오늘 걷지 않는다면,
내일은 뛰어야 한다.

(Korean saying)

"Start walking today,
or you'll have to run tomorrow."

Integrated Annual Report 2015

PALFINGER

TABLE OF CONTENTS

Willkommen!

سلامت داتڠ

Welcome!

¡Bienvenidos!

Bienvenu!

Dobrodošel!

Welkom!

Добре дошли

Vitajte!

Benvenuto!

أهلًا

Hoş geldiniz

நல்வர

بكم

欢迎！

Dobrodošli!

Bun venit!

Boas-Vindas!

स्वागत

Powitanie!

환영합니다

Velkommen!

Sự tiếp đãi

Haykuykuy!

Добро пожаловать!

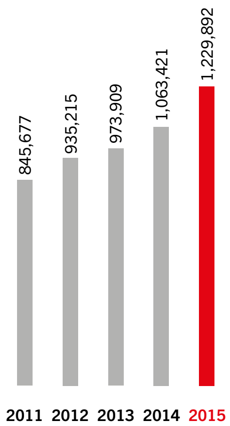
THE WORLD IS OUR HOME
AND THE KEY TO OUR SUCCESS.

KEY FIGURES OF THE PALFINGER GROUP

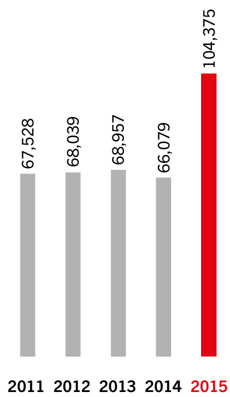
EUR thousand	2011	2012	2013	2014	2015
Income statement					
Revenue	845,677	935,215	973,909[6]	1,063,421	1,229,892
EBITDA	96,764	97,950	100,692[6]	104,637	145,330
EBITDA margin	11.4%	10.5%	10.3%[6]	9.8%	11.8%
EBIT	67,528[6]	68,039[6]	68,957[6]	66,079[6]	104,375
EBIT margin	8.0%[6]	7.3%[6]	7.1%[6]	6.2%[6]	8.5%
Result before income tax	56,611[6]	53,310[6]	56,037[6]	54,165[6]	92,974
Consolidated net result for the period	41,710[6]	40,149[6]	38,749[6]	38,162[6]	64,366
Balance sheet					
Total assets	738,449[6]	811,854[6]	837,287[6]	1,122,425[6]	1,212,364
Net working capital (average)	119,186[6]	151,855[6]	170,746[6]	174,496[6]	178,969
Capital employed (average)	500,004[6]	551,257[6]	591,249[6]	705,316[6]	834,911
Equity	351,948[6]	363,799[6]	379,695[6]	454,650[6]	510,658
Equity ratio	47.7%[6]	44.8%[6]	45.3%[6]	40.5%[6]	42.1%
Net debt	166,876	217,565	219,980[6]	356,600	347,913
Gearing	47.4%[6]	59.8%[6]	57.9%[6]	78.4%[6]	68.1%
Cash flows and investments					
Cash flows from operating activities	37,662	55,394	69,236[6]	47,208	110,623
Free cash flows	11,695	(3,103)	28,993[6]	(159,525)[6]	54,704
Net investments	23,673	40,799	31,723[6]	175,855	60,440
Depreciation, amortization and impairment	29,237[6]	29,911[6]	31,735[6]	38,558[6]	40,955
Value creation					
ROCE	11.1%	10.2%	9.0%[6]	7.4%	9.6%
ROE	14.0%[6]	12.6%[6]	11.7%[6]	10.5%[6]	14.8%
EVA	20,403[6]	18,863[6]	9,535[6]	6,713[6]	25,880
WACC	7.0%	6.8%[6]	7.4%	6.5%	6.5%
Environment					
Index: Energy consumption in relation to revenue	100.0%	95.7%	95.8%[2]	91.6%[2]	87.4%
Index: Greenhouse gas emissions in relation to revenue	100.0%	95.8%	95.6%[2]	91.1%[2]	89.0%
Index: Hazardous waste in relation to revenue	100.0%	99.9%	94.4%[2]	91.4%[2]	110.5%
Suppliers with excellent and good environmental management	32.0%	n.a.[4]	62.0%	64.0%	67.0%
Human resources					
Annual average payroll[1]	5,600	6,175	6,490[2]	8,030	8,995
Employee turnover	9.5%	11.4%	10.3%	10.0%	13.6%
Staff absence due to industrial accidents (in % of regular working time)	0.22%	0.20%	0.18%	0.11%	0.13%
Training hours per employee[3]	8.6	8.5	11.9	12.0	15.0
Share					
Number of shares	35,730,000	35,730,000	35,730,000	37,593,258	37,593,258
Market capitalization	440,551	587,401	1,030,810	789,082	994,342
Price as at year end (EUR)	12.33	16.44	28.85	20.99	26.45
Earnings per share (EUR)	1.18[6]	1.13[6]	1.09[6]	1.04[6]	1.73
Operating cash flows per share (EUR)	1.06	1.57	1.96[6]	1.26	2.97
Dividend per share (EUR)	0.38	0.38	0.41	0.34	0.57[5]

1) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.
3) Deviating reporting boundaries due to sites that do not report these indicators.
4) No supplier evaluation took place in 2012.
5) Of which EUR 0.18 was paid out in December 2015 as an interim dividend. Proposal for presentation to the Annual General Meeting: EUR 0.39.
6) Figures were adjusted with retrospective effect (see Note (14)).

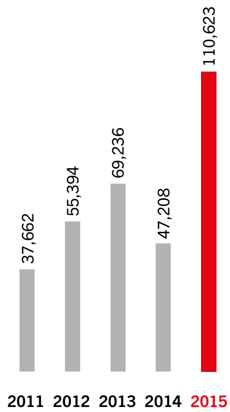
ECONOMY



REVENUE
(EUR thousand)

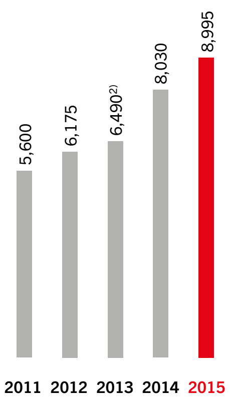


EBIT
(EUR thousand)

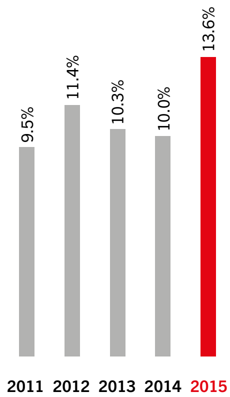


OPERATING CASHFLOWS
(EUR thousand)

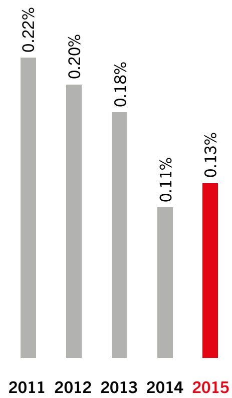
HUMAN RESOURCES



HEADCOUNT
(annual average)

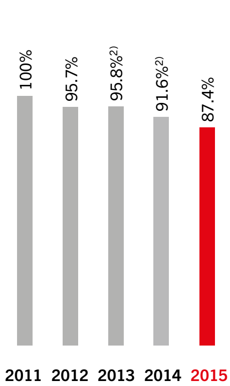


EMPLOYEE TURNOVER
(in per cent)

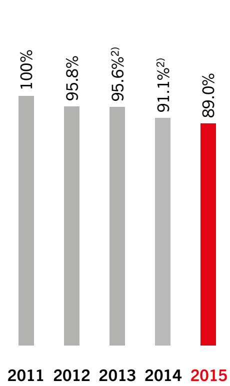


STAFF ABSENCE DUE TO INDUSTRIAL ACCIDENTS
(in per cent)

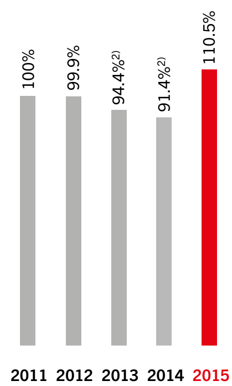
ENVIRONMENT



INDEX: ENERGY CONSUMPTION IN RELATION TO REVENUE
(volume 2011 = 100%)



INDEX: GREENHOUSE GAS EMISSIONS IN RELATION TO REVENUE
(volume 2011 = 100%)



INDEX: HAZARDOUS WASTE IN RELATION TO REVENUE
(volume 2011 = 100%)

HOW TO USE THIS REPORT

This Integrated Annual Report 2015 is the third Integrated Annual Report published by the PALFINGER Group. It presents the economic and legal information and also describes the aspects and results of sustainable management. This sustainability information is not bundled in a separate chapter but rather is integrated into the individual chapters concerned. The Report is in accordance with the International Financial Reporting Standards (IFRS) as well as the G4 Guidelines of the Global Reporting Initiative (GRI). The complete Report may be downloaded as a PDF file from the Company's website www.palfinger.ag. For reasons of economy and targeted stakeholder communication, the printed copies do not contain the consolidated financial statements according to IFRS and the detailed GRI and sustainability disclosures.

The information relating to PALFINGER as a responsible employer is contained in the consolidated management report, starting on page 77. Sustainable products are a result of research and development (from page 84), and eco-efficiency in production is an integral part of PALFINGER's value creation strategy (from page 89). The principles of fair business are included, for example, in the corporate governance report (starting on page 98).The detailed GRI reporting and sustainability disclosures (starting on page 208) comprise additional data pertaining to the relevant sustainability-related aspects of this Report.

To help the reader, the Report contains the following references:

Reference to a GRI indicator

Reference to another passage in the Integrated Annual Report

Reference to detailed information disclosed on the website www.palfinger.ag

GRI G4-22: Restatements of reported information
www.palfinger.ag/en/newsroom/financial-reports

MISSION STATEMENT

Worldwide, PALFINGER stands for the most innovative, reliable and cost-effective lifting solutions for use on commercial vehicles and in the maritime field. With our technological expertise and experienced staff, we set quality benchmarks in the industries in which we operate. Sustainability and the responsible use of resources are at the core of all our actions. High flexibility and competence in production and a global sales and services network give us a crucial competitive edge and ensure our customers LIFETIME EXCELLENCE.

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

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

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

Godt upplag
gjerer godt nedlag.

(Norwegian saying)

"You reap what you sow."

FOREWORD BY THE CEO

In the 2015 financial year, the PALFINGER Group continued its steady growth – growth based on its consistent, integrated strategy. Group revenue exceeded EUR 1.2 billion, once again breaking all previous records, and the increase in earnings was extraordinary as well, reaching a record level, too.

FOREWORD BY THE CEO

DEAR READERS,

In the 2015 financial year, the PALFINGER Group continued its steady growth on the basis of the integrated strategy it has been pursuing. For this reason, PALFINGER is publishing, for the third time, an Integrated Annual Report containing the economic, environmental and social aspects of our business activities.

The PALFINGER Group again posted record revenue, EUR 1.2 billion, and an extraordinary increase in earnings as well – here, too, achieving a record level. The EBIT margin took another step towards our declared goal of reaching two digits. We are on the right track, from a market perspective as well as in terms of our own initiatives. Our focus on sustainability aspects throughout the entire value creation chain, from purchasing to the utilization of our products, supports the long-term success of the PALFINGER Group.

In the 2015 financial year, we concentrated on the integration of the companies acquired in previous years, while at the same time promoting strategic priorities such as the expansion of local value creation, primarily in Russia and China. Even though the oil industry has shown signs of weakness, our marine business has been growing – in terms of large-scale orders as well as due to an acquisition that addresses new customer segments.

As a global group of enterprises, we have increasingly observed that customer requirements differ greatly from region to region. Therefore, it is all the more important to be able to offer specific tailor-made customer solutions. Our aim is to reach a global balance as regards production and customer proximity.

In order to do this, we need not only new developments, Industry 4.0 or regional innovation priorities. What is of primary importance is complexity management, in order to maintain the success criteria of the entire PALFINGER Group. These include profitability, quality and service, as well as group-wide standards relating to fair business, sustainable products, eco-efficiency in production and, last but not least, our employees – to ensure profitable growth in the long term. We measure the performance of the Group on the basis of precisely defined economic key figures and sustainability indicators.

This is why we consistently pursue internal development, for example through our most recent project "Current Capital 25%". The goal of our efforts is not only short-term optimization, but long-term success through new approaches and changes in behaviour.

However, the biggest factor of our success is our staff. The enthusiasm, motivation and safety of our employees matter to us. Therefore, staff absence due to industrial accidents is a significant indicator at PALFINGER. The education and training of our staff, from apprentices to executives, are significant topics for the future, as are corporate culture and diversity. Only if we manage to act in accordance with our common PALFINGER values on an international level, and in doing so acknowledge and utilize the diversity of our Group, will we be able to profit from one another and seize future growth opportunities.

On behalf of the entire Management Board, the Palfinger family and all the shareholders, I would like to thank all our employees for their valuable contribution to the success of PALFINGER.

Herbert Ortner

GRI G4-1: Statement from the most senior decision-maker

PALFINGER AT A GLANCE

As at 31 December 2015, the PALFINGER Group, headquartered in Salzburg, Austria, comprised 67 companies in 25 countries and had a total workforce of 9,131. Production takes place in 34 manufacturing and assembly sites in Western and Eastern Europe, North and South America, as well as in Asia. Moreover, a global sales and services network with more than 200 independent general importers and approx. 5,000 outlets in more than 130 countries on all continents guarantees perfect proximity to customers.

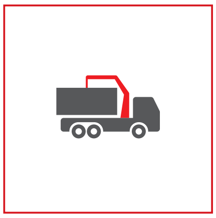
PALFINGER is regarded as the leader in technology and innovation in its sector. PALFINGER is the number one worldwide for loader cranes, timber and recycling cranes, marine cranes, wind cranes and hooklifts. Moreover, the Company is a leading specialist in tail lifts and high-tech railway systems. PALFINGER is committed to providing the best service in the industry.

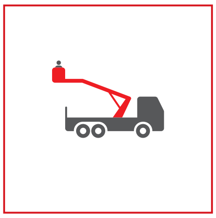
PALFINGER's consistent internationalization efforts enabled the Group to continue its growth in 2015. Revenue reached the record level of EUR 1,229.9 million, and EBIT recorded an exceptional increase to EUR 104.4 million – achieving a record level, too.

PALFINGER has a sound capital structure. The equity ratio was 42.1 per cent, and the gearing ratio decreased to 68.1 per cent in the period under review, primarily due to the positive development of earnings. Cash flows from operating activities came to EUR 110.6 million in 2015. The return on capital employed (ROCE) for the 2015 financial year was 9.6 per cent.

GRI G4-3, GRI G4-5, GRI G4-9: Organizational profile

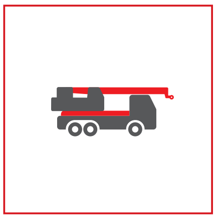
www.palfinger.ag/en/products

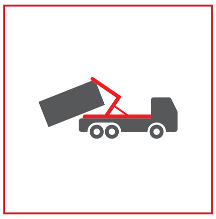

LOADER CRANES

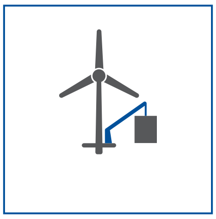

ACCESS PLATFORMS

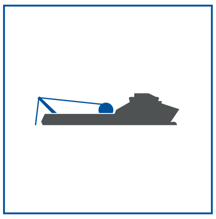

MARINE CRANES

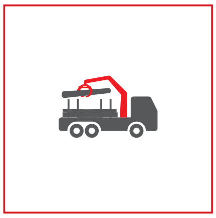

BOATS

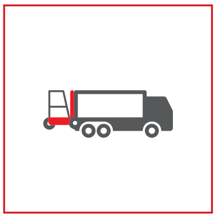

TELESCOPIC CRANES

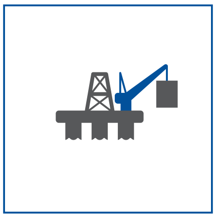

HOOKLIFTS


WIND CRANES

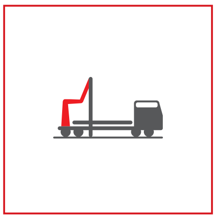

WINCHES

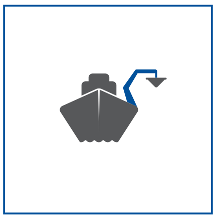

TIMBER AND RECYCLING CRANES


TRUCK MOUNTED FORKLIFTS


OFFSHORE CRANES


TRUCK BODIES


RAILWAY SYSTEMS


LAUNCH & RECOVERY SYSTEMS


TAIL LIFTS


MOBILE CRANES


ROPE ACCESS

GRI G4-4: Product overview

HIGHLIGHTS OF 2015

JANUARY 2015

Start of operations of new production plant in Rudong, China

At the beginning of the year, the plant in Rudong near Shanghai, which had been established in record time, started operations. The plant produces primarily loader cranes for the joint venture Sany Palfinger. Later in 2015, the production of hooklifts was moved from Shenzhen to Rudong.

JANUARY 2015

Acquisition of Norwegian Deck Machinery AS

To complete its product portfolio in the marine business, PALFINGER took over NDM, a manufacturer of special winches and handling equipment. This acquisition gave PALFINGER access to customer groups that had not been previously addressed.

MARCH 2015

Annual General Meeting

The Annual General Meeting of PALFINGER AG resolved to distribute a dividend of EUR 0.34 per share for the 2014 financial year. The dividends, in the total amount of EUR 12.7 million, were paid in mid-March 2015.

MARCH 2015

Start of operations of joint ventures with KAMAZ

The two joint ventures with the largest Russian truck producer KAMAZ started operations. One of the two joint venture companies specializes in the manufacture and sale of truck bodies, the other one in the production of cylinders. Thus, PALFINGER has significantly expanded local value creation in Russia, a significant market for the Group.

JUNE 2015

Establishment of joint venture for the American wind energy industry

The new company FairWind Renewable Energy Services LLC specializes in servicing wind energy plants. The efficiency of service and maintenance work can be hugely increased by the use of large access platforms.

JUNE 2015

Award of large contract in Norway to PALFINGER MARINE

PALFINGER was awarded the contract for the provision of large marine cranes for a Norwegian oil and gas field. One of the decisive factors accounting for this success was the verifiably lower costs over the lifecycle, given comparable specifications.

JULY 2015

Doubling of production capacities of INMAN

INMAN's manufacturing plant in Bashkortostan was rebuilt, doubling its capacity as of July. The utilization of the expanded production capacity was quickly secured.

SEPTEMBER 2015

Opening of new headquarters

At the beginning of autumn, the new global headquarters of the PALFINGER Group in Bergheim near Salzburg, Austria, was inaugurated. For the first time, all central departments are now housed under one roof. Highest standards of energy efficiency and quality of work were applied in the construction.

NOVEMBER 2015

Adoption of environmental protection guideline for the Group

The new guideline for environmental protection imposed uniform standards for environmental management at all PALFINGER sites.

DECEMBER 2015

Distribution of interim dividend

On 21 December 2015, PALFINGER AG paid out an interim dividend to its shareholders in the amount of EUR 0.18 per share. This interim dividend is a payment on account of the annual dividend for 2015. The Management Board and the Supervisory Board will propose a dividend of EUR 0.39 per share to the Annual General Meeting of 9 March. Hence, the dividend for 2015 would be EUR 0.57 per share.

Es gibt nichts Gutes, außer man tut es.

(German saying)

"Nothing good happens
unless you do it."

STRATEGY & VALUE MANAGEMENT

The long-term objective is to achieve and/or secure the leading and hence dominant position on the global markets while taking sustainable profitability into account. PALFINGER manages its progress on the basis of economic key figures as well as sustainability criteria.

STRATEGY AND VALUE MANAGEMENT

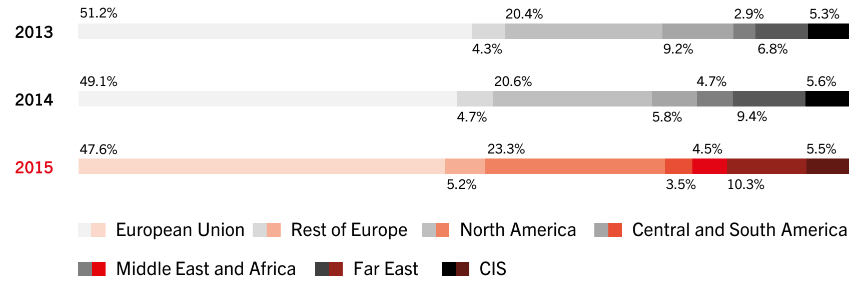
The consistent implementation of PALFINGER's corporate strategy has made a huge contribution towards the Group's growth and success in recent years. Innovation, internationalization and flexibility support the objective of obtaining and/or consolidating a powerful position on the global markets. Sustainability management has an impact on the entire value creation chain, from the purchasing of raw materials to the end of a product's lifecycle. PALFINGER measures its progress by means of economic and sustainability standards.

PALFINGER has been pursuing sustainable, profitable growth, which means that the business model centres on a long-term, continuous increase in earnings. Each and every decision is knowledge-based and made in consideration of long-term aspects relating to cost effectiveness as well as social and environmental impact. Short-to-medium-term goals as well as strategies and development programmes are defined in accordance with the relevant framework conditions and support this long-term orientation.

Top-three ranking in all segments is the goal

The objective is for PALFINGER to achieve and/or maintain a powerful position in the relevant global markets by its own efforts, which means that PALFINGER aspires to become one of the top three players in all product and customer segments. Moreover, in line with a well-balanced revenue structure, one-third of the consolidated revenue is to be generated, in the medium term, in each of the three regions EMEA (Europe, Middle East, Africa and Australia), North and South America, as well as Asia and Pacific (incl. CIS).

REVENUE BY REGION
(in per cent)



The development of the Group is based both on organic growth and on acquisitions, greenfield investments and joint ventures. In each expansion step, due diligence processes are used to review and consider not only economic factors such as revenue, profitability, capital retention and market potential, but also environmental compatibility, the observance of fundamental rights, and the work practices of decision-makers, before a decision is made.

GRI G4-56: Code of Conduct; GRI G4-HR 1: Human rights in investment agreements

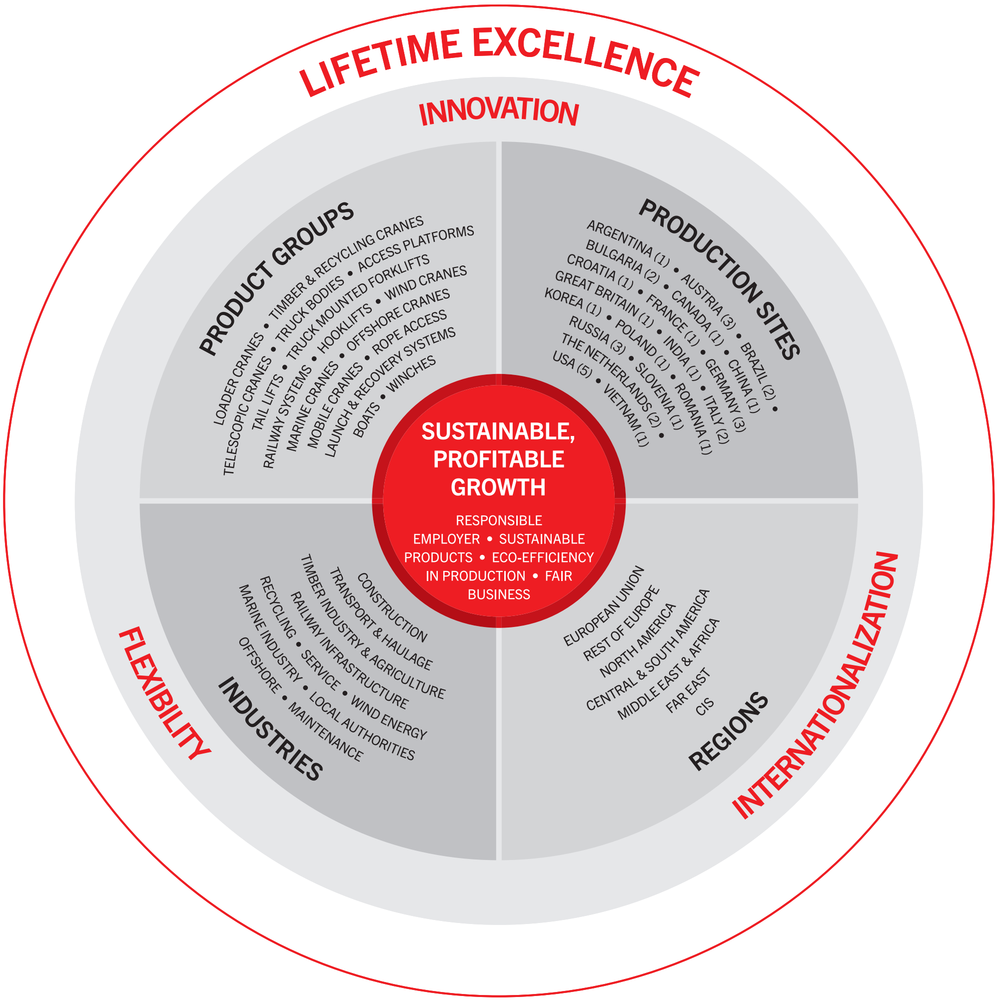
Focus on local value creation is factor of success

A key factor of success is PALFINGER's focus on local value creation, which not only provides for a natural hedge but also increases flexibility and, above all, ensures the development and manufacture of products aligned with regional customer needs.

Innovation, internationalization and flexibility are strategic pillars

In pursuance of its objectives, PALFINGER has defined three strategic pillars: innovation, internationalization and flexibility. The planning and implementation of these pillars are promoted in consideration of sustainability aspects on the basis of a materiality analysis.

Materiality analysis, page 36


LIFETIME EXCELLENCE
INNOVATION
PRODUCT GROUPS
LOADER CRANES • TIMBER & RECYCLING CRANES
TELESCOPIC CRANES • TRUCK BODIES • ACCESS PLATFORMS
TAIL LIFTS • TRUCK MOUNTED FORKLIFTS
RAILWAY SYSTEMS • HOOKLIFTS • WIND CRANES
MARINE CRANES • OFFSHORE CRANES
MOBILE CRANES • ROPE ACCESS
LAUNCH & RECOVERY SYSTEMS
BOATS • WINCHES
PRODUCTION SITES
ARGENTINA (1) • AUSTRIA (3) • BRAZIL (2) •
BULGARIA (2) • CANADA (1) • CHINA (1)
CROATIA (1) • FRANCE (1) • GERMANY (3)
GREAT BRITAIN (1) • INDIA (1) • ITALY (2)
KOREA (1) • POLAND (1) • ROMANIA (1)
RUSSIA (3) • SLOVENIA (1)
THE NETHERLANDS (2) •
USA (5) • VIETNAM (1)
SUSTAINABLE, PROFITABLE GROWTH
RESPONSIBLE EMPLOYER • SUSTAINABLE PRODUCTS • ECO-EFFICIENCY IN PRODUCTION • FAIR BUSINESS
INDUSTRIES
CONSTRUCTION
TRANSPORT & HAULAGE
TIMBER INDUSTRY & AGRICULTURE
RAILWAY INFRASTRUCTURE
RECYCLING • SERVICE • WIND ENERGY
MARINE INDUSTRY • LOCAL AUTHORITIES
OFFSHORE • MAINTENANCE
REGIONS
EUROPEAN UNION
REST OF EUROPE
NORTH AMERICA
CENTRAL & SOUTH AMERICA
MIDDLE EAST & AFRICA
FAR EAST
CIS
FLEXIBILITY
INTERNATIONALIZATION

INNOVATION, INTERNATIONALIZATION AND FLEXIBILITY IN CONSIDERATION OF SUSTAINABILITY ASPECTS

INNOVATION

PALFINGER is determined to be the technology leader and service champion among the suppliers of lifting solutions. Continual innovations encompass all products and services as well as internal processes and organizational structures.

Digitization enhances customer benefits and product performance

In 2015, the main priority of the "Industry 4.0" efforts was the question of how PALFINGER could best utilize the potential afforded by digitization in order to maximize the performance and customer benefits of its products and services. Numerous products featuring enhanced digitization as well as increased efficiency and lower dead weight were launched. In order to further strengthen its innovative power, PALFINGER has invested in the expansion of its core competences: mechatronics, hydraulics and steel construction. The most visible innovation is the novel P-profile of the extension boom system: instead of a hexagonal profile, the geometry of a polygon is used to lower the crane's dead weight while raising its load capacity. Research and development efforts have been expanded and aligned, with the goal of creating synergies among the individual product groups. Development takes place in the respective market regions in order to better conform to customer requirements and local pricing.

INTERNATIONALIZATION

PALFINGER's consistent internationalization has made the Company a global player that is regarded as the preferred global partner in the lifting industry. The expansion of local value creation, sales and service operations increasingly reduces PALFINGER's dependence on regional economic cycles and enables the Group to take advantage of additional growth opportunities. Against this backdrop, PALFINGER is also striving to complete its product range in all market regions.

Completion of product range in all the regions as a medium-term goal

In 2015, priority was given to the integration of the companies acquired in previous years into the PALFINGER Group and the alignment of local processes with the Group's standards. Moreover, PALFINGER expanded its marine business by acquiring Norwegian Deck Machinery AS (NDM) and also, as a forward integration strategy, established a joint venture in the USA with Fairwind, a company servicing wind energy plants on the North American market. The two joint ventures with KAMAZ in Russia started operations, as did the new production site in Rudong, China.

FLEXIBILITY

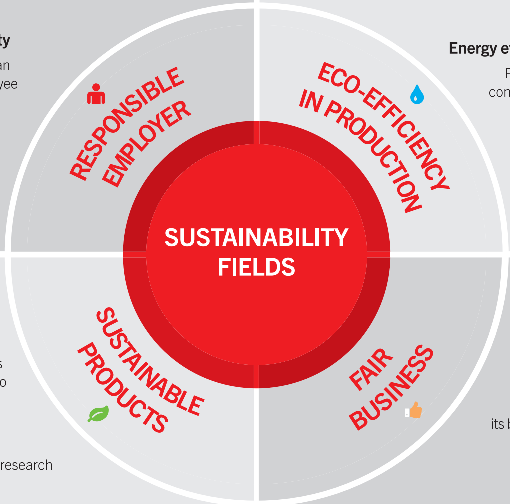
In 2009, flexibility was defined as PALFINGER's third strategic pillar; given the volatility of the markets, it has become critical for the Group's success. For this reason, PALFINGER has been consistently reviewing and enhancing the flexibility of all sites in order to maintain and increase profitability.

