)
Non-current refinancing of redemptions and maturing current loans		30,000	-
Repayment of maturing/terminated loans		(20,000)	(30,000)
Repayment of maturing/terminated promissory note loans		(27,000)	(21,353)
Repayment of current financing		-	(8,905)
Repayment of lease liabilities		(11,880)	(11,982)
Cash payments for/cash receipts from other financial liabilities	49	(15,919)	2,047
		(95,215)	**(98,221)**
Total cash flows		**6,841**	**65,932**
Free cash flow[2)]		**112,355**	**173,319**

1) See scope of consolidation
2) Sum total of operating cash flows and investment cash flows plus interest on borrowings minus tax-deductible interest on borrowings

EUR thousand	Note	2019	2020
Funds as at 1/1	41	34,684	42,037
Effects of changes in exchange rates		512	(3,771)
Total cash flows		6,841	65,932
Funds as at 12/31	41	**42,037**	**104,198**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

GENERAL INFORMATION

PALFINGER AG, with its headquarters at Lamprechtshausener Bundesstraße 8, 5101 Bergheim, Salzburg, Austria, is the listed parent company of a group of companies whose activities focus on the production and distribution of innovative lifting solutions for use on commercial vehicles and in the maritime sector.

The consolidated financial statements of PALFINGER AG as at December 31, 2020 have been compiled in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU). In accordance with sec. 245a of the Business Code, these consolidated financial statements have an exempting effect under Austrian law; all additional requirements of sec. 245a (1) of the Business Code have been met.

The consolidated financial statements are prepared as at the reporting date of the parent company, PALFINGER AG. The financial year corresponds to the calendar year. The financial statements of the individual Austrian and foreign companies included in the consolidated financial statements were prepared as at the reporting date of the consolidated financial statements. SANY Automobile Hoisting Machinery Co., Ltd., which was an associated company until the end of 2020, was an exception because the information required is only available after the publication of PALFINGER's relevant consolidated financial statements. For this reason, it was decided to always include the quarterly result in the consolidated financial statements, offset by one quarter in each case. Were material events to occur between the quarterly financial statements included in the consolidated financial statements and the current reporting date, they would have been taken into account accordingly.

Within the Group, accounting and valuation are based on uniform criteria. The consolidated financial statements are prepared on a going concern basis. Items are aggregated for the sake of clarity in the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows. These same items are then listed and explained separately in the notes based on the principle of materiality.

The consolidated balance sheet is classified by maturity in accordance with IAS 1. Assets and liabilities are classified as current if they are expected to be realized or settled within twelve months of the balance sheet date. The consolidated income statement has been prepared using the cost of sales method.

For the sake of clarity and comparability, all figures in the consolidated financial statements are expressed in EUR thousand as a general rule. The rounding of individual items and percentages can lead to minor differences in calculated amounts.

The consolidated financial statements and the separate financial statements of the entities included in the consolidated financial statements are published in accordance with statutory requirements. The consolidated financial statements of PALFINGER AG as at December 31, 2020 were audited by PwC Wirtschaftsprüfung GmbH, Wien, Austria. On February 25, 2021, the Executive Board of PALFINGER AG approved the consolidated financial statements as at December 31, 2020 for submission to the supervisory board. The supervisory board has the task of reviewing the consolidated financial statements and communicating whether it approves the consolidated financial statements as at December 31, 2020.

CONSOLIDATION POLICIES

Scope of consolidation

PALFINGER AG prepares the consolidated financial statements for the PALFINGER Group. The consolidated financial statements comprise the financial statements of PALFINGER AG and the financial statements of the entities controlled by PALFINGER AG as at December 31 of each year. Control has been established if an entity has the right to direct an investee's relevant activities, if it generates variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associated companies and joint ventures are included in the consolidated financial statements using equity method accounting. An associated company is an entity over which PALFINGER AG may exercise significant influence by participating in its financial and operating policy decisions but over which it has neither control nor joint control. There is a rebuttable presumption that the investor holds 20 to 50 percent of voting rights. A joint venture is a joint arrangement between PALFINGER and one or more other partners under which the parties having joint control of the joint venture hold rights to the net assets of this entity.

The 7.5 percent interest in SANY Automobile Hoisting Machinery Co., Ltd., was included in the consolidated financial statements until the end of 2020 as an associated company reported at equity. The significant influence results from rights granted to PALFINGER by way of contract, such as the right to participate in material decision-making processes, including the determination of the dividend amount, veto rights on individual major decisions, the provision of technical expertise, and representation in the supervisory body. The interest in SANY Automobile Hoisting Machinery is classified as held for sale as at December 31, 2020 (see Note (33) for details).

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

REORGANIZATIONS

The following reorganizations did not have any effect on the scope of consolidation:
With effect from April 1, 2020, the sub-operation "Distribution/After Sales - Spare Part Center" was transferred by demerger from the Austrian company Palfinger Europe GmbH to be included in the Austrian company Palfinger EMEA GmbH.

On 4/15/2020, all shares in the Slovenian company Palfinger Marine d.o.o. were transferred from the Austrian company Palfinger Marine GmbH to the Austrian company Palfinger EMEA GmbH.

Furthermore, with effect from November 19, 2020, Heron Davit AS was merged with Palfinger Marine Safety AS in Norway.

With effect from December 30, 2020, Palfinger Marine d.o.o., Slovenia, was merged into Palfinger proizvodnja d.o.o., Slovenia.

NEWLY FOUNDED ENTITIES

On January 1, 2020 Palfinger North America Inc. was founded in the USA as a 100-percent subsidiary of Palfinger US Holdings Inc.

On November 11, 2020, Palfinger Taiwan Co., Ltd. was established as a 100 percent subsidiary of Palfinger Asia Pacific Pte. Ltd., Singapore.

LIQUIDATIONS

The liquidation of Fair Wind Renewable Energy Services LLC in the USA was completed on May 22, 2020.

Furthermore, the liquidation of MBB Interlift N.V. in Belgium was finalized on October 7, 2020.

The liquidations, which were carried out in 2020, led to a total deconsolidation result of EUR 2 thousand.

NON-CONTROLLING INTERESTS

In May 2020, the last part of the capital contribution of EUR 1,078 thousand to be made in accordance with the purchase agreement was paid to Palfinger Structural Inspection GmbH. 49 percent of this (EUR 528 thousand) is attributable to non-controlling interests.

A capital increase was agreed with Palfinger Structural Inspection GmbH on December 4, 2020. On January 15, 2021 capital was increased by EUR 142 thousand. In the course of the capital increase, PALFINGER AG took over a share in the company amounting to a fully paid-in capital contribution of EUR 122 thousand. The amount plus a premium of EUR 1,378 thousand, in total EUR 1,500 thousand, was paid in January 2021. The shares increase from 51 percent to 65.2 percent. In addition, a further financing option for PALFINGER from Q3 of 2021 onwards and a put option for the minority shareholders were agreed upon for the financial year 2022.

ACQUISITIONS 2020/2021

Hinz Försäljnings AB

On November 30, 2020 the acquisition of 100 percent in Hinz Försäljnings AB by PALFINGER EMEA GmbH Austria was signed. With 5 service centers, 45 service partners, 71 employees and a turnover of approximately EUR 44.0 million (2019), Hinz Försäljnings AB is the most important PALFINGER sales partner in Sweden. The company distributes the majority of PALFINGER's product range in the Northern European core market, including marine cranes and services.

The transaction closed on January 4, 2021. The value of the consideration transferred to be derived from the closing balance sheet of the target company has not yet been finally determined.

EQUIPDRAULIC

On Wednesday, February 10, 2021, the signing and closing took place for the acquisition of 100 percent of EQUIPDRAULIC, S.L.U. by PALFINGER EMEA GmbH. The value of the consideration transferred to be derived from the closing balance sheet of the target company has not yet been finally determined. In 2020, EQUIPDRAULIC and its 18-strong workforce generated sales of just under EUR 5 million. The company will be integrated into PALFINGER Iberica. With this takeover, PALFINGER expands its presence in the economically important region of Catalonia.

JOINT VENTURE

On 12/23/2020, the transaction documents were completed for the establishment of a joint venture between Jiangyin Neptune Marine Appliance Co. Ltd., China and Palfinger Marine Netherlands BV, Netherlands, and the concomitant transfer of the shares held by Palfinger Marine Safety AS, Norway in Palfinger Marine Shanghai Co., China (which will operate under the name Palfinger Neptune Co., Ltd. in future) to the above-mentioned joint venture partners, each to receive 50 percent of the shares. Legal effectiveness of the transaction requires inspection and approval on the part of the Chinese authorities. Approval was given on 01/28/2021.

INTERESTS IN ENTITIES REPORTED AT EQUITY

PALFINGER and SANY HEAVY INDUSTRIES agreed in December 2020 on the reversal of their cross-holding to reduce complexity. The potential transaction involves the sale of the 7.5 percent share in Sany Automobile Hoisting Machinery indirectly held by PALFINGER to a company within the SANY Group and the opportunity of transferring the approximately 7.5 percent share held by Sany Germany GmbH to PALFINGER AG. It was agreed that the total capital inflows arising from the cross-holding should be the same for both companies after its reversal. There will be no significant change in the valuation of the previous share holding at PALFINGER. The potential transaction still depends, among other things, on negotiating detailed transaction documents and obtaining any official approvals necessary. The interest in SANY Automobile Hoisting Machinery is classified as held for sale as at December 31, 2020 (see Note (33) for details).

Also on 12/23/2020, PALFINGER AG, Austria, signed a purchase contract for the acquisition of a 33 per cent stake in Jetfly Airline GmbH, Austria. Effectiveness of the purchase contract is contingent on approval subject to the Merger Regulation which is expected in Q1 of 2021.

Group management report, Significant changes within the PALFINGER Group, p. 67;
Consolidated financial statements, List of shareholdings, p. 191

Consolidation method

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is calculated as the sum of consideration transferred, measured at fair value as of the acquisition date, and the non-controlling interest in the acquired entity. For each business combination, PALFINGER AG measures the non-controlling interests in the acquiree either at fair value or at the corresponding share of the acquiree's identifiable net assets. Costs incurred in connection with the business combination are recorded as expense.

When the PALFINGER Group acquires a business entity, it determines the proper classification and designation of the financial assets and assumed liabilities in accordance with the terms and conditions of the contract, the economic circumstances, and the general conditions prevailing on the acquisition date.

For business combinations achieved in stages, the equity interest in the entity previously held by PALFINGER AG is remeasured at fair value as of the acquisition date, and the resulting gain or loss is recognized through profit or loss.

The agreed conditional consideration is recognized at the acquisition date fair value. Subsequent changes in the fair value of contingent consideration representing an asset or liability are recognized through profit or loss in accordance with IFRS 3.58.

Goodwill is initially measured at cost, determined as the excess of the consideration transferred plus the fair value of the previously held non-controlling interests over the Group's identifiable assets and liabilities acquired. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized through profit or loss.

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

If goodwill is assigned to a cash-generating unit and an operation representing part of this unit is sold, the goodwill attributable to the disposed operation is taken into account as a component of the operation's carrying amount when determining the gain or loss on the disposal of this operation. The value of the disposed portion of goodwill is determined based on the relative values of the disposed operation and the portion remaining with the cash-generating unit.

The net income as well as assets and liabilities of associated companies and joint ventures are included in the consolidated financial statements using equity method accounting. Investments in associated companies or joint ventures are reported in the balance sheet at cost after adjustment for changes in the Group's share of net assets after the acquisition date and for impairment losses. Losses exceeding the Group's investments in associated companies or joint ventures are not recognized unless the Group bears the economic risk. Goodwill related to the associated company or joint venture is included in the carrying amount of this share and is neither amortized nor subjected to a separate impairment test.

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

Intra-group receivables and liabilities, expenses and income, and interim results are fully eliminated.

Foreign currency translation within the Group

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

Monetary assets and liabilities denominated in a foreign currency are translated to the functional currency at every reporting date using the exchange rate prevailing on the reporting date. All exchange rate differences are recognized in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing on the transaction date. Non-monetary items that are measured at fair value in a foreign currency are translated at the exchange rate applicable when the fair value is determined.

Financial statements prepared in foreign currencies are translated in accordance with IAS 21 based on the concept of the functional currency. The assets and liabilities are translated from the functional currency into euros at the average exchange rate prevailing on the balance sheet date. Goodwill arising from the acquisition of foreign subsidiaries is assigned to the acquired company and translated at the average exchange rate prevailing on the balance sheet date. The items of the income statement of the foreign consolidated companies are translated at average exchange rates for the period.

Differences arising from the foreign currency translation of the proportionate equity are recognized in other comprehensive income. These exchange rate differences are recognized in profit or loss when a foreign entity is deconsolidated. Exchange rate differences attributable to non-controlling interests are offset against non-controlling interests.

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

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

	Reporting date rate		Average exchange rate	
1 euro equals	12/31/2019	12/31/2020	Jan–Dec 2019	Jan–Dec 2020
BRL	4.5157	6.3735	4.4273	5.8847
CAD	1.4598	1.5633	1.4882	1.5320
GBP	0.8508	0.8990	0.8773	0.8864
NOK	9.8638	10.4703	9.8524	10.7115
RMB	7.8205	8.0225	7.7353	7.8916
RUB	69.9563	91.4671	72.7949	83.1271
USD	1.1234	1.2271	1.1214	1.1452

SEGMENTS

The Executive Board of PALFINGER AG manages the Group based on the application-related segments Sales & Service and Operations. This segment structure follows the strategy pursued by the Executive Board as well as the organizational and management structures and separates the different customer segments and business models from each other.

Following successful integration of the segment SEA, PALFINGER has divided its business into the segment Sales & Service and segment Operations. The HOLDING unit, which as a cost center comprises the Group's administrative expenses and strategic projects for the future, remained unchanged. The previous year's figures have been adjusted.
Group management report, Performance by segment, p. 98

SEGMENT SALES & SERVICE

Segment Sales & Service comprises the sales and service units and was expanded in 2020 to include the Sales & Service units of the former segment SEA.

The segment Sales & Service already has a diversified product portfolio. In this segment, the strategy is to maintain market and technology leadership and, in regions that are still being established and are less developed, to introduce customers to existing products, further strengthen sales and service structures and expand market share.

SEGMENT OPERATIONS

The segment Operations comprises the production sites and the respective production share of a company and was expanded in 2020 to include the operations of the former segment SEA.

HOLDING UNIT

The HOLDING unit encompasses the expenses for group-wide functions related to the Group's administration as well as costs for future strategic projects incurred by the Holding company. No revenue is reported in the HOLDING unit.

Carrying amounts

The carrying amounts for the purposes of segment reporting correspond to the accounting policies applied for the IFRS consolidated financial statements. The operating result (EBIT) is reported as the segment result.

For corporate management at Group level, PALFINGER uses Capital Employed and its influencing factors and/or Return on Capital Employed (ROCE). Capital Employed (reporting date) is composed of intangible assets, property, plant and equipment, investments in entities accounted for using the equity method, non-current operating assets, and net working capital.
Group management report, financial position, cash flows, and results of operations, p. 64

Transfer pricing

The transfer prices are determined in accordance with the OECD guidelines. The requirement of arm's length and transparency have priority when determining transfer prices. In order to guarantee arm's length conditions, written contracts are required for intra-group deliveries and services.

Deliveries between subsidiaries are invoiced at the cost of production on the basis of standard capacity utilization plus a mark-up derived in accordance with a standardized functional and risk analysis.

Services are subdivided into different groups and the invoiced either on a cost basis (final settlement, cost contribution arrangement, agreed flat rate) or using the cost-plus mark-up method. Whether or not a profit surcharge can be applied depends on the exact allocation and whether recurring routine functions are involved.

Jan–Dec 2019[1)]

EUR thousand	SALES & SERVICE	OPERATIONS	HOLDING	Consolidation	Total
External revenue	1,641,544	112,305	-	-	1,753,849
Intra-group revenue	-	963,006	-	(963,006)	-
Total revenue	**1,641,544**	**1,075,311**	**-**	**(963,006)**	**1,753,849**
Depreciation, amortization and impairment	(34,202)	(34,828)	(5,598)	-	(74,628)
thereof impairment	-	-	-	-	-
Income from companies reported at equity	11,980	7,451	-	-	19,431
EBIT	148,432	29,957	(29,374)	-	149,015
Segment assets	1,045,975	815,744	1,029,338	(1,249,445)	1,641,612
Segment liabilities	639,087	463,526	1,104,926	(1,195,019)	1,012,520

1) The previous year's figures have been adjusted.

Jan–Dec 2020

EUR thousand	SALES & SERVICE	OPERATIONS	HOLDING	Consolidation	Total
External revenue	1,443,370	90,494	-	-	1,533,864
Intra-group revenue	-	760,668	-	(760,668)	-
Total revenue	**1,443,370**	**851,162**	**-**	**(760,668)**	**1,533,864**
Depreciation, amortization and impairment	(47,347)	(34,768)	(6,261)	-	(88,376)
thereof impairment	(14,365)	(70)	-	-	(14,435)
Income from companies reported at equity	7,530	1,653	-	-	9,183
EBIT	118,638	4,192	(22,542)	-	100,288
Segment assets	898,325	730,985	872,650	(945,084)	1,556,876
Segment liabilities	558,855	376,186	951,312	(945,926)	940,427

Revenue broken down by product group is as follows:

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Loader Cranes	1,008,280	965,659
Hydraulic Systems	745,569	568,205
Revenue	**1,753,849**	**1,533,864**

The loader cranes product group primarily consists of the products loader cranes, stiff boom cranes, timber/recycling, marine and wind cranes, and the related service business. The hydraulic systems product group comprises, among other things, the products tail lifts, platforms, hooklifts, truck mounted forklifts, and railway as well as marine products such as davits, boats, offshore, lifting and handling solutions, and the related service business.

No single external customer contributes more than 10 percent to external revenue.

Revenue broken down by geographical area is presented in Note (16).

Notes to the consolidated income statement, (16) Revenue, p. 132

INFORMATION ON GEOGRAPHICAL AREAS

Non-current assets are broken down as follows:

EUR thousand	12/31/2019	12/31/2020
Intangible assets		
Germany	36,830	29,928
France	16,325	16,295
Austria	85,328	88,261
Netherlands	3,593	3,323
Norway	62,541	53,252
Remaining foreign countries	10,655	7,920
Romania	6,146	5,889
Russia	22,584	16,880
Spain	5,479	4,985
USA	14,375	7,341
United Arab Emirates	16,536	14,601
	280,392	**248,675**
Property, plant and equipment		
Brazil	6,165	5,205
Bulgaria	51,644	55,923
Germany	32,174	31,908
France	6,201	5,793
Austria	121,084	120,794
Canada	4,700	3,963
Korea	5,022	4,136
Norway	8,963	6,750
Remaining foreign countries	46,091	44,491
Romania	31,269	29,577
Russia	35,296	27,115
Slovenia	30,993	30,442
USA	48,071	44,380
	427,673	**410,477**
Other non-current assets		
Brazil	2,633	1,872
Denmark	20	21
Germany	213	133
France	72	74
India	55	49
Austria	416	254
Remaining foreign countries	242	323
Russia	109	213
Spain	151	258
USA	52	163
	3,963	**3,360**

STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME OR IN THE FUTURE

The following new, revised and/or supplemented IASB Standards and IFRS IC Interpretations must be applied for the first time in the fiscal year 2020. The new regulations did not have any material impact on the consolidated financial statements.

Standards/Interpretations	Mandatory application in the EU	Endorsement status
Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions (published in May 2020)	June 1, 2020	endorsed in October 2020
Amendments to References to the Conceptual Framework in IFRS Standards (published in March 2018)	January 1, 2020	endorsed in November 2019
Amendment to IFRS 3 Business Combinations (published in October 2018)	January 1, 2020	endorsed in April 2020
Amendments to IAS 1 and IAS 8: Definition of Material (published in October 2018)	January 1, 2020	endorsed in November 2019
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (published in September 2019)	January 1, 2020	endorsed in January 2020

Various new accounting standards and interpretations have been published but are not mandatory for the reporting period ending December 31, 2020 and have not been applied early. The effects of these new regulations on current or future reporting periods as well as foreseeable future transactions are not considered material in the Group.

They are therefore not relevant for these consolidated financial statements:

Standards/Interpretations	Mandatory application
IFRS 17 Insurance Contracts (published in May 2017), including Amendments to IFRS 17 (published in June 2020)	January 1, 2023
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (published in January 2020) and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (published in July 2020)	January 1, 2023
Amendments to • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment; • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020 (published in May 2020)	January 1, 2022
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (published in June 2020)	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (published in August 2020)	January 1, 2021

USE OF ESTIMATES AND DISCRETIONARY DECISIONS

The preparation of the consolidated financial statements requires the use of estimates and assumptions that can influence the stated values of assets, liabilities, and financial obligations as of the balance sheet date as well as the income and expenses for the financial year. The actual values may differ from these estimates. The principle of a true and fair view is applied unconditionally in the use of all estimates. There is considerable risk associated with some of the most important assumptions regarding the future and other key sources of estimation uncertainty at the balance sheet date that it will be necessary to significantly adjust the carrying amounts of assets and liabilities within the next fiscal year; these assumptions and estimates are disclosed below.

(1) Purchase price allocations

Purchase price allocations made in the course of business acquisitions require assumptions as to the existence and measurement of the assets acquired (in particular intangible assets) and liabilities and contingent liabilities assumed. Assumptions – in particular regarding cash flows and the discount rate – are used when determining fair values in the course of the purchase price allocation.

(2) Impairment of non-financial assets

The impairment tests performed by PALFINGER with respect to goodwill, intangible assets with indefinite useful lives and unfinished capitalized development projects are based on calculations of value in use, for the purpose of which a discounted cash flow method was applied. The recoverable amount depends highly on the discount rates used under the discounted cash flow model and the expected future cash inflows. Impairment losses on non-financial assets are reported in accordance with the cost of sales structure. More details on the impairment of non-financial assets are provided in Note (30) Intangible assets and Note (31) Property, plant and equipment.

(3) Development costs

Development costs are capitalized in accordance with the presented accounting policies. The initial capitalization of costs is based on the management's assessment that technical and economic feasibility has been demonstrated. As a rule, this is the case if a product development project has reached a certain milestone in an existing project management model. For the purpose of determining the amounts to be capitalized, the management makes assumptions regarding the volume of future cash flows expected from the project, the discount rates to be applied, and the period in which the flow of future benefits is expected. The capitalized development costs relate primarily to development activities in the areas of Cranes, Platforms, Tail Lifts, Services, Railway Systems, Offshore Cranes, Davits, and Boats. The impairment test is based on the use of the individual asset regardless of the profit expectations of the unit as a whole. Further details on capitalized development costs can be found under Note (30) Intangible assets.

(4) Determination of the duration and interest rate of leases – the Group as lessee

The Group determines the duration of the lease based on the non-cancelable base term of the lease as well as by factoring in the periods arising from an option to extend the lease if it is sufficiently certain that the Group will exercise such an option, or the periods arising from an option to terminate the lease if it is sufficiently certain that the Group will not exercise such an option. The Group has entered into multiple leases that include options to extend and terminate the lease. It makes discretionary decisions when assessing whether there is sufficient certainty that the option to extend or to terminate the lease will be exercised or not exercised, i.e. it considers all relevant factors representing an economic incentive for the Group to exercise the option to extend or to terminate the lease. These discretionary decisions must be scrutinized and re-evaluated as circumstances change, which can result in an adjustment of the lease term and thus to adjustments to the lease liability and the right-of-use. After the provision date, the Group determines the term of the lease once again if a significant event or a change in circumstances has occurred that lies within its control and has an influence on whether it will exercise the option to extend or terminate the lease (e.g. carrying out key tenant's improvements or a material adjustment of the underlying asset). In the case of building leases, the renewal options are generally applied in full because it does not make economic sense to change properties at short notice. In addition, options to extend vehicle leases are not included in the term of the lease, since as a rule the Group leases vehicles for a period of not more than five years and consequently does not exercise options to extend such leases. Furthermore, periods associated with an option to terminate a lease are only included in the term of the lease if it is sufficiently certain that the option will not be exercised. If the exchange of a right-of-use is associated with high costs or expense, it is considered sufficiently certain as a rule that the option to extend the lease will be exercised.

Please refer to Note (32) Leases for details regarding potential future lease payments for periods occurring after the date on which the option to extend or terminate a lease is exercised that are not factored into the lease term.

Lease payments are discounted using the interest rate on which the lease is based, providing it can be readily determined. Otherwise – and this is generally the case in the Group – the lessee's marginal borrowing rate is discounted. This marginal borrowing rate is the interest rate the respective lessee would have to pay to borrow funds to purchase an asset of comparable value for a comparable term with comparable collateral in a comparable economic environment.

(5) Interests in entities reported at equity

Assumptions and estimates are made with respect to the assessment of impairment in the case of interests in entities reported at equity. The recoverability of interest in entities held in connection with SANY (Sany Palfinger SPV Equipment, and Palfinger Sany International Mobile Cranes Sales) reported at equity depends on the development of the Chinese economy, the success of the internationalization strategy, and the economic development of the sales markets of Palfinger Sany International Mobile Cranes Sales. In China, the recoverability of these interests is influenced primarily by the development of the construction industry. Increasing urbanization, the resulting necessary infrastructure projects, the increase in wage costs, and the increased profitability of the automation of lifting, loading, and unloading operations will play a vital role in this regard. In the international markets, there are various political and macroeconomic risks that might have an impact on the recoverability of interest held in connection with the partnership with SANY (also see in this regard Scope of consolidation). The shares held in entities reported at equity in connection with SANY (Sany Palfinger SPV Equipment Co., Palfinger Sany International Mobile Cranes Sales GmbH) are joint ventures; management of the companies is exercised jointly and no property rights exist. The carrying amounts and further details regarding interests in entities reported at equity can be found in Note (33) Interests in entities reported at equity.

(6) Measurement of receivables

In addition to the standardized measurement of receivables based on an analysis of historical data and an assessment of future developments, taking into account the number of days overdue and country risk, the likelihood of receiving payment is assessed for the application of specific valuation allowances on receivables. Previous experience with specific customers, their creditworthiness, and any collateral provided are taken into account here. Impairment losses on receivables and contract assets are presented in Note (38) Trade receivables and contract assets from contracts with customers. Uncollectible receivables are de-recognized.

(7) Revenue recognition from contract manufacturing and rendering of services

Revenue from contract manufacturing and the rendering of services is reported based on the percentage of completion method. When applying this method, PALFINGER estimates the percentage of services already rendered by the balance sheet date in proportion to the overall scope of the orders and the order costs yet to be incurred. Further details on revenue recognition from contract manufacturing and the rendering of services can be found under Note (16) Revenue and Note (38) Trade receivables and contract assets from contracts with customers.

(8) Measurement of inventories

A standardized obsolescence measurement method has been implemented in order to account for the risk of obsolescence. In addition to actual and planned consumption, minimum inventories, and inventory range specifications, this method also takes into account alternative uses of materials. Furthermore, the economic benefit of inventories on hand is also reviewed on a case-by-case basis and, if necessary, additional allowances are recorded on the basis of long-term storage, limited distribution channels, or defects in quality. In addition, a systematic review of finished goods is carried out with a view to achieving loss-free measurement, which is basically characterized by the expected sales prices, currency developments, the date of sale, and the costs yet to be expected. Further details on allowances for inventories can be found under Note (37) Inventories.

(9) Deferred tax assets

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is likely that taxable income will be available for this purpose so that the loss carry-forwards can in fact be used. In the case of loss carry-forwards not subject to expiration, their usability within the next five years is taken as the decisive factor. Important discretionary decisions must be made by the management with respect to the anticipated time of occurrence and the amount of future taxable income as well as future tax planning strategies when determining the amount of the deferred tax assets that can be capitalized. Further details regarding deferred taxes can be found in Note (34) Deferred tax assets and liabilities.

(10) Pensions, severance payments and anniversary bonuses

Expenses for defined benefit plans and statutory obligations upon the termination of employment as well as entitlements to anniversary bonuses are determined on the basis of actuarial calculations. The actuarial assessment is based on assumptions regarding discount rates, future increases in wages and salaries, mortality, and future increases in pension payments.

All assumptions are reviewed at the end of every reporting period. PALFINGER management uses long-term market interest rates when determining an adequate discount rate. The mortality rate is based on publicly available mortality tables for the corresponding country. Future increases in wages and salaries as well as pensions are based on the future inflation rates expected for the country in question. Further details regarding the assumptions used are presented in Note (51) Non-current provisions.

(11) Provisions for guarantee and warranty expenses

When forming provisions for guarantee and warranty expenses, guarantee and warranty obligations are taken into consideration using a standardized method. This method is significantly influenced by the timing of warranty claim, specific product replacement campaigns, reimbursement rates for suppliers, the development of the revenue subject to warranty, and assumptions regarding gross profit margins on the basis of the warranty process implemented. Provisions for guarantee and warranty expenses are presented in Note (53) Current provisions.

(12) Purchase price liabilities from acquisitions

Purchase price liabilities from business acquisitions include purchase price portions not yet payable that depend on the future development of the earnings of the acquired entities. Therefore, a change in the expected underlying values can lead to an adjustment of the carrying amounts recognized in profit or loss. These estimates are based on the PALFINGER Group's strategic corporate planning for the medium term. Details are provided in Note (50) Purchase price liability from acquisitions and in Note (56) Financial instruments.

(13) Cash flow hedge

With respect to the accounting treatment of cash flow hedges for future cash flows, it is assumed that these cash flows are highly likely to occur. Hedge accounting is discontinued if the expected transaction is no longer expected to occur. Details can be found in Note (56) Financial instruments.

(14) Changes in estimates

No material changes were made to estimates in fiscal year 2020.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(15) Impact of COVID-19 on the results of operations

The COVID-19 crisis caused a decline in sales across all product lines and regions, particularly in Q2 of 2020. All projects were analyzed and a comprehensive liquidity optimization and structural cost reduction program was implemented (focus on consulting services, travel expenses, marketing expenses, investment projects, etc.). Personnel costs were reduced using the short-time work model for employees in Austria. Various models and support programs were also used as far as possible for locations in other countries. At-equity results were also negatively impacted by the economic environment.

(16) Revenue

Jan–Dec 2019

EUR thousand	Sales & Service	Operations	PALFINGER Group
EMEA	984,230	91,365	1,075,595
NAM	399,683	6,143	405,826
LATAM	57,707	3,691	61,398
CIS	109,428	10,529	119,957
APAC	84,770	577	85,347
Revenue from contracts with customers (IFRS 15)	**1,635,818**	**112,305**	**1,748,123**
Revenue other	5,726	-	5,726
Revenue total	**1,641,544**	**112,305**	**1,753,849**

Jan–Dec 2020

EUR thousand	Sales & Service	Operations	PALFINGER Group
EMEA	875,938	71,273	947,211
NAM	317,496	3,711	321,207
LATAM	47,333	4,474	51,807
CIS	87,257	9,305	96,562
APAC	110,278	1,731	112,009
Revenue from contracts with customers (IFRS 15)	**1,438,302**	**90,494**	**1,528,796**
Revenue other	5,068	-	5,068
Revenue total	**1,443,370**	**90,494**	**1,533,864**

The split up by geographical area is based on the location of customers' registered offices. Other revenue consists primarily of income from the rental business. Revenue was generated in the amount of EUR 73,654 thousand (previous year: EUR 84,547 thousand) in Austria, PALFINGER's country of origin.

Revenue decreased in the European Union during 2020 due to the COVID-19 crisis, especially in Austria, Germany, France, and Italy.

Expected future revenues for unfulfilled (or partially unfulfilled) rendering of service obligations from existing contracts as at the reporting date amount to:

EUR thousand	2019	2020
Within one year	23,663	34,101
More than one year	11,474	3,487
Expected future revenue	**35,137**	**37,588**

		Operations		Sales & Service
EUR thousand	Jan–Dec 2019	Jan–Dec 2020	Jan–Dec 2019	Jan–Dec 2020
Revenue from the sale of products	112,305	90,494	1,555,387	1,354,925
Revenue from contract manufacturing and rendering of services	-	-	86,157	88,445
Revenue	**112,305**	**90,494**	**1,641,544**	**1,443,370**

Revenue from service rendering business originates from the Megarme companies and service companies in the segment Sales & Service and relate to service work implemented as the implementation of contracts progresses.

(17) Other operating income

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Income from the disposal of intangible assets and property, plant and equipment	1,917	1,595
Income from charges for services	1,843	1,738
Exchange rate differences	6,635	9,851
Insurance recoveries	607	2,126
Rental income	256	227
Income from the sale of advertising material	429	131
Income from business transactions with employees	914	699
Income from other grants	563	5,192
Refund other taxes	264	1,493
Miscellaneous other operating income	3,792	3,466
Other operating income	**17,220**	**26,518**

For information on exchange rate differences, please refer to Note (56) Financial Instruments, item 3 Foreign currency risk. Other grants include COVID-19 support funding amounting to EUR 2.910 thousand.

(18) Cost of sales

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Changes in inventories and own work capitalized	16,275	(15,946)
Cost of materials and purchased services	(890,201)	(743,126)
Personnel expenses	(298,126)	(262,918)
Depreciation, amortization and impairment	(49,831)	(47,517)
Outgoing freight costs	(24,220)	(22,608)
Guarantees and warranties	(13,454)	(14,790)
Repairs and maintenance	(16,918)	(13,841)
Rentals and leases	(2,509)	(2,380)
Commissions	(4,423)	(4,227)
Contingent workers and other third-party services	(10,114)	(7,138)
Energy infrastructure	(8,093)	(6,892)
Travel expenses	(6,589)	(1,402)
Vehicle fleet	(2,993)	(1,942)
Consultancy services	(2,812)	(2,339)
Office and IT expenses	(3,358)	(2,401)
Insurance	(1,354)	(1,490)
Taxes other than on income	(18)	(1,234)
Miscellaneous other expenses	(2,512)	(2,805)
Cost of sales	**(1,321,250)**	**(1,154,996)**

Cost of sales decreased in the same proportion as revenue. Gross profit margin remained unchanged at 24.7 percent.

(19) Research and development costs

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Changes in inventories and own work capitalized	15,487	12,243
Cost of materials and purchased services	(572)	(2,056)
Personnel expenses	(39,864)	(42,672)
Depreciation, amortization and impairment	(2,016)	(3,827)
Income from research grants	1,376	1,895
Consultancy services	(6,753)	(6,402)
Contingent workers and other third-party services	(2,472)	(2,165)
Travel expenses	(1,691)	(482)
Office and IT expenses	(1,634)	(1,920)
Miscellaneous other expenses	(849)	(811)
Research and development costs	**(38,988)**	**(46,197)**

Research and development costs include research costs, non-capitalizable development costs as well as product management.

The depreciation, amortization and impairment of the development costs in the amount of EUR 14,132 thousand (previous year: EUR 11,346 thousand) are reported in the cost of sales. The total research and development costs therefore amounted to EUR 60,329 thousand (previous year: EUR 50,334 thousand).

(20) Distribution costs

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Changes in inventories and own work capitalized	(145)	(41)
Cost of materials and purchased services	(1,526)	(950)
Personnel expenses	(81,916)	(80,927)
Depreciation, amortization and impairment	(9,681)	(22,690)
Advertising, representation and market costs	(14,001)	(7,180)
Travel expenses	(8,640)	(3,652)
Contingent workers and other third-party services	(1,831)	(2,348)
Vehicle fleet	(2,709)	(1,910)
Transport costs	(2,037)	(1,880)
Consultancy services	(2,917)	(3,539)
Commission expenses	(1,137)	(1,066)
Office and IT expenses	(1,547)	(1,625)
Rentals and leases	(639)	(885)
Repair and maintenance	(415)	(1,032)
Miscellaneous other expenses	(1,127)	(1,633)
Distribution costs	**(130,268)**	**(131,358)**

(21) Administrative costs

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Changes in inventories and own work capitalized	778	21
Cost of materials and purchased services	(88)	(497)
Personnel expenses	(70,971)	(56,738)
Depreciation, amortization and impairment	(13,100)	(14,342)
Consultancy services	(15,694)	(8,024)
Contingent workers and other third-party services	(8,323)	(7,947)
Office and IT expenses	(7,829)	(8,639)
Travel expenses	(4,029)	(1,308)
Vehicle fleet	(1,094)	(731)
Advertising, representation and market costs	(2,833)	(1,534)
Rentals and leases	(1,243)	(885)
Taxes other than on income	(2,953)	(2,741)
Insurance	(3,886)	(3,947)
Bank charges	(1,298)	(1,040)
Repair and maintenance	(2,158)	(2,120)
Miscellaneous other expenses	(409)	(199)
Administrative costs	**(135,130)**	**(110,671)**

FEES CHARGED BY THE AUDITOR

The following fees for the services provided in the fiscal year 2020 by the auditors of the consolidated financial statements, PwC Wirtschaftsprüfung GmbH (previous year: Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.) and the companies of the global PwC network (previous year: Ernst & Young) have been recorded as expenses:

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Audit of the consolidated financial statements and related certification services (including reviews)	(904)	(743)
thereof PwC Wirtschaftsprüfung GmbH (previous year: Ernst & Young)	(255)	(389)
Tax advice	(202)	(26)
Other services	(35)	(75)
Fees charged by the auditor	**(1,141)**	**(844)**

(22) Other operating expenses

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Losses on the disposal of intangible assets and property, plant and equipment	(1,046)	(1,983)
Losses on receivables and impairment allowances	(2,941)	(3,244)
Exchange rate differences	(4,480)	(11,575)
Losses	(67)	(444)
Expenses in connection with other income	(123)	(107)
Allocation provision purchase price liabilities	(404)	(325)
Expenses for legal disputes	(649)	(1,450)
Contractual and other penalties	(268)	(6)
Allocation to provision for the recovery of a grant	-	(1,260)
Miscellaneous other operating expenses	(5,871)	(5,661)
Other operating expenses	**(15,849)**	**(26,055)**

(23) Income from companies reported at equity

The income from associated companies and joint ventures reported at equity is composed as follows:

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Share in the net result for the period	17,630	9,183
Income from disposal	76	-
Gain on exchange from the recycling of currency translation gains from OCI	1,725	-
Income from companies reported at equity	**19,431**	**9,183**

The income from disposal and gain on exchange from the recycling of currency translation gains from OCI in 2019 relate to the disposal of 2.5 percent in SANY Automobile Hoisting Machinery.

(24) Cost of materials and purchased services

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Cost of materials	(825,693)	(691,307)
Cost of purchased services	(66,694)	(55,322)
Cost of materials and purchased services	**(892,387)**	**(746,629)**

Regarding impairment losses on inventories included in the cost of materials, please refer to Note (37) Inventories. The cost of materials mainly relates to metal components such as sheet, plate, piping and profile sections as well as bought-in components and electrical and hydraulic components.

(25) Personnel expenses

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Wages and salaries	(384,808)	(339,365)
Expenses for severance payments	(4,097)	(5,069)
Pension expenses	(4,333)	(3,533)
Expenses for statutory social security contributions, payroll-related levies and mandatory contributions	(75,567)	(74,948)
Other social costs	(22,072)	(20,340)
Personnel expenses	**(490,877)**	**(443,255)**

Expenses for severance payments include expenses from defined contribution plans amounting to EUR 1,518 thousand (previous year: EUR 1,405 thousand). This includes the cost of services to company employee pension funds in the amount of EUR 1,518 thousand (previous year: EUR 1,405 thousand).

Pension expenses include expenses from defined contribution plans amounting to EUR 2,960 thousand (previous year: EUR 3,331 thousand).

(26) Depreciation of property, plant and equipment, investment property, amortization of intangible assets and and impairment expenses

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Depreciation and amortization	(74,628)	(73,941)
Impairment losses	-	(14,435)
Depreciation of property, plant and equipment, investment property, amortization of intangible assets and and impairment expenses	**(74,628)**	**(88,376)**

Regarding the development of depreciation, amortization and impairment, please refer to Notes (30) Intangible assets, (31) Property, plant and equipment and (32) Leases.

The impairments in 2020 relate to the brands MBB, American Roll-off, Hidro Grubert and ETI as well as capitalized development costs. In fiscal year 2020, it was decided to no longer use these brands and instead replace them with the uniform Palfinger brand.

(27) Net interest income and other financial result

Net interest income and other financial result are composed as follows:

Jan–Dec 2019		Financial instruments according to IFRS 9	
EUR thousand	Total	Financial asset at amortized cost	Financial liabilities at amortized cost
Interest income	792	792	-
Interest expenses from financial liabilities	(12,447)	-	(11,051)
Other interest expenses	(2,371)	-	-
Net interest income	**(14,026)**	**792**	**(11,051)**
Valuation of financial liabilities	-	-	-
Income from the disposal of financial assets	54	-	-
Loss from the disposal of financial assets	(41)	-	-
Write-ups of financial assets	-	-	-
Impairment of financial assets	(1)	-	-
Exchange rate differences	(1,877)	(659)	657
Net profit or loss	**(1,865)**	**(659)**	**657**
Financial result	**(15,891)**	**133**	**(10,394)**

1) Changes in previous year figures due to changes in allocation logic.

Jan–Dec 2020		Financial instruments according to IFRS 9	
EUR thousand	Total	Financial asset at amortized cost	Financial liabilities at amortized cost
Interest income	1,549	1,549	-
Interest expenses from financial liabilities	(10,346)	-	(9,060)
Other interest expenses	(3,078)	-	-
Net interest income	**(11,875)**	**1,549**	**(9,060)**
Valuation of financial liabilities	-	-	-
Income from the disposal of financial assets	16	-	-
Loss from the disposal of financial assets	(77)	-	-
Write-ups of financial assets	3	-	-
Impairment of financial assets	(143)	(143)	-
Exchange rate differences	(3,117)	(3,375)	901
Net profit or loss	**(3,318)**	**(3,518)**	**901**
Financial result	**(15,193)**	**(1,969)**	**(8,159)**

For details on exchange rate differences in the net financial result, see p. 177

Financial instruments according to IFRS 9				
Fair value through OCI	**Fair value through P&L/other derivatives**	**Purchase price allocation[1)]**	**Non-current provisions acc. to IAS 19[1)]**	**Leases pursuant to IFRS 16**
-	-	-	-	-
-	-	-	-	(1,396)
-	-	(1,050)	(1,321)	-
-	**-**	**(1,050)**	**(1,321)**	**(1,396)**
-	-	-	-	-
54	-	-	-	-
(1)	-	(40)	-	-
-	-	-	-	-
(1)	-	-	-	-
-	(1,875)	-	-	-
52	**(1,875)**	**(40)**	**-**	**-**
52	**(1,875)**	**(1,090)**	**(1,321)**	**(1,396)**

Financial instruments according to IFRS 9				
Fair value through OCI	**Fair value through P&L/other derivatives**	**Purchase price liabilities**	**Non-current provisions according to IAS 19**	**Leases pursuant to IFRS 16**
-	-	-	-	-
-	-	-	(16)	(1,271)
-	(643)	(1,225)	(1,209)	-
-	**(643)**	**(1,225)**	**(1,225)**	**(1,271)**
-	-	-	-	-
16	-	-	-	-
(77)	-	-	-	-
3	-	-	-	-
-	-	-	-	-
-	(643)	-	-	-
(58)	**(643)**	**-**	**-**	**-**
(58)	**(1,286)**	**(1,225)**	**(1,225)**	**(1,271)**

(28) Income tax

The tax rate applicable to the parent company PALFINGER AG remains unchanged at 25 percent compared to 2019.

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Effective tax expense (–)/income (+)	(37,562)	(25,186)
thereof from previous years	(3,136)	(470)
thereof from the use of previously unused tax loss carry forwards	491	542
Deferred income tax expense (–)/income (+)	2,260	3,037
thereof from previous years	3,430	(491)
thereof from the recognition of tax loss carry-forwards from previous years	104	-
thereof due to tax rate changes	(122)	150
thereof from the adjustment of tax loss carry-forwards	(308)	(48)
Income tax	**(35,302)**	**(22,149)**

The difference between the calculated tax expense and the effective tax expense for the fiscal year according to the consolidated income statement is calculated as follows:

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Earnings before income tax	133,124	85,095
Tax rate of the Group	25.0%	25.0%
Calculated tax expense	**33,281**	**21,274**
Adjustment to foreign tax rates	**(355)**	**(382)**
Tax reduction due to		
Research and education allowances	(98)	(540)
Investment grants and other government aid	(300)	(136)
Tax rate changes	(251)	(232)
Tax-free income from investments reported at equity	(4,858)	(2,296)
Reversal of non-taxable provisions	(325)	-
Other tax-reducing factors	(1,531)	(4,193)
Recognition and use of loss carry-forwards from previous years	(491)	(837)
Taxes not related to an accounting period	(3,897)	(824)
Reversal of allowances on deferred taxes	-	(192)
Measurements of investments and intra-group measurements of receivables	(6,413)	(7,381)
	(18,164)	**(16,631)**
Tax increase due to		
Tax rate changes	741	157
Non-capitalized loss carry-forwards	5,737	7,817
Allowances on loss carry-forwards	308	48
Non-tax-deductible expenses	5,653	2,154
Allocation non-taxable provisions	773	40
Minimum taxes	2	2
Taxes not related to an accounting period	3,580	1,970
Non-deductible withholding taxes	1,522	1,090
Measurements of investments and intra-group measurements of receivables	2,007	3,992
Different tax rate	17	26
Other tax-increasing factors	28	170
Allowances for deferred taxes	172	422
	20,540	**17,888**
Income tax	**35,302**	**22,149**

NOTES TO THE CONSOLIDATED BALANCE SHEET

(29) Impact of COVID-19 on the financial position

If certain indicators or triggering events are evident, IAS 36 requires a non-routine impairment test to be carried out. In the first half year of 2020, PALFINGER considered the negative influence of the COVID-19 pandemic on the earnings forecasts for each segment to be significant, and consequently it formed an indicator for an impairment test. The approved detailed planning 2020 to 2024 was reviewed in terms of its validity for the impairment test that was carried out. In particular, the short- and medium-term earnings and cash flow forecasts were classified as critical and the planned cash flows were adjusted accordingly, taking particular account of the COVID-19 pandemic based on management's current estimates.

The impairment tests carried out for the segments (groups of cash-generating units) did not result in any need for adjustment.

Furthermore, in Q3 of 2020, indicators of asset impairment losses were identified in the cash generating units Sales & Service APAC, Sales & Service Marine and Group Operations. The approved detailed planning 2020 to 2024 was reviewed in terms of its validity for the impairment test that was carried out. In particular, the short- and medium-term earnings and cash flow forecasts were classified as critical and the planned cash flows were adjusted accordingly, taking particular account of the COVID-19 pandemic based on management's current estimates. However, there was no need for an allowance in any of the cash-generating units.

Due to the COVID-19 pandemic and lockdowns at several locations during the first half of 2020, capital expenditures in property, plant and equipment were partially postponed, resulting in a decrease in property, plant and equipment.

During the COVID-19 crisis, receivables management and receivables monitoring were stepped up. As a result, the age structure of receivables was significantly improved and the volume reduced. No significant defaults were recorded, nor was correspondingly increased risk of default identified.

As a consequence of the COVID-19 pandemic and the subsequent economic crisis, comprehensive liquidity optimization programs were implemented in March 2020, along with other actions. The actions implemented have increased liquidity reserves and significantly reduced net debt. The liquidity released as a result was used for the early redemption of a bilateral loan and a promissory note tranche of EUR 41 million. The redemption profile was thus smoothed and the financing portfolio optimized in 2020.

There were no material deferrals or rent-free periods on leases as a result of the COVID-19 pandemic.

During the COVID-19 pandemic, fiscal accompaniment and support actions were offered for entities in many countries. PALFINGER mainly made use of interest-free tax deferrals or the postponement of tax due dates for income taxes, which had a positive impact on PALFINGER's cash flow in 2020. Regarding Group-wide transfer prices, there were no significant adjustments in view of the COVID-19 pandemic. No significant effects on the usability of tax loss carry-forwards were identified. The change in tax rates for value-added tax and similar taxes had no direct impact on PALFINGER's business operations. In terms of income tax, no significant changes in tax rates were observed in the countries in which PALFINGER is subject to taxation.

(30) Intangible assets

The development of intangible assets is shown below:

EUR thousand	Goodwill
Acquisition cost	
As at 1/1/2019	226,548
Acquisitions	-
Additions	-
Disposals	-
Reclassifications	-
Foreign currency translation	3,194
As at 12/31/2019	**229,742**
As at1/1/2020	229,742
Acquisitions	-
Additions	-
Disposals	-
Reclassifications	-
Foreign currency translation	(12,852)
As at 12/31/2020	**216,890**
Accumulated depreciation, amortization and impairment	
As at 1/1/2019	81,504
Amortization	-
Disposals	-
Foreign currency translation	731
As at 12/31/2019	**82,235**
As at1/1/2020	82,235
Amortization	-
Impairment losses	-
Disposals	-
Foreign currency translation	(4,764)
As at 12/31/2020	**77,471**
Carrying amounts	
As at 12/31/2019	**147,507**
As at 12/31/2020	**139,419**

Intangible assets with indefinite useful lives	Development costs	Brands, customer base and order backlog	Other intangible assets	Prepayments	Total
27,687	116,669	82,975	30,568	11	484,458
-	2,689	-	-	-	2,689
-	15,755	-	2,272	29	18,056
-	(10,306)	-	(61)	-	(10,367)
-	-	-	1,242	(11)	1,231
547	387	1,469	71	-	5,668
28,234	**125,194**	**84,444**	**34,092**	**29**	**501,735**
28,234	125,194	84,444	34,092	29	501,735
-	-	-	-	-	-
-	12,420	-	2,881	40	15,341
-	(4,824)	-	(407)	-	(5,231)
-	-	-	116	(29)	87
(2,249)	(2,527)	(5,531)	(842)	-	(24,001)
25,985	**130,263**	**78,913**	**35,840**	**40**	**487,931**
7,671	42,934	53,294	21,748	-	207,154
-	11,346	5,488	2,999	-	19,833
-	(7,759)	-	(60)	-	(7,819)
159	140	1,113	32	-	2,175
7,830	**46,661**	**59,895**	**24,719**	**-**	**221,343**
7,830	46,661	59,895	24,719	-	221,343
-	11,193	4,849	3,136	-	19,178
11,426	2,939	-	-	-	14,365
-	(3,705)	-	(283)	-	(3,988)
(959)	(1,255)	(4,015)	(646)	-	(11,642)
18,297	**55,833**	**60,729**	**26,926**	**-**	**239,256**
20,404	**78,533**	**24,549**	**9,373**	**29**	**280,392**
7,688	**74,430**	**18,184**	**8,914**	**40**	**248,675**

GOODWILL

In January 2020, a reorganization of the reporting structure took place. The segment SEA was integrated into the new GPO structure. As a consequence, goodwill was reallocated to the segments Sales & Service and Operations.

This reallocation as at December 31, 2019 was made in proportion to the value-in-use determined in accordance with IAS 36.87. Accordingly, 76.9 percent of the existing goodwill of EUR 74.9 million was reallocated to the new segment Sales & Services and 23.1 percent to the segment Operations and subjected to the impairment test in accordance with IAS 36.

The goodwill resulting from business mergers in the new structure relates to the following groups of cash-generating units, and reporting for 2019 has been adjusted according to the new structure. By way of comparison, the amounts prior to the reorganization are given here again for 2019:

EUR thousand	**12/31/2019**
Sales & Service LAND	54,170
Operations LAND	18,396
SEA	74,941
Goodwill	**147,507**

EUR thousand	**12/31/2019**	**12/31/2020**
Sales & Service	111,793	105,624
Operations	35,714	33,795
Goodwill	**147,507**	**139,419**

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangible assets with indefinite useful lives result from business combinations and are comprised as follows:

EUR thousand	**12/31/2019**	**12/31/2020**
Sales & Service		
MBB brand	5,840	-
American Roll-off brand	613	-
ETI brand	5,071	-
Hidro-Grubert brand	166	-
INMAN brand	1,626	1,244
Velmash brand	2,391	1,829
	15,707	**3,073**
Operations		
Nimet brand	4,697	4,615
	4,697	**4,615**
Intangible assets with indefinite useful lives	**20,404**	**7,688**

As management intends the continued use of the brands INMAN, Velmash and Nimet resulting from business combinations to be indefinite and a useful life cannot therefore be determined, these intangible assets have been assigned an indefinite useful life.

In fiscal year 2020, it was decided to no longer use the brands MBB, American Roll-off, Hidro Grubert and ETI and instead to replace them with the uniform Palfinger brand. These brands were therefore completely written off in fiscal year 2020. The depreciation amounts to EUR 5,840 thousand for MBB, EUR 582 thousand for American Roll-off, EUR 140 thousand for Hidro Grubert and EUR 4,864 thousand for ETI and is reported under distribution costs. The recoverability of the other recognized intangible assets with indefinite useful lives was confirmed when impairment tests were carried out.

The recoverable sum for the groups of cash-generating units is determined based on a value-in-use calculation using cash flow projections covering a five-year period. The cash flows are then extrapolated using a growth rate. The growth rates used for 2020 were 1.06 percent for Sales & Service (previous year: 0.8 percent) and 1.12 percent for Operations (previous year: 0.8 percent). A medium-term plan was drawn up in 2020.

Management determined the values attributable to each of the key assumptions as follows.

Assumption:	Method used to determine value:
Unit sales volumes	Unit sales volumes were adjusted by the regional sales organizations based on the strategic plan in fall 2019 to reflect the current environment and lower visibility. Business models that are not unit-driven (e.g. service) were taken into account based on past experience and management's expectations for the future.
Sales price	The average annual growth rate per product line / sales region taken into account over the five-year planning period is based on empirical data from the past.
Contribution margins	Based on the budgeted margins for the year 2021 in percent per product line / sales region or the operations plants.
Structural costs	Management forecasts these costs based on the current corporate structure, adjusted for inflation increases, experience regarding individual salary adjustments and planned strategic initiatives.
CAPEX	The investment volume in relation to Group sales has remained stable at between 4.5 and 5 percent over the last few years. A CAPEX ratio of 5 percent has been used for the medium-term planning on which the impairment test is based.

The discount rates applied correspond to the weighted average cost of capital customary in the market and adjusted to the specific risks on the basis of capital market data available externally and - in comparison to the corresponding discount rates in the previous year - are as follows:

	Pre-tax discount rate
In percent	2019
Operations LAND	9.9
Sales & Service LAND	9.9
SEA	9.9

	Pre-tax discount rate	
In percent	2019	2020
Operations	9.9	9.5
Sales & Service	9.9	9.4

Due to the increased uncertainties caused by the COVID-19 pandemic, more sensitivity analyses were performed. A sensitivity analysis showed that if the discount factor were increased by two percentage points, the carrying amounts in all CGUs would still be covered and there would be no need for adjustment. In addition, the sensitivity analysis showed that if EBITs were reduced by 20 percent while all other parameters remained constant, the carrying amounts in all CGUs would still be covered and there would be no need for adjustment. In addition, the sensitivity analysis showed that if the growth rate in the perpetual annuity ceases to apply, the carrying amounts are still covered. If the gross margin in the value-in-use calculations had been 2 percentage points lower than management's estimates, there would also be no need for adjustment.

There was no need for impairment loss adjustment identified for cash-generating units that do not include goodwill or intangible assets with indefinite useful lives. There are estimation uncertainties in the assumptions on which the calculation of the value-in-use for the cash-generating units is based. The gross profit margins are determined using the values that are incorporated into the rolling planning based on the experience of the current year. Corporate planning is therefore based on past results as well as current assessments of future market developments.

DEVELOPMENT COSTS

In the fiscal year 2020, PALFINGER capitalized internally generated intangible assets in the form of development costs in the amount of EUR 12,420 thousand (previous year: EUR 15,755 thousand).

Due to a deterioration in the expected sales figures, impairment tests were carried out for capitalized development costs. The impairment losses resulting from this are EUR 2,939 thousand with the largest items relating to the product lines special solutions (EUR 1,635 thousand), tail lift (EUR 468 thousand), boats & davits (EUR 356 thousand) and AWP (EUR 310 thousand).

(31) Property, plant and equipment

The development of property, plant and equipment is shown below:

EUR thousand	Land and buildings
Acquisition cost	
As at 1/1/2019	250,108
IFRS 16 initial application	-
Additions	6,100
Disposals	(209)
Reclassifications	15,709
Foreign currency translation	2,020
As at 12/31/2019	**273,728**
As at1/1/2020	273,728
Additions	6,617
Disposals	(3,078)
Reclassifications	8,416
Foreign currency translation	(10,757)
As at 12/31/2020	**274,926**
Accumulated depreciation, amortization and impairment	
As at 1/1/2019	81,964
Depreciation	9,212
Disposals	(62)
Reclassifications	-
Foreign currency translation	551
As at 12/31/2019	**91,665**
As at1/1/2020	91,665
Depreciation	9,500
Impairment losses	70
Disposals	(1,638)
Reclassifications	48
Foreign currency translation	(3,454)
As at 12/31/2020	**96,191**
Carrying amounts	
As at 12/31/2019	**182,063**
As at 12/31/2020	**178,735**

	Right-of-use assets	Undeveloped land	Plant and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
	-	1,829	252,964	123,766	30,787	659,454
	66,374	-	-	-	-	66,374
	5,412	-	16,495	19,799	34,025	81,831
	(2,180)	-	(9,666)	(10,100)	(53)	(22,208)
	-	(140)	11,357	3,078	(31,235)	(1,231)
	501	-	2,706	1,051	380	6,658
	70,107	**1,689**	**273,856**	**137,594**	**33,904**	**790,878**
	70,107	1,689	273,856	137,594	33,904	790,878
	11,225	-	6,468	14,012	21,212	59,534
	(3,283)	-	(3,313)	(9,030)	(430)	(19,134)
	-	-	10,126	1,095	(19,724)	(87)
	(1,681)	-	(12,797)	(4,939)	(1,878)	(32,052)
	76,368	**1,689**	**274,340**	**138,732**	**33,084**	**799,139**
	-	84	161,639	75,054	1,315	320,056
	11,044	-	18,288	16,250	-	54,794
	(90)	-	(7,522)	(7,421)	-	(15,095)
	-	-	(279)	279	-	-
	10	-	1,816	1,092	(19)	3,450
	10,964	**84**	**173,942**	**85,254**	**1,296**	**363,205**
	10,964	84	173,942	85,254	1,296	363,205
	11,384	-	17,881	15,998	-	54,763
	-	-	-	-	-	70
	(2,224)	-	(2,572)	(7,245)	-	(13,679)
	-	-	1,104	(1,152)	-	-
	(435)	-	(8,311)	(3,117)	(380)	(15,697)
	19,689	**84**	**182,044**	**89,738**	**916**	**388,662**
	59,143	**1,605**	**99,914**	**52,340**	**32,608**	**427,673**
	56,679	**1,605**	**92,296**	**48,994**	**32,168**	**410,477**

The additions mainly relate to the expansion of production capacities in Austria, Bulgaria, Romania, Slovenia and Poland as well as replacement investments.

Land and buildings include land values of developed properties amounting to EUR 33,005 thousand (previous year: EUR 34,983 thousand). Prepayments and assets under construction as at balance sheet date include assets under construction with acquisition and manufacturing costs amounting to EUR 29,072 thousand (previous year: EUR 30,161 thousand).

In 2012, an option contract was signed that entitles PALFINGER to acquire five and ten years respectively after re-purposing of the land (i.e. the first time was in October 2018) a further approx. 19,000 m^2 adjoining the site of the new Group headquarters. The price for exercising the option to acquire these additional plots of land amounts to EUR 4,353 thousand plus an inflation compensation fee up until the exercise date.

In the reporting period, as in the previous year no borrowing costs were capitalized on qualifying assets.

In the fiscal year 2020, no government grants (previous year: none) were recognized as a reduction of acquisition or production costs in accordance with IAS 20.

As at December 31, 2020, no property, plant and equipment (previous year: none) has been pledged as collateral for debt.

(32) Leases

The right-of-use accounted for in accordance with IFRS 16 is shown in the balance sheet under property, plant and equipment. The leasing liabilities are shown in the balance sheet under non-current and current financial liabilities. The following changes are recorded for the right-of-use reported under property, plant and equipment:

Rights of use 2019

EUR thousand	Land and buildings	Equipment and machinery	Operating and office equipment	Vehicles	Total
As at 1/1/2019	-	-	-	-	-
Adjustments IFRS 16	60,489	1,280	334	4,271	66,374
As at 1/1/2019	**60,489**	**1,280**	**334**	**4,271**	**66,374**
Additions	2,763	423	-	2,226	5,412
Depreciation, amortization and impairment	(8,304)	(568)	(163)	(2,009)	(11,044)
Disposals	(1,789)	(45)	-	(256)	(2,090)
Foreign currency translation	484	1	-	6	491
As at 12/31/2019	**53,643**	**1,091**	**171**	**4,238**	**59,143**

Rights of use 2020

EUR thousand	Land and buildings	Equipment and machinery	Operating and office equipment	Vehicles	Total
As at 1/1/2020	53,643	1,091	171	4,238	59,143
Additions	8,062	96	104	2,963	11,225
Depreciation, amortization and impairment	(8,403)	(468)	(175)	(2,338)	(11,384)
Disposals	(553)	(27)	-	(479)	(1,059)
Foreign currency translation	(1,222)	(4)	-	(20)	(1,246)
As at 12/31/2020	**51,527**	**688**	**100**	**4,364**	**56,679**

The following changes are recorded for the current and non-current lease liabilities:

Leases

EUR thousand	2019	2020
As at 1/1	-	-
Adjustments IFRS 16	66,282	-
As at 1/1	**66,282**	**59,615**
Exchange rate difference	631	(1,556)
Additions	5,412	11,225
Disposals	(2,196)	(918)
Interest expenses	1,366	1,218
Payments	(11,880)	(11,982)
As at 12/31	**59,615**	**57,602**
of which current	11,196	10,884
of which non-current	48,419	46,718

The consolidated income statement contains the following amounts from leases.

EUR thousand	2019	2020
Depreciation on right-of-use assets	(11,044)	(11,384)
Interest expenses for lease liabilities	(1,366)	(1,218)
Expense for leases for which the underlying asset is of low value, accounted for according to IFRS 16.6	(581)	(417)
Expenses for current leases, accounted for according to IFRS 16.6	(3,170)	(1,152)
Income from the subleasing of right-of-use assets	478	119
Recognized in profit or loss	**(15,683)**	**(14,052)**

The total cash outflows for leases in the fiscal year 2020 were EUR 13,552 thousand (previous year: EUR 15,631 thousand).

The right-of-use reported for leasing activities mainly relate to rents for various office, production and warehouse buildings, land and company vehicles. The contract terms depend on the underlying right-of-use and include renewal and termination options. The lease payments for such options are included in the lease liability if renewal is reasonably certain or it is unlikely that the right to terminate the contract will be exercised.

The potential future cash outflows from non-exercised renewal options in the next five and ten years relate to options on land and building leases.

Lease payments from non exercised options	12/31/2019	12/31/2020
Up to 5 years	9,030	9,371
Up to 10 years	9,021	9,221

As at December 31, 2020, the exercise of the renewal options is not reasonably certain.

There are no significant residual value guarantees or restrictions on right-of-use assets.

(33) Interests in entities reported at equity

The group of companies included in the consolidated financial statements reported at equity is shown in the overview of shareholdings.

EUR thousand	2019	2020
As at 1/1	140,689	155,112
Capital increase	1,050	-
Share in the net result for the period	17,630	9,183
Dividends	(5,399)	(5,264)
Foreign currency translation	1,142	(4,221)
Reclassification	-	(104,866)
As at 12/31	**155,112**	**49,944**

The reclassification in 2020 relates to the 7.5 percent interest in SANY Automobile Hoisting Machinery in the segment Operations and Sales & Service, which is classified as held for sale in accordance with IFRS 5. See also the Note on page 123. The reclassified shares were measured at their carrying amount of EUR 104,866 thousand and no profit or loss was recorded.

The following tables contain summarized financial information on associated companies and joint ventures reported at equity that are material for the Group; in each case, the figures refer to 100 percent and not to PALFINGER's share in the companies.

	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co., Ltd.		Sany Palfinger SPV Equipment Co., Ltd.[1]	
EUR thousand	Jan–Dec 2019	Jan–Dec 2020	Oct 2018–Sept 2019	Oct 2019–Sept 2020	Jan–Dec 2019	Jan–Dec 2020
Revenue	175,970	187,146	1,791,226	2,281,144	63,230	63,986
Total comprehensive income						
Result after income tax	11,915	13,107	108,570	162,765	4,958	3,824
Other comprehensive income after income tax	-	-	8,160	(35,790)	247	(1,276)
	11,915	**13,107**	**116,730**	**126,975**	**5,205**	**2,548**

	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co., Ltd.		Sany Palfinger SPV Equipment Co., Ltd.[1]	
EUR thousand	12/31/2019	12/31/2020	9/30/2018	9/30/2019	12/31/2019	12/31/2020
Non-current assets	5,438	5,976	330,691	469,447	8,555	8,080
Current assets	90,985	98,194	1,529,440	1,363,731	75,740	79,849
Non-current liabilities	2,147	2,159	14,362	81,619	(34)	(34)
Current liabilities	51,596	54,739	1,446,841	1,202,565	36,123	37,199
Net assets	**42,680**	**47,272**	**398,928**	**548,994**	**48,206**	**50,763**

	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co., Ltd.		Sany Palfinger SPV Equipment Co., Ltd.[1]	
EUR thousand	**2019**	**2020**	**2019**	**2020** [2]	**2019**	**2020**
Shares/voting rights	49%	49%	7.5%	7.5%	50%	50%
Carrying amount as of 1/1	**16,440**	**19,093**	**100,367**	**108,068**	**21,483**	**24,085**
Impairment loss	-	-	-	-	-	-
Share in the net result for the period	5,839	6,422	8,143	(518)	2,479	1,912
Foreign currency translation	-	-	612	(2,684)	123	(638)
Dividends	(3,186)	(4,017)	(1,054)	-	-	-
Reclassification	-	-	-	(104,866)	-	-
Carrying amount as at 12/31	**19,093**	**21,498**	**108,068**	**-**	**24,085**	**25,359**
thereof goodwill	-	-	65,336	-	-	-
thereof downstream sales	(1,820)	(1,440)	-	-	(18)	(22)
thereof pro–rata net assets	20,913	22,938	29,920	-	24,103	25,381
thereof receivable	-	-	12,812	-	-	-

1) As at the balance sheet date, the company had cash and cash equivalents of EUR 279 thousand (previous year: EUR 2,818 thousand) and no financial liabilities, as well as depreciation and amortization of EUR 471 thousand (previous year: EUR 567 thousand), interest income of EUR 153 thousand (previous year: EUR 327 thousand) and a tax expense of EUR –1,911 thousand (previous year: EUR –98 thousand).
2) The share in the net result for the period includes EUR 12,726 thousand derecognized as a receivable in connection with the purchase contract for 10 percent in 2014.

Palfinger France S.A.S. is a dealership for PALFINGER products in France. Sany Palfinger SPV Equipment Co., Ltd. is a manufacturing and distribution company in China.

The following table contains summarized financial information on associated companies and joint ventures reported at equity that are not material for the Group; the figures refer to PALFINGER's share in the companies.

	Associated companies		Joint ventures	
EUR thousand	**2019**	**2020**	**2019**	**2020**
Carrying amounts of shares	3,042	3,087	824	-
Total comprehensive income				
Result after income tax	1,106	1,748	62	(1,455)
Other comprehensive income after income tax	256	(537)	151	(362)
	1,362	**1,211**	**213**	**(1,817)**

(34) Deferred tax assets and liabilities

EUR thousand	12/31/2019	12/31/2020
Non-current assets		
Intangible assets – different useful lives	1,073	288
Intangible assets – tax-deductible goodwill	196	164
Property, plant and equipment – different useful lives	882	808
Property, plant and equipment - IFRS 16 effect	222	109
Non-current financial assets – impairment losses on untaxed financial assets	25,887	27,122
Other non-current assets	137	(308)
	28,397	**28,183**
Current assets		
Inventories – elimination of intercompany profits, tax-related measurement differences in manufacturing costs	8,079	7,372
Trade receivables – tax-related measurement differences in impairment allowances	1,538	1,457
Other current assets – untaxed severance payments	481	444
	10,098	**9,273**
Non-current liabilities		
Non-current financial liabilities — Lease liabilities	3,303	4,476
Non-current provisions - different approaches provisions for personnel IAS 19	10,096	10,543
of which deferred taxes recognized directly in other comprehensive income	4,952	5,178
Other non-current liabilities	678	205
of which deferred taxes recognized directly in other comprehensive income	163	7
	14,077	**15,224**
Current liabilities		
Current financial liabilities – essentially lease financing	7,896	9,633
of which deferred taxes recognized directly in other comprehensive income	0	487
Current provisions – essentially Warranty provisions recognized at different rates	2,442	2,646
Trade payables and other current liabilities	1,341	1,376
	11,679	**13,655**
Deferred tax assets	**64,251**	**66,335**

EUR thousand	12/31/2019	12/31/2020
Non-current assets		
Intangible assets – acquisitions, development costs	(29,418)	(25,330)
Property, plant and equipment – different useful lives	(6,133)	(5,547)
Property, plant and equipment - IFRS 16 effect	(11,099)	(13,426)
Non-current financial assets	(3,196)	(1,384)
of which deferred taxes recognized directly in other comprehensive income	(1,442)	41
	(49,846)	**(45,687)**
Current assets		
Inventories – tax-related measurement differences in manufacturing costs	(233)	(256)
Trade receivables – Contract manufacturing (POC)	(4,001)	(1,804)
Other current assets – tax-related measurement differences	(1,865)	(1,822)
of which deferred taxes recognized directly in other comprehensive income	(33)	(297)
	(6,099)	**(3,882)**
Non-current liabilities		
Non-current financial liabilities — Tax-related measurement differences	(25)	(78)
Non-current provisions	(146)	(145)
of which deferred taxes recognized directly in other comprehensive income	(15)	(9)
	(171)	**(223)**
Current liabilities		
Current financial liabilities	(118)	-
Current provisions – essentially Warranty provisions recognized at different rates	(266)	(345)
Trade payables and other current liabilities	(116)	(707)
	(500)	**(1,052)**
Deferred tax liabilities	**(56,616)**	**(50,844)**

EUR thousand	12/31/2019	12/31/2020
Deferred tax assets	64,251	66,335
Deferred tax liabilities	(56,616)	(50,844)
Deferred tax assets on loss carry forwards	9,687	6,218
Deferred taxes	**17,322**	**21,709**
thereof deferred tax assets accounted for	28,382	30,045
thereof deferred tax liabilities accounted for	(11,060)	(8,336)

The deferred tax expense and income reported in the consolidated statement of comprehensive income (income statement or statement of comprehensive income) in accordance with IAS 12.81 g) ii) is calculated as follows:

EUR thousand	2019	2020
As at 1/1	15,203	17,322
Charged/Credited		
due to profit or loss	2,260	3,037
due to other result	534	1,350
directly in equity	-	-
Acquisition of subsidy	(675)	(1)
As at 12/31	**17,322**	**21,708**

The tax loss carry-forwards are composed as follows:

	Non-capitalized loss carry-forwards		**Capitalized loss carry-forwards**	
EUR thousand	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**
One year	2,903	1,975	-	-
Two years	2,362	2,412	-	234
Three years	3,087	2,428	157	1,158
Four years	1,254	3,921	694	608
Five years	1,668	6,075	4,206	801
More than five years	52,386	61,280	26,095	16,312
Loss carry-forwards subject to expiry	**63,660**	**78,091**	**31,152**	**19,113**
Loss carry-forwards not subject to expiry	**92,016**	**75,839**	**8,991**	**5,598**
	155,676	**153,930**	**40,143**	**24,711**

No deferred tax assets are used in the Group for tax loss carry-forwards in the amount of EUR 153,930 thousand (previous year: EUR 155,676 thousand), as their effectiveness as final tax relief is not yet sufficiently assured in respect to medium-term planning.