Flexibility as the basis of profitability

A systematic group-wide process was initiated in 2014 to identify measurable flexibility parameters for each business unit. In 2015, priority was given to employees, procurement, finances and processes. In addition, PALFINGER has identified the potential in administrative processes for lowering costs and raising efficiency through flexibility.

STRATEGIC SUSTAINABILITY ASPECTS

In the year under review, PALFINGER again carried out a comprehensive, multi-level analysis to identify the material aspects of sustainability that are currently of strategic significance for the Company, from both an internal as well as an external point of view. The most relevant issues for the success of PALFINGER and its stakeholders have been shown to be the following:



1 Health and safety of employees
PALFINGER protects its employees against accidents and promotes their health care.

4 Attractive employment possibility
PALFINGER wants to be regarded as an attractive employer that keeps employee turnover low and creates career opportunities within the company.

12 Training
PALFINGER will continue to promote the further education and training of its employees.

6 Raw materials demand and efficiency
In production, PALFINGER uses raw materials such as steel and aluminium efficiently.

9 Energy efficiency and climate protection
PALFINGER strives to optimize energy consumption and transport continuously and to reduce costs and emissions, thus making an active contribution to climate protection.

2 Product safety
PALFINGER's products are distinguished by utmost safety. Features designed to avoid accidents during the operation of its products go beyond statutory requirements.

5 Research and development
PALFINGER will continue to invest in research and development.

10 Efficient and environmentally friendly products
PALFINGER products stand out due to their low need for energy and operating materials when in operation. Measured over their lifecycles they are the most economical solution available.

11 Durability of products
Customer satisfaction is accorded highest priority at PALFINGER. The products are of superior quality, reliable, made to last, and low in maintenance.

3 Viability of the business model
PALFINGER is committed to keeping its business model viable in the long term, while actively following up on trends.

7 Compliance with legal and ethical standards
PALFINGER acts in an ethically correct manner: It complies with legal provisions, pays taxes as required and counteracts corruption.

8 Correct corporate governance
The company acts in a correct manner and guarantees the independence of the Supervisory Board, the involvement of shareholders and the transparent remuneration of the top management. The behaviour according to defined corporate values is emphasized.

GRI G4-19: Material aspects
Materiality analysis, page 36

STRATEGIC OBJECTIVES FOR THE PERIOD UNTIL 2017

EUR 1.8 billion as revenue target for 2017

In 2012, PALFINGER defined its strategic objectives for the period until 2017. Based on the assumption of the full consolidation of the joint ventures in China and Russia and a foreseeable development of the global economy, the Group defined the quantitative goal of doubling its revenue to approx. EUR 1.8 billion by 2017. Specific measures and fundamental strategies for priority issues were elaborated, the gradual implementation of which is intended to ensure the attainment of PALFINGER's goals. In autumn 2015, the objectives and measures for the years to come were re-defined on the basis of what had already been achieved.

Sustainability programme 2015/2016, page 211

The following table presents an overview of the most significant progress achieved in 2015, and the goals for 2017.

	IMPLEMENTATION IN 2015	OBJECTIVES 2016–2017
Further growth with focus on BRIC countries	• Establishment of two joint ventures with KAMAZ in Russia • Successful integration of PM-Group, high market share in CIS • Implementation of lean management structures in CIS	• Intensification of cooperation with SANY • Expansion of cooperation with KAMAZ • Completion of product portfolio in the market regions • Continued integration of acquired companies • Integration of social and environmental standards as well as enforcement of Code of Conduct along the entire value creation chain • Revenue (incl. joint ventures) of approx. EUR 1.8 billion
Development of China as second domestic market	• Start of operations of the new plant in Rudong • Major tender contract secures utilization • Shift of hooklift production to Rudong • Market success with access platforms • Introduction of apprentice training at Sany Palfinger	• Development of technologies and products to meet customer demands • Increased market shares • Entry into the Japanese market • Enhancement of sales structures
Global balance regarding production and customer proximity	• Establishment of a joint venture for the North American wind energy industry • Intensification of local value creation in the market regions • Upgrading of local R&D units	• Further enhancement of customer proximity • Uniform high-end standard for products and services • Further development of the group-wide brand project
Strengthening of position in marine and offshore business	• Acquisition of Norwegian Deck Machinery (NDM) • New sales centres in Europe, USA, Brazil, China and Middle East • Large-scale orders for marine and wind cranes	• Global roll-out of product range, primarily in Russia, Brazil, China and Korea • Strengthening of market position through further acquisitions • Market position as an integrated supplier of deck equipment for the marine, offshore and wind industry • Global presence through the establishment of additional sales and services sites
Retention of innovation leadership in all markets	• Focus on mechatronics • Cooperation with research institutes to develop new manufacturing technologies and materials • Linking of all R&D units of the PALFINGER Group	• Stronger integration of innovation in the corporate culture • Centres of excellence for R&D priorities • Promotion of synergies among business units regarding innovations • Additional investments in new technologies and processes • Innovations for improved product safety and environmental compatibility
Satisfaction of customer expectations through tailor-made solutions	• Development of new products for local markets • Adjustment of existing products to market requirements in CIS, China and South America • Availability of more equipment options for products in order to offer customized solutions	• Integration of services into the business model • Attraction of more customers through modular construction of products • Closer ties with end customers to develop innovations in line with their needs
Adjustment of production sites and production technologies in Europe	• Adjustment of long-term value creation strategy • Start of implementation of Industry 4.0 plans • Increase in the level of production automation • Start of expansion of production capacities in Bulgaria	• Linking of latest production technologies with Industry 4.0 standards • Further development of technological core competences • Shift of low-tech processes to low-wage countries • Knowledge management in consideration of local technologies
Responsibility for society and the environment to ensure viability	• Further implementation of the PALversity initiative with focus on international mobility, corporate culture and leadership excellence • Launch of the company's social media channel Yammer • Enhancement of energy efficiency and substantial reduction of hazardous waste volumes • Energy audits in Austria and Bulgaria within the framework of the Energy Efficiency Act	• Enhancement of awareness and communication relating to ethics and compliance • Consistent observance of the globally valid criteria of the Code of Conduct and introduction of such criteria at new sites • Further cultural development in terms of dealing with diversity as well as development of standardized working conditions through PALversity • Continuous reduction of staff absence due to industrial accidents • Innovation leadership also in the field of products for ecological and social purposes • Local implementation of PALFINGER's environmental protection guideline and implementation of continuous improvement processes • Introduction of ISO 50001 in Germany and Slovenia • Waste optimization in Austria, Slovenia, Bulgaria and Romania • Annual improvement of energy efficiency and reduction of hazardous waste volumes by 1.8 percentage points each

GROUP-WIDE DEVELOPMENT PROGRAMMES

DEVELOPMENT OF CORPORATE CULTURE

PALFINGER has employees from 71 nations

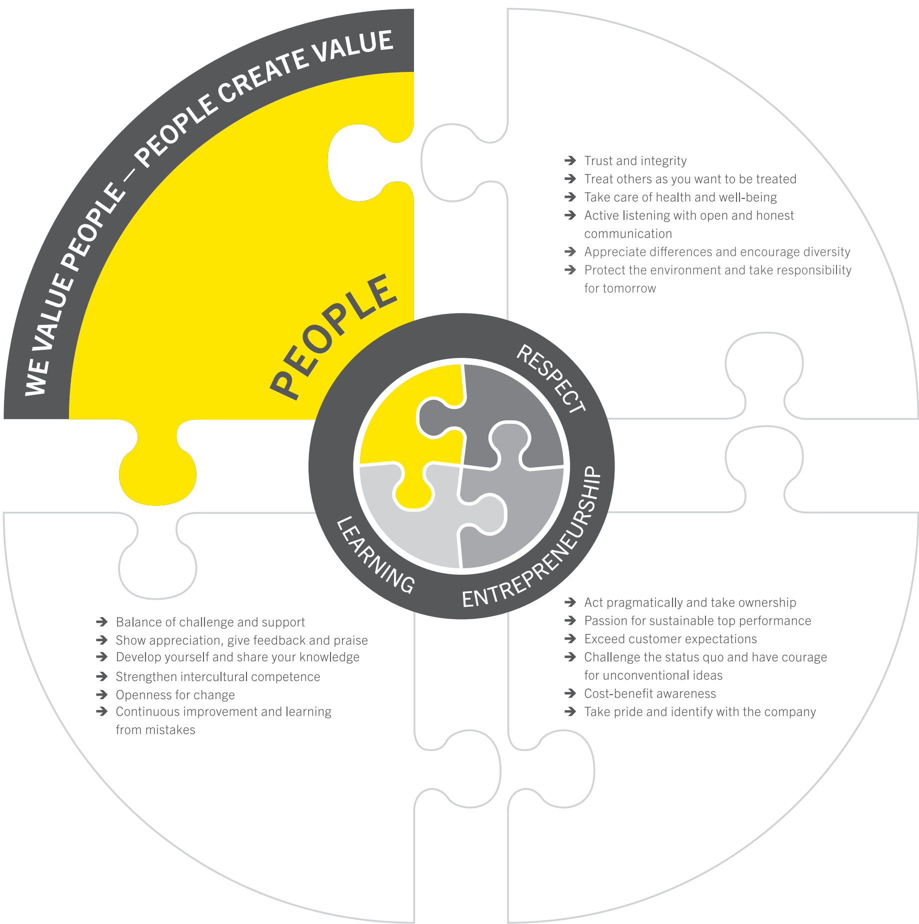
The group-wide PALversity project was initiated in 2014 to consolidate the viability of PALFINGER's corporate culture, in particular to further enhance the Group's corporate culture in dealing with diversity and differences.

PALversity is a platform where employees from all business units and regions join forces and together develop specific measures, for example pertaining to the projects "Corporate Culture" or "International Mobility".

An example of an idea that has already been implemented is the temporary secondment of employees from central group functions to the local business units (and vice versa), which gives them the opportunity to live in another culture while working with colleagues. This enhances awareness and understanding for diversity at all PALFINGER sites and promotes networking.

Core values are entrepreneurial spirit, respect and learning

Another specific measure taken in 2015 related to the core values of entrepreneurial spirit, respect and learning which have been pursued for many years: the regional development of certain key behaviours for all employees as well as leadership principles for the executives. The aim now is to establish these principles as material components of feedback interviews and performance appraisals.



CURRENT CAPITAL

Process optimization and new way of thinking will reduce lockup of capital

In recent years, the growth achieved by the PALFINGER Group has been characterized by internationalization, local value creation and the fulfilment of regional customer needs in the individual market regions. At the same time, however, this growth has brought about greater debt and a higher lockup of capital, in particular in the short term, despite active management of capital employed. For this reason, PALFINGER initiated the group-wide “Current Capital 25%” project in 2015 to optimize internal processes. This initiative aims to reduce the ratio of current capital lockup to revenue to 25 per cent and keep it at that level in the long term. Its gradual implementation was started in some of the business units in Germany, North America and Brazil in the period under review and has already brought about visible improvements.

In addition to changes in processes and strategies, PALFINGER is also striving to achieve a different way of thinking and new leadership styles in order to take into account the effects of daily decisions on capital employed.

INDUSTRY 4.0

For many years, PALFINGER has been committed to the principles of lean production and has thus been in a position to implement the stable and powerful processes which now form the basis for Industry 4.0 applications. In 2014, transparency was placed at the top of the agenda in order to make it clear which projects were already underway in the Group as regards the digitization of processes, products and business models and which partners could ideally participate in the further development of these projects.

Industry 4.0 is developed “within the region for the region”

In accordance with the strategy of internationalization and flexibility enhancement, it was decided in 2015 that the development of Industry 4.0 projects was to be carried out under regional leadership, i.e. “within the region for the region” – but with the support of the Group’s headquarters. Internally, the focus was to be on the supply chain, manufacture and assembly; externally, on sales, service and marketing.

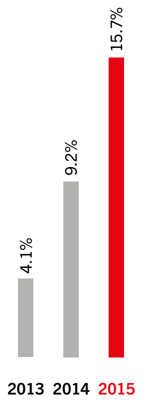
Two aspects have already been implemented: the integrated manufacture of product components through the linking of manufacturing plants, and the reduction of manufacturing costs via horizontal integration in the supply chain. Furthermore, new services operating on the basis of data for fleet management and for preventive maintenance on the market, transmitted by product sensors, were successfully introduced. The fundamental and proactive investigation into the opportunities offered by digitization constitutes a significant competitive advantage supporting the further enhancement of flexibility and the profitability of the PALFINGER Group, which has a decentralized structure.

VALUE MANAGEMENT

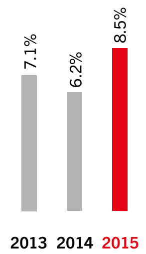
PALFINGER used to measure its group development progress and value enhancement by means of four major indicators; these were supplemented by two additional sustainability criteria in 2015 and now encompass the following:

- Revenue increase
- EBIT margin
- Return on capital employed (ROCE)
- Net working capital
- Staff absence due to industrial accidents
- Energy consumption in relation to revenue

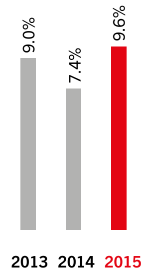
Particularly relevant for PALFINGER is the long-term development of these ratios, as the Group's focus is not on scoring short-term success but rather on achieving sustainable, profitable growth. Since the difficult year 2009, the PALFINGER Group has shown an excellent record of the four economic indicators. Following the high revenue increases of previous years, revenue rose again in 2015 by another 15.7 per cent. The EBIT margin increased to 8.5 per cent, and ROCE came to 9.6 per cent. Despite the significant rise in revenue achieved in 2015, net working capital rose only slightly, partly thanks to the initial success of the "Current Capital 25%" initiative. Capital lockup consequently went down to 14.6 per cent (previous year: 16.4 per cent). The ongoing initiatives and flexibility-enhancement measures are designed to further improve these indicators.



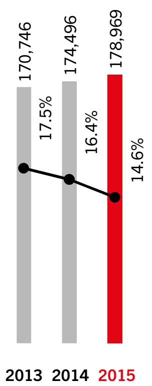
REVENUE INCREASE
(in per cent)



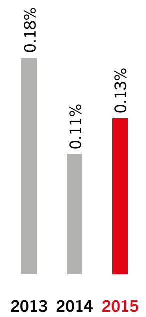
EBIT MARGIN
(in per cent)



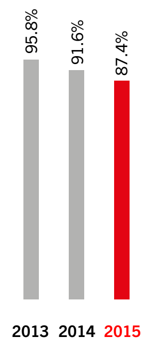
ROCE
(in per cent)



NET WORKING CAPITAL
Net working capital (average; EUR thousand)
As percentage of revenue



STAFF ABSENCE DUE TO INDUSTRIAL ACCIDENTS
(in per cent)



INDEX: ENERGY CONSUMPTION IN RELATION TO REVENUE
(volume 2011 = 100%)

Integrated sustainability management makes substantial contributions to value management by reducing costs and risks. This can be highlighted by two aspects that have already resulted in cost reductions: the health of PALFINGER's employees and energy efficiency.

Increased energy efficiency has lowered costs significantly

In previous years, staff absence due to industrial accidents had been reduced through the management of occupational safety. In 2015, however, staff absence increased slightly, coming to 0.13 per cent (previous year: 0.11 per cent), which means that no cost savings were achieved in comparison with 2014. The efficient use of energy, in contrast, clearly improved compared to 2014. The energy consumption in relation to revenue index decreased by 4.25 per cent in 2015. Assuming unchanged energy costs, the resulting annual savings in electricity and gas compared to 2014 were EUR 186,000.

GRI G4-EC 8: Indirect economic impacts
Sustainability management, page 37

VALUE CREATION

PALFINGER embraces sustainability criteria not only within the Group but also along the entire value creation chain. To this end, opportunities and risks are analysed under a holistic approach, also taking into consideration the upstream and downstream stages of value creation – from raw material purchasing to the use of the products by the end customers. PALFINGER has always had a widened view including its entire global production footprint.

GRI G4-12: Description of supply chain; GRI G4-20: Boundary within the organization for each material aspect; GRI G4-21: Boundary outside the organization for each material aspect
Sustainability among suppliers, page 54; Responsible employer, page 77; Safe and efficient products, page 85; Eco-efficiency in production, page 89

The main focus of value creation in 2015 was on Industry 4.0. After the exploratory period in 2014, the most promising issues were evaluated in 2015 and the corresponding projects were directly integrated into the organization. The business unit Loader Cranes and particularly the Lengau site in Austria play an important role in this connection, as this is where the first initiatives have been implemented as a pilot project together with partners.

Investments in new technologies such as laser hybrid welding and automated production lines, as well as the ongoing optimization and digitization of manufacturing processes, have always been a part of PALFINGER's value creation strategy. Therefore, investments were made again in 2015 in machinery, automation and new technologies at many sites.

One guiding principle of PALFINGER's value creation strategy is the establishment of local production in the individual market regions, which mitigates the effects of exchange rate fluctuations on local pricing, supports the development of country-specific models and serves as protection against trade restrictions. Moreover, the transport of components and/or products may thus be reduced. Some countries attach great importance to a high percentage of local value creation or even require it explicitly.

In previous years, investments were made in creating local value in China and Russia

In 2014 and 2015, PALFINGER invested heavily in creating local value in China and Russia. A large production plant was established and put into operation in Rudong (CN), where the products of the Sany Palfinger joint venture are manufactured. The production of hooklifts for the Chinese market was also relocated from Shenzhen to this site.

In Russia, the manufacturing capacities of INMAN were doubled. In the course of the acquisition of a majority stake in PM-Group Lifting Machines, the two production sites in Velikiye Luki and Arkhangelsk were integrated into PALFINGER's value creation chain. Moreover, the two joint ventures with KAMAZ have intensified and expanded value creation in Russia since 2015. The focus now is on further integrating the new value creation units and joint ventures and enhancing their efficiency.

In South America, PALFINGER established a manufacturing line for timber and recycling cranes at its site in Brazil. In the marine business, the assembly plants for offshore cranes were expanded in Poland and Brazil in order to increase the capacities for assembly and testing and make working processes more efficient.

Shift of low-tech processes to low-wage countries

In line with the strategic objective of shifting low-tech processes to low-wage countries, additional processes along the value creation chain were moved primarily to Eastern European sites in 2015. At the same time, capacities were brought in line with future needs: In Cherven Brjag (BG), expansion of the production plant was started. The manufacture and assembly of wind cranes was shifted to Maribor (SI), where the foundation was laid for the construction of a paint shop for large components as well as for marine equipment using paints suitable for offshore applications. The site in Tenevo (BG) will expand its know-how in the field of small cylinders. PALFINGER's regular investments in those sites go hand in hand with the further development of local know-how – a major step towards the ongoing enhancement of productivity, the reliability of deliveries, and especially quality.

The structure of the centres of excellence in Europe also contributes strongly to increasing the productivity and delivery reliability of the Eastern European production sites. Many of the innovations in products and processes are developed in Austria and implemented jointly at the individual plants. Networking between the development departments, on the one hand, and manufacturing and purchasing, on the other hand, has been intensified so that the needs and available means of all stakeholders can be taken into account at an early stage in the development process. This has resulted, for the most part, in higher quality at reduced costs.

Another principle of PALFINGER's value creation strategy is an emphasis on contract manufacturing, which helps reduce throughput times, lower inventory levels and eliminate the risk of obsoleteness. The success of these efforts is reflected in PALFINGER's workshop inventory levels, which have been continuously going down, as well as the reduction of its current capital.

Also, the ongoing enhancement of the PALFINGER ProductionSystem as the internal implementation of lean production contributes to the continuous improvement of value creation as well.

RAW MATERIALS

METAL RECYCLING

MINING OF ORES

RAW MATERIAL PRODUCTION, PRIMARILY STEEL AND ALUMINIUM

- CO_2-intensity in production
- Light-weight materials (high-tension steel grades, share of aluminium, etc.)
- Recycling share
- R&D for alternative materials (e.g. carbon)

PURCHASED PARTS

GENERAL

- Increase on safety of end products
- Lower weight of purchased parts
- Respect of human rights concerning employees in production
- Occupational health and safety of employees in production

HYDRAULIC OILS AND LUBRICANTS

- Biodegradability

HYDRAULIC COMPONENTS, DIN AND STANDARD PARTS, ELECTRONICS AND CABLES

- No hazardous substances (chrome VI, PVC, etc.)

MECHANICAL COMPONENTS (ROPE WINCHES, GEARBOXES, ETC.)

- Coating with water-soluble paints

ENGINES AND PUMPS

- Engine efficiency, rotational speed control

ENERGY PROCUREMENT

ENERGY SOURCES (ELECTRICITY, HEAT, FUEL)

- Share of renewable energy sources
- Security of supply
- Exclusion of nuclear power

TRANSPORT TO PLANTS

- Fuel consumption and regional approach (local sourcing)
- Transport mix (truck, rail, ship, air)

PLANTS

FOR PRODUCTION AND ASSEMBLY

- Energy efficiency
- Substitution of hazardous substances as operating supplies
- Efficient use of raw materials, operating supplies, water, reduction of effluents
- Avoidance of air and noise emissions for employees and local residents
- User safety

OPERATING SUPPLIES

PAINTS

- Water solubility
- No heavy metals and chromate
- Ecological substitution products

OTHER OPERATING SUPPLIES

- Cooling agents, lubricants, welding gases and wires, chemicals for electroplating

PALFINGER AG

SUPPORTING ACTIVITIES

EMPLOYEES

- Occupational health and safety
- Respect of human rights
- Training and education
- Diversity initiative "PALversity"
- Occupational health management "PALFfit"
- Involvement of employees
- Fair remuneration and support in hardship cases

BUILDINGS (WORKSHOPS, WAREHOUSES, OFFICES, ETC.)

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

TRANSPORT AT

- Fuel consumption and regional approach
- Transport mix (truck, rail, ship, air)

MANUFACTURING PLANTS

CUTTING (LASER, PLASMA)

BENDING

CHIPPING (LATHING, MILLING, DRILLING)

WELDING

ELECTROPLATING

- Safety: accident prevention
- Health: eye protection, protection from air emissions and noise
- No chrome VI in electroplating
- Reduction of hazardous waste
- Reduction of waste cuttings and reject rates

WASTE, MATERIAL OUTPUT

- Safe storage at PALFINGER

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

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

RESEARCH AND DEVELOPMENT
- Safety innovations
- Ecodesign

GOVERNANCE
- Business ethics and prevention of corruption

& BETWEEN PLANTS
- Alternative engine systems
- Safety: accident prevention

ASSEMBLY PLANTS

PAINTING

MOUNTING

FILLING, TESTING, WASHING

- Energy efficiency of plants and machines
- 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

DEALERS

MANUFACTURE OF TRUCK BODIES
- Reduction of truck bodies' weight

INFORMATION AND COMMUNICATION
- Training courses on safety and environmental protection for users

SECOND-HAND MARKET

END CUSTOMERS

END CUSTOMERS IN VARIOUS INDUSTRIES
- Safety of use
- Energy-efficiency during use and alternative engines (e.g. electricity, hybrid)
- Fuel savings in transport due to lower product weight
- Reduction of noise and emissions
- Avoidance of discharge of hydraulic oils
- Reduction of use of operating supplies (e.g. lubricants)
- Low maintenance and long service lives

END CUSTOMERS IN CIVIL DEFENCE AND MILITARY APPLICATIONS
- Respect of human rights

END OF LIFE
- Separability
- Recyclability

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

WASTE MANAGEMENT COMPANIES
- Ecologically optimized disposal

RECYCLING OF WASTE MATERIALS

LANDFILL

THE PALFINGER BRAND

The PALFINGER brand makes it easier to develop new markets

A harmonized brand presence with recognition value is a major factor accounting for PALFINGER's success. It boosts the brand in existing markets and makes the development of new markets and/or launch of new product areas easier. The umbrella brand PALFINGER stands for supreme quality and innovation leadership. The brand values – cost effectiveness, reliability and innovation – embody the benefits of the products and of the entire Group.

The central promise made by the PALFINGER brand is LIFETIME EXCELLENCE. The brand also speaks of PALFINGER's quality leadership throughout the entire lifecycle and positions the Company in the market as a premium supplier. Safety and eco-efficiency supplement this promise of quality.

Given the Group's progressing internationalization, in 2015 the decision was made to integrate EPSILON into the umbrella brand PALFINGER but to continue to use it as a product name.

In Russia, the two crane brands Velmash and Solombalsky, which were well-established locally, as well as INMAN, also became product names. These product names appear after the PALFINGER umbrella brand, for example PALFINGER IM (INMAN Maniupulator) or PALFINGER IT (INMAN Teleskopik). Joint ventures in which PALFINGER participates usually reflect both brand logos of the joint venture partners. The partner holding the majority of shares is named first, which also applies to both joint ventures for mounting and cylinder production with KAMAZ: KAMAZ PALFINGER and PALFINGER KAMAZ.

Več glav več ve.

(Slovenian saying)

"Two heads are better than one."

STAKEHOLDER & INVESTOR RELATIONS

In the interest of sustainable and holistic corporate governance, PALFINGER engages its stakeholders and takes into account the consequences of its business operations along the entire value creation chain. The most relevant aspects are identified by the stakeholders in a materiality analysis.

STAKEHOLDER MANAGEMENT

PALFINGER recognizes its responsibility in the regions in which the Group operates. Besides eco-efficient production, sustainable products and fair business, special attention is paid to the Company's own employees. PALFINGER engages its stakeholders and takes into account the consequences of its business operations along the entire value creation chain, from purchasing raw materials to the operation of its products.

STAKEHOLDER MANAGEMENT

PALFINGER defines its stakeholders as those legal entities or individuals who are in any way affected by its corporate activities and/or whose decisions have an impact on PALFINGER. In accordance with sustainable development, PALFINGER makes sure that individual interests and claims are addressed in a balanced and proactive manner, and regularly carries out stakeholder surveys, most recently in the summer of 2015. The most relevant stakeholders, communications with stakeholders, and stakeholder engagement are described in the following.

GRI G4-24: List of stakeholders; GRI G4-25: Selection of stakeholders; GRI G4-26: Stakeholder engagement; GRI G4-27: Results of stakeholder engagement; GRI G4-37: Consultation procedures

Materiality analysis, page 36

DESCRIPTION OF STAKEHOLDERS

Human resources and Works Councils

The core success factor of PALFINGER is its staff of well-trained and highly motivated employees. As a consequence, PALFINGER strives to offer existing as well as potential employees attractive jobs. PALFINGER's corporate culture is conducive to a high level of self-responsibility and provides its employees with broad opportunities to contribute their own ideas. A large array of further training programmes are offered and utilized. Means of communications include, apart from the regular appraisal interviews, the Intranet, the corporate blog and the staff magazine – PALFINGER Internal Newsletter (PIN) – which, due to great demand, is now published three times a year in fourteen languages, and, since 2015, the internal social media network Yammer.

PALversity ensures the advancement of the globally operating Group

In 2014, the group-wide PALversity initiative was launched with its five priorities – international mobility, talent management, corporate culture, recruiting and working conditions – in order to ensure PALFINGER's international advancement in dealing with diversity and difference. Particularly valuable for PALFINGER is the exchange of personal experience. Hence, top priority is given to direct communication among employees from different regions and areas. Friends and family of the employees are also integrated, for instance on the occasion of family days. A continuous exchange with the Works Council, which is involved in all important matters, is guaranteed.

Corporate culture, page 23; Responsible employer, page 77

Suppliers and partners

PALFINGER maintains long-term relations with its suppliers so as to ensure competitiveness even in a volatile market environment and increase cooperation in the development of components. Supply contracts, which include ecological and social issues as well as corruption prevention, have been entered into with around 155 strategic suppliers. PALFINGER carries out audits to verify compliance with these agreements. This helps reduce any reputational risks and default risks that might be caused, for instance, by suppliers' failure to comply with environmental requirements. Every two years, an international supplier meeting is held. On these occasions, the current economic situation and the planned developments of the PALFINGER Group are presented. This targeted integration measure and the related critical discourse have substantially contributed to the positive feedback and have been enhancing awareness for the importance of social responsibility.

Customers and dealers

PALFINGER products are distributed through independent dealers and the Group's own distribution companies. Together with the service centres, this forms a comprehensive network for the end customers. Dealers, who are the prime link to the Group's end customers, are thus PALFINGER's most important customer group. Every year an international dealer conference is held in order to ensure the engagement of dealers with PALFINGER's business. Dealers are also involved in the continuous internal improvement process and group-wide standards. Every year, PALFINGER holds comprehensive dealer surveys in selected business units, and the results are incorporated into the measures taken. In 2015, a total of 12 customer surveys were carried out at dealers, subdealers and in workshops in different countries.

GRI G4-PR 5: Survey measuring customer satisfaction

Investors

Since its IPO in 1999, PALFINGER has attached great importance to giving the Group's investors continuous and transparent information. The Management Board and the Investor Relations team of PALFINGER regularly attend investors' conferences and, moreover, speak personally with individual stakeholders, also at trade events.

Investor relations, page 40

Local environments

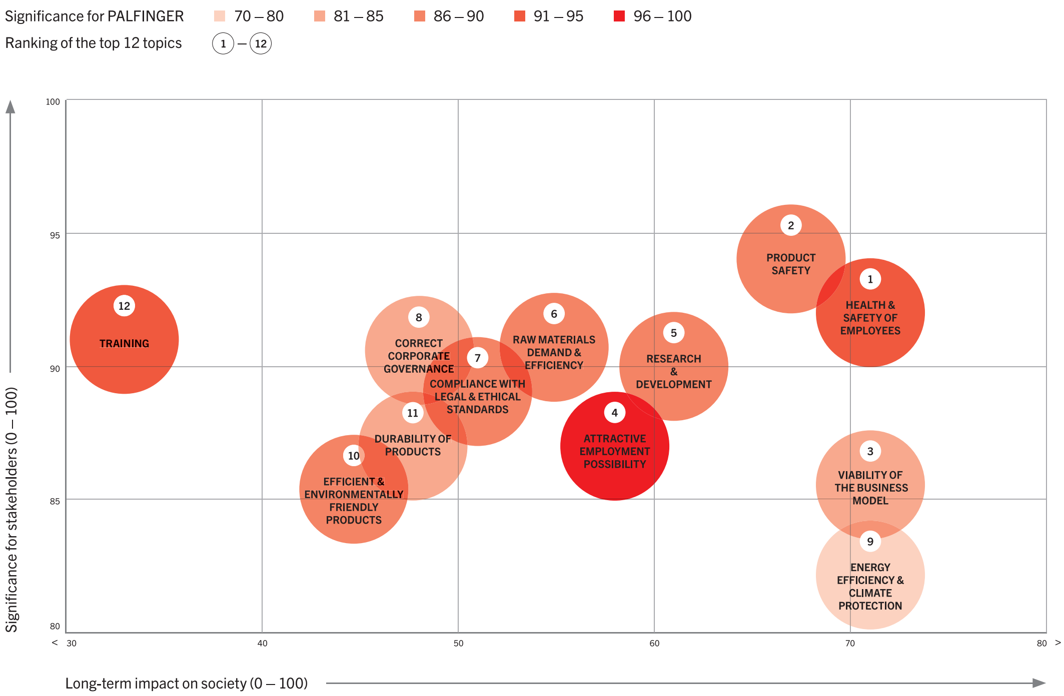
PALFINGER wants to be recognized as a reliable partner and attractive employer in the individual regions. In a first step, an adequate sales network is built up in the individual market regions; the second step is local value creation, meaning that an increasing amount of business is given to local suppliers and partners. Dialogue with these partners is transparent, situational and takes place on an equal footing. Local decision-makers communicate directly, always adhering to the four-eyes principle. Communication measures also include local media relations and participation in and/or the hosting of events.

MATERIALITY ANALYSIS

Health and safety of employees ranked highest by stakeholders

In 2015, in a multi-stage process, PALFINGER once again analysed the material economic, social, ecological and ethical aspects that are of strategic importance to the Company from both the internal and external points of view. The most important issues and aspects according to the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) were evaluated. Then, PALFINGER carried out a quantitative survey among selected international representatives of the most relevant stakeholder groups. The response rate was 44 per cent.

The material sustainability issues surveyed were ultimately ranked as to their significance for the Company (colour) and for stakeholders (y-axis) as well as their long-term impact on society (x-axis). Future stakeholder dialogues will build on these results.



The materiality of the issues for sustainability reporting was derived from the levels of their relevance for the stakeholders and their impact on the environment or on human beings. The 12 top-ranked issues out of the 32 evaluated in the survey are depicted in the current materiality matrix and have been reflected in the Integrated Annual Report 2015 as well as in internal reporting.

In this year's stakeholder survey, attractive employment, corporate governance, energy efficiency, climate protection and efficient products were ranked higher than in previous years and for the first time are listed among the top 12 issues. The top-ranked issue with the highest relevance turned out to be the health and safety of employees (previously at rank 9). Customer satisfaction, which until now was ranked as the most significant criterion, has become a matter of course for PALFINGER and was therefore deleted from the questionnaire. The rest of the issues merely shifted places marginally on the scale. New products for ecological and social purposes (rank 27) as well as the use of biodegradable hydraulic oil (rank 28) were evaluated as not material. For this reason, the corresponding indicators will no longer be reported in the future. As a matter of principle, PALFINGER places a focus on eco-social applications in all its products and takes this aspect into consideration in product development. In addition, biodegradable hydraulic oil is available as an optional feature for all products. Sustainability in the value creation chain is also a significant aspect for PALFINGER; this ensures long-term supplier relationships and high quality standards.

GRI G4-18: Defining the report content; GRI G4-19: Material aspects; GRI G4-22: Restatements of reported information; GRI G4-23: Changes in the scope and aspect boundaries

Value creation, page 26; Detailed GRI and sustainability disclosures, page 208

SUSTAINABILITY MANAGEMENT

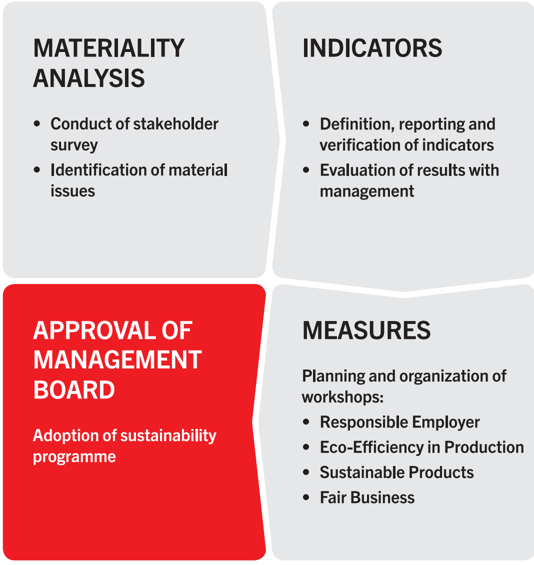
The integration of sustainability into the strategy pursued by PALFINGER ensures group-wide professional sustainability management. At the same time, sustainability is an integral part of the management's governance commitment.

Sustainability management falls within the responsibility of the CEO. The sustainability manager is part of the Corporate Communications and Investor Relations team and reports indirectly to the Management Board. She is also in charge of stakeholder communications.

Currently, no special sustainability criteria are applied in selecting the members of the Management Board and the Supervisory Board. The Palfinger family, as the main owner, and the members of the Supervisory Board delegated by the Works Council guarantee that the Supervisory Board pays attention to social aspects on a long-term basis. Neither an independent assessment of sustainability governance nor a sustainability-related remuneration system has been introduced.

Together with top management representatives, the Management Board prepares the strategy, policies and values of the Company at its regular executive team meetings. They support and encourage the audit of the organization's sustainability report. The results of the materiality analysis regarding ecological, social, ethical and economic topics, which form the basis for sustainability reporting, as well as the sustainability programme, are decided and released by the Management Board. In the course of the preparation of the Integrated Annual Report, the development of the indicators as well as other relevant developments are communicated to the Management Board so that they can be taken into account in the sustainability programme.

The proven sustainability process was brought into line with the time interval of financial reporting as a consequence of the integration of the sustainability report into the Annual Report and the one-year reporting interval, and data is collected in a common software-supported system. These indicators as well as the programme for 2015/2016 were discussed in the workshops "Responsible Employer", "Eco-Efficiency in Production", "Sustainable Products" and "Fair Business", then further developed, and finally adopted by the Management Board.



GRI G4-33: External assurance; GRI G4-34: Governance structure and governance bodies; GRI G4-35: Role of the highest governance body; GRI G4-36: Responsibility of the highest governance body; GRI G4-48: Highest position that reviews and approves the organization's sustainability report and ensures that all material aspects are covered

Materiality analysis, page 36; Corporate governance report, page 96; Detailed GRI and sustainability disclosures, page 208

MONETARY FLOWS TO STAKEHOLDERS

To PALFINGER, making fair tax payments is part of its social responsibility

The stakeholders make a valuable contribution to PALFINGER's success. Employees, suppliers, owners, public authorities and banks also participate in the Group's income. Income comprises, first and foremost, revenue, but also income from other services, from leases and from the sale of assets, as well as interest income. This directly generated economic value rose from EUR 1,068 million in 2014 to EUR 1,235 million in the 2015 reporting period. The economic success also had a positive impact on the Company's stakeholders.

Payments to **suppliers** accounted for the largest monetary flow, coming to EUR 766.9 million. They included remuneration for various services and supplies such as raw materials, parts and components, plants, operating supplies and energy.

The Company's second-largest monetary flow, in the amount of EUR 314.6 million, is composed of the wages and salaries paid to **employees**. Primarily due to the expansion of PALFINGER's production and the acquisition of new companies, an increase of 10.8 per cent was recorded.

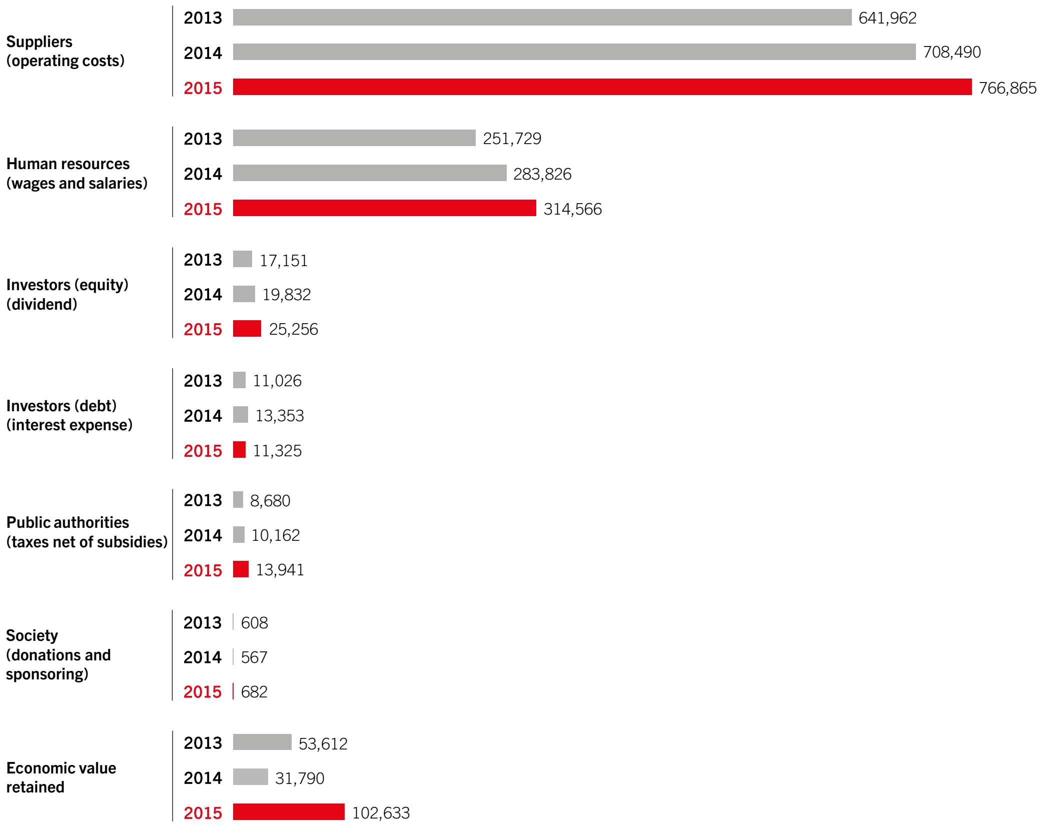
The consistent dividend and interest policies pursued by PALFINGER, together with the positive performance and the interim dividend of EUR 0.18 paid out in December, resulted in an increase in payments to **investors** from EUR 33.2 million to EUR 36.6 million in 2015.

Payments to **public authorities** comprise taxes other than those on income, for example property tax, and income-based taxes such as corporation tax, net of research and development grants. In the period under review, the tax expense increased to EUR 13.9 million (previous year: EUR 10.2 million) and **subsidies** to EUR 2,386 thousand (previous year: EUR 925 thousand). To PALFINGER, making fair tax payments is a matter of social responsibility; no profits are shifted to countries with lower income tax rates, e.g. through specific pricing policies for intra-company services and deliveries. The Group has a standardized pricing model in line with the OECD Transfer Pricing Guidelines and hence also with market prices. PALFINGER does not use any special-purpose entities to avoid tax payments. A major portion of the Company's tax payments is made in Austria, where a large percentage of PALFINGER's value added is also created. The value creation chain and the logistic processes are of overriding importance, meaning that even though subsidies are a welcome support, they do not influence investment decisions or decisions in favour of a particular site.

Investments in public welfare slighly increased in 2015. In total, expenses for **donations and sponsoring** came to EUR 682 thousand in the 2015 financial year (previous year: EUR 567 thousand).

The difference between income and monetary flows to stakeholders represents the monetary value retained as reported in the chart below. It should be noted that the economic value retained does not contain any amounts relating to companies recognized at equity, as these do not constitute monetary flows.

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. In addition, the presentation was adjusted to the definition of the reporting standard according to the Global Reporting Initiative G4.

GRI G4-EC 1: Direct economic value generated and distributed; GRI G4-EC 4: Financial assistance received from government

INVESTOR RELATIONS

Ongoing dialogue and transparent communications are a backbone of PALFINGER's investor relations. In 2015, PALFINGER's Management Board and Investor Relations team attended numerous road shows and investors' conferences in Austria and abroad, where they were available to communicate personally with the investment community. By participating in shareholders' events and fairs, as well as stock exchange events, PALFINGER has also fostered relations with its retail shareholders. In all of these talks and discussions, attention has always been paid to the need for information on the part of sustainability-oriented investors. PALFINGER also attended sustainability meetings such as the Impact Forum in Salzburg or the Austrian Sustainability Days organized by respACT.

THE PALFINGER SHARES

PALFINGER shares are listed in the indices ATX Prime, VÖNIX and ATX Gobal Players

The shares of PALFINGER AG are listed in 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 Level 1 listing in New York. PALFINGER stock has been listed in the ATX Prime Index of the Vienna Stock Exchange since 1999 and, since 2005, has also been included in the Austrian VÖNIX sustainability index. Since 2013, PALFINGER shares have also been included in the new ATX Global Players index of the Vienna Stock Exchange.

In the first two months of 2015, the price of PALFINGER shares recorded an increase of almost 30 per cent. After dropping in March and April, the share price climbed again in the second quarter to reach its peak of EUR 28.06 on 1 July. At year end, the shares closed at EUR 26.45, i.e. 26.0 per cent above the previous year's level of EUR 20.99.

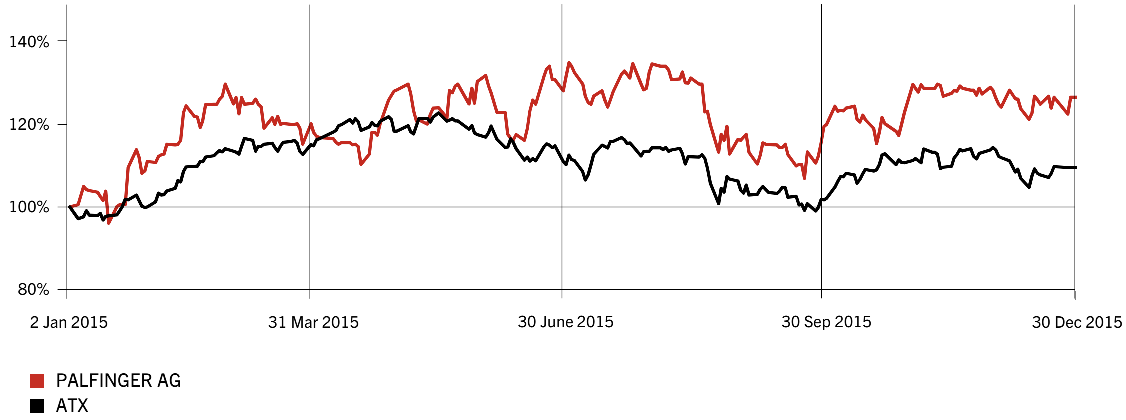
Shareholder information as at 31 December 2015

ISIN	AT0000758305
Number of shares issued	37,593,258
Own shares	282,756
Shares outstanding	37,310,502
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	2013	2014	2015
Low	17.01	17.02	20.07
High	29.11	33.90	28.06
Average price	24.18	25.55	25.33
Price at year end	28.85	20.99	26.45
Earnings per share[1]	1.09[3]	1.04[3]	1.73
Operating cash flow per share[1]	1.96[3]	1.26	2,97
Dividend per share	0.41	0.34	0.57[2]
Dividend yield in relation to the average share price	1.7%	1.3%	2.3%
Market capitalization as at year end (EUR million)	1,030.81	789.08	994.34

1) Calculated using the weighted average number of shares outstanding.
2) Of which EUR 0.18 was paid out in December 2015 as an interim dividend. Proposal for presentation to the Annual General Meeting: EUR 0.39.
3) Figures were adjusted with retrospective effect (see Note (14)).

SHARE PRICE DEVELOPMENT IN 2015



RESEARCH REPORTS

- Deutsche Bank
- Erste Group
- Hauck & Aufhäuser
- HSBC
- Kepler Cheuvreux
- Raiffeisen Centrobank

RATINGS

Investors embracing sustainability regard PALFINGER as a best-in-class investment opportunity. The rating for the VÖNIX sustainability index was raised from B+ to A– in 2015. Due to its principles of social responsibility, PALFINGER received an excellent sustainability rating. In Oekom's latest corporate rating of 2013, PALFINGER was rated B–, corresponding to prime status. A current rating is in the making and will be published in the first half of 2016. In 2014, PALFINGER underwent a three-step evaluation process and became the first Austrian industrial enterprise to be granted the right to bear the GREEN BRAND Austria 2014/2015 seal. PALFINGER is not subject to any ethical exclusion criteria as, for example, no special product designs are made for the defence industry. The Group uses the GRI G4 Sustainability Reporting Guidelines and is committed to the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

GRI G4-15: Self-commitment to voluntary initiatives

Safe and efficient products, page 85

www.palfinger.ag/en/sustainability/publications/united-nations-global-compact

DIVIDENDS

PALFINGER AG pursues a continuous dividend policy, which provides that approximately one-third of the annual profit is to be distributed to shareholders. The net profit of PALFINGER AG for 2015 amounted to EUR 253.3 million; the Management Board will propose to the Annual General Meeting to distribute a dividend of EUR 0.39 per share. Given the payment of the interim dividend of EUR 0.18 in December, the annual dividend for 2015 would amount to EUR 0.57 per share (previous year: EUR 0.34 per share).

SALE OF OWN SHARES

From 21 August 2015 to 24 December 2015, PALFINGER AG carried out a divestment programme for those shares held by the Company. As the stock option programmes adopted by the Annual General Meetings in 2009 and 2010 expired and the Company's own shares could previously not be used by PALFINGER to finance its acquisitions, the Management Board resolved to sell these shares. A total of 806 shares were sold at a price of EUR 26.97 per share.

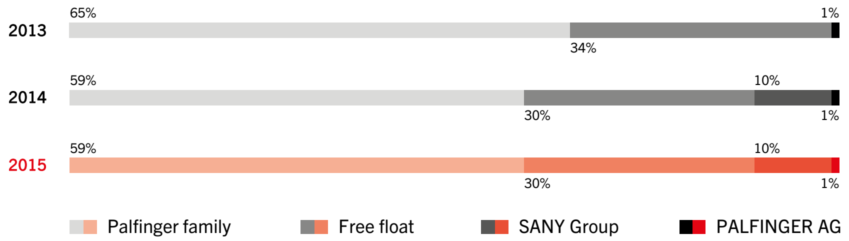
GRI G4-13: Changes regarding the shareholder structure

OWNERSHIP STRUCTURE

The Palfinger family, which either directly or indirectly owns approx. 59 per cent of the shares in PALFINGER AG, is PALFINGER's stable core shareholder. The cross shareholding between PALFINGER and SANY gave the SANY Group a participation of approx. 10 per cent. As at 31 December 2015, PALFINGER AG held just under 1 per cent of the shares. Approximately 30 per cent of the 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 is held by institutional investors, primarily from continental Europe.

GRI G4-7: Nature of ownership and legal form

SHAREHOLDER STRUCTURE



FINANCIAL CALENDAR 2016

9 March 2016	Annual General Meeting
11 March 2016	Ex-dividend date
14 March 2016	Record date
15 March 2016	Dividend payment date
27 April 2016	Publication of results for the first quarter of 2016
27 July 2016	Publication of results for the first half of 2016
27 October 2016	Publication of results for the first three quarters of 2016

Additional dates such as trade fairs or road shows will be announced on the Company's website under Financial Calendar.

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 (www.palfinger.ag).

General information, IBC

www.palfinger.ag/en/investor-relations/financial-calendar; www.palfinger.ag/en/investor-relations/ir-services

REPORTING

This is the third Integrated Annual Report published by PALFINGER

This is the third Integrated Annual Report published by PALFINGER, a report combining reporting on financial and non-financial performance indicators. In the future, priority in reporting will be on quality enhancement, for example by describing non-monetary performance indicators and their connection with financial performance. PALFINGER is convinced that the active analysis of the opportunities, risks and effects of its own business operations on the entire value creation chain will determine the future success of the Company.

The objective of reporting is to increase the quality of the Company's and stakeholders' bases of information and decision-making and, in the long term, to create a holistic incentive system within the Company. In this connection, internal sustainability reporting structures and systems, as well as indicators, have been adjusted on the basis of the materiality analysis and brought into line with the timing followed by the finance department. Thus, the underlying concept of integration is being taken into account in internal processes as well.

COMMITMENT

As a matter of principle, PALFINGER assumes an active role in shaping standards and guidelines, including those for products, and also through its memberships in various associations. In addition, PALFINGER has been included in the Austrian Sustainability Index (VÖNIX) and, as a Climate Alliance enterprise, is committed to protecting the environment. With its Code of Conduct, PALFINGER is committed to embracing and supporting the ten principles of the UN Global Compact and thus undertakes to adhere to the UNGC's core values in the areas of human rights, labour conditions, the environment and anti-corruption.

For many years, PALFINGER has cooperated with local educational organizations and institutes and has been a partner of AMREF and ICEP – the Institute of Cooperation for Development Projects – as well as its corporAID initiative. Moreover, PALFINGER is a member of the Austrian sustainability network respACT. PALFINGER has been an ordinary member in the Cercle Investor Relations Austria (C.I.R.A.) since 2000 and is one of the voluntary members of the Public Relations Association of Austria (PRVA) as well.

GRI G4-15: Self-commitment to voluntary initiatives; GRI G4-16: Active memberships

www.palfinger.ag/en/sustainability/sustainability-management/commitment

SPONSORING

PALFINGER uses sponsoring to enhance brand awareness, staff motivation and customer relationship management. At present ,PALFINGER has partnerships with the athletes Jochen Hahn (three-time European champion in truck racing), Heinz Ollesch (multiple winner of the competition "Germany's Strongest Man"), the ice hockey team EC Red Bull Salzburg (multiple Austrian champion) and Thomas Geierspichler (Paralympic gold medallist in wheelchair marathon and multiple world champion and European champion in wheelchair marathon). When it comes to the sponsoring of sports, culture and charities, PALFINGER attaches great importance to continuity and long-term commitment.

DONATIONS

At PALFINGER, donations are defined as voluntary contributions for the common good for which no compensation is received, such as the support of children or young people. Plant managers receive a certain budget for donations, which have to be made locally and 100 per cent of wich have to be received by those in need. In most cases, the donations made are financial; in the year under review a total of EUR 681,517 was donated. In individual cases, PALFINGER makes donations in kind, for example in 2015 to the refugee camp in Wals, Austria. The Company's employees also donated in-kind gifts to refugees.

Social sponsorship programmes include "PALFINGER for Africa", supporting the non-profit organization AMREF since 1992. AMREF has committed itself to the objective of improving medical care for the poorest and most disadvantaged people in Africa in the long term. AMREF develops health projects in close cooperation with African communities. For more than ten years, PALFINGER has been a partner of the Salzburg children's cancer charity "Kinderkrebshilfe Salzburg". This organization tries to improve the situation for children suffering from cancer and for their families. One particular highlight is the annual traditional sports car outing for and with young cancer patients. PALFINGER provides organizational and financial support for this event.

Donations are direct aid given to the intended target groups, and administrative and organizational expenses should be low but efficient. To PALFINGER, commitment means that the successful deployment of funds is monitored. PALFINGER wants its employees to take pride in its social commitment. No donations have been or will be made to political parties, party-affiliated or other political organizations.

GRI G4-EC 1: Direct economic value generated and distributed
Monetary flows to stakeholders, page 38

AWARDS

PALFINGER received the ASRA award for the best integrated report in 2015

PALFINGER's achievements to the benefit of its stakeholders are recognized time and again by Austrian as well as international awards. The sustainable entrepreneurial success achieved by the PALFINGER Group was honoured by the Salzburger Wirtschaftspreis (Salzburg business prize) 2015 in the category "Corporate Responsibility". PALFINGER has been included in the Austrian Sustainability Index (VÖNIX) ever since this share index was established and therefore received the VÖNIX All Time Index Member 2005–2015 certificate. In the period under review, PALFINGER's products and innovations received numerous awards as well. The new access platform P480 was named "Product of the Year 2015" by International Awards for Powered Access (IAPAs). The new safety and comfort features of PALFINGER's Master Drive, including EPSHOOD – a newly designed control station based on hydraulic pilot controls – won Austrofoma's innovation prize. PALFINGER's Annual Reports have repeatedly won numerous national and international awards. In 2015, PALFINGER once again won first place in the Austrian Sustainability Reporting Award (ASRA) in the category "Integrated Reports" in recognition of the well-structured integration of sustainability aspects in the Report.

Research and development, page 84
www.palfinger.ag/en/sustainability/sustainability-management/awards

A sorte favorece os audazes.

(Brazilian saying)

"Fortune favours the bold."

CONSOLIDATED MANAGEMENT REPORT

In 2015, PALFINGER posted substantial growth in the two segments EUROPEAN UNITS and AREA UNITS. In the EMEA region it was primarily the loader crane business that showed a highly satisfactory performance; the global marine business was equally successful. Outside Europe, PALFINGER achieved significant gains primarily in North America and Russia. This success in operations resulted in new record levels of revenue and earnings.

CONSOLIDATED MANAGEMENT REPORT

MARKET REVIEW

PALFINGER is a group of companies with global operations and increasingly regional procurement, development and production. The Group's marine business is globally organized, which is required by its structure. Current developments in the various regions and industries are as relevant to PALFINGER as good cooperation with its suppliers and its global network of dealers and service providers.

REGIONS AND INDUSTRIES

Europe

Europe is the largest market region for PALFINGER, generating 52.8 per cent of the Group's revenue. With a portfolio comprising various product groups, PALFINGER supplies a multitude of sectors, the most important ones being the construction industry, transport logistics, public authorities, waste disposal, forestry and agriculture and railway infrastructure. In the marine business, PALFINGER sells worldwide, primarily to customers in deep sea navigation and in the oil and gas industry.

The European construction industry saw widespread growth in 2015.

In Europe, all relevant industries saw modest improvements in the economic situation in 2015. In construction, in particular, some countries achieved substantial growth rates. Great Britain experienced a virtual boom, mainly in road construction. For the first time since the financial crisis, an upward tendency could also be observed in Spain, Italy and Ireland. According to the European Automobile Manufacturers' Association (ACEA), the number of new trucks over 3.5 tonnes registered in the EU was also on the rise.

In the construction industry and in transport logistics, procurement processes are increasingly being centralized and customer behaviour is becoming more and more international, which is directly linked to growing fleet management. At the same time, demand for multi-functional equipment from a single source is rising. One-stop shop solutions as well as comprehensive maintenance contracts are gaining importance.

In Europe, PALFINGER benefits from its high brand awareness across all industries and its densely knit sales and services network. Additional factors contributing to PALFINGER's success include high product quality, innovations, reliability and economic efficiency across all product groups, as well as innovative strength and flexibility. PALFINGER is able to cater to all customer requests, from standardized products to customized solutions, and boasts the most extensive product range of all providers.

North America

In North America, PALFINGER has customers in more than 20 different industries, the most important of which are the construction industry, rental companies, utilities, local authorities and truck body manufacturers. Industries like waste management, construction materials and transport are of relevance only for single product groups in this region.

The construction industry also posted growth in North America in 2015, and sales figures for trucks of all categories rose.

Many US industries marked by strong pressure to consolidate

However, nearly all industries were marked by strong pressure to consolidate, which did not spare providers of lifting solutions. Across numerous sectors, market participants were affected, some of them seriously, by the falling oil and gas prices, and by massive cuts in investment. In some customer industries with a potential to grow, such as wind energy service companies, funding has become a problem.

A major factor for PALFINGER's success in North America is comprehensive services, provided nation-wide from coast to coast, promptly, at a consistently high level of high quality and at competitive prices. Similar to the situation in Europe, large buyers focus on having a supplier base composed of a few providers only. The same holds true when it comes to fleet servicing.

In North America, PALFINGER can rely on the strong brand, the high service level and the superior technology which allows product use under demanding conditions. In addition, market niches were filled and in some industries fleet managers were attracted as new customers.

South America

Most of PALFINGER's customers in South America come from the rental business, the construction industry and the electricity supply industry. Industrialized agriculture harbours great potential.

The South American market shrank by up to 40 per cent

The persistent shrinking of the economy has left its mark on all industries, for instance in the form of lower investments. The situation was further aggravated by a reduction in state funding in Brazil, and the depreciation of the currencies posed an additional obstacle for all imported products. Agriculture was the only industry that showed positive development. Utilities as well as the energy and waste sector are expected to recover in 2016.

Faced with strongly declining market volumes, all market participants, especially in Brazil, are looking for new business opportunities and unique selling propositions, which is heating up the price war. PALFINGER capitalizes on its low costs for local production and its sales and services network.

CIS

The most important customer industries in Russia are construction, waste, transport logistics and forestry.

Demand for timber cranes was booming in Russia

In 2015, the Russian economy was characterized by the weak currency and the ongoing investor reticence. The unfavourable economic developments were, to a material extent, due to the sanctions imposed by the EU. Investments in the construction industry as well as the number of registrations of new trucks both decreased by 40 per cent in 2015. Further declines are expected in 2016 in all industries except forestry.

Local production is the absolute success factor for PALFINGER, also in light of the EU sanctions and the response of Russian companies to such sanctions. Another crucial asset is PALFINGER's high service quality.

Asia and Pacific

In Asia, PALFINGER supplies primarily the construction industry, the transport industry, local authorities, mining companies and producers of construction material. Other buyers of PALFINGER products include energy suppliers, the waste industry and the paper industry.

China was marked by a slowdown of growth

In China, the slowdown of economic growth has affected all customer industries. On top of fierce local competition, the changes in foreign exchange parity relations in the export business posed another obstacle. In addition, investments virtually came to a halt in South-East Asia as a consequence of the low oil price. The highly price-sensitive behaviour of PALFINGER's customers became particularly evident in the hooklift business.

PALFINGER's success factors in this area are the strong brand – in China in combination with SANY –, the high product quality, the strong sales organizations and the ability to offer competitive prices.

Marine business

PALFINGER MARINE sells worldwide to customers in the industrial sectors of oil and gas, deep sea navigation, navy and coast guard, fisheries and fish farms, boats and wind energy. In nearly all industries or customer segments, many products are used for a wide variety of applications. For this reason, PALFINGER offers application-specific solutions and systems rather than standardized products.

Low oil prices put the brakes on offshore investments

In 2015, the global oil industry suffered from the low oil prices. This resulted in an almost complete investment freeze in this industry, which remained unabated even though the OPEC forecast predicted a stabilization of the oil price. In contrast, the developments in wind energy as well as fishing and fish farming were dynamic. A major trend identified by PALFINGER MARINE is the relocation of shipbuilding activities from Europe to Korea, Singapore, Japan and China. Only specialized providers are able to stand their ground in Europe.