For temporary differences in the amount of EUR 431,623 thousand (previous year: EUR 408,043 thousand) from investments in subsidiaries and joint ventures, there are deferred tax liabilities as at December 31, 2020 amounting to EUR 61,345 thousand (previous year: EUR 66,883 thousand). In accordance with IAS 12.39, no deferred tax liabilities are recognized, because PALFINGER is able to control the timing and these temporary differences will not reverse in the foreseeable future.

The capitalization of deferred taxes amounting to EUR 503 thousand (previous year: EUR 1,772 thousand) on loss carry forwards and interest carry-forwards totaling EUR 2,023 thousand (previous year: EUR 8,056 thousand) is made in the amount of the taxable temporary differences that exist with respect to the same tax authority and the same taxable entity. The resulting future taxable income is expected to be offset against losses or interest carry-forwards. For all other capitalized deferred taxes on loss and interest carry-forwards, it is assumed based on the taxable results forecast by planning calculations that these loss and interest carry-forwards can be used before they expire.

Deferred taxes on temporary differences and tax loss carry-forwards amounting to EUR 5,715 thousand (previous year: EUR 7,485 thousand) are capitalized without being offset by deferred tax liabilities to the corresponding amount. The companies concerned expect positive tax income in the future following losses in the current fiscal year or in the previous year. PALFINGER assumes that the future taxable income of the companies will be sufficient to probably realize these deferred tax assets.

(35) Non-current financial assets

Non-current financial assets are broken down as follows:

EUR thousand	**12/31/2019**	**12/31/2020**
Loans	3,259	12,968
Financial receivables from related parties	14,172	-
Securities	1,407	1,407
Deposits at banks	212	160
Other shareholdings	77	74
Non-current financial assets	**19,127**	**14,608**

Securities consist of shares in investment funds and bonds for the legally obligatory security of provisions for personnel.

The loans include accounts receivable from the estate of Hubert Palfinger Senior amounting to EUR 18,143 thousand (previous year: EUR 17,902 thousand) (of which EUR 10,628 thousand is non-current and EUR 7,515 thousand is current). As at the balance sheet date, collateral amounting to EUR 18,000 thousand was provided in the form of a declaration of commitment from Hubert Palfinger and Hannes Palfinger (see also Note (57). The amount exceeding the collateral amounting to EUR 143 thousand was impaired in 2020. The receivable accrues interest at arm's length rates

(36) Other non-current assets

The non-current assets are broken down as follows:

EUR thousand	12/31/2019	12/31/2020
Reimbursement rights and other receivables	3,698	2,985
Accrued expenses	253	375
Miscellaneous other non-current assets	12	-
Other non-current assets	**3,963**	**3,360**

Reimbursement rates relate, among other things, to surrender rights for life insurance policies that do not meet the requirements for offsetting against pension provisions in accordance with IAS 19.

(37) Inventories

The inventories are composed as follows:

EUR thousand	12/31/2019	12/31/2020
Raw materials, consumables and supplies	139,883	129,270
Work in progress	102,777	92,552
Finished goods and merchandise	107,291	87,751
Prepayments	1,406	2,182
Inventories	**351,357**	**311,755**

Inventories amounting to EUR 648 thousand (previous year: EUR 533 thousand) are measured at net realizable value.

In fiscal year 2020, impairment losses on inventories amounting to EUR 5,103 thousand (previous year: EUR 4,077 thousand) and reversals of impairment losses from inventories deemed obsolete amounting to EUR 975 thousand (previous year. EUR 645 thousand) were reported in cost of sales.

(38) Trade receivables and contract assets from customer contracts

The trade receivables are broken down as follows:

EUR thousand	12/31/2019	12/31/2020
Receivables from contract manufacturing and rendering of services	35,137	37,588
Invoiced receivables	240,417	191,508
Total	**275,554**	**229,096**

Since 2014, PALFINGER AG and selected Austrian and German subsidiaries of the PALFINGER Group have had a factoring contract with an Austrian bank. This contract was extended in 2019 to include selected Spanish, Portuguese and Romanian subsidiaries. In 2020, a factoring program similar to the one implemented in Europe was introduced in the USA. Five companies are covered by the program. An Austrian banking group was appointed to implement the US program. Within the framework of the factoring contract, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 90,000 thousand (previous year: EUR 90,000 thousand), or USD 50,000 thousand. Receivables sold in connection with the factoring contract as at balance sheet date December 31, 2020 amount to EUR 39,236 thousand (previous year: EUR 49,282 thousand) and are derecognized in full in accordance with IFRS 9 due to the transfer of risks and opportunities. PALFINGER continues to bear a risk from credit risk-related defaults up to a contractually defined amount. As at the reporting date of December 31, 2020, the resulting maximum risk of loss amounts to EUR 805 thousand (previous year: EUR 1,020 thousand) and corresponds to the maximum deductible. The total risk from the portfolio of receivables is covered on the balance sheet by the allowances and the provision for the default reserve.

The recognition of the expected loss as an expense primarily reflects the effect on profit or loss for the reporting period.

Trade receivables include receivables in accordance with IFRS 15 amounting to EUR 190,462 thousand (previous year: EUR 239,124 thousand).

Trade receivables are normally due within 120 days, while contract assets from customer contracts usually have payment schedules with milestone payments. Receivables from contract manufacturing and rendering of services, which are subject to revenue recognition over time in accordance with IFRS 15, are reported separately in the balance sheet under the item "Contract assets from customer contracts" due to the provisions of IFRS 15.

The Group uses the simplified approach according to IFRS 9 to measure expected credit losses. As a result, the credit losses expected over the duration are used for all trade receivables and contract assets.

For the purpose of measuring expected credit losses, trade receivables were aggregated on the basis of common risk characteristics and days overdue. Contract assets relate to work in progress that has not yet been invoiced and have essentially the same risk parameters as trade receivables. The Group therefore assumes that the expected loss rates for trade receivables represent a reasonable approximation of the loss rates for contract assets.

The development of contract assets from customer contracts is shown below:

EUR thousand	**2019**	**2020**
As at 1/1	**49,623**	**35,693**
Addition due to PoC progress	161,268	82,235
Progress billings	(175,683)	(78,525)
Accumulated adjustment	100	206
Foreign currency translation	385	(1,801)
As at 12/31	**35,693**	**37,808**
Recorded impairment	(556)	(220)
Contract assets incl. impairments	**35,137**	**37,588**

The risk from expected loss rates is accounted for by an allowance amounting to EUR 13,569 thousand (previous year: EUR 13,506 thousand). The allowance relates primarily to trade receivables and contract assets from customer contracts. The development of the valuation allowance is shown below:

	Specific valuation allowances on receivables		General specific valuation allowances on receivables	
EUR thousand	2019	2020	2019	2020
As at 1/1	6,689	8,426	4,357	5,080
Allocation	2,334	3,097	4,734	3,196
Use	(259)	(1,119)	(245)	(269)
Reversal	(331)	(530)	(3,989)	(2,739)
Reclassification	(123)	(12)	123	5
Foreign currency translation	116	(1,118)	100	(448)
As at 12/31	**8,426**	**8,744**	**5,080**	**4,825**

(39) Current financial assets

Current financial assets are broken down as follows:

EUR thousand	12/31/2019	12/31/2020
Derivative financial instruments	1,285	1,365
Receivables from related parties	3,730	-
Other financing receivables	49	7,566
Current financial assets	**5,064**	**8,931**

(40) Other current receivables and assets

Other current receivables and assets are broken down as follows:

EUR thousand	12/31/2019	12/31/2020
Receivables relating to social security and other taxes	14,814	14,813
Other receivables	17,611	16,660
Accrued expenses and compensation payments	9,993	8,024
Receivables from entities reported at equity	22	38
Other current receivables and assets	**42,440**	**39,535**

Other receivables include receivables from the factor resulting from the sale of trade receivables (see also Note (38) for more information) as well as receivables from public authorities.

(41) Cash and cash equivalents

Cash and cash equivalents are current financial resources and are broken down as follows:

EUR thousand	12/31/2019	12/31/2020
Cash-in-hand	238	124
Deposits at banks	41,799	104,074
Cash and cash equivalents	**42,037**	**104,198**

As at December 31, 2020, there are restrictions on the disposal of cash and cash equivalents amounting to EUR 6.2 million (previous year: EUR 5.7 million).

(42) Share capital

The share capital is divided into 37,593,258 no-par value shares (previous year: 37,593,258); all shares issued have been fully paid. As in the previous year, PALFINGER did not hold any treasury shares as at December 31, 2020.

(43) Share premium

The share premium relates to appropriated and unappropriated additional paid-in capital.

(44) Currency translation reserve

In 2019, as a result of the sale of 2.5 percent holding in SANY Automobile Hoisting Machinery, a gain from foreign currency translation of EUR 1,725 thousand was reclassified from OCI to income from companies reported at equity. The foreign currency translation of the consolidated companies as well as that of the companies reported at equity are included in the reserve. The change in currency conversion reserve is broken down below according to currency:

EUR thousand	**2019**	**2020**
AED	238	(1,026)
BRL	(308)	(5,570)
GBP	62	(97)
NOK	590	(3,104)
RMB	(940)	(3,449)
RUB	8,910	(18,510)
USD	2,792	(12,568)
Other	(1,168)	(4,110)
Currency translation reserve	**10,176**	**(48,434)**

(45) Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing consolidated net result by the weighted average number of shares outstanding. The weighted average number of shares outstanding in fiscal year 2020 amounted to 37,593,258 shares (previous year: 37,593,258 shares).

Based on the consolidated net result of EUR 49,789 thousand (previous year: EUR 80,028 thousand), undiluted earnings per share amount to EUR 1.32 (previous year: EUR 2.13). The diluted earnings per share are the same as the undiluted earnings per share.

(46) Retained earnings

As at December 31, 2020, there are no puttable non-controlling interests, unchanged from the previous year.

DIVIDEND PER SHARE

The following dividends were resolved and paid to PALFINGER AG's shareholders:

	Total EUR thousand	**Number of shares**	**Dividend per share**
Dividend resolved for the fiscal year 2019 (Annual General Meeting of August 5, 2020)	13,158	37,593,258	0.35
Dividend resolved for the fiscal year 2018 (Annual General Meeting of March 20, 2019)	19,173	37,593,258	0.51

The net profit for 2020 reported in the annual financial statement of PALFINGER AG in ac-cordance with the Austrian Commercial Code (UGB) is distributed as follows:

EUR thousand	
Net profit 2020 of PALFINGER AG	58,571
Retained profits brought forward from 2019	305,528
Total net profit	**364,099**
Proposed dividend (EUR 0.45 per share)	16,917
Remaining accumulated profit	**347,182**

The dividend to be proposed by the Executive Board and Supervisory Board to the Annual General Meeting on April 7, 2021 will be EUR 0.45 per share.

(47) Valuation reserve according to IFRS 9

As in the previous year, the valuation reserve according to IFRS 9 only includes reserves from cash flow hedges and gains and losses from the effective portion of cash flow hedges. The accumulated gain or loss on a hedging instrument allocated to the reserve is not transferred to the income statement until the hedged transaction affects profit or loss. The development of the cash flow hedging reserve is shown below (after tax):

EUR thousand	2019	2020
As at 1/1	**(3,925)**	**(2,238)**
Changes in unrealized profits (+)/losses (–)		
interest rate swaps	(1,061)	(569)
Currency forwards	292	(169)
	(769)	**(738)**
Changes in realized gains (+)/losses (–)		
interest rate swaps	1,094	1,161
Currency forwards	1,362	423
	2,456	**1,584**
Change	**1,687**	**846**
As at 12/31	**(2,238)**	**(1,392)**

(48) Non-controlling interests

The table below shows summarized financial information before intra-group eliminations for each subsidiary with material non-controlling interests:

12/31/2019

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Net assets					
Non-current assets	2,584	9,242	12,950	37,416	7,061
Current assets	5,995	64,433	36,227	14,282	31,239
Non-current liabilities	500	1,270	4,783	1,055	1,974
Current liabilities	3,731	35,645	20,481	19,088	17,163
	4,348	**36,760**	**23,913**	**31,555**	**19,163**
Non-controlling interests					
Shares/voting rights	30%	35%	25%	40%	35%
Carrying amount	930	13,054	6,555	12,191	6,652

12/31/2020

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Net assets					
Non-current assets	1,640	13,120	11,172	35,468	6,300
Current assets	9,292	52,386	29,069	14,382	25,809
Non-current liabilities	248	1,070	4,279	813	1,978
Current liabilities	5,483	33,696	8,955	16,477	11,556
	5,201	**30,740**	**27,007**	**32,560**	**18,575**
Non-controlling interests					
Shares/voting rights	30%	35%	25%	40%	35%
Carrying amount	1,169	10,948	7,434	12,599	6,447

Jan–Dec 2019

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Cash flow					
Cash flows from operating activities	1,641	36,300	5,851	22,388	9,868
Cash flows from investing activities	(307)	(29,736)	(4,744)	(7,054)	(8,682)
Cash flows from financing activities	(566)	(6,563)	(1,158)	(15,260)	(933)
Non-controlling interests					
Profit/loss attributable	764	8,494	1,483	4,255	2,434
Share of other comprehensive income	(940)	(36)	-	(318)	(46)
Dividends	364	4,760	555	3,715	1,065

Jan–Dec 2020

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Cash flow					
Cash flows from operating activities	1,213	18,510	15,459	11,422	2,125
Cash flows from investing activities	(187)	1,466	(35)	(2,961)	2,059
Cash flows from financing activities	(51)	(19,977)	(15,097)	(8,506)	(4,237)
Non-controlling interests					
Profit/loss attributable	827	6,295	1,442	2,005	1,178
Share of other comprehensive income	(457)	(2)	-	(222)	17
Dividends	131	8,400	564	1,376	1,399

The net assets of EPSILON Kran GmbH are restricted to the extent that a transfer of shares may only take place with the consent of the minority shareholder and that deviation from the existing agreement regarding a linear maximum distribution in relation to the equity ratio is subject to mutual agreement.

The net assets of Guima Palfinger S.A.S. are restricted to the extent that deviation from the existing agreement regarding a minimum distribution as a percentage of the annual profit is subject to mutual agreement.

In the case of the remaining immaterial non-controlling interests, distribution agreements also exist or distributions can only be resolved with the mutual agreement of the minority shareholders.

(49) Financial liabilities

EUR thousand	12/31/2019	Durations
Promissory note loans	331,254	1 - 9 years
Equity financing and bilateral loans	140,311	1 - 6 years
Lease liabilities	48,419	1 - 23 year
Other non-current financial liabilities	2,099	-
Non-current financial liabilities	**522,083**	

EUR thousand	12/31/2020	Durations
Promissory note loans	285,000	1 - 8 year
Equity financing and bilateral loans	122,567	1 - 5 year
Lease liabilities	46,718	1 - 22 year
Other non-current financial liabilities	1,786	-
Non-current financial liabilities	**456,071**	

EUR thousand	12/31/2019	12/31/2020
Promissory note loans	-	24,000
Equity financing and bilateral loans	13,000	23,783
Lease liabilities	11,196	10,884
Other current financial liabilities	45,519	10,015
Current financial liabilities	**69,715**	**68,682**

Deferred interest expenses are included in the current financial liabilities.

The average interest rate represents the interest burden as at December 31, 2020 after taking into account interest rate hedges as a percentage in relation to the carrying amount of the financial liabilities as at December 31, 2020 and amounts to 1.33 percent (previous year: 1.69 percent).

(50) Purchase price liabilities from acquisitions

The development of purchase price liability from acquisitions is shown below:

EUR thousand	2019	2020
As at 1/1	11,086	11,090
Allocation	404	325
Interest effect	1,050	1,225
Redemption	(2,506)	(528)
Addition	1,056	-
As at 12/31	**11,090**	**12,112**

There was still a liability for the disproportionate dividend for 2018 amounting to EUR 1,355 thousand that was paid out in 2019 and that is included in the redemption of purchase price liabilities.

The purchase price liability from the acquisition of 20 percent in Palfinger Boats B.V. was settled for EUR 623 thousand in the first quarter of 2019. The amount is included in the redemption of the purchase price liabilities.

In addition, since 2016 there has been a contingent consideration for the acquisition of the MYCSA Group (Palfinger Ibérica), which is due in 2021 and depends on future earnings before interest and taxes of the units. The maximum amount of the payment for this contingent consideration is unlimited.

A purchase price liability for the acquisition of Palfinger Structural Inspection GmbH amounting to EUR 1,056 thousand was incurred in the fiscal year 2019. EUR 528 thousand of that was settled in 2019 and 2020 is included in the repayment of the purchase price liabilities.

For the Level 3 carrying amounts, the following valuation method and inputs were used to determine fair values:

Purchase price liabilities	Valuation method	Inputs
MYCSA Group	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in EUR

Sensitivity analysis for significant inputs in determining fair values as at December 31, 2020 and 2019:

Change in fair value

		In the event of an increase		In the event of a decrease	
EUR thousand	Change in assumption	2019	2020	2019	2020
Interest rate	+/– 1 %	(117)	(27)	119	27
Forecasted result	+/– 10%	302	n/a	(302)	n/a

(51) Non-current provisions

Non-current provisions are broken down as follows:

EUR thousand	12/31/2019	12/31/2020
Pension provisions	12,683	12,914
Provisions for severance payments	30,278	30,885
Anniversary bonus provisions	8,923	9,023
Other non-current provisions	9,453	15,375
Non-current provisions	**61,337**	**68,197**

PENSION PROVISIONS

On the basis of individual contractual provisions, PALFINGER is obligated to grant a retirement allowance to some employees from the date they retire. The amount of this pension is determined based on the length of service and the level of remuneration at the time of retirement.

The evaluation was based on the following parameters:

	Age of retirement		Interest rate (p.a.)		Pension increase (p.a.)	
	2019	2020	2019	2020	2019	2020
Germany	63-65 years	63-65 years	0.25% - 1.00%	0.04% - 0.56%	1.5%	1.5%
France	62–63 years	65 years	0.50%	0.27%	2.8%	2.5%
Austria	65 years	65 years	0.75% - 1.00%	0.36% - 0.60%	1.7%	1.7%

The change in the interest rate is based on reassessment due to the changed market conditions.

As at December 31, 2020, the average duration of the defined benefit obligations from pension commitments is 14.19 years (previous year: 13.70 years). For the fiscal year 2021, expected contributions to pension obligations amount to EUR 209 thousand (previous year: EUR 209 thousand).

The calculation of the pension provisions as at December 31, 2020 is based on actuarial principles in accordance with the calculation rules of IAS 19. The obligation is measured using the projected unit credit method.

The calculated retirement age in Austria is based on the earliest possible age for retirement according to the 2004 pension reform (Austrian Budget Accompanying Act 2003 - BBG 2003), taking into account the transitional regulations. In the case of female beneficiaries, the calculated retirement age is gradually increased in accordance with the "Federal Constitutional Law on Different Age Limits for Male and Female Social Security Recipients". The calculation is based on the calculation principles for pension insurance AVÖ-2018-P for salaried employees.

The mathematical retirement age in Germany is based on the earliest possible retirement age under German statutory pension insurance; the 2018 G mortality tables are applied.

Because the pension obligations are adjusted to the consumer price index, the pension plans are exposed to the risk of inflation. In addition, there are interest rate risks and risks due to changes in life expectancy for retirees. The pension obligations are partly covered by reinsurance policies, which means that there is a low counterparty risk for insurance companies.

PROVISIONS FOR SEVERANCE PAYMENTS

Severance payments are one-time settlements that must be paid to employees on termination of employment, or on a regular basis when employees retire. The amount depends on the number of years of service and the level of remuneration. Provisions for severance payments are calculated using actuarial principles.

The evaluation is based on the following parameters:

	Interest rate (p.a.)		Salary increases (p.a.)		Staff turnover allowance (p.a.)	
	2019	**2020**	**2019**	**2020**	**2019**	**2020**
Austria	0.5% - 1.00%	0.32% - 0.56%	3.0%	3.0%	based on length of service 0.13% to 0.54%	based on length of service 0.23% bis 1.08%
Slovenia	0.75% - 1.00%	0.53% - 0.56%	3.0%	3.0%	2.0%	2.0%
Bulgaria	0.50%	0.27%	5.0%	5.0%	age-related 5.0% to 20.0%	age-related 5% to 20%
UAE and Qatar	3.25%	1.5% - 2.0%	3.0%	3.0%	based on length of service 5.0% to 10.0%	based on length of service 5.0% to 10.0%

The change in the interest rate is based on reassessment due to the changed market conditions.

As at December 31, 2020, the average duration of the defined benefit obligations from severance payments is 13.29 years (previous year: 13.65 years). For the fiscal year 2021, expected contributions to severance payments amount to EUR 1,537 thousand (previous year: EUR 1,605 thousand).

Employees whose employment status is governed by Austrian law and began before January 1, 2003 are entitled to a severance payment under the following conditions: if employment status has lasted for an uninterrupted period of three years, in the event of termination by the employer and in the event of early resignation for good cause; and in the event of termination of employment upon reaching the statutory retirement age, providing employment lasted for an uninterrupted period of at least ten years. The amount of the severance payment depends on the amount of the remuneration at the time of termination and the length of service.

For employees in Austria whose employment commenced on or after January 1, 2003, this obligation has been replaced by a contribution-based system. Payments are made to the external employee pension fund, are reported as expenses and amount to 1.53 per cent of remuneration.

The pension provisions and severance payments are shown below:

	Pensions		Severance payments	
EUR thousand	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**
Net present value of the obligation	13,421	13,669	30,278	30,885
Fair value of plan assets	(738)	(755)	-	-
Provision	**12,683**	**12,914**	**30,278**	**30,885**

	Pensions		Severance payments	
EUR thousand	**2019**	**2020**	**2019**	**2020**
Net present value of the obligation as at 1/1	12,499	13,421	26,339	30,278
Service cost	211	217	1,560	1,818
Interest expenses	199	85	502	227
Gains (–)/losses (+) from re-measurements	1,461	433	3,992	386
Effective payments	(930)	(479)	(2,181)	(1,689)
Reclassification	(21)	-	21	-
Foreign currency translation	2	(8)	45	(135)
Net present value of the obligation as at 12/31	**13,421**	**13,669**	**30,278**	**30,885**

Plan assets consist of a pension fund at a reputable insurance company.

EUR thousand	2019	2020
Fair value of plan assets as at 1/1	714	738
Expected return on plan assets	9	3
Gains (+)/losses (–) from re-measurements	14	22
Foreign currency translation	1	(8)
Fair value of plan assets as at 12/31	**738**	**755**

The actual sum amounted to EUR 25 thousand (previous year: EUR 23 thousand).

Net cost for pensions and severance payment commitments are broken down as follows:

	Pensions		Severance payments	
EUR thousand	Jan–Dec 2019	Jan–Dec 2020	Jan–Dec 2019	Jan–Dec 2020
Personnel expenses				
Service cost	(211)	(217)	(1,560)	(1,818)
Interest expenses				
Interest expenses	(190)	(82)	(502)	(227)
Net cost	**(401)**	**(299)**	**(2,062)**	**(2,045)**

Re-measurements are broken down as follows:

	Pensions		Severance payments	
EUR thousand	Jan–Dec 2019	Jan–Dec 2020	Jan–Dec 2019	Jan–Dec 2020
Experience adjustments	(191)	(202)	92	(678)
Changes in demographic assumptions	-	100	62	(342)
Changes in financial assumptions	1,652	535	3,838	1,406
Return on plan assets	(14)	(22)	-	-
Gains (–)/losses (+) from re-measurements	**1,447**	**411**	**3,992**	**386**

Realistic changes in the following actuarial parameters, which are deemed to be essential for calculating pension costs and the expected defined benefit claims as at the reporting date with all other parameters remaining constant, would give rise to the following change in the net present value of the obligation:

Change in the net present value of the obligation

	Pensions				Severance payments			
	+ 1%		(1)%		+ 1%		(1)%	
EUR thousand	2019	2020	2019	2020	2019	2020	2019	2020
Interest rate	(1,639)	(1,710)	2,023	2,038	(3,620)	(3,659)	4,370	4,412
Pension increase/salary increase	1,807	1,731	(1,518)	(1,523)	4,099	4,120	(3,484)	(3,507)

ANNIVERSARY BONUS PROVISIONS

Provisions for anniversary bonuses derived from collective bargaining arrangements and/or works agreements are calculated using the same parameters as for the provision for severance payments.

Changes in anniversary bonus provisions are shown below:

EUR thousand	2019	2020
As at 1/1	7,354	8,923
Allocation	1,807	381
Interest effect	121	63
Use	(359)	(344)
As at 12/31	**8,923**	**9,023**

OTHER NON-CURRENT PROVISIONS

The development of other non-current provisions is shown below:

EUR thousand	2019	2020
As at 1/1	3,489	9,453
Allocation	5,767	5,596
Interest effect	581	901
Use	(180)	(275)
Reversal	(2)	(199)
Foreign currency translation	(202)	(101)
As at 12/31	**9,453**	**15,375**

Other non-current provisions include other non-current provisions for personnel amounting to EUR 15,037 thousand (previous year: EUR 9,122 thousand). A new long-term bonus agreement for managers and members of the executive board members has been in place since fiscal year 2018 that is expected to be paid out in 2023 upon achievement of agreed key performance indicators.

(52) Other non-current liabilities

Other non-current liabilities relate primarily to liabilities to employees and deferred income.

(53) Current provisions

The development of current provisions is shown below:

	Provision for guarantee and warranty expenses		Other current provisions	
EUR thousand	2019	2020	2019	2020
As at 1/1	14,002	13,971	7,607	7,215
Allocation	3,363	3,028	3,281	13,385
Use	(2,935)	(2,004)	(4,408)	(10,747)
Reversal	(718)	(1,112)	(97)	(42)
Reclassification	-	-	-	6
Foreign currency translation	259	(214)	832	(333)
As at 12/31	**13,971**	**13,669**	**7,215**	**9,484**

The other non-current provisions include provisions for personnel amounting to EUR 3,821 thousand (previous year: EUR 2,765 thousand). These mainly comprise obligations for medical care for employees in the USA and short-term severance claims.

In addition, other current provisions include provisions for anticipated losses from customer contracts in the amount of EUR 1,166 thousand (previous year: EUR 753 thousand).

(54) Trade payables and other current liabilities

The trade payables and other current liabilities are broken down as follows:

EUR thousand	12/31/2019	12/31/2020
Trade payables	159,792	146,491
Liabilities to entities reported at equity	1,762	840
Liabilities to employees	47,773	39,049
Liabilities relating to social security and other taxes	21,776	25,462
Other liabilities	42,094	47,395
Trade payables and other current liabilities	**273,197**	**259,237**

The liabilities to employees amounting to EUR 39,049 thousand (previous year: EUR 47,773 thousand) include accruals for unused vacation, performance bonuses and flexi-time credit as well as liabilities from wage and salary expenses.

Other liabilities amounting to EUR 47,395 thousand (previous year: EUR 42,094 thousand) relate to customers with credit balances, liabilities to the factor arising from incoming payments for trade receivables sold (see also Note (38)) and other miscellaneous liabilities.

At the end of 2017, PALFINGER launched a reverse factoring program with individual suppliers to finance their receivables from PALFINGER. Suppliers are permitted to instruct contract banks to pay receivables in advance. The program was expanded in 2020. In such agreements, PALFINGER is not released from its initial obligation and the terms of contract are not significantly modified as a result of quantitative and qualitative reviews. Therefore, the amount stated in the consolidated balance sheet has not been changed. The liability continues to be reported under trade payables as well as in cash flows from operating activities. As at December 31, 2020 the program was used for trade payables amounting to EUR 41,939 thousand (previous year: EUR 21,159 thousand).

(55) Contract liabilities from customer contracts

Contractual liabilities from customer contracts include payments received on account of orders and deferred revenue. The change in contract assets from customer contracts is shown below:

EUR thousand	2019	2020
As at 1/1	28,400	33,734
Addition	27,747	32,608
Recognized as revenue	(22,468)	(26,376)
Accumulated adjustment	(3)	-
Foreign currency translation	58	(2,272)
As at 12/31	**33,734**	**37,694**

(56) Financial instruments

The reconciliation of the carrying amounts for each category according to IFRS 9 is shown below:

EUR thousand	Carrying amount 12/31/2019	No financial instrument/ recognition according to IFRS 10	Measured according to IFRS 16
Non-current assets			
Non-current financial assets	19,127	-	-
thereof Level 1 fair value			
thereof Level 2 fair value			
Current assets			
Trade receivables	240,417	-	-
thereof Level 3 fair value			
Contract assets from customer contracts	35,137	35,137	-
Current financial assets	5,064	-	-
thereof Level 2 fair value			
Other current receivables and assets	42,440	25,009	-
Cash and cash equivalents	42,037	-	-
Assets	**384,222**	**60,146**	**-**
Non-current liabilities			
Non-current financial liabilities	473,664	-	-
thereof Level 2 fair value			
Non-current purchase price liabilities from acquisitions	10,562	-	-
thereof Level 3 fair value			
Other non-current liabilities	75	77	-
Non-current leasing liabilities	48,419	-	48,419
Non-current contract liabilities from customer contracts	3,881	3,881	-
Current liabilities			
Current financial liabilities	58,519	-	-
thereof Level 2 fair value			
Current purchase price liabilities from acquisitions	528	-	-
Trade payables and other current liabilities	273,198	69,549	-
Current lease liabilities	11,196	-	11,196
Current contract liabilities from customer contracts	29,853	29,853	-
Liabilities	**909,895**	**103,360**	**59,615**

	Measured according to IFRS 9				
	At amortized cost		At fair value		
			Recognized in other comprehensive income	Recognized in profit or loss	
	Financial asset at amortized cost	**Financial liabilities at amortized cost**	**Hedging Derivatives/ Fair value OCI**	**At fair value through profit or loss/ Other derivatives**	**Carrying amount of financial instruments 12/31/2019**
	17,643	-	-	1,484	19,127
				1,407	
				77	
	158,922	-	81,495	-	240,417
			81,495		
	-	-	-	-	-
	3,779	-	716	569	5,064
			716	569	
	17,431	-	-	-	17,431
	42,037	-	-	-	42,037
	239,812	**-**	**82,211**	**2,053**	**324,076**
	-	472,385	1,279	-	473,664
			1,279		
	-	23	-	10,539	10,562
				10,539	
	-	(2)	-	-	(2)
	-	-	-	-	48,419
	-	-	-	-	-
	-	56,349	1,217	953	58,519
			1,217	953	
	-	528	-	-	528
	-	203,649	-	-	203,649
	-	-	-	-	11,196
	-	-	-	-	-
	-	**732,932**	**2,496**	**11,492**	**806,535**

EUR thousand	Carrying amount 12/31/2020	No financial instrument/ recognition according to IFRS 10	Measured according to IFRS 16
Non-current assets			
Non-current financial assets	14,608	-	-
thereof Level 1 fair value			
thereof Level 2 fair value			
Current assets			
Trade receivables	191,508	-	-
thereof Level 3 fair value			
Contract assets from customer contracts	37,588	37,588	-
Current financial assets	8,931	-	-
Other current receivables and assets	39,535	23,034	-
Cash and cash equivalents	104,198	-	-
Assets	**396,368**	**60,622**	**-**
Non-current liabilities			
Non-current financial liabilities	409,353	-	-
thereof Level 2 fair value			
Non-current purchase price liabilities from acquisitions	24	-	-
Other non-current liabilities	101	101	-
Non-current leasing liabilities	46,718	-	46,718
Non-current contract liabilities from customer contracts	3,326	3,326	-
Current liabilities			
Current financial liabilities	57,798	-	-
thereof Level 2 fair value			
Current purchase price liabilities from acquisitions	12,088	-	-
thereof Level 3 fair value			
Trade payables and other current liabilities	259,238	64,511	-
Current lease liabilities	10,884	-	10,884
Current contract liabilities from customer contracts	34,368	34,368	-
Liabilities	**833,898**	**102,306**	**57,602**

The fair value of currency forwards is determined by calculating the present value of cash flows on the basis of current yield curves for the respective currencies from observable market data as well as on the current exchange rates on the valuation date. In the case of interest rate swaps, the fair value is determined by calculating the present value of the cash flows based on current yield curves of the respective currencies from observable market data. Securities are valued at the current exchange rate on the valuation date.

			Measured according to IFRS 9	
At amortized cost		At fair value		
		Recognized in other comprehensive income	Recognized in profit or loss	
Financial asset at amortized cost	**Financial liabilities at amortized cost**	**Hedging Derivatives/Fair value OCI**	**At fair value through profit or loss / Other derivatives**	**Carrying amount of financial instruments 12/31/2020**
13,128	-	-	1,480	14,608
			1,406	
			74	
89,873	-	101,635	-	191,508
		101,635		
-	-	-	-	-
7,566	-	1,030	335	8,931
16,501	-	-	-	16,501
104,198	-	-	-	104,198
231,266	**-**	**102,665**	**1,815**	**335,746**
-	408,267	1,086	-	409,353
		1,086		
-	24	-	-	24
-	-	-	-	-
-	-	-	-	46,718
-	-	-	-	-
-	55,794	-	2,004	57,798
		-	2,004	
-		-	12,088	12,088
			12,088	
-	194,727	-	-	194,727
-	-	-	-	10,884
-	-	-	-	-
-	**658,812**	**1,086**	**14,092**	**731,592**

Material risks of non-performance relating to financial assets and liabilities are accounted for on the basis of ratings as a deduction from the calculated value. The carrying amount of current assets and liabilities corresponds to their market value, as they are either due in the short term or are subject to variable interest rates. Default risks are accounted for by means of appropriate valuation allowances. The carrying amounts of the non-current financial liabilities amounting to EUR 409,353 thousand (previous year: EUR 473,664 thousand) also roughly correspond to the market values (Level 2) amounting to EUR 417,799 thousand (previous year: EUR 481,333 thousand). The market values were calculated on the basis of observable current yield curves for the respective currencies using the discounted cash flow method. Interest rate swaps held for interest rate hedging purposes are accounted for at market value.

Income from the disposal of securities in the fiscal year 2020 amounted to EUR 0 thousand (previous year: EUR 54 thousand) and is reported as other financial result (see Note (27) net interest income and other financial result).

The development of Level 3 fair values is shown below:

EUR thousand	2019	2020
As at 1/1	10,440	10,539
Accrued interest	1,050	1,225
Redemption	(1,355)	-
Increase through profit and loss	404	324
As at 12/31	**10,539**	**12,088**

Result in the income statement

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Other interest expenses	(1,050)	(1,225)
Other operating expenses/income	(404)	(324)
Unrealized gain/loss for financial instruments held on the balance sheet date	**(1,454)**	**(1,549)**

As at December 31, 2020, the Level 3 fair values consist of the liability related to the contingent purchase price liability from the acquisition of MYCSA Group.