PALFINGER MARINE benefits from its global presence, in particular because the demand for customized solutions turns customer proximity into a huge success factor. In addition, the most recent expansion step, taken with the aim of turning PALFINGER into an integrated provider of high-end deck equipment, already proved successful in 2015.

GRI G4-8: Markets

CUSTOMERS AND DEALER NETWORK

PALFINGER products are distributed in more than 130 countries all over the world, primarily through some 200 general importers and the Group's distributing companies. Together with more than 5,000 services centres, this forms a comprehensive network for the end customers. The dealer and services network, which is a vital link to the Group's end customers, is thus PALFINGER's most important group of customers.

GRI G4-8: Markets

PALFINGER AND ITS COMPETITORS

PALFINGER is represented in different product groups and regions whose markets are characterized by diverse competitive environments. In 2015, there were no major changes in these environments.

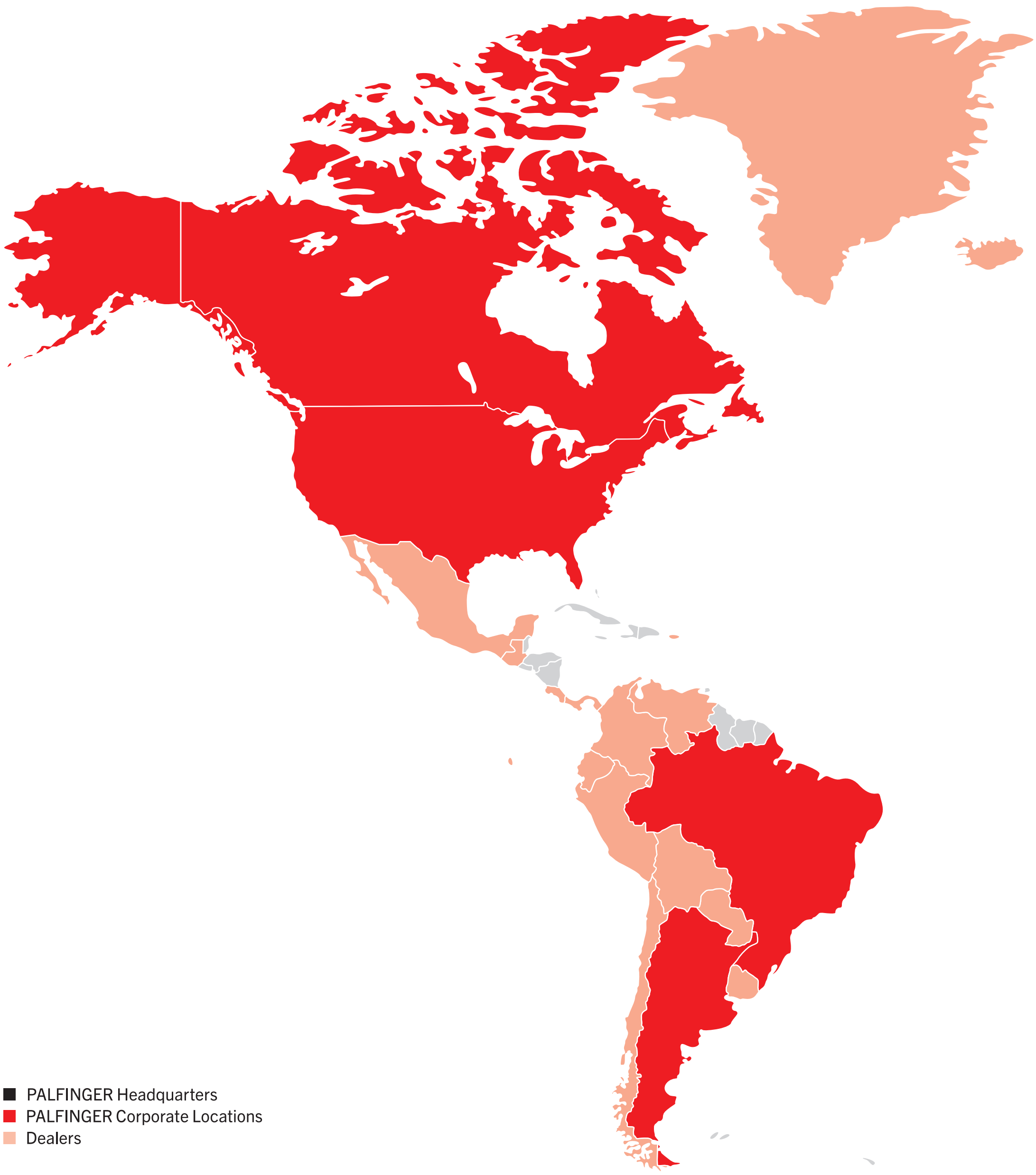
With its loader crane, PALFINGER dominates the global market

With its main product, the loader crane, PALFINGER has dominated the world market as an innovation leader for many years. On a global level, the most important competitors are HIAB, a company of the Finnish Cargotec Group, and Fassi of Italy. PALFINGER succeeded in establishing a strong position in the important Russian market through its acquisitions and partnerships in recent years. In some regions there are also well-established local players, such as XCMG in China.

PALFINGER is also strongly positioned in the market for timber and recycling cranes

PALFINGER is also strongly represented in the global crane market for timber and recycling – a position achieved also through the acquisition of the Russian PM-Group in 2014. The remaining market shares are distributed among numerous local companies. PALFINGER is also a major player in the global market for hooklifts, with HIAB being one of its major competitors in this field as well.

In marine solutions MacGregor – part of the Finnish Cargotec Group – is one of PALFINGER's most important competitors. In addition, the Norwegian HARDING Group, founded in 2013, has established itself as a relevant competitor in the market for lifting solutions in the field of life saving equipment. European suppliers such as Sormec, HS Marine or Huisman are also represented on the market. It was not least due to the acquisition of Norwegian Deck Machinery AS that PALFINGER managed to grow in 2015 despite the difficult environment, while other global players such as NOV, Rolls Royce Marine or TTS had to reduce their workforces.

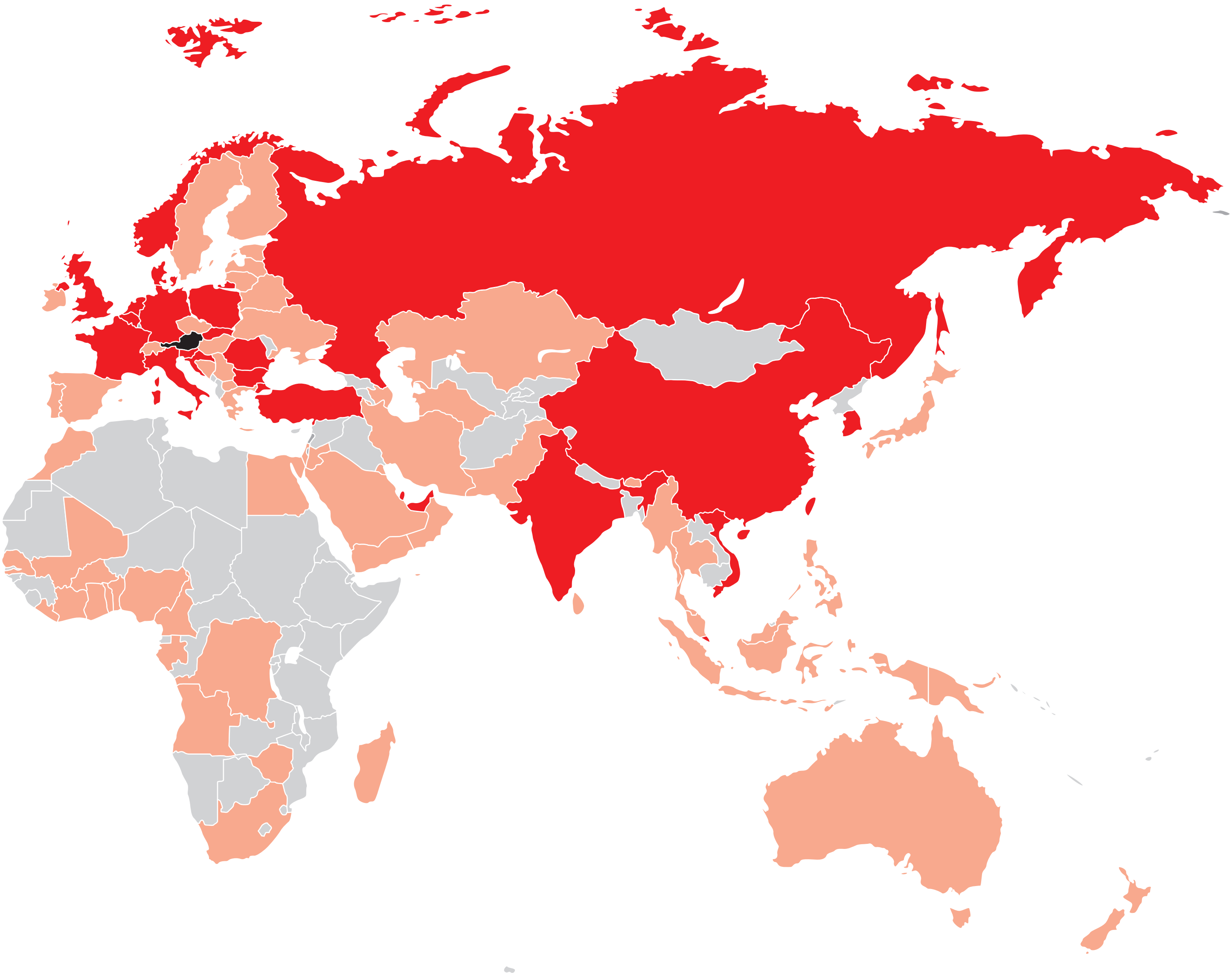


SUPPLIERS

PALFINGER's success and its flexibility are based on close cooperation with suppliers. Therefore, the Company has defined 155 strategic suppliers and has entered into delivery contracts with them with respect to cost effectiveness, products, the environment and social matters. The main purchasing flows are in raw materials (steel, aluminium), building parts and components (hydraulics, electronics, plastics), facilities (buildings, machinery), operating supplies, energy and outsourced manufacturing.

GRI G4-12: Description of supply chain; GRI G4-13: Changes regarding the organization, the shareholder structure; the supply chain; GRI G4-21: Boundary outside the organization for each material aspect; GRI G4-SO 10: Impacts on society in the supply chain

Materiality analysis, page 36



Procurement factors, markets and strategies

One of PALFINGER's main strategic objectives, also in procurement, is to be quick and flexible in responding to volatile market conditions. In order to be able to keep up with the expected future demand, PALFINGER, as a rule, maintains long-term agreements with its strategic main suppliers, which provide for variable annual purchase quantities. In 2015, the availability and delivery periods of critical parts proved to be stable.

Raw materials form the lion's share of procurement costs, accounting for about 30 per cent. Given that the market for raw materials is subject to strong fluctuations in terms of availability and price, flexibility in procurement is of particular importance. PALFINGER succeeded in lowering average costs in 2015 and, at the same time, also in improving the reliability of supplier delivery.

High-tech technologies are purchased primarily in Europe

The market success of the PALFINGER Group also depends on the use of advanced technologies and innovation, primarily in the fields of hydraulics, electronics and high-tension steel. Procurement focuses primarily on the EU market. Due to the continuing price pressure, Slovenia, Croatia, Romania and Croatia are gaining further importance as procurement markets. The growing trend towards mechatronics and the related increase in the percentage of electronic components render procurement more complex. In order to be able to guarantee a high level of flexibility in any event, more and more suppliers are being connected to PALFINGER via an electronic interface.

All in all, PALFINGER is committed to procuring locally in order to contribute to higher flexibility, shorter transport distances and stimulation of the local economy. A special global sourcing department focuses on utilizing the potential of new procurement markets for PALFINGER.

New procurement markets that expand PALFINGER's supplier portfolio have been developing in Asia, first and foremost in China. All new suppliers must observe quality and sustainability standards, for instance human rights and the prevention of corruption.

PALFINGER maintains long-term relationships with its suppliers in order to continuously enhance quality and thus also competitiveness. This objective is supported by the delivery contracts entered into with 155 strategic suppliers. These suppliers are regularly subjected to risk analyses – in some cases annually – with the aim of identifying changes in economic stability at an early stage. If necessary, the suppliers are supported in their optimization efforts. These strategic suppliers are evaluated once at the beginning of their business relationship with PALFINGER and then on a quarterly basis, with a view to quality, timely delivery, costs and sustainability.

Every two years an international supplier meeting is held to improve the suppliers' involvement in PALFINGER's activities. At the 2015 meeting with the slogan "Lifetime Excellence", current topics such as reliability of delivery, planned developments and Industry 4.0 were on the agenda.

Sustainability among suppliers

PALFINGER's most important suppliers are included in sustainability management

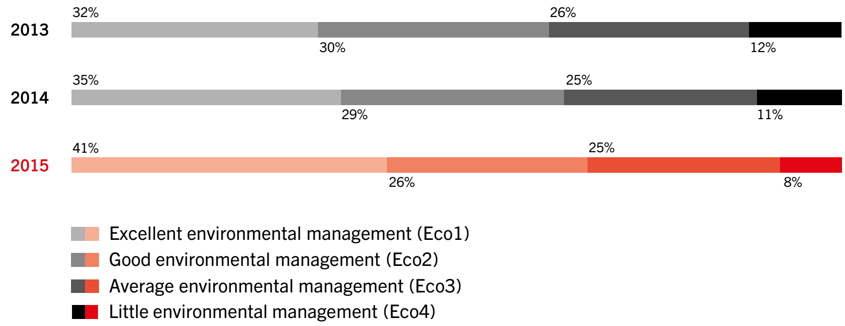
PALFINGER carries out surveys among all strategic partners and other suppliers, such as paint shops, disposal contractors, cleaning and linen rental companies, regarding their environmental management systems. The environmental management pursued by the suppliers also has an impact on their ranking in the quarterly supplier assessment, since PALFINGER believes that ecological and social awareness as well as corruption prevention augment the quality of supplier relations. For this reason, PALFINGER auditors held additional training courses on human rights issues for suppliers in 2015.

GRI G4-HR 2: Training on human rights policies or procedures

Slightly over half of the 155 strategic suppliers were audited by PALFINGER during the reporting period, with the main focus being on assessing process quality. The audits also took into account ecological, ethical and social aspects, human rights and the prevention of corruption. No severe infringements that would have resulted in a termination of the contract with the supplier were identified.

The sustainability aspects covered by the audit checklist are based on the PALFINGER Code of Conduct for all strategic suppliers. In addition, the checklist is also used to verify the suppliers' own assessments of their environmental management systems. In September 2015, the existing audit checklist was evaluated internally, and adapted.

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



All in all, the environmental management pursued by the strategic suppliers and by other environmentally relevant suppliers has improved considerably since 2013 according to their own evaluations. In 2015, 67 per cent (previous year: 64 per cent) of the suppliers already had an excellent or good environmental system in place (Eco1 and Eco2). Another satisfactory fact was that the number of responses – an indicator for rising awareness along the value creation chain – increased to 96 per cent in 2015 (previous year: 92 per cent).
GRI G4-12: Description of supply chain; GRI G4-13: Changes regarding the supply chain; GRI G4-21: Boundary outside the organization for each material aspect; GRI G4-EN 32, GRI G4-EN 33: Environmental impacts in the supply chain; GRI G4-LA 14, GRI G4-LA 15: Labour practices in the supply chain; GRI G4-HR 10, GRI G4-HR 11: Human rights in the supply chain; GRI G4-SO 9: Screening of the supply chain using criteria for impacts on society

PERFORMANCE BY SEGMENT

In 2015, PALFINGER posted substantial growth in the two segments EUROPEAN UNITS and AREA UNITS. In the EMEA region it was primarily the loader crane business that showed a highly satisfactory performance; the global marine business was equally successful. Outside Europe, PALFINGER achieved significant success primarily in North America and Russia.

PALFINGER takes a regional approach in its organizational structure. The segment performance figures are broken down accordingly into the EUROPEAN UNITS segment, the AREA UNITS segment and the VENTURES unit. The individual units within the two segments have been given a large degree of independence in order to meet the requirements of the individual markets in the best possible manner. Not only does this support the further internationalization of the Group and the deeper penetration of the respective market regions, it also makes it possible to focus more strongly on customer requirements and on increasing the flexibility of all processes along the value creation chain, in line with local conditions.
GRI G4-8: Markets

PALFINGER is organized in regional segments to ensure customer proximity and flexibility

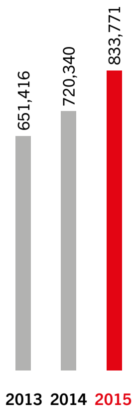
Segments 2015	Revenue (EUR million)	Revenue in %	EBIT (EUR million)	EBIT in %
EUROPEAN UNITS	833.8	67.8%	107.0	102.5%
AREA UNITS	396.1	32.2%	14.0	13.4%
VENTURES	-	-	(16.0)	(15.3)%
Consolidation			(0.6)	(0.6)%
PALFINGER Group	**1,229.9**	**100.0%**	**104.4**	**100.0%**

EUROPEAN UNITS SEGMENT

The business units of the EUROPEAN UNITS segment operate on the markets in Europe, the Middle East, Africa and Australia. The segment's main focus is on the development, production, distribution and maintenance of loader cranes, timber and recycling cranes, tail lifts, access platforms, hooklifts, truck mounted forklifts and railway systems, primarily for the afore mentioned markets. The global marine business, the production companies in Europe and as well as the distribution company in Germany also form part of this segment.

Business development in 2015

In the 2015 financial year, the EUROPEAN UNITS segment reported revenue of EUR 833.8 million, accounting for 67.8 per cent of the Group's total revenue. This increase of 15.7 per cent as compared to the previous year's revenue of EUR 720.3 million was due, on the one hand, to a substantial recovery of demand in Europe and, on the other hand, to the growth of the marine business. The main positive effect on the marine business was the acquisition of Norwegian Deck Machinery AS, which contributed 15.2 per cent to the growth achieved in this segment and has attracted new customer groups for PALFINGER.



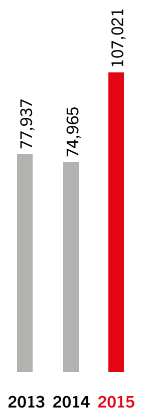
DEVELOPMENT OF SEGMENT REVENUE EUROPEAN UNITS
(EUR thousand)

At EUR 107.0 million, the segment's EBIT was 42.8 per cent higher than in 2014, when it amounted to EUR 75.0 million. This extraordinarily high increase in the segment's EBIT was caused primarily by the strong performance of the crane business in Europe and the resulting high capacity utilization at production and assembly sites. The segment's EBIT margin rose from 10.4 per cent to 12.8 per cent.
Significant changes, page 62

EUR thousand	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Segment revenue	191,877	185,705	169,234	173,524	200,666	213,643	198,426	221,036
Segment EBIT	26,007	20,797	15,347	12,814	26,189	26,933	23,174	30,725

Operational highlights

The loader crane business in the EMEA region posted marked increases in sales and revenue, which were also reflected in improved earnings. Exceptionally high increases were recorded primarily in Belgium, Denmark, Great Britain, Italy, Austria, Spain and the Czech Republic, as well as in South Africa and New Zealand. Noteworthy events also included the introduction of a new large crane and the start of operations of a laser hybrid facility in Austria for the manufacture of the newly developed P-profile for extension systems.



DEVELOPMENT OF SEGMENT EBIT EUROPEAN UNITS
(EUR thousand)

Business performance marked by strong demand for loader cranes in Europe

In timber and recycling cranes, sales rose by another 11.7 per cent in 2015 compared to the strong previous year. A new assembly hall started operations in Elsbethen near Salzburg, making further growth at a high level of profitability possible. The highlight was the launch of the introduction of the new M-series to the European market, featuring the first products with full inside hose routing and a new high seat for more direct control of the crane.

In access platforms, a substantial year-on-year increase in revenue was recorded. The measures initiated in order to strengthen earning power are expected to become effective next year. Palfinger Platforms Italy, the joint venture in Italy focussing on compact platforms for small trucks, expanded its market position further. Markets for this product group are also emerging in other market regions.

Demand for tail lifts remained more or less as weak as in the previous year, with a slight increase in profitability. In hooklifts, new products enabled PALFINGER to record modest growth and make a satisfactory contribution to earnings despite the difficult market environment.

Following a considerable increase in 2014, railway systems revenue rose again in 2015, by approx. 30 per cent. Business with these complex systems for building and maintaining railway infrastructure is trendsetting for PALFINGER in terms of innovation and technological development. PALFINGER sees significant growth potential all over the world for this product group. Not only the highly innovative railway products were successful, but the building maintenance unit also established itself on the market. The project groups that had already been engaged in developing products and solutions for the maintenance of extremely high-rising and technologically demanding buildings were integrated into this business unit.

The capacity utilization of the production units depends primarily on the success of the customer-oriented units. Accordingly, production output and capacity utilization were both higher than in the previous year. In 2015, the main priority was to enhance flexibility. PALFINGER plans to build additional production halls at the Bulgarian site Cherven Brjag in order to continue benefiting from the high productivity and low wage costs of this site.

Manufacturing for third parties, i.e. companies outside the PALFINGER Group, also gained further importance. It consistently helps to keep capacity utilization high and encourages innovation, flexibility and the ability to learn on the part of PALFINGER. In addition, the production orders act as an automatic boost and indicator for the competitiveness of the Group's production companies.

Marine business succeeded in maintaining growth pace

In the global marine business, PALFINGER increased its revenue by around 26 per cent year on year. This growth was enabled not only by the NDM Group (Norwegian Deck Machinery AS) acquired in the first quarter of 2015 but also by the market success achieved by Launch & Recovery Systems, Offshore and Rope Access, a unit operating under the name of Megarme Group. In June 2015, PALFINGER was awarded a major contract with a value of approx. EUR 33 million for its offshore business. The Norwegian oil company Statoil invited tenders for the equipment for a new oil and gas field and awarded the contract for large marine cranes to PALFINGER. In addition, in the third quarter PALFINGER was awarded contracts with a value of approx. EUR 10 million for the delivery of cranes for wind farms in Germany and Great Britain. One of the decisive factors accounting for the success over the Company's international competitors in both cases was PALFINGER's verifiably lower costs over the lifecycle.

Segment share in consolidated net result for the period	2013	2014	2015	in % of Group
External revenue (EUR thousand)	651,416[4]	720,340	833,771	67.8%
EBITDA (EUR thousand)	102,502[4]	104,971	135,895	93.5%
Depreciation, amortization and impairment (EUR thousand)	24,565[4]	30,006	28,874	70.5%
EBIT (EUR thousand)	77,937[4]	74,965	107,021	102.5%
Segment assets (EUR thousand)	617,801[4]	710,047[4]	753,123	62.1%
Segment liabilities (EUR thousand)	157,308[4]	174,158	221,882	31.6%
Investments in intangible assets and property, plant and equipment (EUR thousand)	27,754	41,035	37,018	60.7%
EBIT margin	12.0%[4]	10.4%	12.8%	
Average payroll during the reporting period[1]	4,341	5,445	5,578	
Employee turnover	6.3%	6.9%	9.2%	
Staff absence due to industrial accidents (in % of regular working time)	0.20%	0.11%	0.16%	
Training hours per employee[3]	9.2	10.4	15.4	
Index: Energy consumption in relation to revenue	96.6%[2]	87.8%[2]	87.3%	
Index: Greenhouse gas emissions in relation to revenue	96.4%[2]	89.1%[2]	89.0%	
Index: Hazardous waste in relation to revenue	95.2%[2]	91.9%[2]	116.2%	

1) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.
3) Deviating reporting boundaries due to sites that do not report these indicators.
4) Figures were adjusted with retrospective effect (see Note (14)).

AREA UNITS SEGMENT

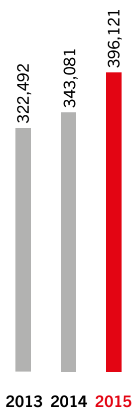
In its AREA UNITS segment, PALFINGER operates in the market regions CIS, North America, South America, and Asia and Pacific, together with their respective regional business units.

PALFINGER has been promoting the continuous further development of the non-European market regions through its own initiatives, partnerships and acquisitions. The objective for the years to come is to complete the product portfolios in the individual market regions and to achieve a relevant market share for PALFINGER.

Business development in 2015

Revenue generated by the AREA UNITS segment increased by 15.5 per cent, from EUR 343.1 million in the 2014 financial year to EUR 396.1 million in the reporting period. Consequently, areas outside Europe now account for 32.2 per cent of consolidated revenue. Growth was boosted primarily by the regions North America and CIS with nearly all of their product groups. Organic growth accounted for one half of this increase, while the other half was attributable primarily to the companies acquired in Russia.

The segment's EBIT rose by 40.0 per cent, from EUR 10.0 million in 2014 to EUR 14.0 million. This improvement was caused primarily by the growth and increase in productivity achieved in North America. Consequently, the EBIT margin rose from 2.9 per cent in the previous year to 3.5 per cent in 2015.



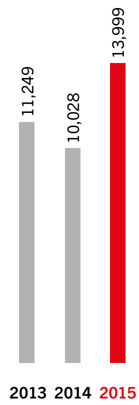
DEVELOPMENT OF SEGMENT REVENUE AREA UNITS
(EUR thousand)

EUR thousand	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Segment revenue	72,104	81,484	82,072	107,421	91,641	100,247	94,301	109,932
Segment EBIT[1]	(1,012)	4,025	3,522	3,493	1,359	6,303	4,706	1,631

1) The figures for 2014 were adjusted with retrospective effect (see Note (14)).

Operational highlights

In North America, PALFINGER recorded an increase in revenue of more than 29 per cent, approx. one-third of which was the result of organic growth and approx. two-thirds of which were due to the appreciation of the US dollar. As compared to the previous year, the product areas established on the market, namely Loader Cranes, Timber and Recycling Cranes, Tail Lifts, Hooklifts and Access Platforms, recorded significant increases in sales, which were also reflected in earnings. Given that incoming orders for these products have remained at a high level, this positive trend is expected to continue.



DEVELOPMENT OF SEGMENT EBIT AREA UNITS
(EUR thousand)

The market launch of the new timber loader crane production series "A-line", which is tailor-made to the needs of Northern American customers, also went particularly well. Following the highly successful presentation of the new series at the North Eastern Forest Products Equipment Expo in Bangor, Maine, in May, the first cranes were delivered to end customers in the second half of the year.

In early July, PALFINGER and FairWind Holdings LLC founded the joint venture company FairWind Renewable Energy Services LLC, Lawton, USA, in which Palfinger USA, Inc. holds a 51 per cent interest. The new company specializes in the servicing of wind energy plants.

In South America, the weak economy caused a contraction of PALFINGER's business volume. In Brazil, state funding was, for the most part, no longer available, which led to a massive decline in sales and revenue. All in all, market volume in South America shrank by around 35 per cent, but PALFINGER succeeded in expanding its market shares despite declining sales.

Increases in North America and Russia resulted in strong segment growth

In Russia/CIS, PALFINGER achieved an increase in revenue and managed to expand its market shares even though the market was affected by the economic sanctions and the weak ruble. Sales of PALFINGER's locally produced products more than compensated the lack of exports to this region. PM-Group Lifting Machines, which had been acquired in the fourth quarter of 2014, was the main contributor to this development, but INMAN also posted significantly higher revenue. After the expansion of production capacities at INMAN had been completed, the opening celebration for the new plant took place on 24 July. In March 2015, the two joint ventures, as agreed upon by PALFINGER and the leading Russian truck producer KAMAZ, were approved by the authorities and operations were started. One of these joint ventures produces truck bodies and mounts cranes, hooklifts and other lifting equipment on commercial vehicles, while the other joint venture produces cylinders for PALFINGER in CIS and for KAMAZ.

The new plant in China started operations in 2015

The development of the Asia and Pacific market region was marked primarily by PALFINGER's successful cooperation with SANY. Despite the difficult economic situation in China, the joint implementation of a contract awarded under a tender generated satisfactory contributions to earnings. Deliveries from the new plant in Rudong, north of Shanghai, were stepped up continuously in the 2015 financial year. The production of hooklifts for the local market was also relocated from Shenzhen to Rudong during the reporting period; this had a positive impact on the segment's EBIT.

Segment share in consolidated net result for the period	2013	2014	2015	in % of Group
External revenue (EUR thousand)	322,492[4]	343,081	396,121	32.2%
EBITDA (EUR thousand)	18,420[4]	18,580	26,080	17.9%
Depreciation, amortization and impairment (EUR thousand)	7,171[4]	8,552[4]	12,081	29.5%
EBIT (EUR thousand)	11,249[4]	10,028[4]	13,999	13.4%
Segment assets (EUR thousand)	240,164[4]	443,198[4]	492,068	40.6%
Segment liabilities (EUR thousand)	112,027[4]	179,077	163,125	23.2%
Investments in intangible assets and property, plant and equipment (EUR thousand)	10,674[4]	19,828	23,990	39.3%
EBIT margin	3.5%[4]	2.9%[4]	3.5%	
Average payroll during the reporting period[1]	2,147[2]	2,073	2,133	
Employee turnover	19.2%	22.5%	20.7%	
Staff absence due to industrial accidents (in % of regular working time)	0.06%	0.04%	0.06%	
Training hours per employee[3]	13.4	9.1	7.7	
Index: Energy consumption in relation to revenue	93.7%	101.2%	87.5%	
Index: Greenhouse gas emissions in relation to revenue	93.8%	96.0%	89.1%	
Index: Hazardous waste in relation to revenue	89.6%	87.7%	93.1%	

1) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.
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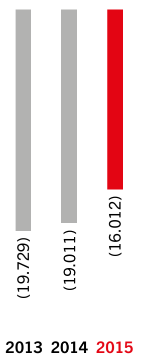
VENTURES UNIT

The VENTURES unit processes all major strategic projects for the future pursued by the PALFINGER Group up to their operational maturity. As the projects included in this unit do not generate revenue, only the costs of such projects are reported.

Business development in 2015

Following the great number of strategic acquisitions made in recent years, the focus in the reporting period was on consolidating the structures and fully integrating the new units into the PALFINGER Group. This is also reflected in the EBIT posted by the VENTURES unit which came to –EUR 16.0 million in 2015 as compared to –EUR 19.0 million in the previous year.



DEVELOPMENT OF SEGMENT EBIT VENTURES
(EUR thousand)

Major projects included the closing of the Norwegian Deck Machinery AS acquisition, the joint venture FairWind Renewable Energy Services, LLC in North America, the development of both joint ventures with KAMAZ and the integration of PM-Group Lifting Machines.