Capital management

The objective of PALFINGER's capital management is to ensure financial flexibility, scope for value-enhancing investments, and retention of sound balance sheet ratios. A strong equity structure secures the trust of investors, lenders and the market and provides a solid basis for positive business development.

PALFINGER's net debt is managed centrally in coordination with the Corporate Treasury department. The main tasks of the Corporate Treasury department include liquidity management and securing long-term liquidity in support of business operations, efficient use of banking and financial services, and limiting financial risks while at the same time optimizing income and costs.

PALFINGER manages its capital structure taking into account changes in the economic environment, fixed strategic projects and internal targets in terms of equity ratio and gearing ratio. For long-term guidance, an equity ratio of more than 40 percent and a gearing ratio (the ratio of net debt to equity) of less than 70 percent are regarded as benchmarks. At the end of 2020, the equity ratio was 39.6 percent (previous year: 38.3 percent) and the gearing ratio stood at 64.4 percent (previous year: 83.6 percent). The net debt amounting to EUR 397,088 thousand (previous year: EUR 525,647 thousand) comprises non-current and current financial assets and cash as well as non-current and current financial liabilities (including leases in accordance with IFRS 16). Equity corresponds to the equity reported in accordance with IFRS amounting to EUR 616,449 thousand (previous year: EUR 629,092 thousand).

In order to maintain capital structure, a steady dividend policy is pursued based on the consolidated net result of the previous year. In accordance with PALFINGER's long-term dividend policy of distributing around one third of net profit to its shareholders, a dividend of EUR 0.71 (previous year: EUR 0.51) per share was proposed for fiscal year 2019. Due to the uncertain impact of the COVID-19 crisis on PALFINGER, the 32nd Annual General Meeting on 5 August 2020 reduced the original proposal for the appropriation of profits by approximately 50 per cent and settled on EUR 0.35 per share.

Financial risks

In accordance with PALFINGER's Corporate Treasury guidelines, the main focus is on limiting financial risks. Due to the increased internationalization of the PALFINGER Group, the concentration of risks within the Group has been reduced. All the relevant parameters are periodically monitored and actively managed. PALFINGER's operations involve interest rate and currency risks as well as financing risk. In addition to operational measures, derivative financial instruments such as currency forwards and interest rate and currency swaps are used to limit and manage these risks. No derivative financial instruments are employed for speculative purposes. Each of the risks is discussed in detail below.

1. LIQUIDITY RISK

Liquidity risk describes the necessity of having sufficient funds available at all times in order to meet payment obligations and to ensure further growth of the business. The objective therefore lies in analyzing exposure to liquidity risk as well as consistently safeguarding liquidity by means of liquidity planning, arranging sufficient lines of credit, and the sufficient diversification of lenders.

Managing liquidity risk is the core task of Corporate Treasury, which uses efficient cash management systems for this purpose. Company-wide cash reporting ensures the transparency necessary to facilitate the systematic management of financial resources. Medium-to-long-term planning allows PALFINGER to identify any financial need that may arise and coordinate this with its banking partners. Efficient management and distribution of the required liquidity are ensured thanks to the Group's internal financing structure and the use of cash pooling solutions in Europe, America, and Russia.

The existing promissory note loan contracts and credit arrangements contain contractual agreements stipulating the observance of financial covenants that provide for compliance with a consolidated equity ratio of at least 25 percent in accordance with IFRS. Noncompliance with this financial covenant entitles the lender to terminate the particular financing agreement. At the end of 2020, equity ratio was 39.6 percent (previous year: 38.3 percent) and therefore far above the externally stipulated threshold value.

An additional action to ensure liquidity is the maintenance of long-term undrawn credit lines at banking partners The existing financing agreements are distributed across several core banking partners and currently have terms of up to two years. Owing to the uncertain developments of the COVID-19 pandemic and the possible negative economic effects caused as a consequence, the unused approved financing lines were temporarily increased by EUR 100 million in 2020 to over 40 percent of PALFINGER's net debt.

The contractual remaining term to maturity of undiscounted cash flows are as follows:

2019

EUR thousand	< 1 year	1–5 years	> 5 years	12/31/2019
Trade payables and other liabilities				
Trade payables	161,360	-	-	161,360
Other liabilities for financial instruments	42,288	-	-	42,288
	203,648	**-**	**-**	**203,648**
Financial liabilities	63,715	356,711	135,430	555,856
Lease liabilities	11,215	34,505	20,592	66,312
Liabilities from cash flow hedges	1,183	1,659	418	3,260
Liabilities from derivatives held for trading	1,298	-	-	1,298
Non-current purchase price liabilities from acquisitions	528	12,090	-	12,618
Undiscounted cash flows	**281,587**	**404,965**	**156,440**	**842,992**

2020

EUR thousand	< 1 year	1–5 years	> 5 years	12/31/2020
Trade payables and other liabilities				
Trade payables	147,129	-	-	147,129
Other liabilities for financial instruments	47,597	-	-	47,597
	194,726	**-**	**-**	**194,726**
Financial liabilities	61,601	373,481	49,114	484,196
Lease liabilities	10,990	32,406	19,134	62,530
Liabilities from cash flow hedges	1,963	956	239	3,158
Liabilities from derivatives held for trading	1,485	-	-	1,485
Non-current purchase price liabilities from acquisitions	12,088	24	-	12,112
Undiscounted cash flows	**282,853**	**406,867**	**68,487**	**758,207**

2. CREDIT RISK

Credit risk refers to the risk of default or non-payment by contractual partners. The Group counters this risk by establishing internal limits for contractual partners - determined through solvency analyses - and taking out adequate insurance. Credit risk is limited to the amounts of the uninsured receivables reported in the balance sheet.

All overdue receivables are written down using standardized flat rates for specific valuation allowances on receivables. For the purpose of measuring expected credit losses, trade receivables and contract assets were aggregated on the basis of common credit risk characteristics and days overdue.

Trade receivables are derecognized when they are no longer reasonably expected to be realized.

Under a factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 90,000 thousand (see comments in Note (38) for more information).

The values of trade receivables and contract assets are shown below:

EUR thousand	Carrying amount	Gross carrying amount	Allowance	12/31/2019 expected loss rates
Receivables not yet due	**172,264**	**174,401**	**2,137**	**1%**
Receivables due				
Overdue less than 30 days	55,774	56,155	381	1%
Overdue more than 30 days but less than 60 days	19,974	20,122	148	1%
Overdue more than 60 days but less than 90 days	8,104	8,748	644	7%
Overdue more than 90 days but less than 120 days	4,562	4,783	221	5%
Overdue more than 120 days	14,876	24,355	9,479	39%
	103,290	**114,163**	**10,873**	
Trade receivables and contract assets	**275,554**	**288,564**	**13,010**	

EUR thousand	Carrying amount	Gross carrying amount	Allowance	12/31/2020 expected loss rates
Receivables not yet due	**173,699**	**175,125**	**1,426**	**1%**
Receivables due				
Overdue less than 30 days	30,830	31,446	616	2%
Overdue more than 30 days but less than 60 days	9,907	10,113	206	2%
Overdue more than 60 days but less than 90 days	3,619	3,902	283	7%
Overdue more than 90 days but less than 120 days	2,506	2,792	286	10%
Overdue more than 120 days	8,536	18,906	10,370	55%
	55,398	**67,159**	**11,761**	
Trade receivables and contract assets	**229,097**	**242,284**	**13,187**	

The remaining allowances relate to other receivables.

Close attention is paid to good credit ratings when investing financial resources at banks. Credit risk is limited in the amounts reported in the balance sheet.

3. FOREIGN CURRENCY RISK

Foreign currency risk arises as a result of exchange rate fluctuations. The value of a financial instrument may be affected by changes in the exchange rate.

Internationalization of the Group leads to payment transactions in various currencies. Surpluses in foreign exchange positions are minimized by adding value at local level (natural hedge). Any resulting material foreign exchange exposure is hedged by means of appropriate hedging instruments. Some foreign currency cash flows from ongoing operations are hedged using currency forwards (cash flow hedges).

The Group's internal supply of finished products and components in countries with currencies other than the euro creates a risk that is not covered by natural hedges. This aspect is continuously analyzed to provide a basis for establishing a hedging strategy that is evaluated in regular meetings.

Financial transactions may only be entered into if they are based on appropriate underlying transactions. Speculative transactions (i.e. transactions unrelated to cash flows from operations) are prohibited.

Foreign exchange differences at financial statement level are reported in EBIT and/or the net financial result, depending on their origin.

Foreign exchange differences have the following effects on the income statement:

EUR thousand	Jan–Dec 2019	Jan–Dec 2020
Foreign currency gains	6,635	9,851
Foreign currency losses	(4,480)	(11,575)
Exchange rate differences in the result from entities reported at equity	110	(316)
Earnings before interest and taxes – EBIT	**2,265**	**(2,040)**
Exchange rate differences in the net financial result	(1,878)	(3,117)
Result from exchange rate differences	**387**	**(5,157)**

Sensitivity analysis currency risk:
Transactions that are carried out in a currency other than the respective functional currency may have an effect on foreign currency risks. In the case of fair value and cash flow hedges, changes in the value of the underlying transaction and hedging transaction caused by changes in the exchange rate are nearly entirely balanced out in the same period in the income statement. Accordingly, these financial instruments are not associated with currency risks having the potential to affect net income or equity.

The effects of a hypothetical foreign exchange movement on net income or equity are described within the framework of a sensitivity analysis. This analysis assumes that the major exchange rates increase or decrease by 10 percent against the euro on the balance sheet date with all other variables remaining constant. The table below shows the effects of a 10 percent appreciation or depreciation of the most important currencies against the euro:

12/31/2019	+10%			(10)%		
EUR thousand	**recognized in profit or loss**	**recognized directly in equity**	**Total effect**	**recognized in profit or loss**	**recognized directly in equity**	**Total effect**
AED	(85)	-	(85)	104	-	104
AUD	-	-	-	-	-	-
BRL	(201)	(1,007)	(1,208)	246	1,230	1,476
CAD	(173)	46	(127)	212	(56)	156
CNY	79	-	79	(96)	-	(96)
CZK	44	-	44	(54)	-	(54)
DKK	(65)	-	(65)	79	-	79
GBP	(104)	(199)	(304)	127	244	371
HKD	(10)	-	(10)	13	-	13
HRK	(149)	-	(149)	183	-	183
INR	(306)	-	(306)	374	-	374
JPY	21	-	21	(25)	-	(25)
KRW	(501)	(330)	(830)	612	403	1,015
VND	67	-	67	(82)	-	(82)
NOK	295	(6,090)	(5,795)	(361)	7,443	7,082
PLN	38	-	38	(47)	-	(47)
RON	(768)	-	(768)	939	-	939
RUB	(469)	(780)	(1,249)	573	953	1,526
SGD	(218)	-	(218)	266	-	266
USD	(2,343)	(2,991)	(5,334)	2,864	3,656	6,520
Foreign currency sensitivities	**(4,848)**	**(11,351)**	**(16,198)**	**5,927**	**13,873**	**19,800**

12/31/2020	+ 10%			(10)%		
EUR thousand	recognized in profit or loss	recognized directly in equity	Total effect	recognized in profit or loss	recognized directly in equity	Total effect
AED	(41)	-	(41)	50	-	50
ARS	-	-	-	-	-	-
AUD	-	-	-	-	-	-
BRL	(120)	(713)	(833)	147	872	1,018
CAD	(234)	43	(191)	286	(53)	233
CNY	(55)	-	(55)	67	-	67
CZK	37	-	37	(45)	-	(45)
DKK	60	-	60	(74)	-	(74)
GBP	(24)	(189)	(213)	30	231	260
HKD	(22)	-	(22)	27	-	27
HRK	(158)	-	(158)	193	-	193
INR	(477)	-	(477)	583	-	583
JPY	(75)	-	(75)	92	-	92
KRW	(480)	(320)	(800)	587	391	977
VND	50	-	50	(61)	-	(61)
NOK	50	(5,611)	(5,561)	(61)	6,858	6,797
PLN	143	-	143	(175)	-	(175)
RON	(504)	-	(504)	616	-	616
RUB	(383)	(596)	(979)	468	729	1,197
SEK	-	(1,507)	(1,507)	-	1,842	1,841
SGD	(131)	-	(131)	161	-	161
USD	(2,813)	(3,109)	(5,923)	3,438	3,800	7,239
Foreign currency sensitivities	**(5,177)**	**(12,002)**	**(17,180)**	**6,329**	**14,670**	**20,996**

The calculation is made on the basis of the primary and derivative financial instruments denominated in non-functional foreign currencies on the balance sheet date before taxes. Foreign currency effects from intra-group accounts receivable and payable are reported in profit or loss, while any effects from non-current intra-group receivables that are a part of the net investment in foreign operations (IAS 21.15) as well as any changes in the cash flow hedging reserve are recognized directly in equity. Foreign currency translation effects caused by the translation of the financial statements of international subsidiaries into the Group currency, i.e. the euro, are not taken into account.

4. INTEREST RATE RISK

Fluctuating interest rates have an influence on the value of financial instruments (in particular when interest rates are locked in for a longer term) as well as on net interest (income or expenses) resulting from these financial instruments. This influence describes interest rate risk in its two forms: fair value risk and net interest risk.

Fair value risk has the effect of a devaluation financial assets or an appreciation of financial liabilities. Changes in value have a more pronounced effect when interest rates are locked in for long periods of time than with variable interest.

Net interest risk has the effect of higher interest expenses for financial liabilities and lower interest income on financial assets. This risk mainly relates to financial instruments for which variable (short-term) interest rates have been agreed.

Variable-rate financing is hedged with interest rate swaps amounting to EUR 70.0 million (previous year: EUR 90.0 million).

The sensitivity analysis is carried out based on PALFINGER’s financial liabilities bearing interest at variable rates. A hypothetical change in variable interest rates of 100 basis points or one percentage point per year would lead to a change in PALFINGER’s interest expenses of EUR 458 thousand (previous year: EUR 901 thousand). A hypothetical increase in interest rates of 100 basis points would lead to an increase in other comprehensive income of EUR 397 thousand (previous year: EUR 2,211 thousand), whereas a decrease of 100 basis points would lead to a decrease in other comprehensive income of EUR 3,605 thousand (previous year: EUR 2,354 thousand).

Protective actions

HEDGING OF FUTURE CASH FLOWS

PALFINGER AG's currency risks result primarily from accounts receivable from Group companies and accounts payable to Group companies denominated in foreign currencies as well as from the international project business. Most of this exposure is reduced by means of intra-group foreign currency netting or is hedged with currency forwards and currency swaps. PALFINGER's hedging activities are guided exclusively by the underlying transaction. The credit risk with respect to both PALFINGER as well as the counter-parties has no impact on the fair value of currency forwards or currency swaps and therefore is likewise not a source of hedge ineffectiveness.

The supply of finished products and components primarily from EMEA to NAM, LATAM, APAC, and CIS exposes PALFINGER to risk – in particular in USD, BRL and RUB – that is not hedged by natural hedges. These risk positions are analyzed, monitored and limited by implementing an appropriate hedging strategy. These hedging strategies are discussed at regular meetings with the CFO and adjusted as necessary.

Project-related currency risk, in particular in the Marine and Offshore sector, is transferred to the central treasury department and hedged on a project-to-project basis if invoicing in the local currency is not an option.

The sale of foreign currencies using currency forwards constitutes a hedge of operating cash inflows in foreign currencies. The result of the underlying transaction is balanced out by the inverse result of the currency forward. Outstanding hedges are measured and analyzed with respect to their risk on an ongoing basis (mark-to-market valuation). The hedging of foreign currency risks relates in each case to cash flows that are expected within a maximum of twelve months or are aligned with the project term.

The existing interest rate swaps hedge against the risk of interest rate changes in the case of loans bearing interest at variable rates. Negative impacts on the financial result due to unforeseeable interest rate fluctuations are limited by such interest rate hedges.

Interest rate risk is managed for the entire PALFINGER Group by the Corporate Treasury department. In recent years, the need for more financing has increased the effect fluctuations in interest rates have on the PALFINGER Group's financial result. For this reason, hedging against interest rate risks has become increasingly important. Exposure to variable rates is limited by deploying derivative financial instruments (interest rate swaps), which exchange the variable rate for a fixed rate.

Changes in the fair value of interest rate swaps classified as a cash flow hedge are recognized in other comprehensive income as revaluation reserve. When interest rate payments are made on the hedged underlying transaction, the revaluation reserve is reclassified from other comprehensive income and recognized in profit or loss as net interest income.

	Notional value in contract currency		**Mark-to-market valuation (EUR)**		**Maximum duration/maturity**
in thousands	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**	
Currency forwards					
sell CAD/buy NOK	CAD 740	CAD 740	(22)	25	18.06.2021
sell EUR/buy NOK	EUR 56,852.1	EUR 52,172	(29)	(51)	22.10.2021
sell EUR/buy SEK	EUR 0	EUR 16,337	-	237	04.01.2021
sell GBP/buy NOK	GBP 135	GBP 135	6	1	19.03.2021
sell USD/buy EUR	USD 34,145	USD 31,950	43	730	18.06.2021
sell USD/buy NOK	USD 8,890	USD 6,080	309	317	20.05.2022
			307	**1,259**	
Interest rate swaps	EUR 90,000	EUR 20,000	(2,104)	(1,315)	31.12.2026
Cash flow hedge			**(1,797)**	**(56)**	

The fair value of the hedges is reported as a cash flow hedge in accordance with IFRS 9. Valuation gains or losses as of the balance sheet date are to be reported accordingly in equity. As soon as the underlying transactions have been realized, the cumulative gains or losses are reversed from other comprehensive income and recognized in the income statement under exchange losses or gains in other income and expenses.

Amounts recorded in other comprehensive income as well as amounts that have been realized for cash flow hedges can be found in the consolidated statement of comprehensive income. Further details can be found in Note (47) Valuation reserve according to IFRS 9.

SAFEGUARDING OF FINANCIAL RESOURCES

Derivative financial instruments that the Group employs for the safeguarding of financial resources and the hedging of foreign currency risks that do not meet the requirements for hedge accounting in accordance with IFRS 9 in terms of documentation and effectiveness are classified as fair value recognized in profit or loss. Changes in the fair value of these financial instruments are recognized in profit or loss in the income statement.

	Notional value in contract currency		Mark-to-market valuation (EUR)		Maximum duration/maturity
in thousands	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**	
sell AED/buy EUR	AED 45,500	AED 47,500	126	85	10.06.2021
sell CNY/buy EUR	CNY 0	CNY 8,000	-	(16)	11.03.2021
sell DKK/buy EUR	DKK 9,500	DKK 0	2	-	-
sell GBP/buy EUR	GBP 400	GBP 700	(138)	(8)	11.03.2021
sell JPY/buy EUR	JPY 360,000	JPY 475,000	127	6	10.06.2021
sell NOK/buy EUR	NOK 430,000	NOK 559,000	(402)	(1,332)	11.03.2021
sell PLN/buy EUR	PLN 15,900	PLN 38,000	(118)	240	10.06.2021
sell USD/buy EUR	USD 6,500	USD 2,400	19	(1)	10.06.2021
			(384)	**(1,026)**	
Interest rate swaps	EUR 0	EUR 50,000	-	(643)	
Currency swaps			**(384)**	**(1,669)**	

Changes in value from currency swaps amount to EUR –642 thousand (previous year: EUR –1,428 thousand) and are included in the net financial result under exchange rate differences in the amount of EUR –642 thousand (previous year: EUR –1,428 thousand).

Changes in value from interest rate swaps amount to EUR –643 thousand (previous year: EUR 0 thousand) and are included in the net financial result under interest expenses in the amount of EUR –643 thousand (previous year: EUR 0 thousand).

Other financial obligations

There are no contingent assets and contingent liabilities as at December 31, 2020 and December 31, 2019.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

The indirect method is used for the presentation of cash flows from operating activities in the consolidated statement of cash flows. Cash and cash equivalents corresponds to cash-in-hand and short-term financial resources.

Cash flow from operating activities increased during the fiscal year just ended despite a significant downturn in the earnings situation due to actions taken for more efficient use of working capital in comparison with 2019.

Other non-cash income and expenses includes exchange rate differences and measurement effects.

Cash flow from investing activities changed compared to the previous year mainly due to investments postponed as a consequence of COVID-19 and the income missing from the sale of shares.

Additions of intangible assets and property, plant and equipment include non-cash capital expenditures in the amount of EUR 1,911 thousand (previous year: EUR 3,796 thousand).

The reconciliation of changes in cash flows from financing activities is shown below:

EUR thousand	Promissory note loans	Equity financing	Lease liabilities	Other financing	Total
As at 1/1/2019	**357,975**	**103,350**	**66,282**	**114,454**	**642,061**
New lease contracts	**-**	**-**	**5,412**	**-**	**5,412**
Lease contract disposals	**-**	**-**	**(2,196)**	**-**	**(2,196)**
Changes in cash flows from financing activities					
Issue of promissory note loans	-	-	-	-	-
Raising of loans for the acquisition of investments	-	-	-	-	-
Repayment of financing for the acquisition of investments	-	(14,000)	-	-	(14,000)
Non-current refinancing of redemptions and maturing current loans	-	-	-	30,000	30,000
Repayment of maturing/terminated loans	-	-	-	(20,000)	(20,000)
Repayment of current bridge financing loans for the acquisition of investments	-	-	-	-	-
Repayment of maturing/terminated promissory note loans	(27,000)	-	-	-	(27,000)
Repayment of maturing/terminated lease liabilities	-	-	(11,880)	-	(11,880)
Raising of short-term financing	-	-	-	-	-
Repayment of current financing	-	-	-	-	-
Cash payments for/cash receipts from other financial liabilities	-	-	-	(15,919)	(15,919)
	(27,000)	**(14,000)**	**(11,880)**	**(5,919)**	**(58,799)**
Acquisition/change in scope of consolidation	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**420**	**-**	**631**	**(423)**	**628**
Accrued interest	**(141)**	**-**	**1,366**	**-**	**1,225**
As at 12/31/2019	**331,254**	**89,350**	**59,615**	**108,112**	**588,331**

EUR thousand	Promissory note loans	Equity financing	Lease liabilities	Other financing	Total
As at 1/1/2020	**331,254**	**89,350**	**59,615**	**108,112**	**588,331**
New lease contracts	**-**	**-**	**11,225**	**0**	**11,225**
Lease contract disposals	**-**	**-**	**(918)**	**0**	**(918)**
Changes in cash flows from financing activities					
Issue of promissory note loans	-	-	-	-	-
Raising of loans for the acquisition of investments	-	-	-	-	-
Repayment of financing for the acquisition of investments	-	(3,000)	-	-	(3,000)
Non-current refinancing of redemptions and maturing current loans	-	-	-	-	-
Repayment of maturing/terminated loans	-	-	-	(30,000)	(30,000)
Repayment of current bridge financing loans for the acquisition of investments	-	-	-	-	-
Repayment of maturing/terminated promissory note loans	(21,353)	-	-	-	(21,353)
Repayment of maturing/terminated lease liabilities	-	-	(11,982)	-	(11,982)
Raising of short-term financing	-	-	-	-	-
Repayment of current financing	-	-	-	(8,905)	(8,905)
Cash payments for/cash receipts from other financial liabilities	-	-	-	2,047	2,047
	(21,353)	**(3,000)**	**(11,982)**	**(36,858)**	**(73,193)**
Acquisition/change in scope of consolidation	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**(657)**	**-**	**(1,556)**	**(2,523)**	**(4,736)**
Accrued interest	**(244)**	**-**	**1,218**	**(20)**	**954**
As at 12/31/2020	**309,000**	**86,350**	**57,602**	**68,711**	**521,663**

The total column in the table above corresponds to the sum of current and non-current financial liabilities, excluding derivative financial instruments.

OTHER DISCLOSURES

(57) Disclosures of business transactions with related parties

At PALFINGER, related parties are grouped into associated companies and joint ventures, key management, and other related parties. Associated companies and joint ventures can be found in the list of shareholdings. The Supervisory Board and Executive Board of PALFINGER AG are subsumed under the term "key management". Information on the remuneration of the Executive Board is included in Note (58) Disclosures regarding governing bodies and employees. Other related parties primarily include companies that are controlled by the key management.

All transactions with associated companies and joint ventures result from the ordinary exchange of goods and services. Transactions carried out with the Supervisory Board result from their remuneration as members of the Supervisory Board in accordance with the resolution adopted at the Annual General Meeting on August 5, 2020. Transactions carried out with other related parties relate primarily to the delivery of goods and rentals.

Transactions with related parties are carried out at typical arm’s length terms and conditions.

The following table shows transactions with associated companies and joint ventures disclosed in full. Transactions with Executive Board members are not included in the table below; for more information, please refer to the Note entitled "Disclosures regarding governing bodies and employees".

	Associated companies		Joint ventures		Supervisory Board		Other	
EUR thousand	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020
Receivables	10,874	8,938	853	1,416	-	-	18,456	315
Liabilities	87	266	2,755	1,978	180	264	471	16,225
Revenue	98,088	99,314	12,018	2,507	-	-	4,865	2,205
Other operating income	108	64	280	121	-	-	604	54
Purchased services	(5)	(3)	(414)	(734)	(186)	(264)	(1,275)	(1,823)
Cost of materials	(9)	(2)	(1,978)	(2,490)	-	-	-	-
Interest income	-	-	6	4	-	-	251	327
Allowances	(93)	-	-	-	-	-	(379)	-

Receivables from associated companies and joint ventures include trade receivables in the amount of EUR 9,964 thousand (previous year: EUR 11,298 thousand).

Of the liabilities to associated companies and joint ventures amounting to EUR 2,244 thousand (previous year: EUR 2,843 thousand), EUR 638 thousand (previous year: EUR 1,568 thousand) resulted from the provision of goods and services.

For a receivable from the estate of Hubert Palfinger Senior in the amount of EUR 18,143 thousand (previous year: EUR 17,902 thousand), collateral in the amount of EUR 18,000 thousand existed as at the balance sheet date in the form of personal letters of undertaking from Hubert Palfinger and Hannes Palfinger (see also Note (35). The amount exceeding the collateral amounting to EUR 143 thousand was impaired in 2020. The receivable accrues interest at arm’s length rates

PALFINGER AG leases its corporate headquarters in Bergheim near Salzburg, Austria, from a company belonging to Palfinger Privatstiftung, which is a private foundation. The lease agreement was entered into for a period of 20 years, whereby the lease may be terminated by PALFINGER AG after the 20 years have expired at the end of each year with a twelve-month period of notice. The rent was determined based on an independent assessment of the current market value. PALFINGER AG has a right of first refusal on the purchase of this real estate.

(58) Disclosures regarding governing bodies and employees

EMPLOYEES

The average number of company employees including apprentices and interns for the Group in fiscal year 2020 is 10,903 people (previous year: 11,035 people). As at the balance sheet date, the number of employees in the PALFINGER Group is 10,824 people (previous year: 11,126 people).

SUPERVISORY BOARD

The following individuals were either appointed or delegated by the Works Council to serve as members of the Supervisory Board in fiscal year 2020:

- Hubert Palfinger, Chair[1)]
- Gerhard Rauch, 1st Deputy Chair[1)]
- Hannes Palfinger, 2nd Deputy Chair[1)]
- Heinrich Dieter Kiener
- Hannes Bogner[2)]
- Ellyn Shenglin Cai
- Isabel Diaz Rohr
- Johannes Kücher (Works Council)[2)]
- Alois Weiss (Works Council)
- Erwin Asen (Works Council)

1) Member of the Audit, Nomination and Remuneration Committees.
2) Member of the Audit Committee.

EXECUTIVE BOARD

- Andreas Klauser, Chief Executive Officer
- Felix Strohbichler, Chief Financial Officer
- Martin Zehnder, Chief Operating Officer

The regular current remuneration of the Executive Board consists of several components and can be broken down as follows:

	Non-performance-related		Performance-based	
EUR thousand	Jan–Dec 2019[1)]	Jan–Dec 2020	Jan–Dec 2019	Jan–Dec 2020[2)]
Andreas Klauser	638	622	642	231
Felix Strohbichler	438	427	341	172
Martin Zehnder	494	479	415	210
Current remuneration	**1,570**	**1,528**	**1,398**	**613**

1) Remuneration in kind for motor vehicles was adjusted to the cost rate in the previous year.
2) Corresponds to the amount of the provision.

There are liabilities amounting to EUR 613 thousand (previous year: EUR 1,209 thousand) for the current performance-based remuneration of the members of the Executive Board.

In addition, non-current performance-based remuneration is shown below:

In the second quarter of 2018, a new bonus agreement was entered into with the Executive Board based on a long-term increase in enterprise value. The new agreement lasts until 2022, and the bonus is expected to be paid out in 2023. In February 2020, an adjustment was made to the parameters for calculating enterprise value. For this purpose, provisions were recognized in profit or loss amounting to EUR 3,725 thousand in the fiscal year 2020 (previous year: EUR 3,589 thousand).

EUR 12 thousand (previous year: EUR 10 thousand) is recognized as service costs for benefits payable after termination of employment. This relates to individual contractual pension commitments for Wolfgang Pilz.

Expenses for severance payments and pensions at PALFINGER AG amount to EUR 168 thousand (previous year: EUR 173 thousand) for members of the Executive Board and senior executives and EUR 677 thousand (previous year: EUR 1,317 thousand) for the remaining employees.

Expenses for severance payments include payments made to contribution-based pension plans in the amount of EUR 41 thousand (previous year: EUR 41 thousand) for members of the Executive Board.

(59) Significant events after the balance sheet date

The PALFINGER Group was the target of a global cyberattack in January 2021. Following an interruption to operations lasting around 10 days, production and assembly plants were gradually restarted. Based on current evaluations, it is anticipated that there will be no material impact on fiscal year 2021. In addition, no events of particular significance occurred after the end of fiscal year 2020 that would have led to a different presentation of the Group's financial position, financial performance or cash flows.

ACCOUNTING POLICIES

The accounting policies applied during the preparation of the consolidated financial statements of the PALFINGER Group are discussed below.

Note Balance sheet item	Accounting policies	Standard
(60) Intangible assets		
Intangible assets with indefinite useful lives	Amortized cost Straight-line depreciation over useful life: In general 2–15 years Capitalized customer relationships 5-10 years An impairment test is conducted whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 36 IAS 38
Intangible assets with indefinite useful lives and intangible assets under development	Impairment-only approach: Periodic amortization charges are not recognized; instead, an impairment test is carried out once a year and whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 36 IAS 38
Goodwill	Impairment-only approach (see above) In order to carry out impairment tests, goodwill is allocated to cash-generating units. The essential standard applied for determining whether a production unit qualifies as a cash-generating unit is the assessment of its technical and economic independence for the generation of income. The Group's impairment test of the cash-generating unit is carried out by comparing the current carrying amount (including the allocated goodwill) with the higher of either the fair value minus costs to sell, or the value-in-use. When determining the recoverable amount, assumptions regarding future development and estimates are made that might not occur as predicted. Value-in-use is calculated as the present value of associated estimated future cash flows before tax for the next four to five years on the basis of data from medium-term corporate planning. Medium-term corporate planning is prepared every second to third year. In the years in which no medium-term corporate planning is carried out, the estimated cash flows are adjusted on the basis of a deviation analysis. The most recent strategic corporate planning was carried out at the end of 2019. After the detailed planning period, a perpetual annuity is calculated based on the assumptions of the previous year. The discount rate is derived from the weighted average cost of capital customary for the market and adjusted to the specific risks on the basis of externally available capital market data. When determining the weighted average cost of capital, externally available capital market data are used. If the calculated amount is less than the carrying amount, an impairment loss amounting to the difference is allocated primarily to reduce the goodwill. Any additional impairment loss is then to be allocated to the remaining assets of the cash-generating units in proportion to their carrying amounts. The impairment test is carried out for the entire capitalized goodwill. If non-controlling interests are recognized at their fair values in the course of a business acquisition, the impairment loss is distributed over the individual groups of shareholders. The distribution takes place on the basis of the same logic that is also applied when distributing the earnings of the particular subsidiary among the shareholders. In accordance with IAS 36, once goodwill has been written down due to an impairment loss, the impairment loss may not be reversed in later periods.	IFRS 3 IAS 36
Research and development	Research expenses are recognized in profit and loss as soon as they are incurred. Development expenses incurred with the intention of a major further development for a product or a process are capitalized if the product or process is feasible both from a technological and economic point of view, the development is marketable, the expenses can be measured reliably, and PALFINGER has sufficient resources to complete the development project. All other development expenses are recognized in profit and loss when they are incurred. Capitalized development expenses for completed projects are reported at cost minus accumulated depreciation, amortization and impairment. As long as a development project is not yet completed, the recoverability of the accumulated capitalized amounts is tested annually or more frequently if circumstances indicate that an impairment loss might have occurred.	IAS 36 IAS 38

Note Balance sheet item	Accounting policies	Standard
(61) Property, plant and equipment		
	Amortized cost In addition to direct costs, production costs also include an appropriate share of material and production overheads as well as borrowing costs in the case of qualifying assets. General administrative expenses are not capitalized. Straight-line depreciation over useful life: Own buildings and investments (in third-party buildings) 20–50 years Plants and machinery 3–15 years Operating and office equipment 3–10 years In the case of asset disposals, the difference between the carrying amounts and the net realizable value is recognized in profit and loss as either other operating income or other operating expenses. An impairment test is carried out whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 16 IAS 36
Government grants	Investment grants are presented as reductions of acquisition or manufacturing costs. Grants for research are recognized as income in research and development costs. A government grant is not recognized until there is reasonable assurance that the the conditions attached to it will be fulfilled, and that the grant will be received.	IAS 20
Leases as lessee	Assets (rights to use leased assets) and liabilities are recognized in the balance sheet in accordance with IFRS 16. Lease liabilities are recognized at the present value of the outstanding lease payments and right-of-use assets at the amount of the recognized lease liability, adjusted for advance payments and accrued lease payments. Low-value leased assets (printers, laptops, cellular phones, and other office equipment) and short-term leases with a term of less than twelve months are not capitalized, but instead recognized as expense proportionately over time. In addition, IFRS 16 is not applied to intangible assets. Lease agreements can include both lease components and non-lease components. The Group allocates the contractually stipulated compensation based on the relative stand-alone selling price of the lease components and the aggregated stand-alone selling price of the non-lease components to the individual lease components. For leases of land, the Group practices not allocating to non-lease and lease components and instead, accounting for each lease component, and as a consequence all related non-lease components, as a single lease component.	IFRS 16
Borrowing costs	Capitalization upon acquisition or production of a qualifying asset.	IAS 23
(62) Inventories		
	Acquisition or production cost (see (61) Property, plant and equipment) or lower net realizable value at the balance sheet date Raw materials, consumables and supplies as well as merchandise: moving average price method Work in progress and finished goods: standard production costs, reviewed regularly and adjusted if necessary	IAS 2
(63) Contract assets from customer contracts		
	Revenue is realized based on the percentage of completion, which is determined using the cost-to-cost method or the milestone method. When applying the cost-to-cost method, revenue and order results are recognized based on the manufacturing costs actually incurred in relation to the expected total costs. Reliable estimates of the total costs of the contracts, the selling prices, and the actual costs incurred are available on a monthly basis. When applying the milestone method, the percentage of completion is determined on the basis of certain defined milestone events. For technological and financial risks that might occur during the remainder of the project, a separate estimate is made for each contract and a corresponding amount is recognized as part of the expected total costs. Expected losses are immediately realized as expense if the total contract costs are likely to exceed the contract revenue.	IFRS 15

Note	Balance sheet item	Accounting policies	Standard
(64) Financial instruments			
		Financial assets are measured at fair value when they are initially recognized. In the case of financial investments that are not recognized at fair value in profit or loss, transaction costs that are directly attributable to the acquisition of the assets are also taken into account. Fair value is determined based on the market information available on the balance sheet date. The values listed may differ from the values realized later in light of varying factors of influence. The fair value of financial assets and liabilities reflects the effects of the risk of non-performance on the part of the counterparty. When determining the fair value of a financial asset, the banks' credit risks are taken into account based on their ratings. When determining the fair values of financial liabilities, the company's own credit risk is taken into account on the basis of the ratings made by the banks. Market values are available for all derivative financial instruments and securities. The fair values of all other financial instruments are determined based on the discounted expected cash flows. Acquisitions or disposals of financial assets are recognized at the trade date. Impairment losses for all financial instruments are recognized in profit or loss. If the reason for impairment no longer applies, the impairment losses are reversed in the income statement.	IFRS 7 IFRS 9 IFRS 13 IAS 32
	Securities and other shareholdings	"Fair value through profit or loss": Measurement subsequent to initial recognition at fair value.	
	Loans	"At amortized cost": Measurement subsequent to initial recognition at amortized cost applying the effective interest method minus any impairment loss.	
	Receivables	"At amortized cost": Measurement subsequent to initial recognition at amortized cost, less any impairment losses recorded in allowance accounts "Fair value through OCI": Refers to trade receivables in receivables portfolios where it is still uncertain which receivables will be sold to the factor and when. PALFINGER applies the simplified impairment model for trade receivables and contract assets from customer contracts, taking into account lifetime expected losses. General specific valuation allowances on receivables are recognized based on an assessment matrix, which is based on the results of an analysis of the losses occurring over the past five years as well as an assessment of future developments and takes into account days overdue and country risk. The likelihood of receiving payment is assessed for specific valuation allowances on receivables, Previous experience with specific customers, their creditworthiness, and any collateral provided are taken into account here. Uncollectible receivables are de-recognized.	
	Cash and cash equivalents	Mark-to-market	
	Liabilities	At amortized cost: Measurement subsequent to initial recognition at amortized cost applying the effective interest method.	
	Purchase price liabilities from acquisitions	Deferred purchase price liabilities from acquisitions are measured at amortized cost. Contingent purchase price liabilities from acquisitions are measured at fair value. The fair value is calculated internally using generally accepted calculation models based on market interest rates in line with the respective maturities. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	
	Derivative financial instruments	Derivative financial instruments that do not fulfill the criteria in IFRS 9 for hedge accounting are classified as fair value through profit or loss in accordance with IFRS 9 and recognized at fair value in profit or loss.	
	Cash flow hedge	In order to minimize the risk of fluctuations with respect to payments received in the future, expected foreign currency income and interest risks are hedged in the PALFINGER Group using currency forwards and interest swaps. In order to offset the effects of the hedged transaction and the hedging instrument in the income statement on an accrual basis, the special provisions on hedge accounting in IFRS 9 are applied. The fair values resulting on the balance sheet date after accounting for deferred taxes are recognized in other comprehensive income and reported under reserves in accordance with IFRS 9. The reserve is recognized as reversed in profit or loss in proportion to the future proceeds generated in the corresponding fiscal year.	