Moreover, preparations were made for the integration of PALFINGER's distribution activities in Spain into the PALFINGER Group. At the end of the year, an agreement was signed with the majority owners of the MYCSA Group. Towards the end of the first quarter of 2016 – subject to the official approvals – the sales and services business will be operated, with a staff of approx. 80, in Spain and Portugal by PALFINGER Ibérica, a company yet to be founded.

Significant changes, page 62

EUR thousand	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Unit EBIT	(4,743)	(3,690)	(3,952)	(6,626)	(3,541)	(3,852)	(4,216)	(4,403)

Share in consolidated net result for the period	2013	2014	2015	in % of Group
EBITDA (EUR thousand)	(19,729)[4]	(19,011)	(16,012)	(11.0)%
EBIT (EUR thousand)	(19,729)[4]	(19,011)	(16,012)	(15.3)%
Annual average payroll[1]	2	512	1,285	
Employee turnover	0.0%	5.6%	21.1%	
Staff absence due to industrial accidents (in % of regular working time)	0.16%	0.11%	0.16%	
Training hours per employee[3]	9.2	10.4	15.4	

1) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.
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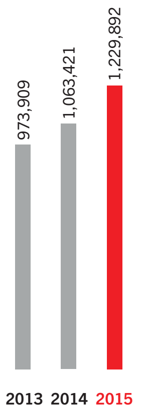
PERFORMANCE OF THE PALFINGER GROUP

2015 was another record year for the PALFINGER Group. Revenue rose by 15.7 per cent and an exceptionally high increase in earnings was achieved. The consolidated net result for the period climbed to EUR 64.4 million, which will have a positive effect on the dividend for 2015.

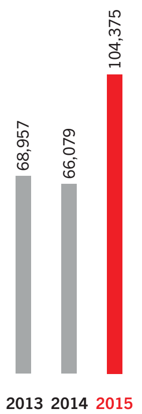
BUSINESS DEVELOPMENT IN 2015

Record revenue and record earnings

All in all, the performance of the PALFINGER Group was marked by steep growth in 2015. Revenue rose by 15.7 per cent from EUR 1,063.4 million in 2014 to EUR 1,229.9 million, which is a new record level. EBIT showed an extraordinarily strong increase of 58.0 per cent from EUR 66.1 million in the previous year to EUR 104.4 million. This, in turn, generated a marked rise in the EBIT margin, which came to 8.5 per cent, as compared to 6.2 per cent in the previous year. The consolidated net result for 2015 was EUR 64.4 million, 68.7 per cent higher than the previous year's figure of EUR 38.2 million.



DEVELOPMENT OF REVENUE
(EUR thousand)



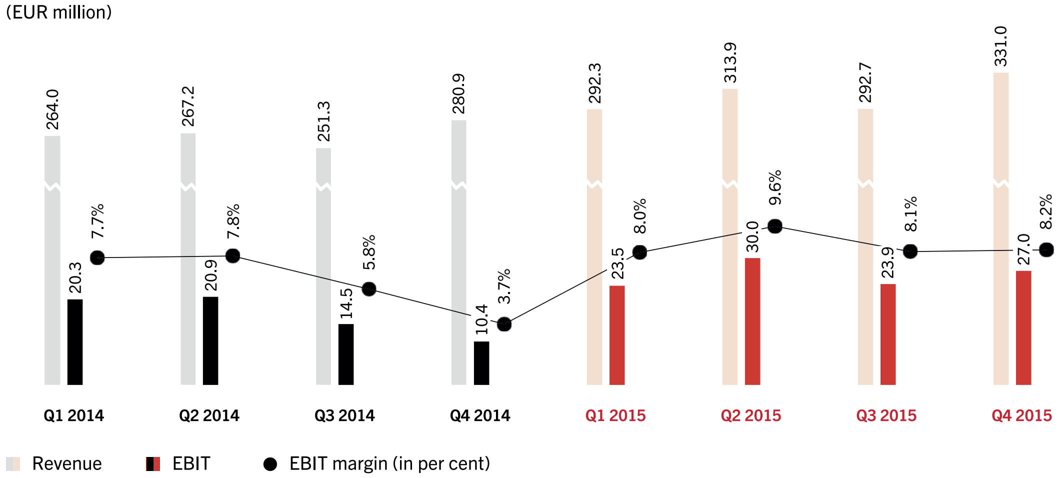
DEVELOPMENT OF EBIT
(EUR thousand)

Summing up, the major factors accounting for this positive performance included the huge gains achieved in the sale of loader cranes in Europe as well as the substantial progress made by PALFINGER outside Europe. In the USA, the favourable economy coupled with the stronger US dollar facilitated a significant increase in revenue and earnings. In Russia/CIS, the strategic investments in local value creation proved their worth, enabling PALFINGER's soaring success in this market region. In Asia, PALFINGER's cooperation with SANY was fruitful. In the marine business, the low oil price dampened customers' willingness to invest; nevertheless, PALFINGER continued its growth, achieving an increase in revenue of approx. 26 per cent. In South America, however, PALFINGER recorded further losses in revenue as a result of the generally slack economy and the highly augmented reluctance to invest, even though PALFINGER's share in this declining market increased. The contributions to earnings made by the EUROPEAN UNITS segment and the AREA UNITS segment showed a significant increase in the 2015 financial year.

The present level of incoming orders gives reason to expect further positive developments in the first months of 2016. In Europe, visibility is still low but has stabilized in recent months. The investment propensity of customers in Europe is still restrained, despite some positive trends, whereas in North America, primarily in the USA, there is greater confidence in a revival of the economy. The group-wide average planning horizon for capacity utilization is currently back to around three months.

The performance over the individual quarters shows the continuous rise in revenue and earnings in the past two years. The second half of the year is always influenced by the fact that there are fewer working days due to the two weeks of company holidays (at the European sites) in August and the Christmas holidays.

DEVELOPMENT OF REVENUE AND EBIT
(EUR million)



SIGNIFICANT CHANGES WITHIN THE PALFINGER GROUP

Further development of the marine business

NDM helps open up new groups of customers for PALFINGER

On 14 January 2015, Palfinger Marine- und Beteiligungs-GmbH acquired 100 per cent of Norwegian Deck Machinery AS (NDM), Os, Norway, from the former sole shareholder VNS Holding AS, Stavanger, Norway. NDM was founded in 1989 and has achieved a prominent market position with the development of special winches as well as handling equipment for offshore vessels, offshore service vessels, and oil and gas rigs. One of the distinctive features of the systems developed by NDM is the automatic compensation of wave movement, allowing for a safer and more efficient handling of loads.

With its lean corporate structure, NDM encompasses product development, project management and sales; production has been outsourced to external production service providers. NDM's sales operations focus on major markets such as the USA, Brazil, Europe, the Middle East and China.

Strengthening local value creation in CIS

Substantially higher level of value added in CIS

In March 2015, the establishment of the two joint venture companies, agreed between PALFINGER and the Russian KAMAZ Group in August 2014, took legal effect with their entry in the Russian commercial register. This paved the way for the operational implementation of the cooperation between the PALFINGER Group and OJSC KAMAZ. KAMAZ is Russia's largest truck producer ranking 11th among the world's largest truck manufacturers. KAMAZ trucks are sold in the Russian market, with many also exported to Asia and Latin America.

The PALFINGER Group holds 49 per cent and the KAMAZ Group 51 per cent in the joint venture for mounting, Crane Center Kamaz OOO, which specializes in truck bodies. The joint venture company equips trucks with loading and handling systems. In addition to the existing sales network of KAMAZ, the establishment of a separate network of dealers and service centres is planned. The company has its registered office in Nabereschnyje Tschelny in Tatarstan, not far from the headquarters of the KAMAZ Group. The objective is to deliver more than 3,000 truck bodies per year by 2019.

PALFINGER's stake in the cylinder production joint venture Palfinger Kama Cylinders OOO is 51 per cent. PALFINGER and KAMAZ founded the company together in Neftekamsk in the Bashkortostan region (where PALFINGER's new INMAN crane plant is also located). The target is to build up to 80,000 cylinders for cranes, trucks and building machinery every year by 2019.

Development of the North American market for access platforms

In early July, PALFINGER and FairWind Holdings LLC established the joint venture company FairWind Renewable Energy Services, LLC, Oklahoma, USA. Palfinger USA, Inc. holds a 51 per cent interest in this company, which specializes in the servicing of wind turbines for energy generation.

The wind service industry has grown significantly in the USA and Canada. All in all, there are now more than 60,000 onshore wind turbines there, requiring regular cleaning, routine servicing and checks. In the USA, large access platforms are being increasingly used for this purpose, as this can double or even triple efficiency. Previously, workman baskets or rope access were the main methods of access.

FairWind Holdings LLC, the 49-per cent shareholder, is a young and dynamic company employing approx. 25 experts for the servicing of wind and oil industry equipment. In a first step, PALFINGER will supply access platforms as well as stability and financial power – indispensable assets for long-term contracts.

Further changes under company law

In January 2015, Megarme Inspection & Engineering Services LLC was founded, with its registered office in Dubai. For part of the 70 per cent stake held by Palfinger systems units GmbH, a trusteeship construction was used. The remaining shares are held by the managing directors Billy Harkin and William Patrick Harkin.

On 19 February 2015, Palfinger Marine- und Beteiligungs-GmbH, Salzburg, was renamed Palfinger Marine GmbH.

On 3 March 2015, the shares held by Palfinger Dreggen AS, Norway, in Palfinger Dreggen Do Brasil, Brazil, were taken over by Palfinger Marine GmbH, Salzburg. On the same day, Palfinger South America GmbH, Salzburg, also acquired one share from Halldor Rongve, the managing director of Palfinger Dreggen AS.

On 12 March 2015, Palfinger Argentina S.A. was sold to Rolando Romeo.

Effective 30 March 2015, Jörg Schopferer sold one share in Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul, Brazil, to Palfinger South America GmbH, Salzburg.

Effective 1 April 2015, Palfinger systems units GmbH sold its remaining shares in Palfinger systems GmbH (26 per cent) to Marine Systems Overseas Pte. Ltd.

In April 2015, Palfinger Trading (Shanghai) Co., Ltd. with its registered office in Shanghai, China, was founded as a wholly-owned subsidiary of Palfinger Asia Pacific Pte. Ltd.

Effective 15 May 2015, Palfinger USA, Inc. took over the remaining shares (20 per cent) in Equipment Technology, LLC (USA) from the former co-shareholders.

Effective 17 June 2015, Palfinger Lifting Technology (Nantong) Co., Ltd, with its registered office in Rudong,Nantong, China, was founded as a wholly-owned subsidiary of Palfinger Asia Pacific Pte. Ltd.

Also in June 2015, Palfinger Dreggen Pte. Ltd., a wholly-owned subsidiary of Palfinger Marine GmbH with its registered office in Singapore, was liquidated.

Effective 28 August 2015, the Russian companies PM-Engineering OOO and Velmash ZAO were merged into Velmash-S-OOO.

Effective 1 October 2015, the Singaporean companies Palfinger SLS Holding Pte. Ltd and Palfinger Marine Pte. Ltd. were merged into Palfinger Asia Pacific Pte. Ltd.

Effective 15 October 2015, PALFINGER AG acquired all the shares in Palfinger Marine Services B.V., Netherlands, from Palfinger Marine GmbH. Palfinger Marine Services B.V. was then renamed Palfinger Projects B.V.

On 4 November 2015, Norwegian Deck Machinery Ulsteinvik AS was merged into Norwegian Deck Machinery AS after the remaining 17.3 per cent in the former had been acquired from the minority shareholder in early July.

Effective December 2015, Norwegian Deck Machinery AS assigned all shares in NDM Poland Sp.z.o.o. to the local management.

In early December 2015, the Brazilian company Palfinger Dreggen do Brasil Ltda was renamed Palfinger Marine do Brasil Ltda.

In December 2015, all shares in the French company MBB Inter SAS were transferred from MBB Palfinger GmbH, Germany, to Palfinger EMEA GmbH, Austria.

Effective December 2015, Equipment Technology, LLC took over the remaining shares in Composite Works, LLC, and now holds 100 per cent of the shares in this company.

In December 2015, the Russian company SMZ OAO was merged into the SMZ OOO.
GRI G4-13: Changes regarding the organization

INFORMATION ACCORDING TO SEC. 243A OF THE BUSINESS CODE

As at 31 December 2015, the issued share capital of PALFINGER AG was EUR 37,593,258, divided into 37,593,258 no-par-value bearer shares. Each PALFINGER share entitles its holder to one vote.

As at 31 December 2015, PALFINGER AG held 282,756 own shares.

PALFINGER AG is not aware of any restrictions regarding the voting rights of the PALFINGER shares and their transferability, including restrictions agreed upon between shareholders. There are no PALFINGER shares with special rights of control.

As at 31 December 2015, the Palfinger family directly or indirectly held approx. 59 per cent of the shares in PALFINGER AG. Around 10 per cent of the shares (3,726,516) were held by the Chinese SANY Group via the German company SANY Germany GmbH. Around 30 per cent of the PALFINGER shares were in free float.

Within the PALFINGER Group there is no employee stock option programme under which the employees do not directly exercise their voting rights for their shares in PALFINGER AG.

The Articles of Association do not contain any provisions on the appointment of the members of the Management Board and the Supervisory Board or on amendments to the Articles of Association that exceed the scope of the respective statutory provisions.

The agreements on the promissory note loans contain change of control clauses.

No agreement on compensation in the event of a public takeover bid has been entered into between PALFINGER AG and the members of the Management Board and the Supervisory Board.
GRI G4-7: Nature of ownership and legal form; GRI G4-LA 2: Benefits provided to full-time employees only

DEVELOPMENT OF KEY FINANCIALS, FINANCIAL POSITION AND BALANCE-SHEET STRUCTURE

In the 2015 financial year, revenue increased by 15.7 per cent to EUR 1,229.9 million (previous year: EUR 1,063.4 million), with the two segments EUROPEAN UNITS and AREA UNITS posting growth of approx. 15 per cent each. The European Union remained the Group's most important sales market, accounting for 47.6 per cent of revenue (previous year: 49.1 per cent). In the 2015 financial year, North America accounted for 23.3 per cent (previous year: 20.6 per cent). However, only one-third of the revenue increase achieved there was due to business operations; approximately two-thirds resulted from the increase in the strength of the dollar against the euro. As a consequence of the successful market development by PM-Group Lifting Machines, a company acquired by PALFINGER in 2014, 5.5 per cent of revenue in 2015 came from the CIS region. Revenue in Central and South America decreased in the period under review despite growing market shares; Latin America's contribution to the Group's total revenue was 3.5 per cent. Overall, changes in foreign exchange parity relations had a positive impact of 2.7 per cent on revenue development, with the stronger US dollar in combination with North America's higher contribution to revenue more than compensating for the weak ruble and other weak Asian and Latin American currencies.

As business operations were stepped up, the cost of sales rose from EUR 817.0 million to EUR 930.7 million. PALFINGER's gross profit margin rose from 23.2 per cent to 24.3 per cent. This development was primarily due to the effect of a fixed cost degression of structural production costs.

Personnel costs came to EUR 331.1 million in the 2015 financial year, corresponding to an increase of 10.8 per cent as compared to the previous year's figure of EUR 298.9 million. This development was, to a great extent, due to the increase in headcount and salary adjustments due to inflation.

Materials used in proportion to revenue remained at the previous year's level. However, savings were achieved, primarily in the field of raw materials purchasing.

Structural costs, engendered by the areas of research and development, sales, and administration, rose from EUR 192.2 million to EUR 202.6 million. This increase was brought about primarily by the acquisitions made in previous years. Expressed as a percentage of revenue, the structural costs rate was, in fact, lowered by 1.6 per cent.

EBIT amounted to EUR 104.4 million in the 2015 financial year (previous year: EUR 66.1 million), which was mainly a consequence of the expanded business volume and the resulting increase in profitability in nearly all product areas.

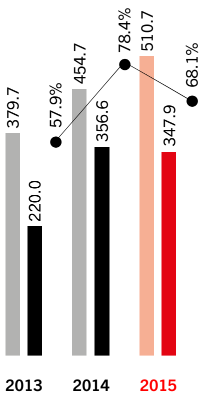
In the 2015 financial year, an operational one-off effect was recorded, namely an impairment loss of approx. EUR 5.0 million on current assets in North America.

The EBIT margin rose from 6.2 per cent in 2014 to 8.5 per cent in 2015.

Income tax expense increased from EUR 10.3 million in 2014 to EUR 21.4 million in 2015. This strong rise was due to the increase in the taxable result of the EUROPEAN UNITS and of the area North America as well as the increase in deferred tax liabilities.

In line with PALFINGER's dividend policy and on the basis of the current earnings situation, the Management Board is going to propose to the Annual General Meeting that a dividend of one-third of the net result for the period be distributed. Given that an interim dividend of EUR 0.18 per share was paid out on 21 December 2015, the Management Board is going to propose a final dividend of EUR 0.39 per share. Therefore, the total dividend for 2015 – subject to the resolution to be adopted by the Annual General Meeting – will be EUR 0.57 per share.

Total assets increased by 8.0 per cent year on year, amounting to EUR 1,212.4 million as at 31 December 2015 (previous year: EUR 1,122.4 million). This was primarily due to the expansion of business volume, the acquisition of Norwegian Deck Machinery AS, the development of operations of the two joint ventures with KAMAZ in Russia, and the establishment of the joint venture FairWind Renewable Energy Services, LLC in North America.



EQUITY AND NET DEBT
(EUR million)

- Equity
- Net debt
- Gearing (in per cent)

Non-current assets rose by EUR 40.2 million to EUR 708.9 million (previous year: EUR 668.7 million), mainly through investments in production facilities in Russia, expansions in the services and fleet business in North America, and investments in replacements and expansion in Austria. In addition, capitalized development expenditure, the acquisitions made in 2015, and the increase in interests held in companies reported at equity contributed to this rise. The satisfactory expansion of the business volume was also reflected in the EUR 49.7 million or 11.0 per cent rise in current assets from EUR 453.8 million to EUR 503.5 million.

Average net working capital relative to revenue decreased due to targeted measures to improve the key ratio of current capital, paying special attention to inventories, accounts receivable and accounts payable. At 14.6 per cent, this indicator was at a lower level than in 2014, when it came to 16.4 per cent.

Equity increased by 12.3 per cent from EUR 454.7 million to EUR 510.7 million. This was primarily due to the positive result after income tax, which amounted to EUR 71.6 million, while the payment of a dividend had a reducing effect on equity. The equity ratio came to 42.1 per cent (previous year: 40.5 per cent).

In the 2015 financial year, a loan volume of EUR 86.4 million in new non-current financial liabilities was taken out for the refinancing of loans fallen due and the early redemption of other financing instruments. As a consequence of the new maturities, the remaining non-current liabilities from the previous year decreased from EUR 408.7 million to EUR 395.5 million. Current liabilities, on the other hand, rose from EUR 259.0 million to EUR 306.2 million. 98.1 per cent of PALFINGER's total capital employed has been secured on a long-term basis.

The decrease in current financial liabilities brought down net debt. As a consequence, the gearing ratio improved from 78.4 per cent on the 2014 reporting date to 68.1 per cent as at 31 December 2015.

Investments in tangible and intangible assets came to EUR 61.0 million in 2015 (EUR 60.9 million in 2014), EUR 10.1 million of which was accounted for by capitalized development expenditure. Investments were made primarily in the enlargement of production in Russia, the expansion of the services and fleet business in North America, and the development of a production and services centre in the marine business. In addition, modernization measures were carried out at Austrian sites.

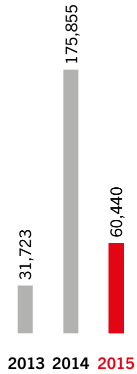
In the 2015 financial year, cash flows from operating activities amounted to EUR 110.6 million, compared to EUR 47.2 million in the previous year. This increase was caused primarily by the substantially higher profit before tax as well as by liabilities from the assignment of accounts receivables to the factoring partner that had not yet been paid.

Cash flows from investing activities changed from –EUR 217.4 million in 2014 to –EUR 64.6 million in 2015, which was primarily due to the lower acquisition volume.

The described effects arising from the cash flows from operating activities and investing activities resulted in positive free cash flows of EUR 54.7 million in the 2015 financial year, as compared to –EUR 159.5 million in 2014.

At –EUR 43.9 million as compared to EUR 178.4 million in the previous year, cash flows from financing activities were on the decline. The change of –EUR 222.3 million basically included a higher repayment of current financial liabilities and loans for the acquisition of interests in the 2015 financial year, as well as the issue of a promissory note loan and the capital increase in the previous year.

Value creation indicators also developed well: Return on equity rose from 10.5 per cent at the end of 2014 to 14.8 per cent as at 31 December 2015, return on capital employed increased from 7.4 per cent to 9.6 per cent, and the weighted average cost of capital (WACC) remained at the same level as in the previous year, coming to 6.5 per cent. These developments resulted in a clear increase in economic value added, from EUR 6.7 million in the previous year to EUR 25.9 million.



NET INVESTMENT
(EUR thousand)

Abbreviated consolidated balance sheet

EUR million	31 Dec 2013[1)]	31 Dec 2014[1)]	31 Dec 2015
Non-current assets	428.7	668.7	708.9
Current assets	408.5	453.8	503.5
Total assets	**837.3**	**1,122.4**	**1,212.4**
Equity	379.7	454.7	510.7
Non-current liabilities	251.8	408.7	395.5
Current liabilities	205.8	259.0	306.2
Total equity and liabilities	**837.3**	**1,122.4**	**1,212.4**

1) Figures were adjusted in 2013 and 2014 with retrospective effect (see Note 14).

Consolidated financial statements, Notes to the consolidated balance sheet, page 164

EUR million	Jan–Dec 2013[1)]	Jan–Dec 2014[1)]	Jan–Dec 2015
Cash flows from operating activities	69.2	47.2	110.6
Cash flows from investing activities	(48.8)	(217.4)	(64.6)
	20.4	**(170.2)**	**46.0**
Adjusted interest on borrowings after tax	8.6	10.7	8.7
Free cash flows	**29.0**	**(159.5)**	**54.7**

1) Figures were adjusted in 2013 and 2014 with retrospective effect (see Note 14).

Abbreviated consolidated income statement

EUR million	Jan–Dec 2013[2)]	Jan–Dec 2014[2)]	Jan–Dec 2015
Revenue	974.0	1,063.4	1,229.9
EBITDA	100.7	104.6	145.3
EBITDA margin	10.3%	9.8%	11.8%
EBIT	69.0	66.1	104.4
EBIT margin	7.1%	6.2%	8.5%
Consolidated net result for the period	38.7	38.2	64.4
Earnings per share (EUR)	1.09	1.04	1.73
Dividend per share (EUR)[1)]	0.41	0.34	0.57

1) Proposal of the Management Board to the Supervisory Board for presentation to the Annual General Meeting for resolution.
2) Figures were adjusted in 2013 and 2014 with retrospective effect (see Note 14).

Consolidated financial statements, Notes to the consolidated income statement, page 154

EUR million	Jan–Dec 2013[2)]	Jan–Dec 2014[2)]	Jan–Dec 2015
EBIT	69.0	66.1	104.4
Adjusted income tax expense	(15.8)	(13.6)	(24.3)
NOPLAT	**53.2**	**52.5**	**80.1**
Non-current assets	424.5	548.7	688.8
Non-current financial assets	(4.0)	(17.9)	(32.8)
Non-current operating assets[1)]	**420.5**	**530.8**	**655.9**
Inventories	206.8	225.1	250.8
Current receivables and other current assets	169.6	184.9	201.0
Income tax receivables	3.2	3.1	2.9
Non-current and current provisions	(48.0)	(51.0)	(56.0)
Deferred tax liabilities	(6.8)	(6.3)	(7.6)
Income tax liabilities	(4.4)	(5.0)	(7.2)
Other non-current and current liabilities	(151.2)	(176.3)	(204.9)
Net working capital[1)]	**169.2**	**174.5**	**179.0**
Capital employed[1)]	**589.7**	**705.3**	**834.9**
ROCE	**9.0%**	**7.4%**	**9.6%**

1) Annual average.
2) Figures were adjusted in 2013 and 2014 with retrospective effect (see Note 14).

TREASURY

The treasury department is in charge of group-wide liquidity management and the monitoring of financial risks. PALFINGER's paramount financing principle is to ensure sufficient liquidity at all times in order to meet payment obligations and ensure the Company's continued growth.

Central control of cash flows ensures the Group's credit standing

Cash inflows from operating activities form the most important source of funding for PALFINGER. Within the Group, the principle of internal funding applies. Under PALFINGER's in-house banking scheme, the financing needs of subsidiaries are – to the extent possible – covered by internal loans. Excess liquid funds of group companies are used to reduce the need for external financing and thus also the net interest expense. By balancing group-internal transactions via clearing accounts, external bank transactions and banking charges are reduced. Through the central control of group financing, the Group's credit standing may be used to fund group companies and to guarantee the necessary liquidity in a cost-efficient way.

Other responsibilities of the corporate treasury department include the effective management of foreign exchange and interest rate risks, and central control of global insurance solutions, for instance property insurance, third-party liability insurance, transport insurance, etc.

The Group's global financial management is based on uniform group principles and guidelines. On the level of the subsidiaries, the heads of finance are responsible for compliance with the treasury guidelines.

Cash and liquidity management

In day-to-day liquidity management, PALFINGER uses excess liquid funds of individual group companies to cover the funding needs of others by means of efficient cash management systems (cash pooling).

Due to the expansion of the business volume and in order to ensure the continuous solvency of the PALFINGER Group to an even higher extent, additional liquidity reserves were created. New, approved credit lines were agreed upon and expiring financing lines were extended. In 2015, acquisitions and joint venture operations were financed either through long-term financing agreements or through investment funding under the Export Financing Scheme of Oesterreichische Kontrollbank AG.

In October 2014, PALFINGER ensured that it had sufficient liquidity supply for 2015 and the following years by prolonging the 2012 issue of promissory notes ahead of time and increasing its amount.

Factoring secures part of the Group's liquidity

In December 2014, PALFINGER AG, or rather a number of selected Austrian and German subsidiaries of the PALFINGER Group, entered into a factoring agreement. Under this factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 60 million. The receivables sold in connection with the existing factoring agreement amounted to EUR 34.9 million (previous year: EUR 14.8 million) as at the balance-sheet date (31 December 2015) and were fully derecognized in accordance with the rules of IAS 39 due to the transfer of control.

RISK REPORT

PALFINGER is aware of the fact that a functioning system of opportunities and risk management plays an important role in enhancing competitiveness. The aim is to use a systematic approach to identify opportunities and risks at an early stage so as to be able to respond swiftly to changing framework conditions.

The basic components of the risk management system set up by the PALFINGER Group are standardized group-wide planning and controlling processes and inter-company guidelines and reporting systems. The risk management process is described and set forth in a group guideline. The viability and effectiveness of the process are checked and scrutinized at regular intervals.

The direct responsibility for risk management lies with the management of each operating unit. This is the level at which any issues pertaining to risks are regularly noted and evaluated. Corporate risk management reports directly to the Management Board, which bears overall responsibility.

Risk management system

The management of the individual corporate areas and business units periodically identifies and evaluates the most important opportunities and risks along the value creation chain, also taking sustainability aspects and external factors into consideration. The evaluation of these opportunities and risks is carried out with a view to their possible impacts on the results and the probability of their occurrence, and uses a group-wide, uniform method. On the basis of this analysis, existing measures are documented and further measures for active risk control are developed and implemented.

The internal auditing department monitors adherence to the relevant statutory parameters and the Group's internal guidelines. It also examines the general functionality of the risk management system with respect to the early identification of risks that might impair the continued existence of the Company. Short-term risk issues are covered by the monthly reporting in controlling and by periodic meetings of the steering committees of the business divisions.

Risk issues

The current risk exposure of the PALFINGER Group is strongly influenced by developments in the market. The economic uncertainty in Europe and China as well as the falling oil price have had a detrimental impact on the order books. The internationalization of the Group presents PALFINGER with the challenge of meeting various legal and cultural requirements in the respective countries. The establishment and expansion of new business units, the acquisition of entire companies or of participations, and the establishment of joint ventures and partnerships harbour the risk of increasing complexity costs. A key success factor for PALFINGER is the avoidance of economic, ecological, social and ethical risks and the ability to make quick adjustments and decisions on the basis of solid data.

EXTERNAL RISKS

Economic trends

Current geopolitical and economic developments in PALFINGER's core markets harbour uncertainty. The economic forecasts for the European Union as well as for major trading partners such as China, Russia and Brazil were revised downwards. PALFINGER's local production in Russia has cushioned the direct effects of the EU sanctions; however, the marked slowdown in economic growth has reduced investments and consequently PALFINGER's sales market.

The picture is similar in the markets in Africa, the Middle East and South America, where current political uncertainty as well as low oil prices have had a negative impact on orders. An escalation of the conflict in the Middle East would trigger a further destabilization of the region and thus harbours the risk of mounting negative consequences for existing and potential markets.

Recently, the economy in the USA has shown highly positive development. The latest economic forecasts predict a continuation of the satisfactory trend in this core market.

PALFINGER sees excellent long-term opportunities in the BRIC countries despite the recent economic cooldown in these markets. The largest future potential has been identified to be the sales market of China. The intensified partnership with SANY has the purpose of fostering the development of the Chinese market and strengthening PALFINGER's position vis-à-vis its Chinese competitors.

PALFINGER has responded to the currently difficult environment by showing utmost flexibility. In addition, new markets have been developed through selective acquisitions and other growth initiatives, so as to reduce dependency on individual core markets and achieve long-term profitable growth. Short-term adjustments are made on the basis of regular forecasts. All information provided by customers and suppliers is integrated into this planning process in order to ensure that the stock of data is as valid as possible.

Risks due to energy supply and climate change

Energy costs make up only a small percentage of PALFINGER's total costs. A combination of increasing energy prices and severe weather could, however, increase energy costs disproportionately. In the medium term, a more intensive climate policy could also increase the costs of fossil energy and electricity. In order to minimize this risk and the impact on the environment, measures aimed at enhancing energy efficiency have been implemented in recent years, thus avoiding compliance risks in connection with the EU's Energy Efficiency Directive.

Climate policies foster industries such as alternative energy production or recycling. For these sectors, PALFINGER offers products like wind cranes, recycling cranes and hooklifts. Any change in financial support and subsidies may lead to losses in revenue suffered by PALFINGER.

GRI G4-EC 2: Financial implications and other opportunities and risks due to climate change

Regional acceptance

PALFINGER has positioned itself, not just in Austria but at all of its sites, as a company which recognizes its responsibility for sustainable economic success, for social issues along the value creation chain and for the ecological effects of its business operations. This is specifically reflected in the implementation of the Code of Conduct, in particular fair taxation of profits, regular dialogue with employees' representatives, the fight against and prevention of corruption, adequate pay and social commitment in the regions. PALFINGER's social licence to operate is thus upheld and risks of recruiting and acceptance are minimized. PALFINGER operates in regions where, according to the Corruption Perceptions Index, there is a higher risk of unethical practices. Also in this regard, the implementation of the Code of Conduct ensures proper corporate governance.

STRATEGIC RISKS

Strategy

The strategic pillars of innovation, internationalization and flexibility were further developed in the period under review. PALFINGER continues to exploit market opportunities in order to take over appealing acquisition targets after carrying out an in-depth review. The developments throughout previous financial years confirm the significance of this strategic approach aimed at reducing dependence on individual regions and industries. However, it does harbour the risk of increasing complexity in administrative processes.

The integration of the acquisitions made over the past few years has not been fully concluded, which means that additional costs may become necessary for integration and market development. Entering and penetrating the market in new regions not only requires one-time investments but also brings the challenge of having to meet different legal requirements and overcome entry barriers.

Product portfolio

The integration of acquired businesses is of crucial importance for the successful development of the Group. Potential synergies are regularly assessed and utilized. With the expansion of its marine business, PALFINGER has firmly established itself in a new customer segment demanding the execution of projects which contain services components. This may increase the risks from project business.

Organization and culture

The continuous expansion of the PALFINGER Group, particularly in countries like Brazil, Russia, India and China, involves cultural challenges. The degree to which such challenges are mastered will determine the long-term success of the Group. In this connection, open-mindedness and the willingness to recognize, understand and accept other work approaches are indispensable prerequisites at all levels.
Corporate culture, page 23

INTERNAL RISKS RELATING TO VALUE CREATION

Development

PALFINGER is faced with the challenge of regularly proving its technology leadership within its industry and of adjusting products to the needs of the different markets. Customized and efficient solutions offered by PALFINGER's competitors may generate a market advantage for them, while resulting in a loss of market shares for PALFINGER.

Close cooperation between the development and distribution departments and a strong regional approach of the development projects are in place to ensure that PALFINGER maintains and further expands its status as an innovation leader.

Development work has fundamental consequences for the cost structure of future serial manufacturing. Highly complex products also mean a high level of complexity in value creation and consequently also high costs. At PALFINGER, process optimization starts at the development stage, thanks to successful cooperation with the downstream value creation levels procurement and production and PALFINGER's consistent focus on complexity management.

Patents protect important innovations. In addition, all confidential information within the Company is protected against unauthorized access in the best possible manner.

Procurement

As regards risk minimization, the focus in procurement has shifted from liquidity issues towards double sourcing. PALFINGER continues to pay attention to creating at least one additional procurement option, particularly in the case of strategically significant materials and components.

Quality and price continue to be of major importance in the field of procurement. Suppliers are actively supported to help them perform even better in the future and to counter the risk of supply shortages. PALFINGER has implemented special supplier selection procedures as well as systems of risk management and supplier management in order to monitor its suppliers' performances.

Experience has shown that suppliers with good environmental management also achieve higher manufacturing quality. In recent years, PALFINGER has managed to increase the share of suppliers with excellent and good environmental management successively. Moreover, ecological and social procurement criteria prevent future regulatory risks.
Sustainability among suppliers, page 52

Production

For PALFINGER, major value creation phases are the manufacture and assembly of its products. The risk of an interruption of operations and the related direct impact on the company's results was identified in a risk analysis. This risk has been constantly minimized by this analysis and the resulting measures taken, such as the renewal of machinery, the introduction of Total Productive Maintenance (TPM) processes and the optimization of the PALFINGER ProductionSystem.

PALFINGER promotes its position as market leader by upholding the top-notch quality of products and services. PALFINGER has implemented an ISO 9001 certified quality management system. Notwithstanding this systematic approach within PALFINGER, it is not possible to fully exclude the risk of product liability. Defects in quality, if any, are remedied in a customer-friendly manner. Losses arising from such defects are partially covered by insurance cover taken out by the Company; however, any detriment to PALFINGER's image would represent a considerable risk for the Group.
Detailed GRI and sustainability disclosures, page 208

There are risks relating to breakdowns such as interruptions of energy supply, technical failure, fire, explosions and other possible disruptions. The Group has taken out adequate insurance cover for losses caused by such interruptions of operations.

In order to prevent the risk of serious incidents and interruptions, PALFINGER's emergency preparedness and response were reinforced and laid down in the environmental protection guideline. All sites are called upon to evaluate incidents and their potential effects on society and the environment, and to develop prevention and containment policies.

Contaminated sites have a highly negative impact on both the environment and the earnings generated by PALFINGER, as they call for costly rehabilitation measures. In corporate acquisitions, potential problems are reviewed within the scope of due diligence audits. The risk of contamination is caused primarily by electroplating, painting, hydraulic oil and lubricants, and is mitigated by observing state-of-the-art standards in procurement.

Sales and services

In the development of markets, PALFINGER relies on a sales and services network that is predominantly made up of external dealers. Due to PALFINGER's dependence on the dealers and vice versa, these dealers are classified as strategic partners and also supported in the event of financial difficulties. In order to constantly improve market development efforts, common standards have been defined, the observance of which is guaranteed through annual dealer audits.

An increasing number of European dealers have no definite provisions for their business succession, which could result in a change in distribution channels and, thus, possible losses of market shares. In order to counter these risks, cooperation with dealers is being further intensified.
Customers and dealers, page 51

INTERNAL RISKS RELATING TO SUPPORTING PROCESSES

Finance and accounting

Due to the repercussions of the financial crisis in Europe and the USA, it is still essential for PALFINGER to have a flexible capital structure. A downturn of the financial markets could make access to equity or debt capital more difficult or even impossible. The ability to finance growth projects from the Group's own resources and by its own efforts could prove to be a competitive advantage.

Due to current economic developments, the risk of bad-debt losses has to be reckoned with. The task of the existing accounts receivable management is to reduce credit risks in advance. Terms of payment are agreed upon on the basis of financial information about the buyers. The risk of losses on doubtful receivables is further limited by means of bad-debt insurance cover.

As a consequence of PALFINGER's international business operations, there are complex liquidity risks, interest rate risks and foreign currency risks. These are managed by the treasury department, where all relevant information from the entire Group converges.

Liquidity risk

Group-wide, system-supported cash reporting guarantees the transparency required to be able to control funds in an efficient manner. Thanks to medium-to-long-term planning, potential finance requirements can be coordinated with the partners at an early stage.

Working capital financing is the responsibility of the treasury department. The intra-group financial transfer is made through cash pooling and central clearing. Cash flows from operating activities are used to cover intra-group financing needs. Excess liquid funds are used to reduce financial liabilities. Approved long-term credit lines make up PALFINGER's liquidity reserve. On an average, these unutilized financing reserves exceed 20 per cent of the Company's net debt.

Long-term financing is facilitated through bilateral bank loans taken out with a number of international as well as local core banks, and through issuing promissory note loans. The determination of credit limits and the amount of refinancing costs depend on the banks' assessment of PALFINGER's future perspective. Therefore, PALFINGER maintains close contacts with its banking partners in order to be able to give them a comprehensive picture of the current situation at all times.

Foreign currency risk

Through local value creation at PALFINGER's sites, the Group only has a limited number of foreign exchange positions. The Group makes use of natural hedges, which means that a company offsets its expenses with the sales generated by its operations in the same currency.

The supply of finished products and components from Europe to North America, South America, Asia and Russia creates risk positions primarily in US dollars, Brazilian reals and Russian rubels that are not covered by natural hedges. On the basis of the ongoing analyses of these positions, hedging strategies have been established, which are evaluated at regular meetings.

Project-related currency risks, especially in the marine and offshore areas, are hedged against on the basis of a project-based hedging strategy, provided that invoicing in euros is not an option.

PALFINGER bases all of its hedging transactions on the underlying operating item, which ensures that financial operations are carried out to reduce rather than augment the Group's exposure. Only derivative financial instruments that may be measured and reported by PALFINGER itself are used. The primary hedging instruments used are forward foreign exchange contracts.

Interest rate risk
The group treasury department controls the interest rate risk for the entire PALFINGER Group. The need for more financing has increased the impact that fluctuations in interest rates have on the net financial result of the PALFINGER Group, which is why hedging against interest rate risks has become increasingly important. The exposure to floating rates is limited through the use of derivate financial instruments (interest rate swaps), which convert the floating rate into a fixed rate.

Risks relating to balance sheet preparation
General risks
The necessary use of estimates and judgements in the fields of non-financial assets, deferred tax assets, measurements of inventories and receivables, provisions for pensions, severance payments and anniversary bonuses, as well as provisions for guarantees and warranties has a direct impact on the presentation of the Group's assets and earnings. The steadily increasing requirements imposed by regulators have increased the complexity of financial reporting.

Assessment risks may be created due to the inclusion of acquisitions in the balance sheet and the related evaluations of facts necessary for this purpose. The combination of various booking procedures entails a certain reporting risk.

A uniform corporate manual defining the fundamental principles of accounting and valuation used by PALFINGER ensures a standardized process and thus minimizes the risk of using different processes within the Group.

An internal control system adapted to the Company has been integrated into the accounting process. The basic cornerstones of this system, such as the segregation of duties and the four-eyes principle, have already been introduced. Audits carried out by the internal auditing department and the auditor ensure that processes are continuously improved.

Business-related risks
Due to the deterioration of the market environment there is the risk that individual intangible assets will have to be adjusted to the changed valuations (impairment) or that investments may not amortize as planned.

As a consequence of the participation in SANY-Lifting-Business in 2014, EUR 135.1 million were shown under investments in companies reported at equity at the balance sheet date 31 December 2015. This share in the company includes goodwill of EUR 96.5 million. Whether the goodwill will have to be impaired depends on the development of the Chinese economy and on the success of the internationalization strategy. The need for impairment of the share will be influenced primarily by the performance of the construction industry in China. The progressing urbanization of the Chinese population and the infrastructure projects resulting therefrom play a vital role in this connection. In the international markets, there are various political and macroeconomic risks that might have an impact on whether or not the share in SANY-Lifting-Business will have to be impaired.
(19) Investments in companies reported at equity, page 152

The advancing internationalization and the growing volatility on the currency markets have increased the foreign exchange risk to which the PALFINGER Group is exposed. In this connection, PALFINGER pursues a consistent hedging strategy and attempts to protect itself against these currency risks to the greatest possible extent. When hedging transactions, future cash flows have to be assessed, which harbours uncertainties. For the purposes of cash flow hedge accounting, a high probability of the respective future cash flows actually occurring is assumed.

Human resources
PALFINGER regards its employees as the major factor in successfully achieving its objectives. Special planning as well as frequent staff reviews and training programmes ensure that there will be well-trained staff to fill open executive positions in the future. In connection with the persisting volatility of the markets, the development of flexible working time models remains an important issue. A clear priority in the further

flexibility-enhancing measures will be the retention of top-quality staff. Local and demographic conditions may limit the availability of skilled labour for the value creation sites. PALFINGER tries to train sufficient skilled labour by carrying out apprenticeship training programmes. PALFINGER's growth projects in Asia require that well-qualified staff from the core plants be mobile. In order to accomplish this successfully, appropriate secondment programmes, also offering post-return orientation, are in place.

In addition, PALFINGER regularly implements group-wide measures to enhance the health and safety of its employees. Staff absence due to accidents and sick leave has been at a low level for years.
Responsible employer, page 77

Information technology

Most of the processes within the Company rely on IT. In particular, operational and strategic management decisions depend on information generated by these systems. A failure of these systems and processes poses a risk for PALFINGER. Intensive training programmes may cause higher expenses in the short term. Internal and external experts maintain and further optimize the IT infrastructure across the entire Group. PALFINGER's growing international operations have increased the relevance of IT security. The Company has implemented a range of technical measures for security and protection to minimize the risks of data misuse and data loss.

Systems integration creates transparency. However, the necessary process adjustments can lead to friction losses and higher costs for training and consulting and, in a worst-case scenario, even result in preliminary losses in revenue.

Moreover, the risk of fraudulent activities and manipulation through IT attacks by third parties (hacking attempts, e-mail fraud and phishing mails) is rising. Therefore, additional awareness-raising measures (seminars, newsletters, etc.) have been promoted, and the internal control system and the supporting IT systems have been continuously developed.

SUMMARY

In summary, the risks to which the PALFINGER Group is exposed are manageable and can be controlled by adequate measures. Therefore, from today's point of view, the continued existence of the Group is definitely ensured.
GRI G4-2: Key sustainability-related impacts, risks, and opportunities; GRI G4-14: Precautionary principle; GRI G4-EC 8: Indirect economic impacts

Important features of the internal control and risk management systems with a view to accounting

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

CONTROL ENVIRONMENT

PALFINGER's internal control system is based on guidelines valid for the entire Group. These guidelines contain uniform standards for the relevant corporate processes and have to be implemented and observed by all units in the Group. Each guideline is allocated to one process manager. The Management Board, local management, the process managers and the risk management department have collective responsibility for ensuring that the observance of the Group guidelines is verified at periodic intervals.

RISK EVALUATION

The risk report contains the identification of risks, the definitions of the individual risks and their evaluations.

Risk report, page 70

CONTROLS

The group guidelines define not only the substance of general parameters but also the internal controls that, from a group perspective, need to be implemented in local processes. The local management teams are in charge of laying down additional controls should the need arise. Thus it is ensured that, in addition to standardized processes, short-term risks are also taken into account.

INFORMATION AND COMMUNICATION

With regard to the accounting process, the major accounting and valuation methods are laid down in a corporate manual, which is regularly updated, and these methods have to be mandatorily implemented by the local units. A group-wide standardized monthly reporting system with an automatic SAP interface guarantees that the management team has an overview of the Group's performance. Twice a year, a report on the control system is presented to the Audit Committee of the Supervisory Board.

AUDITS AND CONTROLS

Close cooperation with the auditor of the consolidated financial statements, whose international network guarantees uniform auditing standards, ensures a comprehensive and efficient external audit of the financial statements. Thanks to the close interplay of controlling and accounting, estimates are regularly compared with results, creating a system of mutual control and coordination. The information used for internal and external accounting is based on the same stock of data and is reconciled for reporting purposes on a monthly basis.

The adequacy of the internal control system of PALFINGER AG has been agreed with the Audit Committee of the Supervisory Board. However, continuous efforts are being made to enhance the effectiveness, efficiency and precision of the entire system. Internal control is monitored through regular reports presented to the Audit Committee and through checks made by the internal auditing department, which closely cooperates with the responsible Management Board members and managing directors. Even though the Audit Committee has found the design of the internal control system to be adequate, it has ordered that certain priority measures for the purpose of further optimization be implemented.

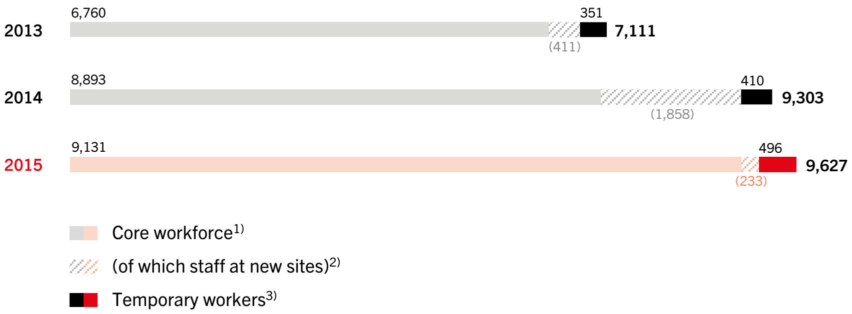
RESPONSIBLE EMPLOYER

PALFINGER's employees are a material factor for the Group's success. Therefore, their motivation, qualifications and, first and foremost, their health and safety are given high priority. A project focusing on the further development of the corporate culture aims at exploiting the potential harboured by the diversity found within the global Group. In the reporting period, the number of employees increased by around 3 per cent to over 9,000, mainly due to the operations in Russia.

Employment trend

In the 2015 financial year, the number of people employed by the PALFINGER Group continued to rise, primarily as a result of PALFINGER's acquisitions. As at 31 December 2015, the PALFINGER Group employed a total of 9,131 staff members in its fully consolidated group companies. This means that 238 additional jobs were created, which corresponds to an increase of 2.7 per cent compared to 2014.

EMPLOYMENT TREND



1) Headcounts as at 31 Dec. including staff at new sites.
2) Number of employees, who joined through new entities in the respective year.
3) Temporary workers expressed as FTEs, not as headcounts. (One FTE counts as one employee.) They are presented irrespective of the date on which the site hiring them was founded.

On an annual average, 8,995 staff members were employed by PALFINGER; 12.6 per cent of them were women. In addition, 496 temporary workers (on average) were employed to cover capacity bottlenecks. The Group employed 953 administrative staff members.

GRI G4-10: Employment profile

Diversity and equal opportunity, page 83

EMPLOYEE TURNOVER

Employee turnover in the Group was 13.6 per cent in the 2015 reporting period, corresponding to an increase as compared to the previous year's figure of 3.6 percentage points. This figure includes all staff leaving including staff retiring as compared to the total staff employed, temporary workers excluded. At 12.6 per cent, the turnover rate among women was lower than the overall rate.

GRI G4-LA 1: Total number of employees and employee turnover

Detailed GRI and sustainability disclosures, page 208

Employee turnover[1]	2013	2014	2015
Total number of staff leaving PALFINGER during the year	671	886	1,240
of which women	77	131	145
Number of staff leaving in % of total workforce	10.3%	10.0%	13.6%

1) Headcount as at 31 Dec., including retirements, excluding temporary workers.

Attractive jobs for employees with individual responsibility

A high degree of individual responsibility boosts employee motivation

PALFINGER endeavours to offer attractive jobs to its workforce. The corporate culture of the Group promotes a high degree of individual responsibility and gives employees numerous opportunities to contribute their own ideas to the continuous process of improvement. At nearly all manufacturing and assembly plants, workflows follow the principles of lean management.

A group-wide initiative to improve HR processes was launched. Under this initiative, synergies regarding core issues of these processes are being identified and coordinated with the corporate strategy in order to be able to derive future-oriented measures. In cooperation with the responsible local managing directors and the heads of HR, the HR processes are being evaluated and optimization measures supported.

In line with its corporate values, PALFINGER also pays attention to its employees' needs outside their place of work. Regional measures have been taken in order to support employees regarding their pensions or health insurance as well as in cases of special hardship.

FREEDOM OF ASSEMBLY

PALFINGER is committed to active communications across all levels and the internal organization of bodies for the representation of employees and works councils and rejects any kind of repression of the freedom of assembly. Based on the Group's values, which also encompass an open-door policy, PALFINGER attaches great importance to enabling active exchange at all times and to treating the articulated needs of its staff members with respect. As a matter of principle, freedom of assembly and employee representation are legal options at all sites, provided that this freedom is permitted by law in the country concerned.

The only exceptions are the Asian plants in China, Vietnam and Singapore, where the law only provides for this freedom to a limited extent. Currently, communication hierarchies are still flat at these comparatively small sites with an aggregate headcount of 310. The low employee turnover rates at the Company's Asian sites give evidence of the fact that remuneration terms and other labour conditions are well accepted.

GRI G4-HR 4: Operations where the right to exercise the freedom of assembly may be at risk

WORKING HOURS AND REMUNERATION

Flexibility secures jobs

The high level of entrepreneurial flexibility is also reflected in the working time schemes in place at many PALFINGER sites. Flexitime and bandwidths provide for high productivity despite fluctuations in demanded quantities. PALFINGER is thus in a position to offer its employees a high degree of job security as compared to other companies in the sector, even when demand is low.

In 2015, the number of overtime hours worked increased to an annual average of 92 hours per employee. Overtime was more frequent in highly project-related areas, such as the marine business, and in Asian countries. The average residual leave decreased compared to 2014, from 73 to 63 hours per staff member as at 31 December 2015.

Another crucial factor making jobs at PALFINGER attractive is the Group's remuneration policy. In part, the remuneration system contains variable remuneration components, thus creating an attractive incentive for employees to earn more than the base salary. Such arrangements are linked with the performance of the Company and with the fulfilment of the employees' individual performance targets.

The PALversity project "Working Conditions" focused on general working conditions related to health and the environment. The only aspect excluded was living wages, as it proved to be virtually impossible to find uniform international minimum standards. The wages paid at PALFINGER sites are higher than the respective regional remuneration levels.

Basically, 55 per cent of all PALFINGER employees are governed by collective bargaining agreements. In addition to the open-door policy pursued by PALFINGER at all its sites, which means that employees are given the opportunity, at all times, to speak their minds and communicate across hierarchies, specific voluntary social benefits and initiatives are offered at many PALFINGER sites.

GRI G4-11: Number of employees covered by collective bargaining agreements

APPRAISAL INTERVIEWS

For many years now, appraisal interviews with staff employed in the non-productive sector of production, in R&D departments and in product management, as well as in the specialized areas of sales, service and marketing and in general administration, have been increasingly in use. In the 2015 financial year, 56.5 per cent of employees in the indirectly productive sector were invited at least once to such an interview with their superiors. So far, employees in the directly productive sector of PALFINGER have not yet been included in the survey for this key indicator.

GRI G4-LA 11: Employees receiving regular reviews

Detailed GRI and sustainability disclosures, page 208

In the reporting period, PALFINGER also carried out a survey on the topic of corporate culture at selected sites of all business regions in order to be able to derive future HR priorities. As part of the PALversity initiative, selected executives were questioned on talent management.

GRI G4-26: Stakeholder engagement

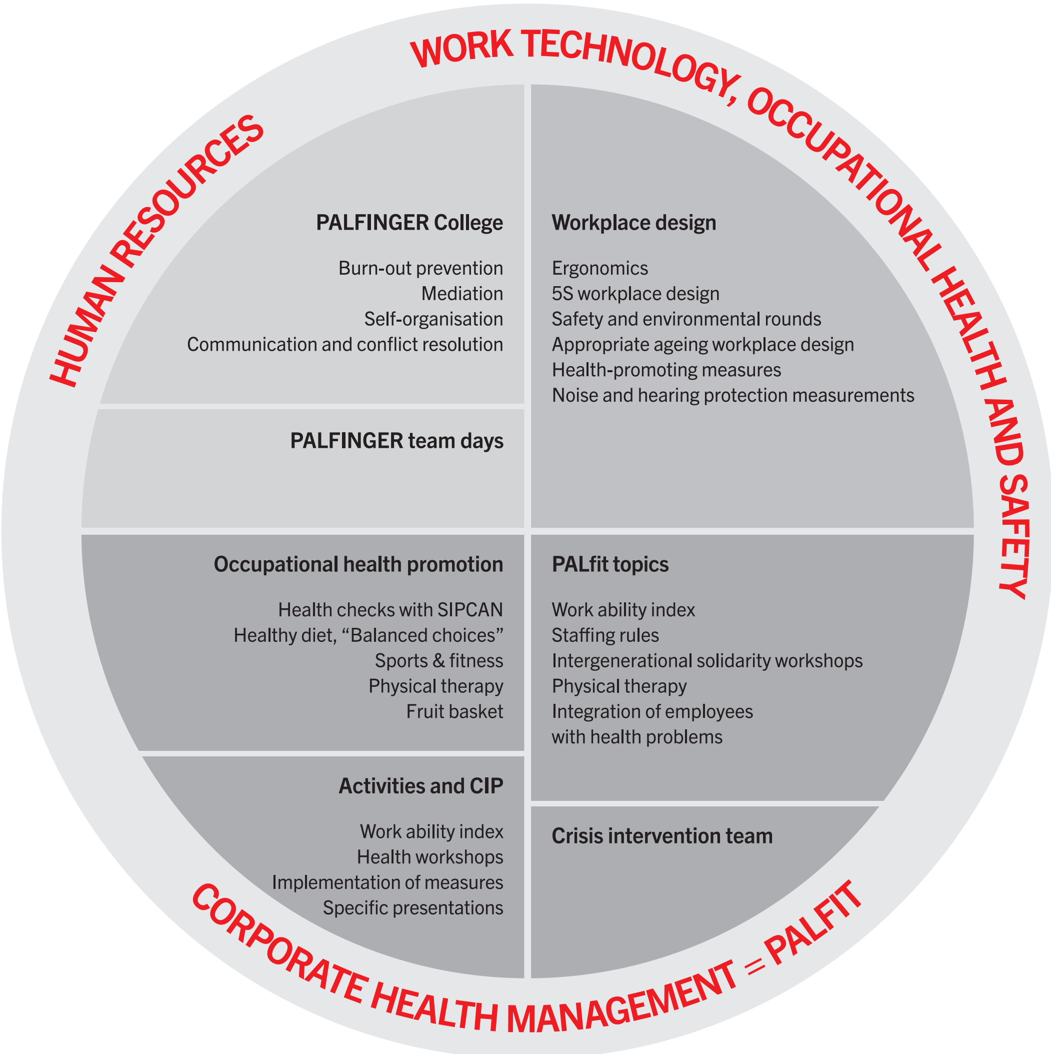
WORKPLACE COMMUNITY

Some sites offer activities to enhance the social environment for the staff at the workplace. Under the PALfit health programme, various sports activities are organized; on family days employees may give their relatives a tour of the premises. At the North American plants, social committees have been set up. These committees are managed and operated by representatives from various departments. They get together and organize social events such as family days, barbecues or contests. These programmes allow employees to exchange ideas informally, and they are also a welcome change from everyday business. They encourage collaborative action and help create a sense of togetherness amongst co-workers, just to name a few of the benefits.

GRI G4-26: Stakeholder engagement

Health and safety

OCCUPATIONAL HEALTH MANAGEMENT



PALFINGER initiates and supports the implementation of long-term health-promoting initiatives that go beyond statutory requirements at each site. The involvement of employees and the inclusion of their own initiatives are substantial factors of this group-wide programme. PALFINGER creates the framework conditions and provides the resources for occupational health promotion through PALfit.

PALfit comprises three initiatives that go hand in hand: human resources, occupational health management, and work technology, occupational health and safety. PALfit is coordinated by the occupational health management (OHM) of the Company's headquarters. In addition, PALfit support teams have been installed at the individual locations. These teams operate on behalf of PALfit during five working hours a week and take over the individual planning and implementation of measures at the respective sites. In 2015, the sites in Cadelbosco (IT), Welwyn Garden City (UK) and Rudong (CN) became actively involved with PALfit initiatives for the first time.

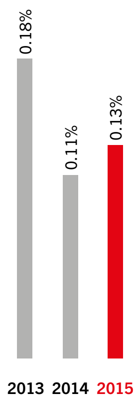
GRI G4-LA 8: Health and safety topics covered in formal agreements with trade unions

OCCUPATIONAL SAFETY AND ACCIDENT PREVENTION

PALFINGER's accident prevention efforts have proven effective. Staff absence due to industrial accidents has decreased notably in recent years. However, in the 2015 financial year, a rise to 0.13 per cent of regular working time (previous year: 0.11 per cent), caused primarily by the European sites, was observed. Since 2006 no PALFINGER employee has suffered a fatal accident on the job.

PALFINGER's various sites all over the world do their reporting on accidents in accordance with a variety of definitions as stipulated in the respective countries. This means that benchmarks cannot necessarily be compared; some plants, for instance, factor in commuting accidents. PALFINGER is striving to harmonize accident indicators in all countries and to categorize them according to the severity of the consequences. Experience at PALFINGER's exemplary sites has shown that consistent reporting further increases awareness concerning accident prevention.

GRI G4-LA 6: Industrial accidents, occupational diseases and lost days
Detailed GRI and sustainability disclosures, page 208



STAFF ABSENCE DUE TO INDUSTRIAL ACCIDENTS
(in per cent)

HEALTH AND GENERAL STAFF ABSENCE

General staff absence at PALFINGER has consistently shown a positive trend in recent years. In the 2015 reporting period, group-wide staff absence was 3.85 per cent (previous year: 4.19 per cent). Percentages and trends vary from region to region. As a general rule, staff absence of between 3 and 4 per cent is not uncommon in the field of manufacturing and represents a comparatively good figure.

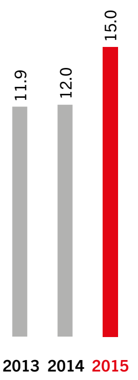
PALFINGER considers the consistently low staff absence a result of its commitment to health and the design of the working environment. Well-balanced employees are important to the Palfinger family and to the PALFINGER management team.

Occupational health management is firmly in place at PALFINGER, for instance in the form of the PALfit health initiative. It includes development programmes and voluntary social benefits in combination with initiatives to increase job security and occupational medicine.

Since 2012, the introduction and promotion of PALfit at the Group's non-Austrian sites has been a priority. In 2015, for instance, a huge step was taken at the Chinese site in Rudong by introducing a staff canteen, health checks, teambuilding activities and the like.

GRI G4-LA 6: Industrial accidents, occupational diseases and lost days
Detailed GRI and sustainability disclosures, page 208

Skilled labour



TRAINING HOURS PER EMPLOYEE

With respect to (further) training, levels differ in the individual countries in which PALINGER operates. In all cases, PALFINGER meets at least the respective national standards and in some cases takes measures that exceed such standards by far. The objective is to enhance the qualifications of staff in all countries; to this end, the (further) training measures at some of the sites were expanded in 2015, using a targeted approach. Hours of training per employee rose by 25.8 per cent as compared to 2014.

GRI G4-LA 9: Hours of training per employee

Detailed GRI and sustainability disclosures, page 208

APPRENTICES

In the 2015 financial year, 62 apprentices were trained in Austria, primarily mechanical engineers, production/process engineers, mechatronic engineers, construction engineers and industrial business management assistants, out of which 47 graduated with distinction from the part-time vocational school for apprentices; several top rankings were achieved in the “Lehrlingsaward Oberösterreich” (Apprentice Award of Upper Austria). The “Lehre mit Matura” (apprenticeship and upper secondary school leaving certificate) scheme, with currently 25 participants, has also proven highly successful since 2009.

At the international locations, PALFINGER also imparts its own know-how to train skilled labour. In Bulgaria, Slovenia, Brazil and the USA, for example, government-certified training programmes are carried out in cooperation with local technical colleges where, as in the successful Austrian system of apprentice training, theoretical know-how is taught at school while, at the same time, practical training lasting several months is provided at a PALFINGER plant. In Germany, the technical training of apprentices was expanded as well, so that now skilled workers are being trained at almost all sites. In 2015, 191 employees (previous year: 178 employees) worldwide participated in PALFINGER apprenticeships or similar programmes. Currently, an apprenticeship programme is being prepared, in cooperation with a local school, for the Sany Palfinger joint venture in China.