Note Balance sheet item	Accounting policies	Standard
(65) Long-term personnel obligations		IAS 19
Defined benefit plans	Defined benefit plans relate to pension commitments in Austria, France, Norway and Germany as well as severance obligations in Austria, Slovenia, Bulgaria, South Korea, Qatar and the United Arab Emirates. Provisions for pensions and similar obligations as well as severance payments and service anniversary bonuses are valued by an actuary as at the respective balance sheet date in the form of an actuarial report using the projected unit credit method. The discount rate matching the maturity is determined based on the yield of senior fixed-interest corporate bonds, i.e. a rating of AA or higher. In accordance with IAS 19, remeasurements are recognized in other comprehensive income if they relate to provisions for pensions and other post-employment benefits or to severance payments.	
Defined contribution plans	Defined contribution plans have been introduced at various Group companies on the basis of statutory obligations. In addition, individual pension agreements have been entered into. Contributions are recognized as expenses in the period for which they are paid.	
Other long-term employment benefits provisions	Other long-term employment benefits relate primarily to collective bargaining commitments for the payment of anniversary bonuses depending on years of service for the employees of Austrian and Slovenian companies and to bonus agreements entered into with the members of the Executive Board and other executives. In accordance with IAS 19, remeasurements are recognized in profit or loss as provisions for anniversary bonuses under personnel expenses.	
(66) Other provisions		
	Provisions are recognized at the expected settlement amount; non-current provisions are recognized at present value.	IAS 37
(67) Income tax		
	Tax receivables and tax liabilities are netted when they relate to the same tax authority and the company has a right to offset the items. Deferred taxes are recognized according to the liability method. The respective country's applicable tax rate is applied for calculating the deferred taxes. Deferred tax assets are only recognized if it is likely that the corresponding tax advantages will actually be realized. Deferred tax is calculated using the tax rate expected to apply on the balance sheet date when the temporary differences reverse. As a general rule, changes in taxes result in tax expenses and/or tax income. Taxes on items recognized in other comprehensive income are recognized in other comprehensive income. Taxes on items recognized directly in equity are recognized directly in equity.	IAS 12
(68) Revenue recognition		
	Sale of products Revenue from the sale of series products is recognized when control of the goods is transferred to the customer in accordance with the terms and conditions of delivery. Revenue is recognized at that point in time provided that both revenue and cost can be reliably determined, the consideration is likely to be received, and the performance obligation has been fulfilled. The performance obligation is normally fulfilled upon transfer of ownership in accordance with the INCOTERMS. Some contracts have multiple components, meaning that in addition to governing the sale of series products, they also include additional performance obligations such as extended warranties and service type warranties, service and maintenance, or commissioning. In accordance with IFRS 15, the consideration is allocated to the components according to their relative standalone selling prices. Contract manufacturing and rendering of services In the project business, revenue from customer-specific contract manufacturing orders was recognized in the past according to the percentage of completion (PoC) method. IFRS 15 defines criteria for recognizing revenue over a specified time period. Almost all project business contracts meet the criteria for satisfying a performance obligation over a specified time period because the assets produced have no alternative use and PALFINGER has a right to payment for the performance completed at any time during the term of the respective contract. PALFINGER's project business consists of railway systems projects in the EMEA region as well as projects involving offshore cranes, winches, davits and boats. In the case of contracts for the provision of long-term services, revenue is recognized over a specified time period because the customer receives the benefits from the services while they are being performed. Significant financing components with terms longer than twelve months are accounted for separately from revenue. Installment plans are set up for this purpose in most cases. Significant costs incurred during the phase of contract formation are only capitalized for contracts with terms longer than twelve months. At present, no significant costs are incurred during the phase of contract formation. Variable consideration and repurchase commitments only apply in rare cases.	IFRS 15

FAIR VALUE MEASUREMENT

PALFINGER measures financial instruments such as derivatives, contingent purchase price obligations as well as liabilities from puttable non-controlling interests at fair value on a recurring basis. The fair values of financial instruments accounted for at amortized cost are quoted in the Note "Financial instruments".

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

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

When determining fair value, PALFINGER applies valuation methods appropriate in the circumstances and for which sufficient data are available to measure the fair value, using observable inputs whenever possible.

The fair values accounted for or stated are categorized on the basis of the lowest level of input applied as follows:
- Level 1 - quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date.
- Level 2 - inputs other than quoted market prices included in Level 1 that are to be observed for the asset or liability, either directly or indirectly.
- Level 3 - inputs that are not observable for the asset or liability.

LIST OF SHAREHOLDINGS

Company, registered office	Parent company[1)]	Direct investment[2)] (in percent) 2019	2020	Indirect investment[3)] (in percent) 2019	2020	FC[4)]
Consolidated entities						
PALFINGER AG, Bergheim (AT)						EUR
Andrés N. Bertotto S.A.I.C. (Hidro-Grubert), Río Tercero (AR)	PAM	70.00	70.00	70.00	70.00	ARS
Elesa centro de montaje y sercivios S.A, Madrid (ES)	PIB	100.00	100.00	75.00	75.00	EUR
EPSILON Kran GmbH, Salzburg (AT)	EMEA	65.00	65.00	65.00	65.00	EUR
Equipment Technology, LLC, Oklahoma City (US)	PUSH	100.00	100.00	100.00	100.00	USD
FairWind Renewable Energy Services, LLC, Lawton (US)	PUSH	51.00	-	51.00	-	USD
Guima Palfinger S.A.S., Caussade (FR)	EMEA	65.00	65.00	65.00	65.00	EUR
Harding Safety Spain SL, Cádiz (ES)	PALM AS	100.00	100.00	100.00	100.00	EUR
Heron Davits AS, Seimsfoss (NO)	PALM AS	100.00	-	100.00	-	EUR
Holding Company Podyomnie Maschini AO, Archangel (RU)	VMS/PMH	100.00	100.00	75.03	75.03	RUB
INMAN AO, Ishimbay (RU)	PCIS	100.00	100.00	100.00	100.00	RUB
Madal Palfinger S.A., Caxias do Sul (BR)	PAM	99.85	99.85	99.85	99.85	BRL
MBB Interlift N.V., Erembodegem (BE)	PTL DE	100.00	-	100.00	-	EUR
Mega Repairing Machinery Equipment LLC, Dubai (AE)	PSYSU	100.00	100.00	100.00	100.00	AED
Megarme General Contracting Company LLC, Abu Dhabi (AE)	PSYSU	100.00	100.00	100.00	100.00	AED
Megarme Inspection & Engineering Services LLC, Dubai (AE)	PSYSU	100.00	100.00	100.00	100.00	AED[6)]
Nimet Srl, Lazuri (RO)	PPT	60.00	60.00	60.00	60.00	RON
Noreq BV, Houten (NL)	PALM AS	100.00	100.00	100.00	100.00	EUR
Omaha Standard, LLC, Council Bluffs (US)	PUSH	100.00	100.00	100.00	100.00	USD
Palfinger Americas GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Area Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Asia Pacific Pte. Ltd., Singapore (SG)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Canarias Maquinaria S.L., Las Palmas de Gran Canaria (ES)	PIB	100.00	100.00	75.00	75.00	EUR
Palfinger CIS GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger comércio e aluguer de máquinas S.A., Samora Correira (PT)	PIB	60.00	60.00	45.00	45.00	EUR
Palfinger Crane Rus OOO, St. Petersburg (RU)	PCIS	100.00	100.00	100.00	100.00	RUB
Palfinger Cranes India Pvt. Ltd., Chennai (IN)	PAUG/PAP	100.00	100.00	100.00	100.00	INR
Palfinger Danmark AS, Middelfart (DK)	EMEA	100.00	100.00	100.00	100.00	DKK
Palfinger EMEA GmbH, Bergheim (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Equipment (Nantong) Co., Ltd., Nantong (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger Europe GmbH, Salzburg (AT)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger GmbH, Ainring (DE)[5)]	PP/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Gru Idrauliche S.r.l, Bolzano (IT)	PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Hayons S.A.S., Silly en Gouffern (FR)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Ibérica Maquinaria S.L., Madrid (ES)	EMEA	75.00	75.00	75.00	75.00	EUR
Palfinger Japan K.K., Yokohama (JP)	PAP	100.00	100.00	100.00	100.00	JPY
Palfinger Kama Cylinders OOO, Neftekamsk (RU)	PCIS	51.00	51.00	51.00	51.00	RUB
Palfinger Korea Co., Ltd., Seongnam-si (KR)	PAP	100.00	100.00	100.00	100.00	KRW
Palfinger Liftgates, LLC, Cerritos (US)	PUSH	100.00	100.00	100.00	100.00	USD
Palfinger Marine Canada Inc., Langley (CA)	PALM AS	100.00	100.00	100.00	100.00	CAD

Company, registered office	Parent company[1]	Direct investment[2] (in percent) 2019	2020	Indirect investment[3] (in percent) 2019	2020	FC[4]
Palfinger Marine Czech s.r.o., Slaný (CZ)	PALM EU	100.00	100.00	100.00	100.00	CZK
Palfinger Marine d.o.o., Maribor, Maribor (SI)	EMEA	100.00	-	100.00	-	EUR
Palfinger Marine DK AS, Munkebo (DK)	PALM AS	100.00	100.00	100.00	100.00	DKK
Palfinger Marine Do Brasil Ltda., Rio de Janeiro (BR)	PALMA	100.00	100.00	100.00	100.00	BRL
Palfinger Marine Doha WLL, Doha (QA)	PSYSU	100.00	100.00	100.00	100.00	QAR
Palfinger Marine Europe B.V., Schiedam (NL)	PALM AS	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Germany GmbH, Dägeling (DE)	PALM AS	100.00	100.00	100.00	100.00	EUR
Palfinger Marine GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Hong Kong Limited, Hong Kong (CN)	PALM AS	100.00	100.00	100.00	100.00	HKD
Palfinger Marine Italy Srl, Livorno (IT)	PALM AS	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Korea Ltd., Sacheon-si (KR)	PALMA	100.00	100.00	100.00	100.00	KRW
Palfinger Marine LSE (Qingdao) Co., Ltd., Qingdao (CN)	PALM AS	100.00	100.00	100.00	100.00	CNY
Palfinger Marine Montagens Industriais do Brasil Ltda., Porto Alegre (BR)	PALM BR	99.00	99.00	99.00	99.00	BRL
Palfinger Marine Netherlands B.V., Haderwijk (NL)	PALMA	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Norway AS, Bergen (NO)	PALMA	100.00	100.00	100.00	100.00	NOK
Palfinger Marine Panama Inc., Ciudad de Panama (PA)	PALM US	100.00	100.00	100.00	100.00	PAB
Palfinger Marine Poland sp. z.o.o., Gdynia (PL)	PALMA	100.00	100.00	100.00	100.00	PLN
Palfinger Marine Rus OOO, St. Petersburg (RU)	PALMA	100.00	100.00	100.00	100.00	RUB
Palfinger Marine Safety AS, Seimsfoss (NO)	PALMA	100.00	100.00	100.00	100.00	NOK
Palfinger Marine Shanghai Co., Ltd., Shanghai (CN)	PALM AS	100.00	100.00	100.00	100.00	CNY
Palfinger Marine UK Limited, Gosport Hampshire (UK)	PALM AS	100.00	100.00	100.00	100.00	GBP
Palfinger Marine USA Inc., New Iberia (US)	PALM AS	100.00	100.00	100.00	100.00	USD
Palfinger Marine Vietnam Co., Ltd., Hung Yen (VN)	PM NL	100.00	100.00	100.00	100.00	USD
Palfinger North America, Inc., Council Bluffs (US)	PUSH	-	100.00	-	100.00	EUR
Palfinger Platforms GmbH, Krefeld (DE)[5]	PTL DE/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms Italy s.r.l., Bolzano (IT)	PSUG	100.00	100.00	100.00	100.00	EUR
Palfinger PM Holding GmbH, Salzburg (AT)	PCIS	75.03	75.03	75.03	75.03	EUR
Palfinger Poland sp.z.o.o., Solec Kujawski (PL)	EMEA	100.00	100.00	100.00	100.00	PLN
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger proizvodna tehnologija Hrvatska d.o.o., Delnice (HR)	EMEA	100.00	100.00	100.00	100.00	HRK
PALFINGER proizvodnja d.o.o., Maribor (SI)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger S. Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Structural Inspection GmbH, Vienna (AT)	PAG	51.00	51.00	51.00	51.00	EUR
Palfinger systems units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Tail Lifts GmbH, Ganderkesee-Hoykenkamp (DE)[5]	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Tail Lifts Limited, Welwyn Garden City (UK)	EMEA	100.00	100.00	100.00	100.00	GBP
Palfinger Tail Lifts s.r.o., Bratislava (SK)	PTL DE	100.00	100.00	100.00	100.00	EUR
Palfinger Taiwan Co., Ltd., Taipei City (TW)	PAP	-	100.00	-	100.00	TWD
Palfinger Trading (Shanghai) Co., Ltd., Shanghai (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger US Holdings, Inc., Council Bluffs (US)	PAM	100.00	100.00	100.00	100.00	USD
Palfinger, Inc., Niagara Falls (CA)	PAM	100.00	100.00	100.00	100.00	USD
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul (BR)	MP	100.00	100.00	99.85	99.85	BRL
Palfinger USA, LLC, Tiffin (US)	OSP	100.00	100.00	100.00	100.00	USD
Podyomnie Maschini AO, Velikiye Luki (RU)	PMH	100.00	100.00	75.03	75.03	RUB
SMZ OOO, Archangel (RU)	PM/HKPM	100.00	100.00	75.03	75.03	RUB
Velmash-S OOO, Velikiye Luki (RU)	PM/HKPM	100.00	100.00	75.03	75.03	RUB

Company, registered office	Parent company[1]	Direct investment[2] (in percent) 2019	2020	Indirect investment[3] (in percent) 2019	2020	FC[4]
Entities reported at equity						
Associated companies						
Crane Center Kamaz OOO, Nabereschnye Tschelny (RU)	PCIS	49.00	49.00	49.00	49.00	RUB
Palfinger France S.A.S., Étoile sur Rhône (FR)	EMEA	48.94	48.94	48.94	48.94	EUR
SANY Automobile Hoisting Machinery Co., Ltd., Changsha (CN)	PAP	7.50	7.50	7.50	7.50	CNY
STEPA Farmkran Gesellschaft m.b.H., Elsbethen (AT)	EMEA	45.00	45.00	45.00	45.00	EUR
Joint ventures						
Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)	PSUG	50.00	50.00	50.00	50.00	EUR
PALFINGER SANY Cranes OOO, Moscow (RU)	PSV	100.00	100.00	50.00	50.00	RUB
Sany Palfinger SPV Equipment Co., Ltd., Nantong (CN)	PAP	50.00	50.00	50.00	50.00	CNY
Other shareholdings						
Rosendal Hamn Eigedom AS, Rosendal (NO)	PALM AS	3.00	3.00	3.00	3.00	NOK
Rosendal Utvikling AS, Rosendal (NO)	PALM AS	8.50	8.50	8.50	8.50	NOK
Sunnhordlandsdiagonalen AS, Valen (NO)	PALM AS	4.54	4.54	4.54	4.54	NOK
Atheno AS, Stord (NO)	PALM AS	6.20	6.20	6.20	6.20	NOK

1) Parentcompany:

EMEA = Palfinger EMEA GmbH, Bergheim (AT)
HKPM = Holding Company Podyomnie Maschini AO, Archangel (RU)
MP = Madal Palfinger S.A., Caxias do Sul (BR)
OSP = Omaha Standard, LLC, Council Bluffs (US)
PAG = PALFINGER AG, Bergheim (AT)
PALM AS = Palfinger Marine Safety AS, Seimsfoss (NO)
PALM BR = Palfinger Marine Do Brasil Ltda., Rio de Janeiro (BR)
PALM EU = Palfinger Marine Europe B.V., Schiedam (NL)
PALM US = Palfinger Marine USA Inc., New Iberia (US)
PALMA = Palfinger Marine GmbH, Salzburg (AT)
PAM = Palfinger Americas GmbH, Salzburg (AT)
PAP = Palfinger Asia Pacific Pte. Ltd., Singapore (SG)
PAUG = Palfinger Area Units GmbH, Salzburg (AT)
PCIS = Palfinger CIS GmbH, Salzburg (AT)
PEU = Palfinger Europe GmbH, Salzburg (AT)
PIB = Palfinger Ibérica Maqiunaria S.L., Madrid (ES)
PM = Podyomnie Maschini AO, Velikiye Luki (RU)
PM NL = Palfinger Marine Netherlands B.V., Barneveld (NL)
PM NO = Palfinger Marine Norway AS, Bergen (NO)
PMH = Palfinger PM Holding GmbH, Salzburg (AT)
PP = Palfinger Platforms GmbH, Krefeld (DE)
PPT = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)
PSUG = Palfinger S. Units GmbH, Salzburg (AT)
PSV = Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)
PSYSU = Palfinger systems units GmbH, Salzburg (AT)
PTL DE = Palfinger Tail Lifts GmbH, Ganderkesee (DE)
PUSH = Palfinger US Holdings, Inc., Council Bluffs (US)
VMS = Velmash-S OOO, Velikiye Luki (RU)

2) From the point of view of the controlling company
3) From the point of view of PALFINGER AG
4) Curr. = functional currency
5) Section 264 (3) HGB and/or Section 264b HGB was applied for these entities.
6) Company not consolidated due to negligible importance

Bergheim, February 25, 2021

Executive Board of PALFINGER AG

Andreas Klauser
Chief Executive Officer

Felix Strohbichler
Chief Financial Officer

Martin Zehnder
Chief Operations Officer

DETAILED GRI AND
SUSTAINABILITY DISCLOSURES

2020 ALLOWED US TO RE-EVALUATE WHAT EXACTLY IS IMPORTANT.

Kelli MacDonald-Risner, HSE Region Manager PALFINGER North America

DETAILED GRI AND SUSTAINABILITY DISCLOSURES

SUSTAINABILITY REPORT PROFILE AND BOUNDARIES

Every year since 2013, PALFINGER has published an Integrated Annual Report containing reporting on sustainability aspects. The 2020 Integrated Annual Report presents a comprehensive overview of all aspects of corporate governance - economic aspects as well as social and environmental ones - for the fiscal year January 1 through December 31, 2020. The selection of material topics is based on the materiality analysis carried out in 2017 and reflect PALFINGER's four sustainability areas. PALFINGER AG is included in the KPI as the parent company. The GRI content index provides an overview of the sustainability topics, in accordance with UN Global Compact, along with references to the relevant pages in the report. These pages contain references to the relevant GRI disclosures as well as references to additional information. A consolidated non-financial statement of the Group including PALFINGER AG is part of the Management Report.

Group management report, Sustainability management, p. 43; GRI content index, p. 225

As a matter of principle, all consolidated companies in the PALFINGER Group, as shown in the list of shareholdings, have been included in the sustainability reporting. Due to a post-merger integration phase, only personnel data with relevance for master data, such as the number of employees, is requested in the first year of consolidation of new investments; no specific employee or HSE (Health, Safety, Environment) KPIs such as training hours and staff absences due to industrial accidents are reported. Sites with fewer than 80 employees can be exempted from the obligation to disclose employee KPIs that have no relation to the employment trend. Currently, only two sites have made use of the option to be exempted from this obligation: Palfinger Tail Lifts s.r.o. and Palfinger Hayons S.A.S.

Consolidated financial statements, List of shareholdings, p. 191

Given the importance of environmental KPIs, reporting on these is mandatory for manufacturing and assembly locations. The sites in Bergheim (AT) and Ainring (DE), being corporate headquarters and a truck body mounting site, respectively, have been included in the reporting due to their size. A complete list of all sites reporting environmental data in 2020 can be found in the section entitled "Management systems in use". The Atlanta (US), Charlotte (US), Tiffin (US) and Loeches (ES) sites have been integrated into Group reporting. Rudong, the site of the Sany Palfinger joint venture, is not consolidated, but only considered internally as additional information and is therefore not included in this report.

Management systems in use, p. 196

Reporting year 2015 was defined as a uniform base year for the presentation of environmental KPIs. It serves as the basis of comparison for long-term targets and the annual performance of the index KPIs in relation to revenue.

The calculation of direct and indirect CO_2 equivalents is based primarily on the IEA 2018 database, reference year 2016. Emissions data contains carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O) plus the correction value for import and export. As direct combustion does not release the remaining Kyoto gases, the figures can be considered complete. Data relating to direct emissions (Scope 1) of petrol, diesel, LPG, and heating oil was provided by Austria's Federal Environmental Agency (Umweltbundesamt). The conversion for the energy source coal was based on the specific carbon content of coal (Scope 1). Scope 3 conversion factors are taken from the Ecoinvent 3.5 database. The conversion factors for district heating are country-specific and come directly from the provider.

Companies acquired or sites established during the reporting year are - like with specific employee KPIs - not required to report environmental data until the beginning of the following year.

The large number of sites makes it impossible to present data for each site individually in the 2020 Integrated Annual Report. The disclosures in this chapter are made according to the geographical regions European Union, Far East, CIS, Central and South America, Middle East and Africa, North America, and Rest of Europe or for the entire PALFINGER Group. Eco-efficiency in production is not reported for the Middle East and Africa region because there are no applicable sites in this region. There were no significant changes compared to the last report.

GRI 102-46, 102-48, 102-50, 102-51, 102-52, 305-1, 305-2, 305-3

MANAGEMENT SYSTEMS IN USE

PALFINGER attaches great importance to continuously improving the management of quality assurance, environmental standards, product safety, and occupational safety at the production sites. External certifications may be obtained by the relevant units or companies on their own authority and in line with local requirements. They are, however, not indispensable. The local management systems use the same generally applicable process throughout the Group. Quality assurance and central quality management are controlled group-wide from corporate headquarters in Bergheim (AT).

As at December 31, 2020, approximately 84 percent (2019: 86 percent) of all employees were working at sites with an ISO 9001 quality management system in place. The reason for the slight decline is recertification at the Arkhangelsk (RU) site, which could not be completed in the year under review. Re-certification is planned for 2021 as well as implementation at the Loeches (ES) site. PALFINGER's high quality standards apply to welding processes. Only sites where welding processes actually take place are included in the statistical population. The proportion of employees who, at the reporting date, were working at sites that had obtained country-specific welding certificates was 71 percent (2019: 71 percent). Moreover, group-wide quality management guidelines specify the procedure for the settlement of guarantee payments, company-wide minimum standards for quality, and definitions of guarantee cases and guarantee costs.

Group management report, Quality management, p. 93

Many quality management aspects are also relevant for environmental protection. The proportion of employees who work at sites certified to ISO 14001 remained almost constant in the reporting year at 48 percent (2019: 49 percent). An implementation in Archangelsk (RU) and Loeches (ES) is planned for 2021.

The proportion of employees who work at sites with energy management systems certified to ISO 50001 remained almost constant at 49 percent (2019: 50 percent). The change is due solely to the number of employees; the number of certified sites remains identical. All PALFINGER sites meet the minimum criteria required for an environmental management system as defined in the Group's environmental protection guideline. This guideline provides for the implementation of local improvement actions.

Group management report, Environmental and energy management, p. 97

At PALFINGER, one way of managing occupational health and safety aspects is through certification to OHSAS 18001 or its replacement, ISO 45001. In reporting year 2020, this was introduced at the Cherven Brjag (BG) site. The proportion of employees who work at sites with certifications was thus increased to 40 percent (2019: 34 percent).

GRI 403-1

Group management report, Occupational health and safety, p. 84

Certifications			**Quality**	**Environment**	**Energy**	**Safety**	**Technology**
Site or registered office	**Company**	**Number of employees**	**ISO 9001**	**ISO 14001**	**ISO 50001**	**OHSAS 18001 / ISO 45001**	**Welding certification1)**
Ainring (DE)	Palfinger GmbH	166	X		X		X
Atlanta (US)	Palfinger USA, LLC	14					
Archangelsk (RU)	SMZ OOO	91	Plan 2021				
Bergheim HQ (AT)	PALFINGER AG	301					1)
Cadelbosco Sopra (RE) (IT)	Palfinger Gru Idrauliche s.r.l.	107	X	Plan 2021		X	1)
Charlotte (US)	Palfinger USA, LLC	24					1)
Caussade (FR)	Guima Palfinger S.A.S.	206	X	X		X	X
Caxias do Sul - Madal (BR)	Madal	361	X				
Cerritos (US)	Palfinger Liftgates, LLC	94					
Cherven Brjag (BG)	PPT-Bulgarien Cherven Briag	637	X	X	X	X	X
Chennai (IN)	Palfinger Cranes India Pvt. Ltd.	46	X				
Council Bluffs (US)	OSP	198					
Delnice (HR)	Palfinger Proizvodna Tehnologija Hrvatska d.o.o.	110	X				X
Elsbethen (AT)	EPSILON Kran GmbH	184	X	X			1)
Ganderkesee (DE)	Palfinger Tail Lifts GmbH	236	X		X		X
Gdynia (PL)	Palfinger Marine Poland sp.z.o.o.	37	X				1)
Hanoi (VN)	Palfinger Marine Vietnam Co.,Ltd.	112					
Harderwijk - Boats (NL)	Palfinger Marine Netherlands B.V.	44					1)
Ischimbai (RU)	INMAN AO	461	X				X
Köstendorf (AT)	Palfinger Europe GmbH	565	X	X	X	X	1)
Krefeld (DE)	Palfinger Platforms GmbH	126	X		X		1)
Lazuri (RO)	Nimet Srl	629	X	X		X	1)
Lengau (AT)	Palfinger Europe GmbH	1,064	X	X	X	X	X
Loeches (ES)	Elesa centro de montaje y servicios	48	Plan 2021	Plan 2021		Plan 2021	1)
Löbau (DE)	Palfinger Platforms GmbH	249	X		X		1)
Maribor - Palfinger Marine (SI)	Palfinger Marine d.o.o., Maribor	116	X		X		1)
Maribor (SI)	Palfinger Proizvodnja d.o.o.	708	X		X		X
Modena (IT)	Palfinger Platforms Italy s.r.l.	45	X				1)
Neftekamsk (RU)	Palfinger Kama Cylinders OOO	215	X				
Niagara Falls (CA)	Palfinger, Inc.	87					
Oklahoma (US)	Equipment Technology, LLC	293					
Olve (NO)	Palfinger Marine Safety AS	65	X				1)
Qingdao (CN)	Palfinger Marine LSE (Qingdao) CO., Ltd.	42	X				
Seifhennersdorf (DE)	Palfinger Platforms GmbH	60	X		X		X
Solec Kujawski (PL)	Palfinger Poland sp.zo.o.	44	X				
Tenevo (BG)	PPT-Bulgarien Tenevo	716	X	X	X		X
Tiffin (US)	Palfinger USA, LLC	111					
Rio Tercero (AR)	Andrés N. Bertotto S.A.I.C.	229	X				
Trenton / New Jersey (US)	PARO	85					
Velikiye Luki (RU)	Velmash-S OOO	556	X	X		X	X
Total number of employees2)		**9,480**	**7,979**	**4,557**	**4,641**	**3,764**	**4,918**
Proportion using certificate (as % of number of employees)			**84%**	**48%**	**49%**	**40%**	**71%**

1) This includes ISO 3834,DNV/GL, BV Marine, ISO 15085 and GOST, but excludes certificates issued to individuals; sites without welding processes have been excluded from the statistical population used to calculate the KPI.
2) Number of employees (in FTE of all employees) in accordance with EEM reporting boundaries.

REPORTING STANDARDS

GRI STANDARDS

The allocation of PALFINGER's sustainability topics to the respective GRI disclosures is marked by references. Moreover, the impacts of a topic, in particular PALFINGER's contribution, are shown by means of the value chain and the four sustainability areas. The impact table below illustrates the direct and indirect impacts. Their measurements and any improvement actions instituted are described in the relevant sections of this report.
GRI content index, p. 225

SUSTAINABILITY AND DIVERSITY IMPROVEMENT ACT (NaDiVeG)

The impact table shows which of PALFINGER's sustainability topics are associated with which provisions of the Austrian Sustainability and Diversity Improvement Act, which became effective in 2018. This illustrates PALFINGER's implementation of the requirements under this Act in connection with the value chain and other guidelines such as GRI, UNGC, and the SDGs.
Group management report, Non-financial statement pursuant to § 267a of the Austrian Business Code, p. 69

SUSTAINABLE DEVELOPMENT GOALS (SDG)

In 2017, PALFINGER deepened its analysis of the Sustainable Development Goals (SDGs) and specified the direct or indirect impact of its own actions on individual SDGs. The impact table presents in detail the direct impact of individual sustainability topics on a Sustainable Development Goal.

The top 13 sustainability topics at PALFINGER directly impact nine SDGs. The main impacts are shown to be exerted on the five following goals in descending order. These five often interact and support each other. They have been included in the reporting. The impact table shows the specific subordinate goals of these five SDGs that are influenced.

SDG 12: Responsible consumption and production

PALFINGER assumes responsibility by using raw materials efficiently. The reduction of energy consumption as well as of hazardous waste is promoted along the entire value chain. With its safe, efficient, low-consumption, low-noise products, PALFINGER provides crane and lifting solutions that represent the latest standards in research and meet market demand. Product life cycle approaches take account of application and production patterns from the supplier to the customer. Another focus is on efficient use of raw materials such as steel and aluminum.

SDG 13: Climate action

PALFINGER is committed to climate protection and strives to continuously optimize energy consumption and intra-company transport attributable to production operations and product use, thereby lowering costs and emissions. Examples are hybrid and electric solutions, switching to renewable energy sources in procurement, and photo-voltaic solutions for production workshops. Specific objectives and measures regarding energy consumption and CO_2 emissions have been defined to contribute to this goal. In addition, PALFINGER strives to achieve the greatest possible energy efficiency in buildings as well as in production processes to the extent regional conditions permit.

SDG 8: Decent work and economic growth

The viability of the business model is of great importance to PALFINGER and contributes to economic growth. Relevant trends, such as digitalization, are actively monitored. It is equally important to guarantee attractive employment on the basis of an internalized corporate culture and internalized corporate values. This includes legal and ethical standards as well as diversity aspects, training opportunities, and voluntary social benefits for PALFINGER employees. Moreover, control by means of management systems such as OHSAS 18001/ISO 45001 promotes safe working conditions and is taken into consideration in the selection and regular assessment of suppliers.

SDG 9: Industry, innovation and infrastructure

PALFINGER is committed to keeping its business model up to date to keep ahead of current trends at all times. In order to remain fit for the future, PALFINGER invests in research and development. With the help of innovations, PALFINGER enhances its production processes as well as the safety of its products, for example by means of virtual reality applications.

SDG 10: Reduced inequalities

Over-achieving regional standards makes PALFINGER an attractive employer. PALFINGER acts in an ethical manner: Laws are obeyed, taxes are transparent and are paid properly, and corruption is counteracted. Relevant topics here are the promotion of diversity and equal opportunity, for example in connection with talent management, as well as fair working conditions, modern workplaces, and fair remuneration.

Group management report, sustainability management, p. 43

UN GLOBAL COMPACT (UNGC)

Since 2013, PALFINGER has been committed to compliance with the ten principles of the UN Global Compact. Instead of disclosing a Communication on Progress report, PALFINGER once again combined the sustainability topics with the UN Principles in 2020; this is presented in the impact table below.

IMPACTS OF SUSTAINABILITY TOPICS ALONG THE VALUE CREATION CHAIN

The impact table shows which sustainability topics are deemed material for PALFINGER, at which stage of the value chain their impacts occur, and to which areas the impacts are allocated. The ranking of the material topics corresponds to their long-term impacts and at the same time the overall relevance identified by internal and external stakeholders in 2017. All 38 topics that were assessed in the materiality analysis have been included. Any changes compared with previous reports are indicated in the key and/or in the materiality analysis section. References to compliance with guidelines, reporting standards, and KPIs are indicated as well. In addition, the actions conducive to the development of a sustainability topic were reported for the first time in 2018.