PALFINGER also provides dual training schemes for employees in other countries

MANAGEMENT

The PALFINGER Global Leadership Programme, an internal staff development programme, ensures that employees with potential management skills receive the best possible preparation for their future top management positions. The programme which ended in September 2015 was attended by 13 participants from seven different countries, including one woman.

Another important pillar of executive training is the Company Leadership Programme, the second phase of which was also completed in 2015. Priority topics include leadership (self-leadership and leadership of employees and teams) and communication as a management tool. 23 per cent (previous year: 17 per cent) of the attendees of this course were women. Another course is planned for 2016.

The Business Excellence management course was held for the third time in 2015, giving attendees from various divisions an opportunity to expand their business administration skills through practice-oriented training. 20 per cent of the participants were women (previous year: 14 per cent).

A team-leading programme, tailored to local needs, was offered in some countries in order to allow for an early identification and development of potential junior managers. This programme focuses on topics such as leadership in combination with personality, communication, conflict management and organization. As a response to the strong growth recorded in the marine sector and in the Asian markets, a separate Marine Leadership Programme and a course for Asia were developed and implemented in 2015.

All executive training courses and seminars also communicate PALFINGER's corporate values in dealing with colleagues and employees, which are based on respect and appreciation.

Lifelong learning also plays a vital role for PALFINGER's top management. Numerous high-ranking executives at PALFINGER participated in 360-degree feedback interviews to critically analyse their skills and competencies. The results of this analysis were used as the basis for determining individual development measures. This method has proven so successful that, in response to the increasing demand, internal 360-degree feedback coaches were certified.

In 2015, 43 expatriates and 3 fly-ins facilitated a comprehensive transfer of know-how between headquarters and local companies as well as among local companies.
GRI G4-LA 10: Programmes for skills management

Diversity and equal opportunity

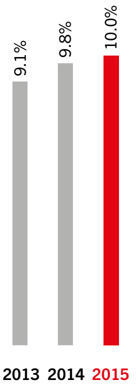
PALFINGER is a long-standing family business with global operations. Today, 9,131 staff members from 71 different nations work at PALFINGER. Maintaining operations on five continents and seven seas not only harbours great potential but also entails huge challenges.

In order to guarantee future viability, the PALFINGER Group, under the auspices of its CEO Herbert Ortner, launched the group-wide PALversity initiative in 2014. PALFINGER regards the further enhancement of its worldwide approach to dealing with diversity as one of the prerequisites for ensuring the efficiency of the corporate strategy. PALversity was defined as a group-wide project of high relevance with the objective of integrating the topic of diversity into PALFINGER's corporate culture.
Corporate culture, page 23

Diversity within the PALFINGER Group has increased as a result of the internationalization strategy pursued and the numerous acquisitions made. As a consequence, awareness and behaviour within the Group are influenced by a multitude of different languages, cultures, traditions, attitudes and educational standards. The following vision was defined for the PALversity initiative:

"We want to approach the diversity within our Group and among our customers with an open mind and see differences as sources of inspiration. In this way, we will be able to avail ourselves of new opportunities and create additional benefits for our customers, employees, suppliers and shareholders. Our values of entrepreneurial spirit, respect and learning will help us fulfil this vision."

PALFINGER records data on diversity in terms of generations and gender. Information on how employees with disabilities are integrated and how PALFINGER intends to take the human right to inclusion into account in the future is available in the detailed GRI and sustainability disclosures.
GRI G4-LA 12: Diversity and equal opportunity
Detailed GRI and sustainability disclosures, page 208



SHARE OF EMPLOYEES OVER 56
(in per cent)

GENERATIONS

In recent years, the average age structure within the PALFINGER Group has changed, primarily in connection with the new sites. The number of employees aged 56 and older increased by 0.2 percentage points compared to the previous year. Details on regional developments are available in the detailed GRI and sustainability disclosures.

Detailed GRI and sustainability disclosures, page 208

PALFINGER has a group-wide generation management system in place in order to take into account upcoming retirements and be able to retain know-how within the Company. The regular Human Resource Review analyses which management positions will have to be filled in the near future and how to ensure that the transitions are as smooth as possible. All of these positions are included in a monitor.

GENDER

As is typical for the industry, the percentage of women within the PALFINGER Group is low. Overall, the number of women employed has grown slightly in recent years. Depending on the site, however, it varies greatly: At manufacturing sites, the majority of employees, primarily in production-related jobs, are men. The expansion of manufacturing activities has recently resulted in a notable drop in the percentage of women in North America and Asia. At administration and distribution sites, on the other hand, the contingent of women is above average, 14.1 per cent (previous year: 13.7 per cent) of the total staff.

The percentage of women in management positions remained stable and is now 16.5 per cent. However, in 2015 there was still not a single woman on the Management Board or on the Supervisory Board. In recent years, most of the training programmes for management included women; in 2015, 31 of the 191 participants in the global programmes for apprentices and trainees were women. A total of 60 participants attended executive training courses, 9 of whom were women. PALFINGER intends to increase the number of female executives taking part in these PALFINGER training programmes in the future.

Percentage of women	2013	2014	2015
Total	10.0%	12.5%	12.6%
In management[1]	13.0%[2]	16.7%	16.5%

1) Employees in management positions include all members of the Management Board, the heads of business areas, business units and corporate functions as well as all employees in disciplinary management positions.
2) Adjustments with retrospective effect, due to incorrectly adjusted system boundaries.

GRI G4-10: Employment profile

Since 2012, PALFINGER has been under a statutory obligation to present an income report for its Austrian companies. On the basis of these reports, the classifications were checked and the remuneration of women and men analysed; no significant differences have appeared in recent years. When recruiting new employees, no difference is made between men and women with regard to their classification under the terms of the collective bargaining agreement.

GRI G4-LA 12: Diversity and equal opportunity

RESEARCH AND DEVELOPMENT

In the field of research and development, PALFINGR increasingly takes into account regionally diverse requirements. The group-wide R&D centre is located in Austria. Nevertheless, through tight networking with regional centres and the use of uniform standards, PALFINGER is able to cater efficiently to individual or regional customer needs.

The PALFINGER brand stands for innovative, reliable and cost-effective lifting solutions with measurable benefits throughout their lifecycles. This is expressed by the promise of the PALFINGER brand: LIFETIME

EXCELLENCE. In order to expand its leadership in the fields of technology and service, PALFINGER is boosting research and development (R&D) regarding products, systems and processes.

In 2015, PALFINGER invested EUR 34.3 million in research and development (previous year: EUR 33.6 million), i.e. 2.8 per cent of its total revenue.

Uniform standards facilitate efficient networking and knowledge transfer

A research and development centre, which houses a number of R&D departments and several centres of excellence, is located at the Austrian business location in Köstendorf. The geographical proximity facilitates a better use of synergies. Additional R&D departments have been established at various international sites. The centres of excellence, a global product management structure and the use of uniform manufacturing and assembly standards enable PALFINGER to efficiently cater to individual or local customer requirements even in the case of development projects across several business units or market regions.

In 2015, a new centre of excellence for innovation was founded. Its main responsibilities include enhancing development processes and utilizing synergies among the R&D departments. Moreover, the centre of excellence will assist in the transfer of know-how from the group-wide R&D centre in Köstendorf to the local units.

Mechatronics

Mechatronics remained a major topic for product development and organization in the 2015 financial year. The efficiency of the mechatronic solutions is best illustrated by the latest high-tech products such as the large crane PK 165.002 TEC 7.

Particularly the future products for high-tech markets will increasingly develop from electronic systems into intelligent, networked systems. PALFINGER will remain one of the pioneers of these developments, and in 2015 made substantial investments in product intelligence with the intention of continuing on this path in the years to come.

Patents

The PALFINGER Group currently holds 63 active patents, utility models and special registered designs for the protection of functional design elements.

Safe and efficient products

Research, development and innovation increase the sustainability of PALFINGER's business model by not only paying attention to the economic advantages for customers and users but also taking into account ecological and social aspects. This objective can only be met through top-quality, reliable solutions that also guarantee a high level of safety for the user.

Innovation is encouraged primarily in the areas of energy efficiency during product use, alternative motors and reduction of operating supplies. Continuously lowering service costs while at the same time extending the longevity of its products remains one of PALFINGER's first priorities.

GRI G4-EN 7: Reductions in energy requirements of products; GRI G4-EN 27: Mitigation of environmental impacts of products

Value creation, page 26; Eco-efficiency in production, page 89; Detailed GRI and sustainability disclosures, page 208

PRODUCT SAFETY AND ACCIDENT PREVENTION

Numerous innovations focus on user safety in order to prevent accidents, including those that might be caused by improper use of the products. PALFINGER has been working on special solutions for dangerous fields of application where higher safety criteria have to be met.

In the reporting period, an innovative use of loader cranes was made possible. In fall protection mode, the crane may be used to secure personnel carrying out work at height in a quick and uncomplicated manner. This can, for instance, be applied in the case of roof repairs where the installation of safety scaffolding would be too time-consuming and expensive. This application was made possible in 2015 in coordination with the local authorities for Austria, Germany, South Tyrol and Switzerland. Moreover, a number of innovative accident-prevention features were enhanced in 2015.

The products meet all applicable safety standards, with PALFINGER orienting itself on European standards, also at its international locations. As a consequence, local minimum standards – if such standards exist – are not only met but in many cases exceeded, particularly in Asian, Arab and African countries. All of PALFINGER's products are assessed as to their health and safety impacts, and enhancements are made on a regular basis. An overview of the relevant safety standards can be found in the detailed GRI and sustainability disclosures (page 208).

GRI G4-PR 1: Product and service categories for which health and safety impacts are assessed for improvement

Detailed GRI and sustainability disclosures, page 208

In the reporting period, there were no convictions for non-compliance with safety regulations. Regardless of who is at fault, PALFINGER investigates all incidents with PALFINGER products causing personal damage that come to the attention of the Company. As this also includes damage resulting from faulty operation, i.e. cases in which no legal steps are taken, a good network and safety awareness in the respective countries are vital in order for PALFINGER to be able to find out about these incidents. All accident-relevant information is analysed internally, and adaptations will make PALFINGER products even safer in the future – even beyond statutory requirements.

GRI G4-PR 2: Incidents of non-compliance with safety provisions

The number of reported accidents while using PALFINGER products that resulted in injuries of varying severity increased in the reporting period. Unfortunately 8 fatal accidents were reported.

Accidents with PALFINGER products	2013	2014	2015
Reported accidents with fatalities[1]	2	2	8
Reported accidents with injuries of varying severity[1]	5	3	7
Penalties imposed by court on grounds of accidents	0	0	0
Pending complaints (being tried) on grounds of accidents with products (as at 31 Dec)	5	4	4
Convictions	0	0	0

1) Irrespective of fault.

PALFINGER does not develop any products for the military industry. The Company's standard lifting solutions are nevertheless in demand from the military and in civil defence applications. At EUR 836,000 revenue from the sale of products for military purposes was modest in 2015, having remained constant in proportion to total revenue for several reporting periods. PALFINGER observes all embargos imposed by the EU or the international community.

MAJOR DEVELOPMENTS IN 2015

New-generation cranes are lighter and more efficient

PALFINGER presented the loader crane PK 165.002 TEC 7 as a new generation of cranes. Designed for carrier vehicles with a maximum permitted total weight of 32 tonnes, the PK 165.002 TEC 7 reaches new dimensions in terms of weight reduction. The crane is a tonne lighter than its previous model but its lifting capacity is up to 15 per cent higher. At the fly jib, which has a new design, the lifting capacity even increases by up to 20 per cent. This translates into benefits for users: The crane can lift heavier loads and still be mounted on a 32-tonne chassis. The acquisition costs, operating costs and efficiency during operation are optimized because the crane qualifies as a standard truck. This means route restrictions or accompanying vehicles are not an issue.

In 2015, two new ranges of loader crane models were introduced – the TEC(technology) series and the SLD(solid) series. While the concept of the TEC series is to use the new extension boom system of the PK 165.002 TEC 7 with the P-profile, the SLD series uses the proven hexagonal profile. In the non-European areas, numerous new crane models, adjusted to the local market needs, were developed and launched on the market.

In the reporting period, the jumbo class NX of PALFINGER's access platforms was expanded by the model P550, which has a working height of 55 metres. In March 2015, the concept of the jumbo NX series received one of the most coveted honours for access platforms when the P480 model was selected as the "product of the year 2015" by the jury of the International Awards for Powered Access (IAPAs).

In the Smart Class, which has been in production in Italy since 2013, PALFINGER presented the first pickup-based platform with a working height of 13 metres. In addition, a new 28-metre platform was brought on the market, boasting compact measurements and a low weight, which make it suitable for use in limited space

The opening of the new innovation centre in Elsbethen, Austria, facilitated the expansion and intensification of research and development in the field of timber and recycling cranes. In 2015, the focus was on product launches in Europe and in North America. In autumn, for instance, the A-Line crane M13A, which was especially developed for the Northern American market, was presented; it perfectly combines a Northern American crane concept with European top technology. Another great success was the market launch of the new crane series "The NEXT EPSILON" in Europe. When developing this series, special attention was paid to the needs of the crane operator in terms of ergonomics and occupational safety. The result was a completely novel operator's console with controlling technology based on hydraulic pilot controls. This new MASTER-DRIVE was awarded an innovation prize at the Austroforma trade fair.

In Hooklifts, the highlight in 2015 was the introduction of the new range of PS skiploaders, which is equipped with the latest electronic control system, including radio remote control. A special hooklift for handling ISO containers, tailored to the needs of the emerging markets, was developed and launched on the market in late 2015. The equipment is distinguished by its robust design and simple handling. In North America, emphasis was placed on reengineering the roll-off series, the most important criterion being increased efficiency at a reduced weight.

2015 saw several new developments in Tail Lifts: Apart from a retractable tail lift for semi-trailer applications with an altered drive system and the enhancement of a 500 kg tail lift for delivery vans with various platform models, the very first tail lift specifically designed for emergency vehicles was presented, opening up a new customer segment to PALFINGER. Moreover, a vertical lift, with a lifting capacity of 1,500 kg, that allows for a larger aperture in the vehicle's rear for double-decker semi-trailers was presented. In the field of access systems, the development of a new cassette ramp for low-floor vehicles was completed.

In Railway Systems, a crane and an access platform for maintenance work at the Swiss Gotthard tunnel during railway operation were designed in 2015. In the reporting period, the newly established Building Maintenance unit installed PK 2400 TK service cranes on the Royal Clocktower in Mecca at a height of 472 metres above ground level. In addition, a vertical access platform running on rails was developed for service and maintenance works of the newly built minarets in Mecca.

Electronics in marine cranes compensate wave movement

The marine business saw the market launch of a highly complex AHC crane in 2015. The Active Heave Compensation (AHC) technology used for this crane is an electronically controlled system used for marine cranes and ship-mounted winches to compensate wave movement. The Boats business unit designed, among other things, a novel type of workboat to be used mainly for keeping oil spills at bay.

In the field of services, the emphasis in 2015 was on communicating with end customers to increase customer loyalty. PALCODE, a software keeping customers informed online about the current operational status of their products, was developed. The online application PALIPEDIA brought a group-wide redesign of external document management, creating an information platform, accessible via the serial number of the product, for all general agents, service partners and licensed end customers of PALFINGER.

Starting in North America, PALFINGER is increasingly offering service and maintenance contracts directly to end customers in order to enhance customer loyalty.

RESEARCH COOPERATION

PALFINGER carries out cooperation projects with universities, universities of applied sciences and technical colleges to promote the exchange of knowledge, the transfer of know-how, research and the development of human resources. In addition, the Group cooperates with non-university centres of excellence in the field of mechatronics, mechanical engineering, material technology and materials science. Development processes are optimized through close cooperation with customers, suppliers and other industrial companies. Moreover, PALFINGER employees represent the Group in standardization bodies and interest groups, and also act as lecturers at educational facilities, sharing their knowledge and experience in the spirit of stakeholder engagement.

Detailed GRI and sustainability disclosures, page 208

QUALITY MANAGEMENT

In response to the increasing importance of software and mechatronics, PALFINGER has also invested in HR as well as in analyses and tests. Process quality is optimized in close cooperation with the development and procurement departments. These efforts are directly reflected in the lower number of warranty cases pertaining to electronics, sensor technology, control technology and software. By thus expanding its quality leadership among international competitors, PALFINGER has enhanced availability and efficiency for its customers.

In 2015, the absolute market-related cost of quality was reduced by 3.0 per cent, reaching a new record low after 2013.

In the 2015 financial year, the production sites in Austria, Bulgaria, Slovenia, Croatia and Brazil as well as the German sites Krefeld and Löbau were audited in line with the applicable group guideline. This year's audits also included the two sites of the PM-Group in Russia, Velikiye Luki and Archangelsk, and the joint venture in China, Rudong. The audits focused, among other things, on efficiency enhancements in quality-related processes. The objective is to design local quality management systems that guarantee maximum customer benefit, taking the business models into account. All audited sites are ISO 9001:2008 certified and it was verified that they have functioning management systems in place.

In 2016, the revision of the certified ISO standards will be a priority. New requirements include the assessment of stakeholder interests and of the risks resulting from business processes. With its process-oriented approach in value creation and administration and its continuous improvements and/or adjustments to the business models, PALFINGER considers itself well prepared for this challenge.

GRI G4-SO 3: Operations assessed
Detailed GRI and sustainability disclosures, page 208

MANUFACTURING FOR THIRD PARTIES

Increases in revenue from third-party customers of up to 75 per cent

Since 2009, PALFINGER has been providing a share of its production capacities and production know-how to external customers. PALFINGER's strength lies in manufacturing complex painted components with high quality standards, also making use of production sites in low-wage countries. The combination of reliability in delivery, quality and pricing is a huge benefit to external customers. The main challenge when offering such services is to motivate large industrial customers to change their supplier. Once PALFINGER has gained new customers, their satisfaction and loyalty is reflected in increases in revenue, which in recent years amounted to up to 75 per cent. For PALFINGER, manufacturing for third parties generates additional revenue and higher utilization on the one hand, while, on the other hand, the comparison with competitors on the free market contributes to the internal enhancement of processes.

ECO-EFFICIENCY IN PRODUCTION

Efficient use of raw materials

At PALFINGER, raw materials account for approx. 9 per cent of total costs, which is why their efficient use is essential for the Company's economic success. The lion's share of PALFINGER's product groups are made of steel; aluminium is used primarily for tail lifts. In 2015, 82,818 tonnes of steel and 1,781 tonnes of aluminium were used in manufacturing PALFINGER products.

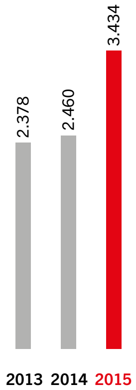
GRI G4-EN 1: Materials used by weight

The reasons why steel and aluminium account for such a high percentage of total costs include the fact that their production requires a great deal of energy and causes a high degree of greenhouse gas emissions, provided that it takes place in countries participating in the emissions trading scheme. This makes the efficient use of raw materials important from an ecological and economic point of view. The energy consumed for producing steel and the emissions generated during the process exceed those caused directly at PALFINGER by far.

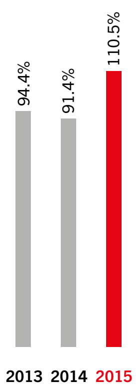
GRI G4-EN 4: Energy consumption outside the organization

PALFINGER makes every effort to continuously optimize its waste cuttings and rejects in order to reduce the amount of steel scrap. Waste cuttings are produced exclusively at production plants and the scope remaining for further improvement is very small. The development of the waste cuttings rate is described in the detailed GRI and sustainability disclosures.

GRI G4-EN 23: Waste and disposal
Detailed GRI and sustainability disclosures, page 208



HAZARDOUS WASTE
(in tonnes)



INDEX: HAZARDOUS WASTE IN RELATION TO REVENUE
(volume 2011 = 100%)

Hazardous waste

At PALFINGER manufacturing plants, primarily the following hazardous waste is produced: waste from paint shops, electroplating sludge, hydraulic oil, as well as lubricants and coolants. The volume of hazardous waste has increased in recent years, which was only in part due to the expansion of production. The crucial factor was that PALFINGER also increased the degree of value added. As a consequence, the hazardous waste quantities showed a disproportionally high increase compared to the Group's revenue. Manufacturing for third parties has augmented the absolute quantities, in particular at the Romanian site Lazuri, where more than 80 per cent of the coating processes are carried out for customers outside the PALFINGER Group. Since 2013, this has been done using the plant's own electroplating facilities.

In the meantime, Lazuri (RO), alongside Maribor (SI) and Lengau (AT), has become one of the three sites of the PALFINGER Group that generate the largest absolute quantities of hazardous waste. In 2015, comprehensive modernization measures were taken at that site, so that the electroplating plant now meets good standards in terms of efficiency and environmental protection. The new continuous chrome plating procedure reduces both the amount of electrolyte liquid needed and the chrome VI concentration. The waste water is collected and treated. Lubricants and abrasives are also treated at this plant. In relation to revenue, the hazardous waste volume at Lazuri rose considerably, and is expected to decrease again in relation to revenue in 2016 as a consequence of further modernization measures.

At the other European sites recording high volumes of hazardous waste, the waste is primarily generated by painting processes. While the remaining plants showed stable values in 2015, the quantity of hazardous waste was clearly reduced in South America due to an improved waste separation system. At the sites in North America and Asia, there are no processes generating large quantities of hazardous waste. In Ishimbay, Russia, the absolute amount increased due to increases in sales and the shift in product mix from cranes to trucks with mounted cranes and platforms. The two new sites at Archangelsk and Velikiye Luki are plants with relatively high quantities of hazardous waste due to the painting processes carried out there, which had an impact on the index development. Detailed figures on regional developments can be found in the detailed GRI and sustainability disclosures. Plans for 2016 include the optimization of the paint shops and the promotion of solvent-free parts cleaning.

Due to an increase in the degree of value added in Romania and Russia, PALFINGER fell short of its annual target of reducing hazardous waste by 1.8 percentage points of revenue in 2015, but intends to meet this target in 2016. It is expected that the hazardous waste reduction targets will also help to lower costs further.

GRI G4-EN 23: Waste and disposal
Detailed GRI and sustainability disclosures, page 208

As an alternative to solvent-based paints, water-soluble paints may now be used for nearly all product applications; however, they usually generate extra costs. Since 2014, PALFINGER's calls for tenders relating to paint shops have included the requirement of meeting ecological minimum standards. Whenever a new investment is made, the plants are examined to determine whether they are designed for the use of water-based paints and, if necessary, adaptation measures are taken.

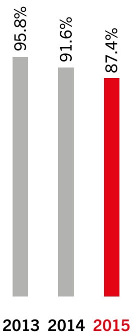
The PALFINGER sites in Europe with large paint shops use only solvent-free paints. In the marine sector, only solvent-based paints are used due to marine-specific requirements. In the CIS area, the use of water-soluble paints would involve a high quality risk given the low temperatures recorded in winter. In Caxias do Sul, Brazil, economic reasons make it impossible for the time being to buy water-soluble paints locally. The Chinese plant in Rudong and the US plants use solvent-based paints as well. In 2015, the proportion of water-based or water-thinnable paints purchased remained constant at 95 per cent, even though absolute figures were higher. For more details on hazardous waste broken down by region and on the use of water-soluble paints, please refer to the detailed GRI and sustainability disclosures.

Detailed GRI and sustainability disclosures, page 208

Energy efficiency

As a metal-processing business, PALFINGER is not an energy-intensive enterprise. Nevertheless, improving energy efficiency is part of the continuous optimization of production. In 2015, the energy costs of the PALFINGER Group totalled EUR 6.7 million (previous year: EUR 5.8 million). The energy efficiency index illustrates the improvement of energy consumption in proportion to revenue across the years. The objective is to increase energy efficiency by 1.8 percentage points every year. This target was achieved more than twice over in 2015, with an energy efficiency increase of 4.25 percentage points.

GRI G4-EN 5: Energy intensity; GRI G4-EN 6: Reduction of energy consumption

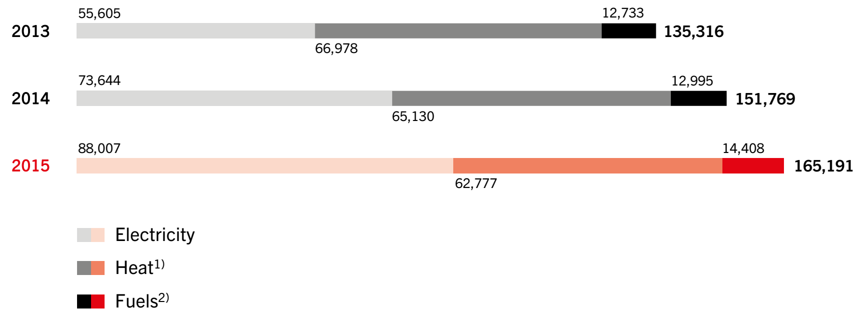


INDEX: ENERGY CONSUMPTION IN RELATION TO REVENUE
(volume 2011 = 100%)

In 2015, as new sites were added to the PALFINGER Group and production increased, total energy consumption climbed to 165 million kWh (previous year: 152 million kWh). The largest energy consumers were paint shops, electroplating plants, heating of plant floors and offices, compressed air plants, cutting machines (laser and plasma cutting machines), welding processes, lighting and the filling and testing of cranes. Again, consumption was highest in Europe (70.0 per cent) and in North America (15.8 per cent). The share contributed by CIS rose to 11.3 per cent in the reporting period. A detailed list of the figures for energy efficiency and consumption, broken down by energy source and region, is available in the detailed GRI and sustainability disclosures.

GRI G4-EN 3: Energy consumption within the organization
Detailed GRI and sustainability disclosures, page 208

ENERGY CONSUMPTION BY ENERGY SOURCE
(in MWh)



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

The increase in energy efficiency recorded in 2015 was basically caused by three factors: better capacity utilization of the PALFINGER plants, energy-saving measures and less heating due to the relatively warm winter in Europe and North America. Energy-saving measures were taken on the basis of exact analyses of the individual sites, the results of which were compared internationally by PALFINGER's energy experts. These best practice examples then formed the basis for designing and implementing improvement measures.

The highest energy consumption levels within the PALFINGER Group are found at the European sites. The European sites with the highest levels of value creation – Lengau, Maribor, Tenevo, Cherven Brjag and Lazuri – accounted for around 45.2 per cent (previous year: 42.1 per cent) of the total energy consumed at the Group's production sites. At these sites, local energy efficiency officers promote the continuous improvement process, for instance through optimization of the paint shops and heating systems. As a consequence of the EU's Energy Efficiency Directive, an increasing amount of attention will be paid to monitoring medium-sized sites, in particular the sites in Germany.

In 2015, Lazuri was the site with the highest energy consumption within the PALFINGER Group. This site accommodates a chrome plating line. In the reporting period, output was stepped up considerably as the plant was expanded to include nine chrome-plating lines for coating aluminium components. The modernization measures taken are to bring about a significant improvement of energy efficiency. In 2016, processes will also be optimized further with the goal of guaranteeing a more efficient use of energy.

Measures to increase energy efficiency were also implemented in North America, which is the region with the second largest energy consumption. However, given the low energy prices, substantial investments are not worthwhile at the moment. The new climate targets for the USA, agreed upon at the Paris Climate Conference in 2015, could change the investment climate in North America in 2016 – for instance, due to stronger fiscal incentives. In such case, measures which have already been identified could become profitable. In South America, PALFINGER has made substantial progress in enhancing energy efficiency.

Even though the PALFINGER sites in Russia still account only for a small portion of the Group's total energy consumption, their share increased in 2015: Energy consumption tripled as a consequence of the acquisition of the Archangelsk and Velikiye Luki sites. At the same time, a site in Salavat, which had recorded poor energy values, was closed and replaced by the new, energy-efficient site in Ishimbay, Jurmati.

2015 also saw the opening of the new group headquarters in Bergheim near Salzburg, Austria. The building has a heating requirement of 27.6 kWh/m^2; an economical and environmentally friendly heat pump is used for the cooling and heating systems. Charging stations for cars and bicycles have been installed. Automated window blinds affixed to the building shell and highly insulated maintenance-free facades make sure that it stays comfortably cool inside during the summer.

At PALFINGER, transport is outsourced to logistics companies. This includes the delivery of raw materials and components to PALFINGER, transport between the PALFINGER plants and transport of the products to the customers. The transport mix is dominated by trucks and ships. PALFINGER plans to further optimize the use of trucks in Europe and CIS in 2016. Moreover, the continuous increase in local procurement has a minimizing effect on transports.

GRI G4-EN 4: Energy consumption outside the organization

The production of steel and aluminium, the two raw materials most frequently used at PALFINGER, requires high levels of energy and CO_2. The amount of energy needed to produce steel, and the greenhouse gases emitted in that process, are considerable. It is assumed that around 1,540 million kWh were needed to produce the steel and aluminium quantities purchased by PALFINGER in 2015, meaning that the energy requirements for the production of the raw materials nine times higher than the energy requirements for production at PALFINGER. This makes initiatives for an efficient use of raw materials even more important for PALFINGER.

Efficient use of raw materials, page 89

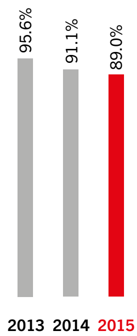
Energy is also consumed when the products are used. More information on the optimization of energy consumption during product use can be found in the research and development chapter.

Safe and efficient products, page 85

Climate protection

PALFINGER analyses all climate-relevant emissions that are caused by its own energy consumption. This means that all emissions of PALFINGER plants from electricity, natural gas, diesel, petrol, LPG, butane, propane and other energy sources (except for coal) are included. All in all, PALFINGER produced approx. 66,590 tonnes of CO_2 equivalents in 2015 (previous year: approx. 57,907 tonnes).

In general, the development of the climate-relevant emissions runs parallel to that of energy consumption throughout. In 2015, however, emissions rose more strongly than total energy consumption. This was mainly due to the energy supply of the recently acquired Russian sites. In the future, the site in Velikiye Luki (RU) will have a negative impact on the development of emissions as the buildings at that site are heated by means of a coal-fired power station. In 2015, 1,300 tonnes of coal were needed, producing 4,500 tonnes of CO_2 equivalents due to the high impact of burnt coal on the climate. This accounts for around 7 per cent of the climate-relevant emissions caused by PALFINGER's production activities. An analysis of how to optimize the coal-fired power station is planned for 2016.