Group management report, sustainability management, p. 43

IMPACT TABLE

Responsible employer · Eco-efficiency in production · Sustainable products · Fair business

Ranking	Relevant topics	Impact on value chain: Supply chain	Impact on value chain: Within the company	Impact on value chain: Product use	**Coverage of guidelines** GRI indicators NaDiVeG, SDG, UNGC	Intensity of reporting	Actions
1	**Product safety** PALFINGER products shall be distinguished by utmost safety. The prevention of accidents during their use shall go beyond statutory requirements.				• GRI: 416-1, 416-2	Quantitative presentation of product accidents and description of safety innovations for products	• Product data tracking for safety
2	**Product research and development** PALFINGER aims to invest more heavily in product research and development and offer the latest technologies.				• No GRI disclosures available • NaDiVeG • SDG: 9.1, 9.5, 12.2, 12.5, 13.3	Quantitative presentation of investments in research and development	• Product development R&D process • Training of R&D employees
3	**Innovation in production** PALFINGER aims to promote sustainable innovations and technologies in the production process in order to increase efficiency (“more output with less input”).				• No GRI disclosures available • NaDiVeG • SDG: 9.1, 9.4, 9.5, 13.2, 13.3	Quantitative presentation of investments in research and development	• Production R&D process
4	**Viability of the business model** PALFINGER must ensure the long-term viability of its business model and actively pursue trends (e.g. urbanization, rental instead of purchase, circular economy, etc.). PALFINGER aims to make a contribution to society.				• GRI: 201-1, 201-2 • SDG: 8.2, 8.3, 9.3, 9.4	Quantitative presentation of monetary flows to stakeholders, management systems as well as presentation in the context of the Management Report, risk management, economic performance, organizational profile	• GLOBAL PALFINGER ORGANIZATION • Business model innovation (TCO)
5	**Occupational health and safety** PALFINGER must protect its employees against accidents and proactively promote occupational health and safety as well as preventive health care and social security provision. A good work-life balance should be achieved, since it contributes to the employees’ well-being.				• GRI: 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9 • NaDiVeG • SDG: 3.8	Quantitative presentation of accidents, fatalities, staff absences in the company’s own production operations, absentee rate, and management systems, as well as description of initiatives	• Restructuring the GPO: Health protection, HSE and PALfit • Concept for health, safety, environment and quality • Expansion of PALfit • Global health initiative • Occupational health specialist • COVID-19 Group policy and Task Force • HSE action plan
6	**Product life cycle** PALFINGER products shall be characterized by their reduced weight and their lower need for energy and operating supplies over the entire product life cycle. The product design must be high-quality, reliable, durable, and low-maintenance.				• GRI: 301-1, 302-1, 302-3, 305-1, 305-2, 305-3 • NaDiVeG • SDG: 12.5, 12.8 • UNGC: 7-9	Quantitative description of warranty costs and scrap as well as qualitative description of product innovations for quality enhancements as well as of safe and efficient products	• Best Invest • Business model innovation (TCO)
7	**Employee development** PALFINGER should promote the training and further education of its employees and prepare them in good time for changes in their working environment (e.g. Industry 4.0, expert development).				• GRI: 404-1 • NaDiVeG • SDG: 4.3, 4.4, 4.5, 8.6	Quantitative presentation of hours spent on training and further education, appraisal interviews as well as qualitative description of development programs	• Learning strategy & learning platform • Leadership framework and program • PALFINGER Campus • Apprentice scheme in China

Ranking	Relevant topics	Impact on value chain: Supply chain	Impact on value chain: Within the company	Impact on value chain: Product use	**Coverage of guidelines** GRI indicators NaDiVeG, SDG, UNGC	Intensity of reporting	Actions
8	**Energy efficiency and climate protection** PALFINGER must strive to continuously optimize energy consumption and intra-company transport (e.g. on-demand logistics, e-drive, induction loops) and to reduce costs and emissions, this making an active contribution to climate protection. PALFINGER must aim for the highest building efficiency possible under regional conditions.				• GRI: 302-1, 302-3, 305-1, 305-2, 305-3 • NaDiVeG • SDG: 13.2, 13.3 • UNGC: 7-9	Quantitative indicators and management systems, as well as qualitative description of energy efficiency and climate protection	• Climate protection strategy • Renewable energy • Photovoltaic systems • Exchange of information on environmental topics • Energy efficiency tutorial • Sustainable mobility • Merchandise fan shop
9	**Raw material requirements and efficiency** In production, PALFINGER aims to use raw materials such as steel, aluminum, and glass fiber efficiently.				• GRI: 301-1 • NaDiVeG • SDG: 12.5, 12.6 • UNGC: 7-9	Quantitative presentation of raw material requirements, waste cuttings rate and hazardous waste as well as qualitative description of raw material requirements and efficiency	• Steel supplier assessment
10	**Attractive employment** PALFINGER aims to be known as an attractive employer, to maintain a high employee retention rate and to create development opportunities (horizontally and vertically) within the company.				• GRI: 102-8, 401-1, 405-1 • NaDiVeG • SDG: 4.3, 4.4, 5.1, 8.3, 8.5 • UNGC: 3-6	Quantitative presentation of employee development, fluctuation and diversity, as well as qualitative description of the attractive employer	• Establish an employer branding strategy • HR system • Job architecture • Global salary & wage increase process • Talent and performance management
11	**Corporate culture and values** PALFINGER employees, in particular executives, shall set an example when it comes to embracing PALFINGER's corporate culture, and act in accordance with its values of entrepreneurship, respect, and learning. This is intended, among other things, to lead to intercultural understanding, a higher level of recognition, appreciation, and an active exchange of knowledge.				• GRI: 102-16, 102-17 • NaDiVeG • SDG: 8.3 • UNGC: 10	Quantitative presentation of employee survey as well as qualitative description of corporate culture and values	• Cultural analysis
12	**Compliance with legal and ethical standards** PALFINGER must act in an ethically correct manner. Laws are obeyed, taxes are paid properly, and actions are taken to prevent corruption.				• GRI: 102-16, 102-17, 205-1, 205-3, 206-1, 207-1, 207-2, 307-1, 417-2, 417-3, 419-1 • NaDiVeG • SDG: 5.1, 8.7, 8.8, 10.2, 10.3, 16.2, 16.3, 16.5 • UNGC: 10	Presentation of violations, if any, and description of initiatives regarding corporate ethics and corruption prevention	• Compliance training • Compliance risk assessment • Human rights assessment • Code of Conduct update • Integration of sustainability issues into risk assessment
13	**Industry 4.0 and digitalization** PALFINGER must focus increasingly on the digitalization and connectivity of machinery; this also extends to its suppliers (open sourcing). Responsible handling of data, in particular utmost data protection, must be guaranteed.				• No GRI disclosures available • NaDiVeG • SDG: 9.4	Qualitative description of digitalization and industry 4.0	• Digital transformation officer

Ranking	Further topics	Impact on value chain: Supply chain	Impact on value chain: Within the company	Impact on value chain: Product use	Coverage of guidelines GRI indicators NaDiVeG, SDG, UNGC	Intensity of reporting	Actions
14	**Alternative power systems** PALFINGER should offer alternative drive systems (e.g. electric, hybrid).				• No GRI disclosures available • SDG: 13.2	Qualitative description of product innovation	
15	**Effluents and wastes** At PALFINGER sites hazardous waste and substances should be avoided, safely stored and disposed of in an environmentally sound manner or, if applicable, be reused.				• No GRI disclosure reported • SDG: 12.4, 12.5	Presentation of waste cuttings rate and development of hazardous waste, description of the state of the art of electroplating and paint shops, description of product innovations	
16	**Working conditions** PALFINGER shall establish uniform minimum standards in order to guarantee globally applicable working conditions for its employees. This is designed to create safe and healthy jobs.				• GRI: 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 412-1 • NaDiVeG • SDG: 3.8, 8.5, 10.2, 10.3, 10.4 • UNGC: 1-6	Quantitative presentation of occupational health and safety, human rights topics as well as a qualitative description of working conditions	
17	**Eco-efficient products** In order to avoid possible risks to the people and the environment, PALFINGER products should prevent noise and emissions during operation and be free from hazardous substances (e.g. chromium VI). Furthermore, product variants with biodegradable hydraulic oil should be offered.				• GRI: 305-1, 305-2, 305-3 • NaDiVeG • SDG: 12.2, 12.4, 12.5, 13.2, 13.3 • UNGC: 7-9	Quantitative indicators and qualitative description of emissions, product innovations for quality enhancement, state of the art galvanizing lines and coating lines as well as publication of scrap rate and development of hazardous waste	• Definition of environmentally friendly products within the framework of the PDP process • CO_2 emissions from product use • PALFINGER lubricants
18	**Overall performance** PALFINGER is to increasingly become a full-service provider for one-stop solutions.				• No GRI disclosures available	Qualitative description of the overall performance of PALFINGER	• PALdrive platform
19	**Fair remuneration** PALFINGER should offer fair remuneration regardless of age, gender, origin and other diversity factors, as well as ensure local minimum wages.				• No GRI disclosure reported • NaDiVeG • SDG: 5.1, 10.4	Qualitative description of wage level	• Global salary & wage increase process
20	**Employee motivation** PALFINGER should provide an environment, which motivates its employees further. Innovative incentive systems, especially for agile teams, shall support this.				• No GRI disclosures available	Qualitative description of employee motivation	
21	**Regional responsibility** PALFINGER sites shall become actively involved at a regional level and must invest in public welfare (e.g. donations, sponsoring, development programs). Good relations must be maintained with local residents.				• GRI: 203-2 • NaDiVeG	Qualitative description of regional responsibility	

Ranking	Further topics	Impact on value chain: Supply chain	Impact on value chain: Within the company	Impact on value chain: Product use	Coverage of guidelines GRI indicators NaDiVeG, SDG, UNGC	Intensity of reporting	Actions
22	**Diversity and equal opportunities** PALFINGER should promote diversity and offer equal opportunities to all employees - regardless of age, gender, origin and other diversity factors. Discrimination must be actively prevented.				• GRI: 405-1, 406-1 • NaDiVeG • SDG: 5.1, 5.5, 10.2, 10.3 • UNGC: 3-6	Quantitative presentation of women quota, generations and discrimination cases, as well as qualitative description of diversity strategy, employees with disabilities and of the initiatives	• Diversity scheme • Objectivity in the recruitment phase • Talent and performance management
23	**Correct corporate governance** The company should be governed properly and guarantee the independence of the Supervisory Board, involvement of shareholders, and transparent remuneration of top management. The importance of acting in accordance with defined corporate values must be emphasized.				• GRI: 102-18, 102-19, 102-20, 102-21, 102-22, 102-24, 102-32, 415-1 • NaDiVeG • SDG: 10.3 • UNGC: 10	Presentation of compliance management and violations, if any	
24	**Sustainability in the supply chain: Suppliers** PALFINGER shall take an interest in whether suppliers pay attention to environmental protection and to their social responsibility. Suppliers that show commitment in these areas must receive advantages from PALFINGER.				• GRI: 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2 • NaDiVeG • SDG: 8.3, 8.7, 8.8, 12.6, 13.2, 13.3 • UNGC: 1-10	Quantitative description of supplier assessments and their results	• Steel supplier assessment
25	**Product recyclability** Already in the development phase, PALFINGER products should be designed in a way that they can be easily disabled (decommissioning) and recycled at the end of the life cycle.				• No GRI disclosures available • SDG: 12.5	Presentation of waste cuttings rate and development of hazardous waste, description of the state of the art of electroplating and paint shops, description of product innovations	
26	**Communication with employees** All employees shall be informed about major corporate developments in a timely manner. Communication with and among employees shall take place at an elevated international level and be characterized by the common corporate values.				• GRI: 402-1 • SDG: 10.2, 10.3	Qualitative description of communication with employees	• New intranet • Internal communication concept
27	**Modern workplaces** PALFINGER aims to create structures, processes, and environments that ensure flexible, agile, and mobile workplaces. These should take into account the interests of present and future employees (working time models, working from home, parental leave, expatriation rules, etc.).				• No GRI disclosures available • SDG: 51, 5.4, 5.5, 8.3, 10.4	Qualitative description of modern workplaces	
28	**Sustainability in the supply chain: Dealerships** PALFINGER shall take an interest in whether dealerships pay attention to environmental protection and to their social responsibility. Dealers that show commitment in these areas must receive advantages from PALFINGER.				• GRI: 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2 • NaDiVeG • UNGC: 1-10	Qualitative presentation of dealership relations	

Ranking	Further topics	Impact on value chain: Supply chain	Impact on value chain: Within the company	Impact on value chain: Product use	Coverage of guidelines GRI indicators NaDiVeG, SDG, UNGC	Intensity of reporting	Actions
29	**Environmentally friendly transport** The transport of raw materials, components and PALFINGER products should be kept short and eco-friendly.	EP	EP	SP	• GRI: 305-1, 305-2, 305-3 • NaDiVeG • UNGC: 7-9	Qualitative description of transport	• CO_2 emissions due to transport
30	**Solutions for developing and emerging countries** PALFINGER products should also be affordable in less developed countries in order to make physical labor easier.		SP	NP FW	• No GRI disclosures available • SDG: 1.4, 8.2	Qualitative description of lifting solutions for developing and emerging countries	
31	**Efficiency of water consumption** The water consumption in PALFINGER production should be constantly reduced.		EP		• No GRI disclosure reported • NaDiVeG • SDG: 6.3	Qualitative description of the efficient waste use	
32	**Product information and fair marketing** Users shall be provided with product information and training in order to ensure safety and environmental protection when using PALFINGER products. Promotion of the products must be honest and transparent.			NP FW	• GRI: 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-9, 102-10, 102-11, 102-12, 102-13, 417-2, 417-3 • NaDiVeG • UNGC: 3-9	Qualitative description of product information and marketing	Customers in system
33	**Products for ecological/social use** PALFINGER should increasingly strive for product innovations for the use in environmental and social fields. This has already been achieved in the case of cranes for wind energy plants, access systems for people with disabilities or Davit Systems (rescue boats).		SP	NP FW	• No GRI disclosures available	Qualitative description of product innovation	
34	**Regional procurement and production** PALFINGER should procure regionally and produce in the region, where the products are placed into the market.	ÖP FW	ÖP FW	SP	• No GRI disclosure reported	Qualittive description of regional procurement and production	
35	**Freedom of association** PALFINGER should uphold freedom of association and guarantee freedom of expression.	FB	VA FW		• GRI: 102-41, 407-1 • NaDiVeG • UNGC: 1-6	Qualitative description of freedom of association	
36	**Stakeholder involvement** PALFINGER should openly inform customers, suppliers, employees as well as all other cooperation partners and involve them in the development of the company.	FB	VA FW	FB	• GRI: 102-40, 102-41, 102-42, 102-43, 102-44 • NaDiVeG • UNGC: 3-6	Quantitive presentation for the purposes of stakeholder management	• Targeted stakeholder communication
37	**Biodiversity** PALFINGER should preserve nature conservation, especially biodiversity, at its sites.		EP		• No GRI disclosure reported • NaDiVeG • SDG: 14.1, 15.5	Qualitative description of biodiversity protection	
38	**Second hand market** In the future, PALFINGER should collaborate with its dealers to promote the second-hand market of products, thus promoting the control and a possible upgrade of used products.		SP	NP FW	• No GRI disclosures available	Qualitative description of second-hand market of PALFINGER	

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Group management report, Sustainability management, p. 43; Group management report, Impact table, p. 49

SUSTAINABILITY PROGRAM

The following table describes the individual actions that make up PALFINGER's sustainability program, broken down by the four sustainability areas, and lists these with the current status of implementation as well as the time horizon for these actions. The purpose of the actions specified is to contribute to achieving the qualitative and quantitative goals set by PALFINGER and to support the five most relevant SDGs.

○ New ◒ In preparation ● Completed ⊘ Deferred ⊗ Cancelled

RESPONSIBLE EMPLOYER		Status	Goal
Health and safety			
PALFINGER set itself the target of reducing staff absences due to industrial accidents to below 0.11 percent starting in 2016.			
Expansion of PALfit	Because PALfit was integrated into the global HR function in the course of the GPO, this action is now part of Restructuring GPO: health protection, HSE and PALfit.	●	2020
Global health campaign	An assessment of existing health campaigns was carried out at all PALFINGER sites. The data is being analyzed and will now be incorporated into minimum standards for global health campaigns. Based on surveys already conducted, a sports campaign, PALfit Global Running Days (01.10. - 31.10.), has been recommended as a first step for the PALfit launch for global health support. Furthermore, an action was implemented in the framework of the ILO International Day for Health and Safety at Work (03/18/2020), COVID-19 awareness campaigns were rolled out and support was provided in the workstreams.	◒	2021
Restructuring the GPO: Health protection, HSE and PALfit	To better reflect the importance of integrated management of Health, Safety, Environment (HSE) and quality, a Corporate HSE Manager has been appointed in the new GPO organizational structure as of August 2019. Through the Corporate HSE Manager and the new regional HSE organizational structure, occupational health management is being ensured and promoted to an even greater extent with appropriate standards and programs at both the regional and site levels. The new function develops standards and processes for health protection, occupational safety and environmental protection, which are implemented globally to ensure continuous improvement in these areas. These HSE standards and processes will be developed and implemented in close cooperation with the Sustainability, PALfit, Operations, Research & Development, and Human Resources functions. Exploitation of these synergies ensures efficient implementation of health protection actions and PALfit campaigns at all sites.	◒	2021
Occupational physician	The status of providing all sites with occupational physicians was surveyed globally and serves as a starting point for a global standard of occupational health care and for further actions to be taken.	○	2021
COVID-19 Group Policy and Task Force	A Pandemic Group Policy with a plan of action for preventive actions has been drawn up by a Pandemic Task Force. Additional investments have been made in personal protective equipment (PPE) and equipment such as skin temperature detectors, tests, and nose & mouth masks.	○	2021
Employee development			
Expansion of employee development	The PALFINGER College project is being integrated into the new HR system and therefore constitutes a global learning platform. The transition began in 2019. This action will therefore be integrated into the action "Learning strategy and learning platform".	⊗	2020
Learning strategy & learning platform	PALFINGER has started developing a new learning strategy. The idea of the PALFINGER College is being integrated into the new HR system and therefore constitutes a global learning platform. The transition began in 2019 and the roll-out of the global e-learning platform will take place in 2021 as a consequence of COVID-19. A digital English learning solution was selected in 2019 as the first building block of this learning strategy and rolled-out globally in 2020.	◒	2022
Leadership framework and program	PALFINGER has set up a global leadership program, as well as a regional leadership program. The basis of these programs is the definition of a framework for global leadership initiatives. A regional leadership program has been implemented in the EMEA region. Preparations have been completed for a regional leadership program in APAC. The 2020 global leadership program could not be implemented due to COVID-19.	⊘	2020
PALFINGER Campus	A decision was made in 2019 to build a PALFINGER Campus at the Lengau site. This will further professionalize and expand apprentice training and facilitate additional adult education initiatives. The ground-breaking ceremony took place in Q4 2020 due to COVID-19.	◒	2021

RESPONSIBLE EMPLOYER		**Status**	**Goal**
Apprenticeship program in China	In order to ensure a qualified workforce, PALFINGER has established the recognized qualification concept of dual apprenticeship training in China. The first team of apprentices successfully completed their final apprenticeship exam in October 2020. Due to travel restrictions, this was carried out in a pioneering project using a digital hybrid format.	○	2020
Attractive employment			
PALFINGER set itself the target of reducing employee turnover to below 10 percent starting in 2016.			
Establish an employer branding strategy	The aim of this strategy is to enhance PALFINGER's attractiveness as an employer at all the Group's sites worldwide. The focus was on COVID-19 crisis management and crisis communications during this challenging year. In addition, action was taken to strengthen employer identity. The COVID-19 restrictions meant that in 2020 many of these job fairs and collaborations were staged in digital form with a new concept. A further strengthening of the PALFINGER employer brand is planned for 2021.	◒	2021
On-boarding process	In the future, additional initiatives are to be carried out to enhance the integration of new staff members. The on-boarding process will be covered by the group-wide Human Resources Information System (HRIS). This action will therefore be integrated into the action "HR system".	⊗	2020
HR system	In 2018, PALFINGER kicked off a project to roll out the "myPAL" HR information system. In 2019, the first module was implemented. In 2020, additional features were integrated in Employee Central: GPO Function, Second Functional Line, Compensation Portlet. Likewise, the implementation of the Performance & Goals module has been progressed with Go live in February 2021. The recruiting module was also rolled out in other countries, including Slovenia, the USA and Canada.	◒	2021
Job architecture	As part of its HR strategy, PALFINGER started a project to implement a global job architecture. This project was delayed by the introduction of the new GLOBAL PALFINGER ORGANIZATION (GPO) as well as COVID-19. A uniform architecture for all global management positions should be defined by 2022, followed by expert functions in second step.	◒	2022
Global salary & wage increase process	In 2019, a uniform salary increase process was introduced for all indirect positions. In the course of implementing the Compensation Portlets, this standard process will be enhanced further and partly automated by 2021. This action supports the global concept of the GPO.	◒	2021
Talent and performance management	2019 saw the start to defining a global talent and performance management strategy. In 2020 the first step was to roll out a uniform global template for appraisal interviews. In addition, the new appraisal interview process will be configured in success factors and rolled out in early 2021. A full-on talent management program is to be rolled out by 2022. This also supports the global concept of the GPO.	◒	2022
Corporate culture and values			
Cultural analysis	Data on the current culture was collected as part of the GPO implementation and a target culture was defined.	●	2020
Diversity and equal opportunity			
Two quantitative targets to be achieved by 2022 were defined by the diversity scheme. One is to increase the proportion of international employees working at headquarters to 20 percent. The other is to align the proportion of women in top management with the general proportion of women in the PALFINGER Group.			
Diversity scheme	In consideration of the new Austrian legislation on non-financial reporting, PALFINGER is establishing a diversity plan. In 2020, as in the previous year, a contribution was submitted to the initiative "DIVÖRSITY 2020 - Austrian Diversity Days", which focused on the internationalization of education in 2020.	◒	2022
Objectivity in the recruitment process	The Global Group Policy Recruiting rolled out in 2020 ensures a standardized group-wide state-of-the-art recruiting process. The quality of the process is based on the principles of transparency, clear communication, fair play, diversity, quality and confidentiality. A potential analysis application is to be gradually implemented worldwide for management functions.	◒	2022
Diversity in talent and performance management	Diversity is considered an essential factor in nomination processes. This has already been implemented in nominations for executive programs in 2019. A corresponding design for the nomination process for talent pools has been delayed due to COVID-19.	◒	2022
Communication with employees			
New intranet	The requirements for a new, global intranet system designed to replace the current SharePoint solution have been evaluated. Due to the scale of resources required, the project was postponed in 2019 and scheduled for 2021.	○	2021

RESPONSIBLE EMPLOYER		**Status**	**Goal**
Internal communication concept	Internal communication was completely repositioned, both in terms of personnel and concept. A new creative vision was created and signed off on by the Executive Board and has already been implemented for the most part. Since November 2019, a global e-newsletter is sent out in eight languages three times per year. This is also made available as a PDF file to print out and post on the bulletin board. The existing PALFINGER Internal Newsletter (PIN) is being turned into an (online) magazine ONE. The first issue of the new magazine was published in January 2020.	●	2020

ECO-EFFICIENCY IN PRODUCTION		**Status**	**Goal**
Innovation in production			
R&D process (Production)	The uniform PALFINGER Product Development Process combines the parallel development of the product solution with the development of the internal manufacturing and assembly process. This ensures that all the critical parameters and tolerances required in the manufacturing and assembly process are mapped and verified by the system verification and validation process.	◒	2021
Energy efficiency and climate protection			
PALFINGER has defined three long-term targets in this area. A 30 percent efficiency increase in the energy index by 2030. A 25 percent reduction of CO_2 emissions in absolute terms by 2030 (base year 2015 in each case). In addition, by 2022 PALFINGER intends to procure 75 percent of its electricity from renewable energy sources.			
Environmental information exchange	PALFINGER organizes exchange meetings between regional and local environmental officers. An HSEQ structure was resolved in 2019 that will kick off in 2020. This served as an important first step toward professional processes, meeting and communication structures, and other methods of exchanging information. At the beginning of 2020, a global meeting of HSE regional managers and a local event of energy managers from Germany and Austria took place. Other events had to be postponed until 2021 due to travel restrictions. An internal, global Marketing, Communications and Sustainability Summit was already held in 2019 to focus on climate protection and environmental topics.	●	2020
Photovoltaic systems	There were no new installations of PV systems in the EMEA region in 2020. A planned implementation in Tenevo (BG) has been postponed for the time being.	◒	2021
Energy efficiency tutorial	A PALFINGER Energy Efficiency Tutorial was created to complement energy management audits. The tutorial contains instructions on how to save energy at the sites in all relevant areas, including practical examples and checklists. The roll-out took place within the EMEA region in 2020 and will continue globally in 2021.	○	2021
Climate strategy	Development of a PALFINGER climate strategy by identifying the greatest potential for reducing CO_2 emissions, considering direct and indirect emissions throughout the entire value chain (including Scope 3). The strategy is intended to support the global goal of halting climate change and is to be based on the Science-Based Target initiative aimed at limiting warming to <1.5 degrees.	◒	2021
Renewable energy	The group-wide target of raising the share of renewable electric power to 75 percent by 2022 was defined in 2018. In 2020, the share of renewable electric power was increased to 74 percent by sites in Germany and Brazil.	◒	2022
Raw material demand and efficiency			
Evaluation of steel suppliers	PALFINGER is conducting an assessment of the major steel suppliers regarding their CO2 footprint and CO2 targets with a view to stepping up collaboration and obtaining more accurate Scope 3 emissions data. This also supports the new climate strategy and as an integral action will be extended until 2021.	◒	2021
Environmentally friendly transport			
CO_2 emissions from transport	Transport within and outside the company is analyzed in order to identify potential for reducing energy consumption and CO2 emissions. This action is also an integral part of the new climate strategy will be therefore be extended until 2021.	◒	2021

SUSTAINABLE PRODUCTS		**Status**	**Goal**
Product safety			
Safety through product data tracking	A digital control system is used to operate, control, and monitor all critical and complex PALFINGER products. Sensor data and operating commands are processed in a software-based microprocessor control system and translated into control commands to the system actuators. The monitoring routines required for this purpose not only protect the machine, the operator, and the environment, but also enable detection of uses at the limits. Alongside actual faults on the machine, such limit states are also recorded in the fault memory. These logs are regularly called up during maintenance or repairs and made available to Product Development for analysis and continuous improvement of product functions. If the PALFINGER product is equipped with a telematics unit, this automatically forwards the logs at regular intervals. This enables huge volumes of machine data from a wide range of applications and working conditions to be analyzed and evaluated so that system functions can be continuously improved and risk of downtime minimized.	◒	2021
Product research and development			
R&D process (Product Development)	The creation of PALFINGER's uniform Product Development Process (PDP) was completed in 2020, and from 2021 onwards all new development projects will be implemented in accordance with this uniform specification. A uniform project management process and a uniform project management tool will also be introduced at the same time as the PDP. This ensures that the product development projects are implemented in accordance with the defined process specifications within the time, cost and quality specifications.	◒	2021
Training of R&D employees	Part of the PALFINGER product development process is the PDP role catalog, in which all process roles are described holistically. This includes (1) a description of the roles, (2) tasks and responsibilities of the roles, (3) definition of the deliverables the role is required to generate, check, and/or approve, and (4) training for the role and substantiation of this. Each R&D employee participating in the Product Development Process is assigned one or more roles, and a training plan is developed based on the skills required for the role in question.	◒	2021
Product life cycle			
Best invest (life cycle app)	In 2019, a PALDESK application was developed based on the life cycle approach for Loader Cranes and tested internally in the market with specific salespeople. This application is designed to present the benefits of a product to end customers but also to show the environmental impact and the costs arising from product use. Test feedback indicated that only a highly streamlined version of the application would be accepted by the market, so this is currently being created and will be rolled out in Q1 2021. Subsequently, Best Invest will become part of the product configurator (2022).	◒	2021
Business model innovation (TCO)	An integral part of PALFINGER's Product Development Process is the model-based system development method (MBSD). The aim of this method is to develop a digital system model that covers all development phases. This so-called digital twin enables the virtual testing, optimization and verification of critical system functions along the entire Product Development Process. It also allows mathematical models to be derived for predicting wear on critical components and functional groups so that preventive maintenance actions can be determined.	◒	2022
Environmentally friendly products			
Definition of ecologically friendly products	Requirements for energy consumption, CO_2 emissions, product safety, life cycle, and recyclability are defined according to the defined market, customer, and business requirements and broken down, integrated, and demonstrated in the requirements process of the Product Development Process.	◒	2021
CO_2 emissions from product use	The reduction of energy consumption is a critical requirement for all PALFINGER products. To achieve this goal following the introduction of PALFINGER's uniform Product Development Process, the energy consumption of all functional systems is being optimized using calculation and simulation models in the development phase and the target requirements are verified on prototype systems in the verification phase. Following completion of development, field tests are carried out in which the energy consumption of series systems is tested and demonstrated in real operating conditions.	◒	2021
PALFINGER Lubricants	PALFINGER offers branded lubricants including hydraulic oil to its customers. They are also offered an oil monitoring program that measures the oil quality at frequent intervals, so that an annual oil change is no longer required. This approach is both financially interesting for the customer and, above all, environmentally friendly. The supply of PALFINGER Lubricants to company sites, which started in 2019, was expanded in 2020, and almost all EMEA plants are now involved. In the pilot market of Germany, it was possible to roll-out the offer through a web shop connection for the assembly shop and service center partners. In 2021, PALFINGER's own markets in Spain and Denmark will be next, followed by other markets on a step-by-step basis.	◒	2021

SUSTAINABLE PRODUCTS		Status	Goal
Product information and fair marketing			
Customers in the system	In 2019 the opportunity was created to register customers as users in PALFINGER's PALDESK system so that they can interact directly with PALFINGER in one system. In 2020 this offer was made attractive to customers by adding value (online documentation, fleet overview, etc.). The goal is to retain customers through ongoing interaction and enable new business models (upselling).	◒	2021

FAIR BUSINESS		Status	Goal
Viability of the business model	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE		
GLOBAL PALFINGER ORGANIZATION	The GLOBAL PALFINGER ORGANIZATION (GPO) enables and promotes enhancement of the effectiveness and efficiency of the PALFINGER organization. The GPO relies on flexible and global team structures and close cooperation across functions, business units, product lines and regions. The GPO plays an important part in achieving the PALFINGER targets by 2024. The GPO went live in January 2019.	◒	2024
Compliance with legal and ethical standards	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS		
Compliance training	PALFINGER has developed an online training concept for compliance training and compliance tests. In 2018, 2019 and 2020, training courses were held on the topics of cyber risks, data protection, corruption and the PALFINGER Group Policy System. Regular training sessions on key compliance topics will continue to be held in the future.	●	2020
Compliance risk assessment	PALFINGER's Corporate GRC (Governance, Risk & Compliance) department conducts annual compliance risk assessments, which include an evaluation of the material compliance risks within each region. Assessment was initially carried out in the EMEA and APAC regions and was extended to the NAM region in the year under review. Over the next few years, the assessment will be rolled out to other regions.	◒	2022
Human rights assessment	PALFINGER is launching a human rights assessment of its sites in order to rule out any potential risks. These actions will be postponed until 2021, with further actions based on the initial analysis.	◒	2021
Updating the Code of Conduct	There have been significant changes, particularly in the area of business ethics, focusing more on compliance issues. In 2021, Group-wide compliance training on the Code of Conduct will be held.	●	2020
Integration of sustainability issues into risk assessment	Following the gradual integration of sustainability topics into the risk catalog starting in 2019, further topics were integrated in 2020. Additional adjustment processes will follow as part of the legal and regulatory updates expected for 2021.	○	2021
Industry 4.0 and digitalization	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE		
Digital Transformation Officer	The transformation program focuses on bundling digital competencies within the organization. That is why a Digital Transformation Officer was appointed in 2020 to take responsibility for coordinating digital transformation at PALFINGER. The target is to develop and introduce the future structure of a digital organization in Q1 2021.	○	2021
Overall performance			
PALdrive platform	PALdrive is an online platform that offers a variety of new vehicles, second-hand equipment, and demonstration & training vehicles covering a wide range of models and performance categories. Since 2018, the platform has been available in a responsive web design. Following its rollout in the EMEA and NAM regions, the platform was also expanded to the CIS region in 2019 and Africa in 2020.	●	2020

SUSTAINABILITY MANAGEMENT		Status	Goal
Targeted stakeholder communication	In 2020, extensive stakeholder interviews took place to achieve further materiality analysis in 2021. As part of the respAct state coordination for Salzburg, a regional CEO Business Talk was held on Agenda 2030. Newsletters for dealerships are now the responsibility of regional marketing. The sustainability team provides regional marketing with one-pagers containing information on regional and group sustainability, which can also be used to integrate these topics into the newsletters.	◒	2021
Concept for health, safety, environment and quality	Following the start of development on a concept for health, safety, environment, and quality (HSEQ), the function is now covered by HSE as part of the new GLOBAL PALFINGER ORGANIZATION. This will improve focus on operational HSE projects, which will be reported directly to Global Operations at the end of each year. In terms of integrated management systems, the close cooperation between Quality and HSE will be continued.	◒	2021

SUSTAINABILITY MANAGEMENT		Status	Goal
HSE Action Plan	An HSE Action Plan has been drawn up for all production sites and the larger Sales and Service subsidiaries. In addition to global actions, these HSE action plans contain site-specific projects and actions for 2021.	○	2021
Merchandising fan shop	The PALFINGER fan shop was analyzed to determine whether its products can be procured from sustainable sources. As a key component, the collection was expanded in 2019 to include products from the Erdbär sustainable fashion brand. Plastic bags were replaced by paper bags and reusable fabric bags.	●	2020
Sustainable mobility	PALFINGER offers its employees organized car pools, job tickets and other activities at several locations in Austria. Further focus topics have been postponed until 2021.	◒	2021

GRI 103-2

DETAILED SUSTAINABILITY DISCLOSURES

RESPONSIBLE EMPLOYER

Employment trend

The number of employees in the PALFINGER Group decreased slightly compared to the 2019 reporting period. As at the end of 2020, PALFINGER employed 11,207 people: 10,824 internal and external PALFINGER employees, including 10,615 core workforce and 209 staff undergoing training, as well as 383 contingent workers. There were no material company acquisitions or disposals in the year under review.

The decline in employment in the year under review is primarily pandemic-related. In order to maintain the balance between economic efficiency and social responsibility, PALFINGER has made use of a broad repertoire of actions, as a result of which it has succeeded in reducing the number of employees by only 490 persons. Regional differences are particularly visible in South America, where, contrary to the trend, a significant increase of 19.7 employees can be observed.

Contingent workers are mainly employed in the European Union and have been reduced by 32.9 percent to 383 persons in the wake of the COVID-19 pandemic.

Number and percent	2018	2019	2020	%
Gender				
Female	1,365	1,459	1,428	13.5%[1)]
Male	9,232	9,479	9,187	86.5%
Generations				
0–29	1,968	2,133	1,913	18.0%
30–50	6,303	6,457	6,332	59.7%
50+	2,326	2,348	2,370	22.3%
Regions				
European Union	6,322	6,579	6,535	61.6%
Far East	365	384	377	3.6%
CIS	1,658	1,569	1,431	13.5%
Central and South America	468	529	633	6.0%
Middle East and Africa	472	480	346	3.3%
North America	1,036	1,166	1,079	10.2%
Rest of Europe	276	231	214	2.0%
Core workforce	**10,597**	**10,938**	**10,615**	**100.0%**
Apprentices and interns	**183**	**188**	**209**	
Contingent workers	**617**	**571**	**383**	
PALFINGER Group	**11,397**	**11,697**	**11,207**	

1) The percentage of women in the company's own employees (including apprentices and interns) was 13.7 percent

TYPES OF EMPLOYMENT

Most of the PALFINGER Group's employees work on a full-time basis. In fiscal year 2020, only around 3.3 percent of the employees worked part-time. These trends are in line with regionally different business development and are part of the company's strategic alignment.

Number	2018	2019	2020	%
Full-time employment				
Gender				
Female	1,207	1,268	1,251	11.8%
Male	9,110	9,301	9,016	84.9%
Regions				
European Union	6,070	6,278	6,248	58.9%
Far East	365	384	377	3.6%
CIS	1,651	1,549	1,418	13.4%
Central and South America	466	529	622	5.9%
Middle East and Africa	472	480	346	3.3%
North America	1,033	1,124	1,050	9.9%
Rest of Europe	260	225	206	1.9%
	10,317	**10,569**	**10,267**	**96.7%**
Part-time employment				
Gender				
Female	160	191	177	1.7%
Male	120	178	171	1.6%
Regions				
European Union	252	301	287	2.7%
Far East	0	0	0	0.0%
CIS	7	20	13	0.1%
Central and South America	2	0	11	0.1%
Middle East and Africa	0	0	0	0.0%
North America	3	42	29	0.3%
Rest of Europe	16	6	8	0.1%
	280	**369**	**348**	**3.3%**
Core workforce	**10,597**	**10,938**	**10,615**	**100.0%**
Apprentices and interns	**183**	**188**	**209**	
Contingent workers	**617**	**571**	**383**	
PALFINGER Group	**11,397**	**11,697**	**11,207**	

There is generally no disguised employment and no seasonal employee turnover at PALFINGER. As a general rule, PALFINGER employees have permanent employment contracts. Fixed-term employment contracts beyond the probationary period are not common practice. The only exceptions are certain projects, internships, and interim management contracts. The vast majority of PALFINGER employees (around 98.6 per cent) had permanent employment contracts in fiscal year 2020.

Number	2018	2019	2020	%
Permanent employment contract				
Gender				
Female	1,334	1,446	1,414	13.3%
Male	8,817	9,279	9,051	85.3%
Regions				
European Union	5,986	6,395	6,422	60.5%
Far East	306	383	377	3.6%
CIS	1,646	1,546	1,399	13.2%
Central and South America	430	529	633	6.0%
Middle East and Africa	472	478	343	3.2%
North America	1,035	1,165	1,078	10.2%
Rest of Europe	276	229	213	2.0%
	10,151	**10,725**	**10,465**	**98.6%**
Temporary employment contract				
Gender				
Female	33	13	14	0.1%
Male	413	200	136	1.3%
Regions				
European Union	336	184	113	1.1%
Far East	59	1	0	0.0%
CIS	12	23	32	0.3%
Central and South America	38	0	0	0.0%
Middle East and Africa	0	2	3	0.0%
North America	1	1	1	0.0%
Rest of Europe	0	2	1	0.0%
	446	**213**	**150**	**1.4%**
Core workforce	**10,597**	**10,938**	**10,615**	**100.0%**
Apprentices and interns	**183**	**188**	**209**	
Contingent workers	**617**	**571**	**383**	
PALFINGER Group	**11,397**	**11,697**	**11,207**	

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EMPLOYEE TURNOVER

In fiscal year 2020, employee turnover decreased from 16.8 percent to 14.7 percent. In some regions the turnover rate was higher, which was due to site-specific developments. In the year under review, employee turnover was strongly influenced by turnarounds, smart sizing, the reduction of overcapacity without layoffs and (especially with regard to employee layoffs) uncertain labor markets due to COVID-19. Despite growing flexibility requirements due to accelerated markets, PALFINGER puts great importance on a strong workforce in the long term.

Number and percent	2018	2019	2020	%[1]
Gender				
Female	201	206	229	15.7%
Male	1,665	1,573	1,382	14.6%
Generations				
0–29	604	527	473	22.2%
30–50	962	936	845	13.1%
50+	300	316	293	12.5%
Regions				
European Union	1,015	1,003	805	12.2%
Far East	88	48	63	16.4%
CIS	185	262	258	16.4%
Central and South America	115	95	86	16.3%
Middle East and Africa	221	135	143	29.8%
North America	186	171	220	18.9%
Rest of Europe	56	65	36	15.6%
Employee turnover	**1,866**	**1,779**	**1,611**	**14.7%**

1) This indicator refers to the number of employees per category.

GRI 401-1

NEW EMPLOYEE HIRES

The number of new employees in fiscal year 2020 fell sharply compared to previous years, showing the successful adaptation of recruitment to the pandemic-related reduction in personnel demand, e.g. through a recruitment freeze.

Number and percent	2018	2019	2020	%[1]
Gender				
Female	245	279	179	12.5%
Male	2,059	2,067	969	10.5%
Generations				
0–29	852	907	452	23.6%
30–50	1,265	1,216	597	9.4%
50+	187	223	99	4.2%
Regions				
European Union	1,368	1,251	652	10.0%
Far East	84	89	46	12.2%
CIS	276	191	136	9.5%
Central and South America	131	148	170	26.9%
Middle East and Africa	169	219	17	4.9%
North America	261	424	115	10.7%
Rest of Europe	15	24	12	5.6%
Employee entries	**2,304**	**2,346**	**1,148**	**10.8%**

1) This indicator refers to the number of employees per category.

GRI 401-1

Group management report, Employment trend, p. 86

Diversity

GENDER

In fiscal year 2020, the proportion of women remained more or less stable at 13.7 percent (2019: 13.6 percent). This low percentage is typical for the industry. The share of the total workforce holding management positions at PALFINGER in 2020 was 11.0 percent. At 14.2 percent in fiscal year 2020, the proportion of women in management positions was higher than the proportion of women in the PALFINGER Group and slightly lower than the previous year's figure of 14.4 percent.

GENERATIONS

18.0 percent of the core workforce belong to the youngest age category of 29 or under. 59.7 percent are between 30 and 50 years of age, and 22.3 percent are over the age of 50. In the over-50 category, substantial regional differences were recorded. In Asia, the team is relatively young, while in North America and CIS there is a higher percentage of employees over 50. In the CIS region, PALFINGER therefore continues to focus on employer branding activities in order to attract young talent. In general, the age structure at all PALFINGER sites was influenced by external factors, such as demographic development and the catchment areas of the respective sites.

in percent	**2018**	**2019**	**2020**
Gender			
Female	16.8%	14.4%	14.2%
Male	83.2%	85.6%	85.8%
Generations			
0–29	5.8%	4.3%	4.4%
30–50	70.3%	70.3%	69.7%
50+	23.8%	25.4%	25.9%
Management positions	**100.0%**	**100.0%**	**100.0%**

in percent	2018	2019	2020
COGS[1] direct			
Gender			
Female	1.7%	1.9%	1.9%
Male	51.9%	50.7%	50.6%
Generations			
0–29	11.0%	11.3%	10.9%
30–50	31.3%	30.2%	30.3%
50+	11.3%	11.1%	11.2%
	53.6%	**52.6%**	**52.5%**
Structural cost - Production			
Gender			
Female	4.3%	4.4%	4.2%
Male	18.1%	19.2%	17.4%
Generations			
0–29	3.2%	3.8%	3.1%
30–50	13.7%	14.2%	13.0%
50+	5.5%	5.5%	5.6%
	22.4%	**23.5%**	**21.6%**
R&D			
Gender			
Female	0.3%	0.3%	0.5%
Male	5.1%	5.0%	6.2%
Generations			
0–29	1.5%	1.5%	1.6%
30–50	3.0%	3.0%	4.1%
50+	0.9%	0.8%	1.0%
	5.4%	**5.3%**	**6.7%**
Sales, services & marketing			
Gender			
Female	1.9%	2.2%	2.7%
Male	7.9%	7.9%	9.4%
Generations			
0–29	1.5%	1.5%	1.5%
30–50	6.1%	6.3%	7.6%
50+	2.2%	2.2%	3.0%
	9.8%	**10.0%**	**12.1%**
Administration			
Gender			
Female	4.7%	4.7%	4.1%
Male	4.1%	3.9%	3.1%
Generations			
0–29	1.3%	1.4%	0.9%
30–50	5.4%	5.3%	4.7%
50+	2.0%	1.9%	1.5%
	8.8%	**8.6%**	**7.2%**
Core workforce	**100.0%**	**100.0%**	**100.0%**
Apprentices and interns	**183**	**188**	**209**
Contingent workers	**617**	**571**	**383**
PALFINGER Group	**11,397**	**11,697**	**11,207**

1) COGS = Costs of Goods Sold. These are employees assigned to specific orders.

EMPLOYEES WITH DISABILITIES

PALFINGER offers its employees with special needs a meaningful occupation and integration into the company's teams. In Austria, PALFINGER falls short of the stipulated employment quota of 4 percent and therefore pays penalties. PALFINGER has implemented all statutory provisions regarding the accessibility of buildings to facilitate the employment of persons with disabilities.

GRI 405-1

Group management report, Diversity p. 80; Corporate governance report, Diversity scheme, p. 107

Learning organization

Learning is one of the core values at PALFINGER. This is reflected in the importance attached to training at PALFINGER worldwide. Training and continuing education actions are expanded and improved on an ongoing basis to enhance the qualifications of employees in all countries. The number of training hours per employee went down from 18.6 in 2019 to 8.7 in 2020 due to COVID-19 related travel and distancing restrictions.

In addition to regional programs that have been established for years, such as the PALFINGER College in Austria, PALFINGER uses e-learning platforms in North America, Europe and Russia, for example. These platforms promote learning opportunities and provide access to training for many employees. They offer training content created internally and external training courses. The SAP SuccessFactors HR information system as PALFINGER will be expanded through 2022 to include a modern digital learning platform. This makes global, integrated learning possible using a combination of on-site sessions and e-learning.

in hours	**2018**	**2019**	**2020**
Gender			
Female	21.8	15.5	7.8
Male	16.4	19.1	8.8
Regions			
European Union	11.2	19.2	4.4
Far East	10.1	11.5	23.2
CIS	45.1	26.0	21.0
Central and South America	20.7	34.7	35.9
Middle East and Africa	27.5	16.6	0.5
North America	5.2	4.5	1.2
Rest of Europe	9.3	3.0	0.8
Categories			
COGS[1] direct	16.7	20.9	9.4
Structural cost - Production	19.5	14.3	8.0
R&D	15.5	14.5	6.4
Sales, services & marketing	15.4	18.2	7.1
Administration	15.9	19.3	9.9
Training	**17.1**	**18.6**	**8.7**

1) COGS = Costs of Goods Sold. These are employees assigned to specific orders.

GRI 404-1

Group management report, Learning organization, p. 82

Health and safety

The evaluation of work-related hazards and risks is carried out by internal specialists at the company's larger sites and by external specialists together with occupational health professionals at smaller sites.

From 2020, work-related accidents are documented in accordance with GRI Standard 403, Occupational Health and Safety (2018). These requirements mean that more categories of accidents are now subject to mandatory reporting, which, under national regulations, did not have to be reported in the past.

Despite increased stringency because more categories of accidents need to be reported, the total of 295 reported accidents in 2020 is 98 cases fewer than in the previous year. Absenteeism resulting from work-related accidents that must be reported was 0.12 percent of regular working time, below the 0.14 percent reported in the previous year.

There were no fatalities due to occupational accidents in the reporting year.

TRIR is reported as a key figure at Group level for the first time in the year under review. Expansion of the assessments undertaken by Corporate HSE Management is planned for 2021 with the aim of introducing even better targeted accident-prevention actions at various PALFINGER sites worldwide.

GRI 403-2

Number and percent	**2018**	**2019**	**2020**	%[1]
Employees				
Gender				
Female	16	17	4	0,000%
Male	492	337	257	0,001%
Regions				
European Union	318	225	168	0,001%
Far East	10	1	4	0,001%
CIS	56	37	3	0,000%
Central and South America	64	52	57	0,006%
Middle East and Africa	0	1	1	0,000%
North America	58	37	27	0,002%
Rest of Europe	2	1	1	0,001%
	508	**354**	**261**	**0,001%**
Contingent workers				
Gender				
Female	1	2	3	0,000%
Male	54	37	31	0,000%
Regions				
European Union	51	38	30	0,000%
Far East	0	0	0	0,000%
CIS	0	0	0	0,000%
Central and South America	0	0	1	0,000%
Middle East and Africa	0	0	0	0,000%
North America	4	1	3	0,000%
Rest of Europe	0	0	0	0,000%
	55	**39**	**34**	**0,000%**
Injuries and fatalities	**563**	**393**	**295**	**0,001%**
TRIR[2]	**-**	**-**	**14.23**	

1) This shows the indicator in relation to the total number of employees per category
2) No comparative figures are available because this is the first time this indicator has been included

As a general rule, absenteeism rates unrelated to accidents of between three and four percent are not uncommon in the manufacturing industry and represent a comparatively good figure. It is likely that several contradictory factors connected to the pandemic, such as reduced working hours, consumption of outstanding leave, COVID-19 cases, and less frequent notification of sickness owing to job anxiety, influenced the development of this figure in the year under review. Healthy and well-rested employees are a major concern for PALFINGER. In this context, PALFINGER focuses more on health commitments, the design of working environments, and transparent crisis communication to maintain mental health.

in percent	2018	2019	2020
Gender			
Female	0.06%	0.03%	0.04%
Male	0.18%	0.16%	0.13%
Regions			
European Union	0.19%	0.17%	0.13%
Far East	0.16%	0.24%	0.04%
CIS	0.01%	0.00%	0.04%
Central and South America	0.56%	0.38%	0.60%
Middle East and Africa	0.00%	0.00%	0.00%
North America	0.27%	0.09%	0.04%
Rest of Europe	0.07%	0.28%	0.05%
Downtimes due to industrial accidents	**0.17%**	**0.14%**	**0.12%**

in percent	2018	2019	2020
Gender			
Female	4.17%	3.85%	3.84%
Male	3.89%	4.04%	3.79%
Regions			
European Union	4.34%	4.51%	4.68%
Far East	2.40%	1.69%	0.41%
CIS	3.66%	5.65%	4.05%
Central and South America	2.25%	3.60%	4.49%
Middle East and Africa	1.79%	0.17%	0.11%
North America	2.73%	1.06%	0.33%
Rest of Europe	16.15%	6.22%	2.56%
Absentee rates due to sick leaves, occupational diseases and other causes	**3.92%**	**4.02%**	**3.80%**

GRI 403-2; 403-9

Group management report, Health and safety, p. 84

ECO-EFFICIENCY IN PRODUCTION

Efficient use of raw materials

Scrap - i.e. steel and aluminum scrap - is produced mainly at PALFINGER's production sites, and in many cases also at assembly and installation sites. The optimization potential for reducing scrap during the cutting processes for steel sheet and plate has been largely exhausted. In addition, the scrap rate at each site fluctuates due to the underlying business model. This means that sites that tend to produce components in series have more opportunities for optimization than sites processing projects. Changes in the scrap rate also result from shifts in value chain content within the production network or from insourcing. The KPIs for reducing the volume of scrap metal even further were specified and standardized in 2020. In addition to the total volume of scrap metal sold, a specific indicator has been defined for each of the following three production processes.

- Scrap from cutting steel sheet and plate
- Scrap from cutting rod/bar/tube stock
- Swarf from lathing and machining processes

The table below shows figures for the processes that generate scrap at each site. This allows the figures to be compared with previous years.

Scrap rate (in percent)[1]	2018	2019	2020
Caussade (CAU)	31.5%	31.3%	32.6%[2]
Caxias do Sul - Madal (CAX)	23.5%	20.7%	22.5%[2]
Cherven Brjag (CHE)	25.2%	24.9%	25.0%[2]
Council Bluffs (COB)	15.0%	13.8%	20.0%[2]
Hanoi (HAN)	19.8%	21.3%	22.3%[2]
Ischimbai (ISC)	23.6%	27.7%	31.7%[5]
Lazuri (LAZ)	11.7%	14.9%	14.4%[3]
Lengau (LEN)	24.2%	24.2%	24.0%[2]
Maribor (MAR)	28.0%	29.0%	31.0%[2]
Neftekamsk (NEF)	28.0%	27.0%	23.3%[4]
Tenevo (TEN)	5.2%	5.8%	7.3%[3]
Velikiye Luki (VEL)	31.3%	30.8%	31.0%[5]

1) Takes into account plants with a raw material input of more than 1 percent compared to the raw material input of the Group.
2) Cutting steel strip and plate
3) Scrap from cutting rod/bar/tube stock
4) Scrap from cutting rod/bar/tube stock & swarf from lathing and machining processes
5) Cutting steel strip and plate & swarf from lathing and machining processes

In addition to steel and aluminum, PALFINGER also uses hydraulic oils and glass fiber reinforced plastics as raw materials. There are hardly any waste cuttings when producing lifeboats, as the glass fiber reinforced plastic can be shaped to fit precisely. PALFINGER does not process hydraulic oils and lubricants during production but instead integrates the untreated oils into the finished products. The quantities of hydraulic oil and lubricants used are not insignificant, however. Since 2020, PALFINGER has also been offering hydraulic oil and lubricants through its German service partners. By using high quality hydraulic oil and scheduled sampling and maintenance cycles, the volume of hydraulic oil required over the entire product life cycle and the rate of wear to components can be significantly reduced while extending the service life of the products.

GRI 301-1

Group management report, Efficient use of raw materials, p. 94

Hazardous waste

ABSOLUTE WASTE VOLUMES

In fiscal year 2020, the volume of hazardous waste was reduced to 4,971 metric tons (2019: 5,293 metric tons), the main reason being lower utilization.

The largest volumes of hazardous waste are generated at the sites in the European Union. In reporting period 2020, they fell to 4,518 metric tons (2019: 4,785 metric tons). Here, the acquisition of two evaporators in Lazuri (RO), the most waste-intensive site, also contributed to a reduction in waste volumes.

CIS is the region with the second-largest volume of hazardous waste in the PALFINGER Group. Volumes in the fiscal year just ended were further reduced compared with 2019. The volume of hazardous waste in CIS came to 324 metric tons (2019: 374 metric tons).

The reduction trend continues in the other regions. In North America, the absolute volumes of hazardous waste in fiscal year 2020 were further reduced to 8 metric tons (2019: 17 metric tons). Only in Central and South America did the volume of hazardous waste increase to 118 metric tons (2019: 105 metric tons), which was due to volumes from the previous year that were disposed of in 2020. Due to new local legal definitions for hazardous waste and irregular waste collection intervals, the total volume produced in the Far East dropped to 1 metric ton (2019: 11 metric tons). Olve (NO) is the only site located in the Rest of Europe region; it does not produce a significant volume of hazardous waste.

in tonnes	2018	2019	2020
European Union	4,391	4,785	4,518
Far East	26	11	1
CIS	669	374	324
Central and South America	168	105	118
North America	31	17	8
Rest of Europe	1	0	1
Hazardous waste	**5,286**	**5,293**	**4,971**

PAINTING AND COATING LINES

In the PALFINGER Group, each individual painting and coating line is purpose-designed. Group-wide principles apply to this process:

- Commitment to achieving energy efficiency through insulation, heat recovery, energy-efficient motors, and burners
- Protection of the environment by using environmentally friendly materials and technologies, solvent-free paints and coatings, as well as drying processes at low temperatures
- Conservation of resources by using state-of-the-art technologies (e.g. air recirculation, avoidance of wastewater, ergonomics, etc.)

SPECIFIC WASTE VOLUMES

Using an index makes it possible to present the figures adjusted for revenue developments. The target defined in 2018 of reducing waste intensity by 30 percentage points by 2030 (compared with the base year 2015) was not achieved in fiscal year 2020. At 97.4 percent, the figure was well above the interim target of 90 percent.

This trend is reflected in almost all regions and there was a significant deterioration in waste intensity in the fiscal year 2020. Only in the Far East region and North America, which have relatively small and fluctuating volumes of waste, was there an improvement.

in percent[1)]	2018	2019	2020
European Union	78.1%	78.1%	99.4%
Far East	37.4%	38.1%	16.3%
CIS	102.0%	54.5%	56.9%
Central and South America	132.0%	58.0%	134.8%
North America	99.2%	55.8%	52.1%
Rest of Europe	54.2%	0.0%	51.3%
Index: Hazardous waste in relation to revenue	**82.7%**	**75.9%**	**97.4%**

1) 2015 figure = 100 percent

USE OF PROBLEMATIC SUBSTANCES

Not only production processes are analyzed as to their hazardous substances. Product innovations use new environmentally friendly technologies that reduce the consumption during use of resources and energy as well as potentially problematic substances. PALFINGER products are designed to minimize noise and emissions during operation, be free of problematic substances, and allow for variants with biodegradable hydraulic oil. This enables risks to people and the environment to be reduced. With Loader Cranes, access platforms, and other products, customers can choose to operate the systems with biodegradable hydraulic oil. The PALFINGER Lubricants project extends oil change intervals by using enhanced sampling methods, which substantially reduces the volume of oil used during the product life cycle. The use of a new guide block technology in Loader Cranes reduces the maintenance requirements of cranes and increases environmental compatibility, as the extension boom systems only have to be greased once at the beginning of product use and the substance used is fully biodegradable. PALFINGER uses chromium (VI)-free products for hydraulic fittings and standard fastenings.

Group management report, Hazardous waste, p. 94

Energy efficiency

ENERGY CONSUMPTION BROKEN DOWN BY ENERGY SOURCE

In the reporting year, total energy consumption also dropped significantly to 195 million kWh (2019: 213 million kWh).

The most widely used energy source at PALFINGER in 2020 was electricity, accounting for 54 percent (2019: 54 percent) of total energy consumption. Consumption fell to 106 million kWh (2019: 116 million kWh) due to production adjustments.

Demand for heat and process energy decreased in 2020 to 76 million kWh (2019: 81 million kWh). This is strongly influenced by weather conditions and the length of the winter in the region in question rather than production levels. The proportion of heat and process energy was 39 percent in the reporting year (2019: 38 percent). Fuel consumption was reduced in 2020 to 14 million kWh (2019: 16 million kWh). Fuels accounted for only 7 percent of the total during the year under review (2019: 8 percent).

in MWh	2018	2019	2020
Electricity			
Electricity	112,951	115,848	106,051
	112,951	**115,848**	**106,051**
Heat			
Natural gas	68,402	67,380	61,940
Propane	3,564	3,372	3,214
Butane	997	873	895
LPG	4,423	3,765	4,203
Heating oil	96	468	408
District heating	5,822	5,328	4,980
	83,305	**81,186**	**75,640**
Fuels			
Diesel	13,861	14,639	12,376
Petrol	1,891	1,723	1,304
Kerosene	0	0	0
	15,753	**16,362**	**13,679**
Energy consumption broken down by energy source	**212,008**	**213,397**	**195,371**

ENERGY CONSUMPTION BROKEN DOWN BY REGION

The European Union is the main energy consumer, accounting for 66 percent of total consumption. The percentage of total energy consumed by EU sites remained more or less stable in 2020 (2019: 67 percent). Energy consumption in the CIS region also remained reasonably steady. The CIS region had the second-largest energy consumption within the PALFINGER Group in 2020, accounting for 16 percent (2019: 17 percent). The proportion of total energy consumption attributed to sites in North America increased slightly to 13 percent (2019: 12 percent). The remaining regions each consumed only a minor percentage, and their percentages of total energy consumption in fiscal year 2020 remained virtually unchanged.

in MWh	2018	2019	2020
Electricity			
European Union	81,319	85,207	77,921
Far East	745	799	806
CIS	16,262	15,627	13,352
Central and South America	3,126	3,402	3,531
North America	8,916	8,886	8,679
Rest of Europe	2,583	1,927	1,763
	112,951	**115,848**	**106,051**
Heat (incl. process heat)			
European Union	47,531	46,593	42,994
Far East	134	520	452
CIS	18,986	17,987	16,171
Central and South America	1,105	1,046	1,407
North America	15,549	15,041	14,617
Rest of Europe	0	0	0
	83,305	**81,186**	**75,640**
Fuels			
European Union	10,669	11,024	8,899
Far East	202	221	244
CIS	3,592	3,062	2,292
Central and South America	114	82	155
North America	1,126	1,770	2,089
Rest of Europe	49	204	0
	15,753	**16,362**	**13,679**
Energy consumption broken down by category	**212,008**	**213,397**	**195,371**

SPECIFIC ENERGY CONSUMPTION

As a percentage of revenue, the energy consumption index increased by around 5 percentage points compared to fiscal year 2019. This reversed the positive trend of recent years and the interim target of reducing the energy consumption index to below 90 percent was not achieved.

In the European Union, the index increased to 94.7 percent (2019: 87.0 percent). In the Far East region, it increased to 123.0 percent (2019: 108.3 percent); although it must be noted that the absolute energy consumption in the Far East was extremely low at approximately two million kWh. The CIS region had a positive impact on the Group's results in 2020 with an index value of 78.7 percent (2019: 83.8 percent). In the North America region, the index fell significantly to 96.0 (2019: 87.1) while it remained constant in the Central and South America region.

in percent[1]	2018	2019	2020
European Union	86.7%	87.0%[2]	94.7%
Far East	87.5%	108.3%	123.0%
CIS	84.8%	83.8%	78.7%
Central and South America	112.1%	81.5%	80.1%
North America	102.3%	87.1%	96.0%
Rest of Europe	89.0%	92.4%[2]	64.2%
Index: Energy consumption in relation to revenue	**88.8%**	**86.5%**	**91.8%**

1) 2015 figure = 100 percent
2) Minor changes have resulted from the GPO re-segmentation (Sales & Service, Operations) regarding the integration of marine sites.

GRI 302-1, 302-3

Group management report, Energy consumption and efficiency, p. 95

Climate protection

PRODUCTION-RELATED CO_2 EMISSIONS BY REGION

Direct and indirect emissions from production operations were reduced to 30,796 metric tons of CO_2 equivalents in fiscal year 2020 (2019: 36,588 metric tons; 2015 baseline: 53,696 metric tons). By converting further sites in Germany and Brazil to electricity from renewable energy sources, PALFINGER achieved a reduction of indirect emissions in the European Union and Central and South America regions. Direct emissions also fell in 2020 as a result of the lower energy consumption.

in tonnes of CO_2-equivalents	2018	2019	2020
Direct emissions from fuels (Scope 1)			
European Union	12,802	12,655	11,393
Far East	86	192	180
CIS	3,703	3,464	2,953
Central and South America	285	262	364
North America	3,481	3,544	3,529
Rest of Europe	12	51	0
	20,368	**20,168**	**18,420**
Indirect emissions from electricity and purchased energy (Scope 2)			
European Union	21,863	4,210	1,494
Far East	400	418	414
CIS	7,007	6,676	5,794
Central and South America	598	613	314
North America	3,663	3,653	3,582
Rest of Europe	1,141	851	779
	34,671	**16,421**	**12,376**
CO_2 emissions from production (Scope 1 and 2)	**55,039**	**36,588**	**30,796**

EXTERNAL CO_2 EMISSIONS GENERATED IN THE UPSTREAM AND DOWNSTREAM VALUE CHAIN

Going forward, considerable focus will also be placed on external emissions generated in the upstream and downstream value chain. The figures for Scope 3 emissions demonstrate that these are many times higher than the internal production-related emissions. In terms of materiality, three important categories were presented; further categories are being analyzed and will also be addressed where relevant. This evaluation is part of the climate protection strategy.

in tonnes of CO_2 equivalents	2018	2019	2020
Product use [1]	7,932,733	8,611,399	7,532,916
Purchased goods and services (e.g. Steel) [2]	593,338	601,836	606,274
Fuel- and energy related activities [3]	13,425	13,673	12,504
External emissions from upstream and downstream the value chain (Scope 3)[4]	**8,539,497**	**9,226,907**	**8,151,695**

1) The calculation of emissions generated from product use is based on the fuel consumption of a medium-sized crane over a service life of ten years, extrapolated to the whole company.
2) The most important raw materials, steel and aluminum, are included in the purchased materials. The ecoinvent 3.5 database is used for the conversion.
3) Fuel and energy-related activities include the emissions emitted by the energy supplier through the activity of supplying. For information on the calculation see the section Sustainability report profile and boundaries.
4) Base year 2015 CO_2 emissions (Scope 3) are assumed to amount to 6,590,346 metric tons of CO_2 equivalents

GRI 305-1, 305-2, 305-3
Group management report, Climate protection, p. 96

FAIR BUSINESS

Taxes by country

Since 2017, PALFINGER reports payments to public authorities by country and by region. These consist of non-performance-related taxes, such as property tax, and income-based taxes such as corporation tax, not including grants for investment or research and development.

EUR	2018	2019	2020
European Union			
Bulgaria	221,433	183,837	201,444
Denmark	198,050	2,122	231,710
Germany	5,473,365	7,750,605	7,765,312
France	3,156,380	4,302,988	1,888,982
Italy	628,239	465,658	67,643
Netherlands	(63,160)	104,581	240,941
Austria	11,640,242	10,792,314	3,903,627
Poland	102,302	129,928	121,479
Portugal	256,550	337,847	306,254
Romania	3,045,637	2,465,936	1,341,616
Slovakia	1,431	152	4,226
Slovenia	2,101,857	938,037	395,999
Spain	1,145,365	1,571,697	1,571,602
Czech Republic	10,883	15,231	19,111
Hungary	112,951	15,619	26,011
United Kingdom	162,999	98,056	89,948
	28,194,524	**29,174,607**	**18,175,905**
Far East			
China	94,318	79,551	95,672
India	9,722	78,980	19,897
Japan	102,099	255,019	194,966
Korea	88,364	1,216	25,593
Singapore	65,402	459,375	563,192
Vietnam	23,901	124,253	177,017
	383,806	**998,394**	**1,076,337**
CIS			
Russia	2,419,251	3,083,632	2,120,231
	2,419,251	**3,083,632**	**2,120,231**
Central and South America			
Argentina	728,685	602,364	1,278,854
Brazil	2,105,405	(830,278)	750,213
	2,834,090	**(227,914)**	**2,029,067**
Middle East and Africa			
Qatar	101,892	278,879	18
United Arab Emirates	101,501	73,356	25,927
	203,392	**352,235**	**25,945**
North America			
Canada	4,330,370	5,861,810	5,001,483
United States	1,291,729	1,681,056	1,289,543
	5,622,099	**7,542,866**	**6,291,026**
Rest of Europe			
Norway	405,766	193,827	25,721
	405,766	**193,827**	**25,721**
Public authorities - taxes net of subsidies	**40,062,928**	**41,117,647**	**29,744,233**

GRI 201-1, 207-1

GRI CONTENT INDEX

Since fiscal year 2017, PALFINGER has prepared its reports in accordance with the GRI standards. In accordance with the requirements of the Global Reporting Initiative (Core option), this report contains general disclosures and a description of the economic, environmental, and social aspects of the topics that the materiality analysis has shown to be relevant, on the basis of GRI disclosures. The following GRI content index contains the relevant references, indicating the sections and page numbers as well as an NaDiVeG reference. In the Integrated Annual Report, the references are marked with the relevant icon. Since 2013, PALFINGER has also been committed to compliance with the ten principles of the UN Global Compact and illustrates the progress made in the impact table and the GRI index below, which also include references to GRI standards.

GRI 102-55

Impact table, p. 200

www.palfinger.ag/en/news/publications/sustainability-publications

GRI standard	GRI disclosures NaDiVeG; UN Global Compact	Page numbers	Omission
FOUNDATION			
GRI 101: Foundation 2016			
GENERAL DISCLOSURES			
Organizational profile			
GRI 102: General Disclosures 2016	**102-1:** Name of the organization NaDiVeG	Strategy and value management p. 33	
	102-2: Activities, brands, products and services NaDiVeG	Strategy and value management p. 33; Customers and dealer network p. 59	
	102-3: Location of headquarters NaDiVeG	World map p. 38	
	102-4: Location of operations NaDiVeG	World map p. 38	
	102-5: Ownership and legal form NaDiVeG	Ownership structure p. 31; Information according to sec. 243a UGB p. 68	
	102-6: Markets served NaDiVeG	World map p. 38; Regions and industries p. 58; Customers and dealer network p. 59	
	102-7: Scale of the organization NaDiVeG	World map p. 38; Customers and dealer network p. 58; Business performance in 2020 p. 63; Responsible employer p. 77	
	102-8: Information on employees and other workers NaDiVeG; UNGC 3-6	Employment trend p. 86; Employment trend (Sustainability Annex) p. 210	
	102-9: Supply chain NaDiVeG	Value creation p. 53; Suppliers p. 60;	
	102-10: Significant changes to the organization and its supply chain NaDiVeG	Value creation p. 53; Suppliers p. 60; Significant changes within the PALFINGER Group p. 67	
	102-11: Precautionary principle or approach NaDiVeG UNGC 7-9	Risk report p. 71	
	102-12: External initiatives NaDiVeG	About this report p. 27; Ratings p. 30; Commitment p. 51	
	102-13: Membership of associations NaDiVeG	Commitment p. 51	
Strategy			
GRI 102: General Disclosures 2016	**102-14:** Statement from senior decision makers NaDiVeG	Foreword by the Executive Board p. 26	
	102-15: Key impacts, risks, and opportunities NaDiVeG	Risk report p. 71	

GRI standard	GRI disclosures NaDiVeG; UN Global Compact	Page numbers	Omission
Ethics and integrity			
GRI 102: General Disclosures 2016	**102-16:** Values, principles, standards, and norms of behavior UNGC 10	Strategy and value management p. 33; Corporate culture and values p. 78; Code of Conduct and Group Policies p. 108	
	102-17: Mechanisms for advice and concerns about ethics UNGC 10	Code of Conduct and Group Policies p. 108; Governance, risk management and compliance; internal audits p. 109	
Governance			
GRI 102: General Disclosures 2016	**102-18:** Governance structure	Sustainability management p. 43; Governing bodies of the company and functioning of the Executive Board and Supervisory Board pursuant to § 243c(2) and § 267b of the UGB p. 103; Executive Board p. 104; Committees of the Supervisory Board p. 106	
	102-19: Delegating authority	Sustainability management p. 43; Governing bodies of the company and functioning of the Executive Board and Supervisory Board pursuant to § 243c(2) and § 267b of the UGB p. 103	
	102-20: Executive-level responsibility for economic, environmental, and social topics	Sustainability management p. 43; Executive Board p. 104	
	102-21: Consulting stakeholders on economic, environmental, and social topic NaDiVeG	Stakeholders p. 40	
	102-22: Composition of the highest governance body and its committees NaDiVeG	Governing bodies of the company and functioning of the Executive Board and Supervisory Board pursuant to § 243c(2) and § 267b of the UGB p. 103; Executive Board p. 104; Supervisory Board p. 105; Corporate governance code p. 111	
	102-24: Nominating and selecting the highest governance body NaDiVeG	Governing bodies of the company and functioning of the Executive Board and Supervisory Board pursuant to § 243c(2) and § 267b of the UGB p. 103; Supervisory Board p. 105; Committees of the Supervisory Board p. 106	
	102-32: Highest governance body's role in sustainability reporting NaDiVeG	Sustainability management p. 43; Executive Board p. 104	
Stakeholder engagement			
GRI 102: General Disclosures 2016	**102-40:** List of stakeholder groups	Stakeholders p. 40	
	102-41: Collective bargaining agreements UNGC 3-6	Attractive employer p. 81	
	102-42: Identifying and selecting stakeholders	Stakeholders p. 40	
	102-43: Approach to stakeholder engagement NaDiVeG	Stakeholders p. 40; Sustainability management p. 43; Community activities p. 79	
	102-44: Key topics and concerns raised	Stakeholders p. 40; Sustainability management p. 43	
Reporting practice			
GRI 102: General Disclosures 2016	**102-45:** Entities included in the consolidated financial statements	Companies of the PALFINGER Group back cover	
	102-46: Defining report content and topic boundaries	Sustainability management p. 43; Sustainability report profile and boundaries (Sustainability annex) p. 195	
	102-47: List of material topics	Strategic sustainability aspects p. 35; Sustainability management p. 43; Impact table p. 49; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	102-48: Restatements of information	Sustainability report profile and boundaries (Sustainability annex) p. 195	
	102-49: Changes in reporting	Sustainability management p. 43	

GRI standard	GRI disclosures NaDiVeG; UN Global Compact	Page numbers	Omission
	102-50: Reporting period	Sustainability report profile and boundaries (Sustainability annex) p. 195	
	102-51: Date of most recent report	Sustainability report profile and boundaries (Sustainability annex) p. 195	
	102-52: Reporting cycle	Sustainability report profile and boundaries (Sustainability annex) p. 195	
	102-53: Contact point for questions regarding the report	General information back cover	
	102-54: Claims of reporting in accordance with the GRI standards	About this report p. 27	
	102-55: GRI content index	GRI content index (Sustainability annex) p. 225	
	102-56: External assurance NaDiVeG	Auditors p. 107; Report about the independent assurance of the non-financial reporting p. 241	

MATERIAL TOPICS AND ADDITIONAL TOPICS

GRI 200: Economic topics			
Material topic: **Research and development for products**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Impact table p. 49; Research and development p. 88; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Research and development p. 88; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Research and development p. 88	
	PALFINGER KPI: Research and development costs	Research and development p. 88	
Material topic: **Innovation in production**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Impact table p. 49; Research and development p. 88; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Research and development p. 88; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Research and development p. 88	
	PALFINGER KPI: Research and development costs	Research and development p. 88	
Material topic: **Viability of the business model**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Strategic pillars and sustainability aspects p. 35; Sustainability management p. 43; Impact table p. 49; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Strategic pillars and sustainable aspects p. 35; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Strategic pillars and sustainability aspects p. 35; Stakeholders p. 40; Risk report p. 71	
GRI 201: Economic performance 2016	**201-1:** Direct economic value generated and distributed	Stakeholders p. 40; Commitment p. 51; Taxes by country (Sustainability annex) p. 224	
	201-2: Financial implications and other risks and opportunities due to climate change NaDiVeG	Risk report p. 71	
	PALFINGER KPI: Management systems	Quality management p. 93; Management systems in use (Sustainability annex) p. 196	

GRI standard	GRI disclosures NaDiVeG; UN Global Compact	Page numbers	Omission
Material topic: **Compliance with legal and ethical standards**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Risk report p. 71; Fair business p. 108; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Risk report p. 71; Fair business p. 108; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Stakeholders p. 40; Risk report p. 71; Fair business p. 108	
GRI 205: Anti-corruption 2016	**205-1:** Operations assessed for risks related to corruption NaDiVeG; UNGC 10	Governance, risk management and compliance; internal audits p. 109	
	205-3: Confirmed incidents of corruption and actions taken NaDiVeG; UNGC 10	Governance, risk management and compliance; internal audits p. 109	
GRI 206: Anti-competitive behavior 2016	**206-1:** Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Governance, risk management and compliance; internal audits p. 109	
GRI 207: Taxes 2019	**207-1:** Approach to tax	Stakeholders p. 40	Breakdown by country has been implemented
	207-2: Tax governance, control and risk management	Risk report p. 71; Taxes by country (Sustainability annex) p. 224	Breakdown by country has been implemented
GRI 307: Environmental compliance 2016	**307-1:** Non-compliance with environmental laws and regulations NaDiVeG; UNGC 7-9	Governance, risk management and compliance; internal audits p. 109	
GRI 417: Marketing and labeling 2016	**417-2:** Incidents of non-compliance concerning product and service information and labeling	Governance, risk management and compliance; internal audits p. 109	
	417-3: Incidents of non-compliance concerning marketing communications	Governance, risk management and compliance; internal audits p. 109	
GRI 419: Socioeconomic compliance 2016	**419-1:** Non-compliance with laws and regulations in the social and economic area	Governance, risk management and compliance; internal audits p. 109	
Material topic: **Industry 4.0 and digitalization**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Strategic pillars and sustainability aspects p. 35; Sustainability management p. 43; Value creation p. 53; Research and development p. 88; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Strategic pillars and sustainable aspects p. 35; Research and development p. 88; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Strategic pillars and sustainable aspects p. 35; Research and development p. 88	
Indirect economic impacts			
GRI 203: Indirect economic impacts 2016	**203-2:** Significant indirect economic impacts	Risk report p. 71	
GRI 300: Environmental topics			
Material topic: **Product life cycle**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Research and development p. 88; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Research and development p. 88; Sustainability program (Sustainability annex) p. 205	

GRI standard	**GRI disclosures** **NaDiVeG; UN Global Compact**	**Page numbers**	**Omission**
	103-3: Evaluation of the management approach NaDiVeG	Research and development p. 88; Quality management p. 93; Efficient use of raw materials (Sustainability annex) p. 219	
	PALFINGER KPI: Scrap	Efficient use of raw materials (Sustainability annex) p. 219	
	PALFINGER KPI: Warranty costs	Quality management p. 93	
Material topic: **Energy and climate protection**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Energy consumption and efficiency p. 95; Climate protection p. 96; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Energy consumption and efficiency p. 95; Climate protection p. 96; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Energy consumption and efficiency p. 95; Climate protection p. 96; Energy efficiency (Sustainability annex) p. 221 Climate protection (Sustainability annex) p. 223	
GRI 302: Energy 2016	**302-1:** Energy consumption within the organization NaDiVeG; UNGC 7-9	Energy consumption and efficiency p. 95; Energy efficiency (Sustainability annex) p. 221	Not applicable: PALFINGER has not consume cooling energy or steam and does not sell energy.
	302-3: Energy intensity NaDiVeG; UNGC 7-9	Energy consumption and efficiency p. 95; Definition of metrics and key performance indicators p. 112; Energy efficiency (Sustainability annex) p. 221	
GRI 305: Emissions 2016	**305-1:** Direct (Scope 1) GHG emissions NaDiVeG; UNGC 7-9	Climate protection p. 96; Sustainability report profile and boundaries (Sustainability annex) p. 195; Climate protection (Sustainability annex) p. 223	Not applicable: PALFINGER does not produce any biogenicCO_2 emissions.
	305-2: Energy indirect (Scope 2) GHG emissions NaDiVeG; UNGC 7-9	Climate protection p. 96; Sustainability report profile and boundaries (Sustainability annex) p. 195; Climate protection (Sustainability annex) p. 223	No information available: in practice, the market-based approach makes more sense for PALFINGER.
	305-3: Other indirect (Scope 3) GHG emissions NaDiVeG; UNGC 7-9	Climate protection p. 96; Sustainability report profile and boundaries (Sustainability annex) p. 195; Climate protection (Sustainability annex) p. 223	Not applicable: PALFINGER does not produce any biogenicCO_2 emissions.
	PALFINGER KPI: Management systems	Environmental and energy management p. 97; Management systems in use (Sustainability annex) p. 196	
Material topic: **Raw material demand and efficiency**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Efficient use of raw materials p. 94; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Efficient use of raw materials p. 94; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Efficient use of raw materials p. 94; Efficient use of raw materials (Sustainability annex) p. 219	
GRI 301: Materials 2016	**301-1:** Materials used by weight or volume NaDiVeG; UNGC 7-9	Efficient use of raw materials p. 94; Efficient use of raw materials (Sustainability annex) p. 219	No information available: PALFINGER does not use renewable materials, so this is not relevant.
	PALFINGER KPI: Scrap	Efficient use of raw materials (Sustainability annex) p. 219	
	PALFINGER KPI: Hazardous waste	Hazardous waste p. 94; Hazardous waste (Sustainability annex) p. 219	
Supplier environmental assessment			
GRI 308: Supplier environmental assessment 2016	**308-1:** New suppliers that were screened using environmental criteria NaDiVeG; UNGC 7-9	Suppliers p. 60;	

GRI standard	GRI disclosures NaDiVeG; UN Global Compact	Page numbers	Omission
	308-2: Negative environmental impacts in the supply chain and actions taken NaDiVeG; UNGC 7	Suppliers p. 60	
GRI 400: Social topics			
Material topic: **Product safety**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Sustainable products and solutions p. 90; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Sustainable products and solutions p. 90; Governance, risk management and compliance; internal audits p. 109; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Sustainable products and solutions p. 90; Governance, risk management and compliance; internal audits p. 109	
GRI 416: Customer health and safety 2016	**416-1:** Assessment of the health and safety impacts of product and service categories	Sustainable products and solutions p. 90	
	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainable products and solutions p. 90; Governance, risk management and compliance; internal audits p. 109	Not applicable: Regardless of fault, every incident is documented and investigated. Due to PALFINGER's business model, service incidents are not reported separately.
Material topic: **Health and safety**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Health and safety p. 84; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Health and safety p. 84; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Health and safety p. 84; Health and safety (Sustainability annex) p. 217	
GRI 403: Occupational Health and Safety 2018	**403-1:** Occupational health and safety management system NaDiVeG	Health and safety p. 84; Management systems in use (Sustainability annex) p. 196	
	403-2: Hazard identification, risk assessment, and incident investigation NaDiVeG	Health and safety p. 84; Health and safety (Sustainability annex) p. 217	
	403-3: Occupational health services NaDiVeG	Health and safety p. 84	
	403-4: Worker participation, consultation, and communication on occupational health and safety NaDiVeG	Health and safety p. 84	
	403-5: Worker training on occupational health and safety NaDiVeG	Health and safety p. 84	
	403-6: Promotion of worker health NaDiVeG	Health and safety p. 84	

GRI standard	GRI disclosures NaDiVeG; UN Global Compact	Page numbers	Omission
	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships NaDiVeG	Health and safety p. 84	
	403-9: Work-related injuries NaDiVeG	Health and safety p. 84; Health and safety (Sustainability annex) p. 217	
Material topic: **Employee development**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Attractive employer p. 81; Learning organization p. 82; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Attractive employer p. 81; Learning organization p. 82; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Attractive employer p. 81; Learning organization p. 82; Learning organization (Sustainability annex) p. 216	
GRI 404: Training and Education 2016	**404-1:** Average hours of training per year per employee NaDiVeG	Learning organization p. 82; Learning organization (Sustainability annex) p. 216	
Material topic: **Attractive employment**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Corporate culture and values p. 78; Attractive employer p. 81; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Corporate culture and values p. 78; Attractive employer p. 81; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Corporate culture and values p. 78; Attractive employer p. 81; Employment trend (Sustainability annex) p. 86 Employment trend (Sustainability annex) p. 210	
GRI 401: Employment 2016	**401-1:** New employee hires and employee turnover NaDiVeG; UNGC 3-6	Employment trend p. 86; Employment trend (Sustainability Annex) p. 210	
GRI 405: Diversity and equal opportunity 2016	**405-1:** Diversity of governance bodies and employees NaDiVeG; UNGC 3-6	Employment trend p. 86; Executive Board p. 104; Supervisory Board p. 105; Diversity scheme p. 107; Diversity (Sustainability annex) p. 214	
Material topic: **Corporate culture and values**			
GRI 103: Management approach 2016	**103-1:** Explanation of the material topic and its boundary NaDiVeG	Sustainability management p. 43; Corporate culture and values p. 78; Impacts of sustainability topics along the value creation chain (Sustainability annex) p. 199	
	103-2: The management approach and its components NaDiVeG	Corporate culture and values p. 78; Sustainability program (Sustainability annex) p. 205	
	103-3: Evaluation of the management approach NaDiVeG	Corporate culture and values p. 78	

GRI standard	GRI disclosures NaDiVeG; UN Global Compact	Page numbers	Omission
Labor/Management relations			
GRI 402: Labor/Management relations 2016	**402-1:** Minimum notice periods regarding operational changes NaDiVeG	Communication p. 80	
Non-discrimination			
GRI 406: Non-discrimination 2016	**406-1:** Incidents of discrimination and corrective actions taken NaDiVeG	Diversity p. 80	
Freedom of association and collective bargaining			
GRI 407: Freedom of association and collective bargaining 2016	**407-1:** Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk NaDiVeG; UNGC 1-6	Suppliers p. 60; Corporate culture and values p. 78; Code of Conduct and Group Policies p. 108	
Child labor			
GRI 408: Child labor 2016	**408-1:** Operations and suppliers at significant risk for incidents of child labor NaDiVeG; UNGC 1-6	Suppliers p. 60; Corporate culture and values p. 78; Code of Conduct and Group Policies p. 108	
Forced or compulsory labor			
GRI 409: Forced or compulsory labor 2016	**409-1:** Operations and suppliers at significant risk for incidents of forced of compulsory labor NaDiVeG; UNGC 1-6	Suppliers p. 60; Corporate culture and values p. 78; Code of Conduct and Group Policies p. 108	
Human rights assessment			
GRI 412: Human rights assessment 2016	**412-1:** Operations that have been subject to human rights reviews or impact assessments NaDiVeG; UNGC 1-6	Suppliers p. 60; Sustainable products and solutions p. 78; Governance, risk management and compliance; internal audits p. 109	
Supplier social assessment			
GRI 414: Supplier social assessment 2016	**414-1:** New suppliers that were screened using social criteria NaDiVeG; UNGC 1-6	Suppliers p. 60	
	414-2: Negative social impacts in the supply chain and actions taken NaDiVeG; UNGC 1-6	Suppliers p. 60	
Public policy			
GRI 415: Public policy 2016	**415-1:** Political contributions NaDiVeG; UNGC 10	Commitment p. 51	

THE MOST IMPORTANT LESSON LEARNED WAS THAT TOGETHER, WE CAN MASTER ALL CHALLENGES.

Andreas Klauser, CEO

STATEMENT OF ALL MANAGEMENT

We confirm to the best of our knowledge that the consolidated financial statements for the year ended December 31, 2020, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). We also confirm, to the best of our knowledge, that the Group management report, including the non-financial statement, for the year ended December 31, 2020, gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces

In addition, we confirm to the best of our knowledge that the separate financial statements for the year ended December 31, 2020, give a true and fair view of the assets, liabilities, financial position, and profit or loss of PALFINGER AG as required by the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) and that the management report for the year ended December 31, 2020, gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Bergheim, February 25, 2021

Executive Board of PALFINGER AG

Andreas Klauser
Chief Executive Officer

Felix Strohbichler
Chief Financial Officer

Martin Zehnder
Chief Operations Officer

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(TRANSLATION)

AUDIT OPINION

We have audited the consolidated financial statements of

PALFINGER AG, Bergheim bei Salzburg,

and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, the separate consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2020, and of its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code.

BASIS FOR OPINION

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

OTHER MATTER

The consolidated financial statements of PALFINGER AG, Bergheim bei Salzburg, for the financial year ended December 31, 2019 were audited by another auditor who issued an auditor's report containing an unqualified audit opinion dated February 7, 2020 on these consolidated financial statements.

Our audit opinion is not qualified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
- Description
- Audit approach and key observations
- Reference to related disclosures

1. Reallocation of goodwill due to changes in the segment reporting in the Segment SEA resulting from the new GLOBAL PALFINGER ORGANIZATION (GPO)

DESCRIPTION
As a result of the Global Palfinger Organization (GPO) introduced in the financial year 2019 and the changes to the internal reporting structure in the Segment "SEA" as at January 1, 2020, the previous business segment "SEA" was incorporated into the business segments "Sales & Services" and "Operations".

Following the reorganization of the reporting structure, goodwill previously allocated to the Segment "SEA" had to be reallocated as at January 1, 2020. In accordance with IAS 36.87, the reallocation was performed proportionately based on the values in use determined in the impairment test as at December 31, 2019. As a result, 76.9% of the existing goodwill amounting to EUR 74.9 million was allocated to the Segment "Sales & Service" and 23.1% to the Segment "Operations" and tested for impairment in accordance with IAS 36 as at December 31, 2019.

For the consolidated financial statements, the risk exists that goodwill previously recorded in the Segment "SEA" has not been allocated adequately to the new segments.

AUDIT APPROACH AND KEY OBSERVATIONS
We critically assessed how the changes to the reporting structure have been implemented on Executive Board and management level following the introduction of the GPO. Further, we assessed the new segment structure in the context of how goodwill in the Segments "Sales & Service" and "Operations" will be monitored and controlled in the future, and verified the methodology applied as well as the mathematical accuracy of the relative proportions determined for the reallocation of goodwill to the two new segments.

The methodology applied for reallocating goodwill, including determining the relative proportions required in this context in accordance with IAS 36.87 is adequate. The disclosures in the notes required by IAS 36 are complete and adequate.

REFERENCE TO RELATED DISCLOSURES
Further information on this key audit matter can be found in the notes to the consolidated financial statements as at December 31, 2020 under note 30 – "Intangible assets", subsection "GOODWILL".

2. Recoverability of the carrying amounts of cash generating units

DESCRIPTION
The Group carries out an impairment test in accordance with IAS 36 at least once a year and whenever there is any indication for impairment.

An impairment loss is recognized to the extent that the carrying amount of the individual asset or the cash generating unit exceeds the recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of the fair value less costs of disposal or the value in use. When evaluating whether there are any indications for impairment, external and internal sources of information are to be taken into account.

The Group determines the value in use by means of a discounted cash flow model. In addition to forecasted future cash flows, particularly the discount rate before taxes is also to be classified as such that it requires significant discretionary decisions. As even slight changes in the cash flows of perpetual annuity as well as in the discount rate may have a significant impact on the recoverable amount, there are major estimation uncertainties with regard to determining the value in use. In particular, the impact of the COVID-19 pandemic had to be taken into account in the consolidated financial statements as at December 31, 2020.

Therefore, for the consolidated financial statements, there is the risk that an existing impairment has not been recognized or has not been determined at the appropriate amount. Moreover, there is the risk that the respective disclosures in the notes are not adequate.

AUDIT APPROACH AND KEY OBSERVATIONS

We involved our internal valuation experts in assessing whether the assumptions on future cash flows included in the valuation model and the assumptions on material valuation parameters used for the respective cash generating units are appropriate.

We examined whether the assumptions used in the future cashflows are in line with the budget prepared by the Executive Board and approved by the Supervisory Board, and we analyzed and critically assessed the essential drivers for the future development (such as revenue, expenses, investments, changes in working capital). In particular, we examined whether the impact of the COVID-19 pandemic was taken into account in an appropriate manner. We assessed the forecast quality of past budgets by comparing historic targets to the actual materialized values and by following up on material deviations. We checked the assumptions regarding the discount rate and the growth rate by involving our internal valuation experts. We further checked the mathematical accuracy of the valuation model. We assessed whether the disclosures in the notes to the consolidated financial statements on the impairment tests are appropriate. This included, in particular, the sensitivity analyses performed to assess the risk of possible deviations from revenue and earnings assumptions as well as from the discount and growth rates used.

The valuation model used by the Company is suitable to carry out an impairment test as required by IFRS (IAS 36). The assumptions and valuation parameters used in the valuation – also taking into account the impact of the COVID-19 pandemic – are reasonable. The disclosures required by IAS 36 are complete and adequate.

REFERENCE TO RELATED DISCLOSURES

Further information on this key audit matter can be found in the notes to the consolidated financial statements as at December 31, 2020 under note 29 – "Impact of COVID-19 on the financial position" as well as note 30 – "Intangible assets" in subsection –"INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFES".

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations. Regarding the consolidated non-financial statement contained in the management report for the Group, it is our responsibility to examine whether it has been prepared, to read it and to consider whether it is, based on our knowledge obtained in the audit, materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian standards on auditing for the audit of the management report for the Group.

OPINION

In our opinion, the management report for the Group was prepared in accordance with the applicable legal regulations, comprising the details in accordance with section 243a UGB, and is consistent with the consolidated financial statements.

STATEMENT

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional Information in Accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the ordinary general meeting dated August 5, 2020. We were appointed by the Supervisory Board on November 3, 2020. We have audited the Company since December 31, 2020.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

RESPONSIBLE ENGAGEMENT PARTNER

Responsible for the proper performance of the engagement is Mr. Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, February 25, 2021

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner

Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's report is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This auditor's report is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of section 281 para. 2 UGB apply.

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT FOR THE FINANCIAL YEAR 2020

(TRANSLATION)

We have performed a limited assurance engagement of the consolidated non-financial statement for the financial year 2020 of PALFINGER AG, Bergheim bei Salzburg, and its subsidiaries (the "Group") for the year ended December 31, 2020.

MANAGEMENT'S RESPONSIBILITY

The Management is responsible for the preparation of the consolidated non-financial statement in accordance with the requirements of section 267a UGB as well as the GRI Standards: Core option. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the consolidated non-financial statement for the financial year 2020 that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion based on our procedures performed and evidence obtained.

We performed our engagement in accordance with the professional standards applicable in Austria with regard to KFS/PG 13 "Other assurance engagements", KFS/PE28 "Selected issues in connection with the assurance of non-financial statements and non-financial reports pursuant to sections 243b UGB and 267a UGB as well as sustainability reports" and the International Standards on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information". These standards require that we comply with our ethical requirements, including rules on independence, and that we plan and perform our procedures by considering the principle of materiality to be able to express a limited assurance conclusion based on the assurance obtained. As provided under section 275 para. 2 UGB (liability provision regarding the audit of financial statements of small and medium-sized companies), our responsibility and liability towards the Company and any third parties arising from the assurance engagement are limited to a total of EUR 2 million.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selection of the procedures lies in the sole discretion of the auditor and comprised the following:
- Critical assessment of the Group's analysis of materiality considering the concerns of external stakeholders by interviewing the responsible employees and inspecting relevant documents
- Obtaining an overview of the policies pursued by the Group, including due diligence processes implemented as well as the processes used to ensure an accurate presentation in the consolidated non-financial statement by interviewing the Company's management and inspecting internal guidelines, procedural instructions and management systems in connection with non-financial matters/disclosures
- Obtaining an understanding of reporting processes by interviewing the relevant employees and inspecting selected documentations
- Evaluating the reported disclosures by performing analytical procedures regarding non-financial performance indicators, interviewing relevant employees and inspecting selected documentations. All interviews as well as audit activities were conducted virtually due to the ongoing COVID-19 pandemic and the respective coronavirus protective measures
- Examining the consolidated non-financial statement regarding its completeness in accordance with the requirements of section 267a UGB as well as the GRI Standards: Core option
- Evaluating the overall presentation of the disclosures and non-financial information

The following is not part of our engagement:
- Examining the processes and internal controls particularly regarding their design, implementation and effectiveness
- Performing procedures at individual locations as well as measurements or individual evaluations to check the reliability and accuracy of data received
- Examining the prior-year figures, forward-looking information or data from external surveys
- Checking the correct transfer of data and references from the (consolidated) financial statements to the non-financial report; and
- Examining the information and disclosures on the website or further references on the internet

Neither an audit nor a review of financial statements is objective of our engagement. Furthermore, the disclosure and solution of criminal acts, as e.g. embezzlement or other kinds of fraud, and wrongful doings, nor the assessment of the effectiveness and profitability of the management are objectives of our engagement.

CONCLUSION

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement for the financial year 2020 is not prepared, in all material aspects, in accordance with the requirements of section 267a UGB as well as the GRI Standards: Core option.

Vienna, February 25, 2021

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner

Austrian Certified Public Accountant

GRI 102-56

REPORT OF THE SUPERVISORY BOARD

In fiscal year 2020, 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 8, September 29, and December 14, 2020, and attended by the Executive Board. Moreover, 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 Chair of the Supervisory Board was in regular contact with the Executive Board - including outside the Supervisory Board meetings - to discuss 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 during the fiscal year 2020: the effects of the COVID-19 and the actions implemented by the Executive Board, the strategy in the individual segments, product lines and regions, the organizational changes and ongoing developments in the course of implementing the GPO, the evolution of the distribution network, major investment decisions, the collaboration with Sany and the possibility of a reversal of the cross-holding, the developments in Group-wide risk management as well as concomitant economic, ecological and social risks.

In addition, four Audit Committee meetings were held in 2020, at which the Audit Committee focused on the implementation of a procedure for the selection of a new auditor, the 2019 annual financial statements, the internal control system, risk management, IFRS and reporting topics, the internal audit and cooperation with the auditor.

The Nomination Committee discussed the following topics in particular: the collaboration and working methods of the Executive Board, nominations for the appointment of an additional member and the appointment of a member to fill a vacancy made available during the Annual General Meeting 2020.

In 2020, the Remuneration Committee focused on the preparation of the Remuneration Policy, the Remuneration Report, the remuneration of the members of the Executive Board and the revision of a long-term incentive program for the management team.

For details of the members and working methods of the Supervisory Board and its committees, please refer to Corporate Governance Report 2020.

PALFINGER AG's financial statements for the year ended December 31, 2020, and the 2020 management report including the non-financial explanations according to section 267a UGB were audited by PwC Wirtschaftsprüfung GmbH. 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 2020. The same applies to the 2020 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 (UGB).

The Supervisory Board has approved the financial statements for the year ended December 31, 2020, including the management report and corporate governance report for fiscal year 2020. The 2020 financial statements of PALFINGER AG are therefore adopted in accordance with section 96 (4) of the Austrian Stock Corporation Act (AktG). The Supervisory Board has approved the consolidated financial statements and the Group management report for 2020 prepared in accordance with section 244 et seq. of the Austrian Commercial Code (UGB). The Supervisory Board has evaluated and approved the proposal of the Executive Board with respect to the distribution of profits for fiscal year 2020.

The evaluation of the company's compliance with the rules of the Austrian Corporate Governance Code in fiscal year 2020 was carried out by PwC Wirtschaftsprüfung GmbH. It was confirmed that the declaration made by PALFINGER AG on compliance with the Corporate Governance Code reflects the actual circumstances.

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 2020.

Bergheim, Thursday, February 25, 2021

Hubert Palfinger

GENERAL INFORMATION

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COMPANIES OF THE PALFINGER GROUP

PALFINGER AG
Austria, Bergheim

- 100% **Palfinger EMEA GmbH** – Austria, Bergheim
  - 65% **EPSILON Kran GmbH** – Austria, Salzburg – 35% Steindl Holding GmbH
  - 45% **STEPA Farmkran GmbH** – Austria, Elsbethen – 55% STEINDL KRANTECHNIK GmbH
  - 100% **Palfinger Europe GmbH** – Austria, Salzburg
  - 100% **Palfinger Gru Idrauliche S.r.l.** – Italy, Bolzano
  - 100% **Palfinger Tail Lifts GmbH** – Germany, Ganderkesee-Hoykenkamp
  - 100% **Palfinger Tail Lifts s.r.o.** – Slovakia, Bratislava
  - 90% **Palfinger Platforms GmbH** – Germany, Krefeld – 10% Palfinger Europe GmbH
  - 90% **Palfinger GmbH** – Germany, Ainring – 10% Palfinger Europe GmbH
  - 100% **Palfinger Hayons S.A.S.** – France, Silly en Gouffern
  - 65% **Guima Palfinger S.A.S.** – France, Caussade – 35% Compagnie générale Vincent
  - 48.94% **Palfinger France S.A.S.** – France, Étoile sur Rhône – 51.06% Group Vincent et.al.
  - 100% **Palfinger Tail Lifts Limited** – United Kingdom, Welwyn Garden City
  - 100% **Palfinger Danmark AS** – Denmark, Middelfart
  - 100% **Palfinger Produktionstechnik Bulgarian EOOD** – Bulgaria, Cherven Bryag
  - 60% **Nimet Srl** – Romania, Lazuri – 40% Samy Numan
  - 100% **PALFINGER proizvodnja d.o.o.** – Slovenia, Maribor
  - 100% **Palfinger proizvodna tehnologija Hrvatska d.o.o.** – Croatia, Delnice
  - 100% **Palfinger Poland sp.z.o.o** – Poland, Solec Kujawski
  - 75% **Palfinger Ibérica Maquinaria, S.L.** – Spain, Madrid – 25% OYT Mulder Holding S.L.
  - 60% **Palfinger comércio e aluguer de máquinas, S.A.** – Portugal, Samora Correira – 40% Areampla Portugal
  - 100% **Palfinger Canarias Maquinaria S.L.** – Spain, Las Palmas de Gran Canaria
  - 100% **Elesa centro de montaje y servicios, S.A** – Spain, Madrid
- 100% **Palfinger Area Units GmbH** – Austria, Salzburg
  - 100% **Palfinger Americas GmbH** – Austria, Salzburg
  - 70% **Andrés N. Bertotto S.A.I.C. (Hidro-Grubert)** – Argentina, Río Tercero – 30% Bertotto Family
  - 99.85% **Madal Palfinger S.A.** – Brazil, Caxias do Sul – 0.15% Retail Shareholders
  - 100% **Palfinger-Tercek Indústria de Elevadores Veiculares Ltda** – Brazil, Caxias do Sul
  - 100% **Palfinger, Inc.** – Canada, Niagara Falls
  - 100% **Palfinger US Holdings, Inc.** – U.S.A., Council Bluffs
  - 100% **Palfinger Liftgates, LLC** – U.S.A., Cerritos
  - 100% **Omaha Standard, LLC** – U.S.A., Council Bluffs
  - 100% **Palfinger USA, LLC** – U.S.A., Tiffin
  - 100% **Equipment Technology, LLC** – U.S.A., Oklahoma City
  - 100% **Palfinger North America, Inc.** – USA, Council Bluffs
  - 100% **Palfinger CIS GmbH** – Austria, Salzburg
  - 100% **INMAN AO** – Russia, Ishimbay
  - 51% **Palfinger Kama Cylinders OOO** – Russia, Neftekamsk – 49% KAMAZ PAO
  - 49% **Crane Center Kamaz OOO** – Russia, Naberezhnye Chelny – 51% KAMAZ PAO
  - 100% **Palfinger Crane Rus OOO** – Russia, St. Petersburg
  - 75.03% **Palfinger PM Holding GmbH** – Austria, Salzburg – 24.97% Steindl Forsttechnik GmbH
  - 100% **Podyomnie Maschini AO** – Russia, Velikiye Luki
  - 62.2% **SMZ OOO** – Russia, Arkhangelsk – 37.8% Holding Company Podyomnie Maschini AO
  - 97.07% **Velmash-S OOO** – Russia, Velikiye Luki – 2.93% Holding Company Podyomnie Maschini AO
  - 49.9% **Holding Company Podyomnie Maschini AO** – Russia, Arkhangelsk – 50.1% Palfinger PM Holding GmbH et.al.
  - 99.99% **Palfinger Cranes India Pvt. Ltd.** – India, Chennai – 0.01% Palfinger Asia Pacific Pte. Ltd.
  - 100% **Palfinger Asia Pacific Pte. Ltd.** – Singapore, Singapore
    - 100% **Palfinger Trading (Shanghai) Co., Ltd.**
    - 100% **Palfinger Equipment (Nantong) Co., Ltd.** – China, Nantong
    - 100% **Palfinger Japan K.K.** – Japan, Yokohama
    - 100% **Palfinger Taiwan Co., Ltd.** – Taiwan, Taipeh
  - 100% **Palfinger Korea Co., Ltd.** – South Korea, Seongnam-si
  - 50% **Sany Palfinger SPV Equipment Co., Ltd.** – China, Nantong – 50% SANY Automobile Hoisting Machinery Co Ltd.
  - 7.5% **SANY Automobile Hoisting Machinery Co., Ltd.** – China, Changsha – 92.5% SANY Automobile Manufacturing Co., Ltd
- 100% **Palfinger S. Units GmbH** – Austria, Salzburg
  - 100% **Palfinger Platforms Italy s.r.l.** – Italy, Bolzano
  - 50% **Palfinger Sany International Mobile Cranes Sales GmbH** – Austria, Salzburg – 50% SANY Belgium Holding S.A.
  - 100% **PALFINGER SANY Cranes OOO** – Russia, Moscow
- 51% **Palfinger Structural Inspection GmbH** – Austria, Vienna – 49% VCE Vienna Consulting Engineers ZT GmbH et al.

□ Consolidated
□ Entities measured using equity method accounting and other equity interests

As at December 31, 2020

PALFINGER AG
Austria, Bergheim

- 100% **Palfinger Marine GmbH**, Austria, Salzburg
  - 100% **Palfinger Marine Norway AS**, Norway, Bergen
  - 100% **Palfinger Marine Netherlands B.V.**, Netherlands, Harderwijk
    - 100% **Palfinger Marine Vietnam Co., Ltd.**, Vietnam, Hung Yen
  - 100% **Palfinger Marine Poland sp. z.o.o.**, Poland, Gdynia
  - 96.65% **Palfinger Marine Do Brasil Ltda.**, Brazil, Rio de Janeiro (3.35% Palfinger Marine Safety AS)
    - 99% **Palfinger Marine Montagens Industriais do Brasil Ltda.**, Brazil, Porto Alegre (1% Koch Metalúrgica Ltda.)
  - 100% **Palfinger Marine Korea Ltd.**, South Korea, Sacheon-si
  - 100% **Palfinger Marine Rus OOO**, Russia, St. Petersburg
  - 100% **Palfinger Marine Safety AS**, Norway, Seimsfoss
    - 100% **Palfinger Marine USA Inc.**, U.S.A., New Iberia
      - 100% **Palfinger Marine Panama Inc.**, Panama, Panama City
    - 100% **Palfinger Marine Canada Inc.**, Canada, Langley
    - 100% **Palfinger Marine LSE (Qingdao) Co., Ltd.**, China, Qingdao
    - 100% **Palfinger Marine Shanghai Co., Ltd.**, China, Shanghai
    - 100% **Palfinger Marine Hong Kong Limited**, China, Hong Kong
  - 100% **Palfinger Marine UK Limited**, United Kingdom, Gosport Hampshire
  - 100% **Palfinger Marine DK AS**, Denmark, Munkebo
  - 100% **Harding Safety Spain SL**, Spain, Cádiz
  - 100% **Palfinger Marine Italy Srl**, Italy, Livorno
  - 100% **Palfinger Marine Germany GmbH**, Germany, Dägeling
  - 100% **Palfinger Marine Europe B.V.**, Netherlands, Schiedam
    - 100% **Palfinger Marine Czech s.r.o.**, Czech Republic, Slaný
  - 100% **Noreq BV**, Netherlands, Houten
- 100% **Palfinger systems units GmbH**, Austria, Salzburg
  - 100%* **Mega Repairing Machinery Equipment LLC**, United Arab Emirates, Dubai
  - 100%* **Megarme Inspection & Engineering Services LLC**, United Arab Emirates, Dubai
  - 100%* **Megarme General Contracting Company LLC**, United Arab Emirates, Abu Dhabi
  - 100%* **Palfinger Marine Doha WLL**, Qatar, Doha

□ Consolidated
□ Entities measured using equity method accounting and other equity interests
* Some shares held in trust

As at December 31, 2020

FINANCIAL CALENDAR 2021

February 26, 2021	**Balance sheet presentation**
March 28, 2021	**Annual General Meeting record date**
April 1, 2021	**Deadline for deposit confirmation**
April 7, 2021	**Annual General Meeting**
April 9, 2021	**Ex-dividend date**
April 12, 2021	**Dividend record date**
April 13, 2021	**Dividend payment date**
April 30, 2021	**Publication of results Q1/2021**
July 30, 2021	**Publication of results HY/2021**
October 29, 2021	**Publication of results Q1–3/2021**

Additional dates such as trade fairs will be announced on the website.

Investors and other interested parties who wish to receive regular news about the PALFINGER Group may register for the info service on the PALFINGER website. The PALFINGER Investor Relations app is also available for download on the Company's website as well as in leading app stores.

www.palfinger.ag/en/investors; www.palfinger.ag/en/investors/ir-service

The digital version of the Integrated Annual Report as well as the download link can be found at i-report.palinger.ag

i-report.palfinger.ag

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