INDEX: GREENHOUSE GAS EMISSIONS IN RELATION TO REVENUE
(volume 2011 = 100%)

This situation explains why the developments of specific greenhouse gas emissions and energy efficiency were not parallel. In proportion to revenue, greenhouse gas emissions improved by 2.1 percentage points as compared to the previous year. As the energy efficiency measures taken became effective, the PALFINGER greenhouse gas index showed positive developments in all regions except for Russia. Details on the specific greenhouse gas emissions broken down by region can be found in the detailed GRI and sustainability disclosures.

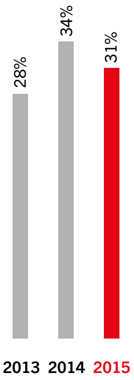
Detailed GRI and sustainability disclosures, page 208

The greenhouse gas emissions presented here, which were caused by the energy consumption during production at the PALFINGER plants, only account for a small part of total emissions with an impact on climate. As in the comprehensive energy balance, emissions in the upstream supply chain have a much stronger impact, in particular when it comes to steel – the material used to produce the majority of PALFINGER's products. Taking into consideration the fact that PALFINGER buys primarily European steel, the Scope 3 greenhouse gases caused by steel may be estimated to be approx. 390,000 tonnes of CO_2 equivalents. They are thus around six times as high as the climate-relevant emissions caused by the energy consumption at PALFINGER's sites. From an ecological point of view, the efficient use of raw materials is, therefore, also an important contribution to sustainable development. It may be assumed that the CO_2 emissions caused when using PALFINGER products are also multiple times higher than those emissions caused by the PALFINGER plants. However, given the broad product range and the various uses of the individual products, no quantitative estimate of impacts on climate during product use can be made.

GRI G4-EN 15: Direct greenhouse gas (GHG) emissions (Scope 1); GRI G4-EN 16: Energy indirect greenhouse gas (GHG) emissions (Scope 2); GRI G4-EN 17: Other indirect greenhouse gas (GHG) emissions (Scope 3); GRI G4-EN 18: Greenhouse gas (GHG) emissions intensity

Environmental and energy management

In 2015, the PALFINGER environmental protection guideline, defining group-wide uniform standards, came into force. The guideline guarantees the establishment of comprehensive environmental management systems at all manufacturing, assembly and distribution sites and governs the following areas: energy, waste, water, environmental law, emergency preparedness and response, and training and communication relating to environmental protection. Basically, it lays down minimum standards on the basis of ISO 14001, following the Plan-Do-Check-Act principle. The guideline stipulates that every site must have a staff member who is primarily responsible for environmental management and the continuous process of improving environmental performance. This process includes the regular recording of environmental key figures, the assessment of the environmental performance, the preparation of a local environmental programme and the monitoring of compliance with the measures defined in that programme. Responsibility for the implementation of the environmental protection guideline lies with the Group's sustainability management.

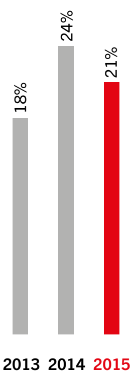


ENVIRONMENTAL MANAGEMENT SYSTEMS (ISO 14001/EMAS)
(in per cent of employees)

Some of the environmental key figures are reported to the Group on a monthly basis, others on a quarterly basis, and they are all part of internal reporting, which is approved by the respective area management. In the future, group-wide compliance with the guideline will be ensured by control loops: checks of data and accounts by the Group's sustainability management, plausibility checks together with the area management, and internal and external audits. Starting in 2016, each site will define environmental measures and report them to the Group's sustainability management. This will help control the implementation of the group-wide environmental targets – for instance, the annual improvement of energy efficiency and the reduction of hazardous waste.

When it comes to acquiring new plants or buildings, PALFINGER includes binding minimum standards for environmentally relevant aspects in the tender documents. This concerns, in particular, paint shops and electroplating plants, welding equipment, engines, compressed air systems, offices and production floors, as well as ventilation systems.

Sites with environmental management systems according to ISO 14001 and energy management systems according to ISO 50001 go beyond meeting the minimum standards provided by the PALFINGER environmental protection guideline. The Group's management welcomes the introduction of certified management systems, but the decision still lies within the discretion of the respective site managers. As at the end of 2015, a total of 31 per cent of PALFINGER's employees were working at sites with certified environmental management systems in place and 21 per cent at sites with certified energy management systems. Plans for 2016 include the first ISO 50001 certification of the two PALFINGER sites in Maribor, Slovenia, and all sites in Germany. The objective is to have 38 per cent of all PALFINGER employees working at sites with energy management systems by the end of 2016.



ENERGY MANAGEMENT SYSTEMS (ISO 50001)
(in per cent of employees)

In 2015, legislation transposing the EU Energy Efficiency Directive into national law entered into force in the EU member states. The changes provided for therein applied to PALFINGER because of the high number of employees and the revenue level in Austria, Germany, Bulgaria, Slovenia and Romania. At the majority of PALFINGER's sites, the new requirements were met through certified energy management systems. At the Austrian sites Elsbethen and Bergheim, and in Bulgaria, external, accredited experts carried out energy audits in 2015.

GRI G4-DMA: Environmental and energy management systems, quality management systems + welding certification
Detailed GRI and sustainability disclosures, page 208

KEY EVENTS AFTER THE BALANCE SHEET DATE

After the end of the 2015 financial year, there have been no material post-reporting events that would have led to a different presentation of the Group's financial position, cash flows or result of operations.

OUTLOOK

PALFINGER plans to continue its growth – an objective that will be supported by the Group's long-term strategy with integrated sustainability aspects, which is increasingly proving its worth. By 2017, the Group's revenue, including the joint venture companies, is intended to reach EUR 1.8 billion, through organic and inorganic growth.

Completing the product portfolio in non-European regions

PALFINGER still sees the potential to increase the annual revenue generated by the Group, including the joint venture companies in China and Russia, to approx. EUR 1.8 billion by 2017 and intends to reach this goal by completing its product portfolio in the market regions outside Europe. North America and the global marine business are expected to record substantial growth rates in 2016.

It takes leadership and a strong corporate culture with common values that are genuinely implemented in order to achieve sustainable growth. Therefore, numerous initiatives to promote junior executives and to raise awareness of the diversity within the Group and how to benefit from it are being continued in a targeted manner.

Sustainable, profitable growth is to be guaranteed through planned investments, also in Europe, in necessary production resources. The consistent focus on efficient and ecologically compatible production adds to the economic success achieved by the PALFINGER Group. This makes sustainability, as an integral part of the entrepreneurial approach, an important success factor. The targets of lowering energy consumption in relation to revenue, reducing hazardous waste, and continuously lowering staff absence due to industrial accidents remain unchanged.

The fact that the global economy is still heterogeneous and volatile confirms the importance of the three strategic pillars of the PALFINGER Group. Without internationalization, innovation and flexibility, the continuous growth recorded by the Group would not have been possible. PALFINGER will therefore continue to pursue its long-term Group strategy.

Special attention is currently being paid to increasing the flexibility of all business units of the Group, particularly in the companies acquired recently. Order-based procurement, manufacturing and assembly have enabled PALFINGER to respond promptly to fluctuations in demand, while at the same time reducing the lockup of capital which would be created by made-to-stock manufacturing. The group-wide initiative to reduce current capital will be continued in phases, and is expected to bring about long-term success through new approaches. Moreover, consistent control of fixed costs is contributing to PALFINGER's ability to act assertively in the market at all times

In the future, dealing with the impacts of digitization along the entire value creation chain will be a crucial competitive factor. Under the heading of "Industry 4.0", teams from all areas of the Group are currently developing innovations in order to expand PALFINGER's competitive position through smart products and solutions as well as processes adjusted to digitization. The foreseeable consequences of digitization will also be included in the corporate strategic planning for the period until 2021, which will be completed by the autumn of 2016.

For 2016, the management expects a continuation of high volatilities, both in economic developments and on the currency markets. Sudden political tensions cannot be ruled out, either. At the beginning of the year, visibility, as in the previous year, ranged between two and four months. However, from today's point of view there are no indications that the PALFINGER Group will not be able to continue its growth strategy.

**Mai bine puțin
cu drepate decât mult
cu strâmbâtate.**

(Romanian saying)

"Honesty is the best policy."

CORPORATE GOVERNANCE REPORT

PALFINGER is committed to the standards of the Austrian Code of Corporate Governance and complies with nearly all its rules. Fair business is firmly established in PALFINGER's corporate values. PALFINGER's Code of Conduct regulates essential business processes along the value creation chain and is binding for dealers, suppliers and cooperation partners.

CORPORATE GOVERNANCE REPORT

INFORMATION ACCORDING TO SEC. 243B OF THE BUSINESS CODE

PALFINGER is committed to the standards of the Austrian Code of Corporate Governance (www.corporate-governance.at) and complies with nearly all rules of the Code. In accordance with legal provisions, this commitment is annually evaluated by an external auditor. The evaluation result confirms that corporate governance is genuinely put into practice at PALFINGER. The audited questionnaire is made available to all interested parties on PALFINGER's corporate website (www.palfinger.ag).

www.palfinger.ag/en/investor-relations/corporate-governance

GOVERNING BODIES OF THE COMPANY AND METHOD OF OPERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD PURSUANT TO SEC. 243B PARA. 2 OF THE BUSINESS CODE

According to the Austrian Companies Act (AktG), the Management Board of PALFINGER AG manages the Company under its own responsibility in such a manner as is in the best interest of the Company, taking into consideration the interests of all stakeholders. Loyalty towards one's colleagues, an open mind, a regular exchange of information and fast decision-making processes are among the Company's supreme principles. The Supervisory Board supervises the management and assists the Management Board in significant decisions. Open communication between the Management Board and the Supervisory Board and also within the respective Boards has a longstanding tradition at PALFINGER. At its meetings held in 2015, the Supervisory Board primarily discussed the ongoing business operations, the effects of the challenging economic environment, measures to cut costs and capital employed, projects of integration, acquisition and expansion (in particular the intensified cooperation with SANY), risk management and the internal control system, sustainability issues, as well as perspectives for 2016.

GRI G4-34: Governance structure and governance bodies; GRI G4-35: Role of the highest governance body; GRI G4-36: Responsibility of the highest governance body

Sustainability management, page 37

At present there are no women on either the Supervisory Board or the Management Board or in any top management positions at PALFINGER. In the levels below that, the share of women in executive positions is low and/or limited to administrative positions. PALFINGER intends to change this situation in the medium term. To this end, PALFINGER has continued the Company's presence at job fairs and has specifically addressed prospective women applicants of high potential. When new executive positions are created or existing ones become vacant, PALFINGER is making an effort to encourage more women to apply for such positions. However, one obstacle in this regard is that technical training is a prerequisite for the majority of executive positions at PALFINGER. The proportion of women engineers is extremely low, which is often why no women apply for a position in the Company. PALFINGER has stepped up its efforts to raise the percentage of women in the management development programmes in order to better meet the basic ideas of diversity. The group-wide initiative "PALversity" was initiated to raise awareness of the benefits of diversity within the Group in order to foster this concept more strongly and capitalize on it to a greater extent.

GRI G4-LA 12: Diversity and equal opportunity

Responsible employer, page 77

MANAGEMENT BOARD

The Management Board of PALFINGER AG is composed of four members; Herbert Ortner has been the CEO since June 2008.

Name	First appointment	End of term
Herbert Ortner (CEO)	1 February 2003	31 December 2018
Christoph Kaml (CFO)	1 January 2009	31 December 2018
Wolfgang Pilz (CMO)	1 February 2003	31 December 2018
Martin Zehnder (COO)	1 January 2008	31 December 2018

Herbert Ortner

CEO – CHIEF EXECUTIVE OFFICER

Born in 1968, Herbert Ortner was the global Business Unit Manager for industrial hoses at the publicly listed Semperit Group until 2001. He then joined PALFINGER, where he developed the spare parts, equipment and service business before being appointed to the Management Board in February 2003. The focus of his activities as Chief Marketing Officer included PALFINGER's business units Railway Systems, Tail Lifts, Truck Mounted Forklifts and Access Platforms as well as the further expansion of the service business. As CEO he has been in charge of procurement, legal affairs, personnel, communications, investor relations and sustainability management since June 2008.

Christoph Kaml

CFO – CHIEF FINANCIAL OFFICER

Born in 1974, Christoph Kaml started his career with Gemini Consulting. Before joining PALFINGER AG in 2004, he was the holder of a general commercial power of attorney at an M&A consulting company in Switzerland. In 2006, he switched from PALFINGER Corporate Development to the management of the business area North America domiciled in Niagara Falls, Canada, where he was in charge of finances, strategy and business development. Since January 2009, Kaml has been PALFINGER AG's Chief Financial Officer. From August 2012 to June 2015, he and his family relocated to China, where his new domicile and place of work enabled him to oversee and intensify the cooperation with SANY. Since his return in July 2015, Christoph Kaml has been working in Austria.

Wolfgang Pilz

CMO – CHIEF MARKETING OFFICER

Born in 1959, Wolfgang Pilz has been working at PALFINGER in the crane business since 1984. He was appointed Marketing & Sales Manager of the truck crane division in 1997. Since February 2003, he has been Chief Marketing Officer and thus responsible for the sale of PALFINGER products.

Martin Zehnder

COO – CHIEF OPERATING OFFICER

Born in 1967, Martin Zehnder started his career at Alstom Schienenfahrzeuge AG in 1984. From 2000 to 2005 he was the Managing Director of Development and Production for Keystone Europe in France. In 2005, Martin Zehnder became Global Manufacturing Manager in charge of all manufacturing facilities of the PALFINGER Group, and since January 2008 he has been the Company's Chief Operating Officer, responsible for global manufacturing and assembly.

SUPERVISORY BOARD

As at 31 December 2015, the Supervisory Board of PALFINGER AG consisted of five members elected by the Annual General Meeting and three members delegated by the Works Council. Hubert Palfinger jun. is Chairman of the Supervisory Board and Hannes Palfinger is Deputy Chairman.

Report of the Supervisory Board, page 246

Name	First appointment	End of term
Hubert Palfinger jun. (Chairman since 10 December 2013) born in 1969	13 April 2005	AGM 2020
Hannes Palfinger (Deputy Chairman since 10 December 2013) born in 1973	30 March 2011	AGM 2016
Jian Qi born in 1960	12 March 2014	AGM 2017
Wolfgang Anzengruber born in 1956	31 March 2010	16 June 2015
Peter Pessenlehner born in 1970	31 March 2010	AGM 2018
Heinrich Dieter Kiener born in 1956	30 March 2011	AGM 2016
Johann Mair * born in 1951	24 May 2005	5 February 2015
Johannes Kücher * born in 1963	6 February 2015	*
Alois Weiss * born in 1962	13 February 2006	*
Gerhard Gruber * born in 1960	15 May 2006	*

* Delegated by the Works Council.

Hubert Palfinger jun.

CHAIRMAN OF THE SUPERVISORY BOARD

After spending 15 years with various companies of the PALFINGER Group, Hubert Palfinger jun. took over the management of Industrieholding GmbH in 2004. He has held a seat on the Supervisory Board of PALFINGER AG since 2005 and served as Deputy Chairman of the Supervisory Board from September 2008 until his appointment as Chairman in 2013.

Hannes Palfinger

DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

After taking his degree in business economics and pursuing a career as an athlete, Hannes Palfinger spent three years working for PricewaterhouseCoopers in Vienna as an assistant auditor. He has been affiliated with PALFINGER through numerous traineeships at the Company. From 2007 to 2010, Hannes Palfinger held an executive position at Palfinger systems GmbH. He has held a seat on the Supervisory Board since 2011 and became Deputy Chairman in 2013.

Other than Hubert Palfinger jun. and Hannes Palfinger, no member of the Supervisory Board holds or represents a shareholding in the Company of more than 10 per cent.

Wolfgang Anzengruber resigned as a member of the Supervisory Board with immediate effect of 16 June 2015 because time constraints no longer allowed him to fulfil this function to the extent required.

In accordance with Rule No. 58 of the Austrian Code of Corporate Governance, it is noted that Wolfgang Anzengruber was unable to participate in the first two meetings of the Supervisory Board due to scheduling conflicts. Jian Qi participated in two meetings of the Board by video conferencing.

COMMITTEES OF THE SUPERVISORY BOARD

Audit Committee
The powers of decision vested in the Audit Committee are in compliance with the provisions of the Companies Act. In 2015, the Audit Committee held two meetings dealing with the 2014 financial statements, the internal control system, risk management and internal audits as well as with PALFINGER's cooperation with the auditor. Members: Hubert Palfinger jun., Hannes Palfinger, Peter Pessenlehner (financial expert), Johann Mair (until 5 February 2015), Johannes Kücher (since 6 February 2015).

Nomination Committee
The Nomination Committee met regularly in 2015 and discussed, in particular, the cooperation within and working methods of the Management Board. Members: Hubert Palfinger jun., Hannes Palfinger.

Remuneration Committee
At its regular meetings held in 2015, the Remuneration Committee dealt with the remuneration of Management Board members and conducted feedback interviews with the members of the Management Board. Members: Hubert Palfinger jun., Hannes Palfinger.

AUDITOR

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, was proposed as the auditor of the 2015 financial statements and consolidated financial statements of PALFINGER AG and appointed by the Annual General Meeting on 11 March 2015.

REMUNERATION REPORT

The remuneration system in place for Management Board members includes fixed elements and performance-related payments and is adequate given the size and complexity of the Company. Performance-related remuneration is based, on the one hand, on targets that are set in agreement with the individual Management Board members and, on the other hand, on fundamental financial ratios of the PALFINGER Group: revenue growth, profit before tax and ROCE, as well as a higher corporate value in the long term. In 2015, the variable pay of Management Board members amounted, on average, to approx. 44 per cent of their annual remuneration.

The stock option programme, which was adopted by the 2009 and 2010 Annual General Meetings and expired in 2015, and the performance standards defined in this programme were a means of rewarding, in particular, long-term success. For detailed information on remuneration, stock options as well as special bonuses, please refer to the notes to the consolidated financial statements of this Report.
Consolidated financial statements, Disclosures concerning governing bodies and employees, page 206

The members of the Supervisory Board received no remuneration for their services in the 2015 financial year.

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

FAIR BUSINESS

CORPORATE ETHICS AND CORRUPTION PREVENTION

To PALFINGER, human rights violations and corruption are intolerable from a moral point of view. They are in contradiction to the corporate values and harmful to the economy, and consequently also to PALFINGER. Whenever any irregularities are suspected, action is taken immediately. PALFINGER has implemented a multi-layered process to prevent or, if necessary, reveal any violations.

GRI G4-57: Compliance and integrity

Group guidelines and Code of Conduct

PALFINGER's Code of Conduct supplements the group guidelines, which define the essential business processes along the value creation chain. These documents cover various issues, including the observance and monitoring of human rights aspects and the prevention of child labour, forced labour and compulsory labour, also in the supply chain. According to the results presented, no child labour, forced labour or compulsory labour was used at any PALFINGER sites in 2015.

Since 2010, agreements with employees, dealers, suppliers and cooperation partners have contained binding references to the PALFINGER Code of Conduct, which is also available on the Company's website. Furthermore, an internal guideline on "Rules of Conduct for the Prevention of Corruption and Anti-Competitive Behaviour" is in place.

In the event of any severe violations of the Code of Conduct, the rules of behaviour or other group guidelines, the internal auditing department consults with the Management Board on the procedure for analysing these violations. If necessary, external experts are consulted. Depending on the result of this analysis, a decision is made on the further steps to be taken.

GRI G4-56: Code of Conduct; GRI G4-HR 5: Risk for incidents of child labour; GRI G4-HR 6: Risk for incidents of forced or compulsory labour

Risk report, Control environment, page 76

www.palfinger.ag/en/Pages/code-of-conduct

Four-eyes principle and separation of functions

The four-eyes principle applies with respect to authorized signatures within the scope of business activities with third parties whenever such signatures have the effect of constituting rights and/or obligations. This means that pursuant to the applicable group guideline, two signatures of competent authorized persons of the respective local unit are required. Detailed signing regulations, taking into account local processes and reasonable value limits, are regularly reviewed and, whenever necessary, adjusted.

PALFINGER attaches great importance to the separation of functions, even in smaller units, meaning that one person may not hold several critical functions at the same time. This principle is designed to reduce errors as well as the probability of corruption, but first and foremost to protect employees. It is not possible, for example, for one and the same employee to be authorized to create an order and also be able to post an invoice.

Information on the guidelines and corporate ethics

The Group's risk management department regularly publishes a risk management newsletter, reporting to PALFINGER's management any relevant news, in particular recommendations on how to avoid or reveal corruption by third parties. The group guidelines are communicated to the entire management team and then to the local management concerned via standardized processes.

New employees receive a welcome package and attend an onboarding seminar, both of which emphasize PALFINGER's values and its anti-corruption policy. In the 2015 financial year, the legal department provided all employees in the finance and HR departments as well as all management teams with information material regarding compliance at PALFINGER. Moreover, training programmes were held at the Group's headquarters to raise awareness in this regard.

Internal audits and risk management

The responsible internal audit, risk management and group controlling departments regularly carry out audits of the companies of the PALFINGER Group and engage employees in intensive discussions on ethics and corruption in the workshops held. Out of the 67 companies of the Group, four had to undergo a general audit in 2015.

Via the Company's Integrity Line, possible violations of laws and guidelines that concern companies of the PALFINGER Group may be reported anonymously. The Integrity Line can be reached via the Company's website; reports are generally received by the corporate risk management department. In the period under review, no allegations reported proved to be of substance.

GRI G4-58: Reporting concerns about integrity

COMPLIANCE VIOLATIONS

Any compliance violations are reported to the central legal department. In 2015, as in previous years, no major cases of corruption were reported or discovered at PALFINGER. Similarly, no substantial penalties were imposed for any violations of legal provisions. No lawsuits are pending on grounds of anti-competitive conduct.

GRI G4-SO 3: Operations assessed; GRI G4-SO 4: Anti-corruption communication; GRI G4-SO 5: Incidents of corruption; GRI G4-SO 7: Competition law; GRI G4-SO 8: Significant fines

CODE OF CORPORATE GOVERNANCE

PALFINGER satisfies the requirements of the mandatory L-rules (legal requirements) and adheres to almost all C-rules (comply or explain) of the Austrian Code of Corporate Governance as amended in January 2015. The following C-rules are not observed:

Rules No. 39, 48 and No. 53 (Independence of the Supervisory Board and independence of committee members)
PALFINGER does not fully comply with Rule No. 53. No criteria for independence have been established. Rather, PALFINGER AG publishes personal profiles and qualification profiles of the members of the Supervisory Board and circumstances that might limit their independence on its website. On the basis of this information, any shareholder as well as the public at large can gain insight into the qualifications of the members of the Supervisory Board and assess their suitability for this Board.

The performance of the Supervisory Board members has contributed to the success of PALFINGER AG in recent years. The well-balanced composition of the Supervisory Board and the prudent selection of the individual members according to their professional and personal characteristics as well as their knowledge of the Company and of the entire sector have been of importance in this respect. For all of these reasons, it is not considered necessary to establish criteria for the independence of Supervisory Board members.

This also applies to the committee members (third paragraph, Rule No. 39).

Information on contracts requiring prior approval pursuant to Rule No. 48 can be found in the notes to the consolidated financial statements and on the Company’s website www.palfinger.ag.
Consolidated financial statements, Business transactions with related parties, page 202
www.palfinger.ag/en/investor-relations/corporate-governance

Salzburg, 28 January 2016

Herbert Ortner m.p.　　Wolfgang Pilz m.p.

Christoph Kaml m.p.　　Martin Zehnder, MBA m.p.

Голям залък лапни,
голяма дума не казвай.

(Bulgarian saying)

"Actions speak louder than words."

SERVICE

DEFINITION OF PERFORMANCE INDICATORS

ECONOMY

Capital employed
reflects capital investment and is calculated as
- intangible assets
- plus property, plant and equipment, shareholdings and net current assets

Earnings per share
is the ratio of the consolidated net result for the period to the weighted average number of shares outstanding

EBIT
(Earnings Before Interest and Taxes)

EVA
(Economic Value Added) indicates the Company's economic profit:
- ROCE minus WACC
- multiplied by average capital employed

Free cash flows
is the net amount of cash available to service internal or external borrowing:
- cash flows generated from operations
- plus interest on borrowings
- minus tax shield on interest on borrowings

Gearing ratio
is a measure relating to the Company's debt:
- ratio of net debt and equity in per cent

Net debt
is calculated as
- non-current and current financial liabilities

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

NOPLAT
(Net Operating Profit Less Adjusted Taxes) is composed of
- EBIT
- minus taxes on EBIT

ROCE
(Return on Capital Employed) shows the rate of return generated on capital invested in the Company:
- ratio of NOPLAT to
- average capital employed (from reporting date of previous year to reporting date of current year) in per cent

ROE
(Return on Equity) is a measure of the Company's profitability that presents earnings in relation to equity employed:
- ratio of after-tax earnings and
- average equity as a percentage

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

Working capital
is the net surplus of current assets over current liabilities

HUMAN RESOURCES

Full-time equivalent	A full-time equivalent is an employee's total hours worked as stipulated in his/her employment contract divided by the number of hours worked in a full-time schedule.
Employee turnover	Employee turnover is defined as the ratio of the number of employees that have left the Company during a certain year to the average annual headcount. It is expressed as a percentage.
Staff absence due to accidents, sickness or other causes	Staff absences due to accidents, sickness or other causes (doctors' appointments, voluntary service, etc.) are measured in hours and divided by the regular working time and full-time equivalents of the Company's employees. Sick leaves that are no longer covered by the Company itself but by government benefits are not included in this count.
Hours of further training	Any kind of further vocational education or training that is not directly provided at the employee's place of work but is carried out internally or externally. The hours of further training are expressed as a percentage of the entire headcount.
Percentage of women in management	The number of women employees with disciplinary management responsibilities divided by the total number of managers.

ENVIRONMENT

Index: Energy consumption in relation to revenue	This index shows the efficiency of the energy input in relation to revenue. It takes into account electricity, fuel (petrol, diesel and kerosene) and heating energy (fuel oil, natural gas, LPG, propane and butane). The energy input is determined in relation to the local revenue of the individual site (volume 2011 = 100 per cent). In calculating group-wide indices, the various production sites are weighted by the volume of energy consumed in the year under review. 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 revenue. The volume of hazardous waste is determined in relation to the local revenue of the individual site (volume 2011 = 100 per cent). In calculating group-wide indices, the various production sites are weighted by the volume of waste produced in the year under review. The index is not adjusted for inflation.

CORPORATE LOCATIONS OF THE PALFINGER GROUP

AUSTRIA

PALFINGER AG
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
• **Lamprechtshausener Bundesstrasse 8, 5101 Bergheim**
EPSILON Kran GmbH
• Christophorusstrasse 30, 5061 Elsbethen/Glasenbach
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
PalAir GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Area Units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger CIS GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger EMEA GmbH
• **Lamprechtshausener Bundesstrasse 8, 5101 Bergheim**
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Europe GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
• Moosmühlstrasse 1, 5203 Köstendorf
• Kapellenstrasse 18, 5211 Friedburg
Palfinger S. Units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger GmbH
• Betriebsstrasse I/Objekt 9, 2482 Münchendorf
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Marine GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger North America GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger PM Holding GmbH
• Franz-Wolfram-Strasse 24, 5020 Salzburg
Palfinger Russland GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger Sany International Mobile Cranes Sales GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger South America GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
Palfinger systems units GmbH
• Franz-Wolfram-Scherer-Strasse 24, 5020 Salzburg
STEPA Farmkran Gesellschaft m.b.H.
• Christophorusstrasse 28, 5061 Elsbethen/Glasenbach

ARGENTINA

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• Provincial Rute Nº 6, Km 5.5, X580XAB Río Tercero, Córdoba
• Colectora Este esquina Ituzaingo, 1611 Don Torcuato, Buenos Aires

BELGIUM

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• Industrielaan 4, 3e Industriezone, 9320 Erembodegem

BRAZIL

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• Rua Flavio Francisco Bellini 350, CEP 95098–170, Caxias do Sul
• Estrada do Embu, 485 – Jardim São Vicente, CEP 06713–100, Cotia
Palfinger Marine Do Brasil Ltda
• Lauro Muller 116, NBIO/Suite 2405, Torre do Rio Sul, Botafogo CEP 22290-160, Rio de Janeiro
Palfinger Koch Montagens Industriais Ltda.
• Av. Tancredo Neves 470 A, Distrito Industrial, CEP 94930-540, Cachoeirinha
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda
• Rua Flavio Francisco Bellini 350, CEP 95098–170, Caxias do Sul

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• 8672 Tenevo

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SANY Automobile Hoisting Machinery Co., LTD
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• Room 231, 2/F, No 2299 Yan' an Road West, Changning District, Shanghai
Palfinger Lifting Technology (Nantong) Co., Ltd.
• No. 189 Huanghe Road, Economic Development Zone, Rudong Nantong, Jiangsu

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• Avenue Descartes, 33370 Artigues près Bordeaux
Caridro Atlantique Sarl
• 9, Rue James Joule, 44400 Rezé
Caridro Centre Sarl
• 28, Rue Emile Leconte, 45140 Ingré
Caridro Ouest S.A.S.
• ZA de la Longueraie, 56140 Saint Abraham
Guima Herblay Sarl
• 4, Rue Édouard Branly, 95220 Herblay
Guima Palfinger S.A.S.
• 29A, Avenue des Tourondes, 82300 Caussade
Guima Provence Sarl
• Route de Marseille, 83170 Brignoles
Guima Sud Ouest S.A.S.
• 277, Chemin de Bordevielle, 31790 Saint Sauveur
MASCHE Sarl
• 20 Avenue de l'escouvrier, 95200 Sarcelles
MBB Inter S.A.S.
• Rue de l'Eglise, 61310 Silly en Gouffern
Nord Benne SARL
• Avenue Kuhlmann – BP 106, 59373 Loos Cedex
Palfinger France S.A.S.
• 125 rue de la roche colombe, 26800 Étoile sur Rhône Cedex
Palfinger Service Annecy S.A.S.
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Palfinger Service Paris S.A.S.
• 24 Avenue Condorcet, 91240 Saint Michel sur Orge

GERMANY

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Palfinger GmbH
• Feldkirchener Feld 1, 83404 Ainring
• Rauheckstrasse 4, 74232 Abstatt
• Industriestrasse 4, 89188 Merklingen
• Düsseldorfer Strasse 100, 47809 Krefeld
• Johann-Andreas-Schubert-Strasse 6, 02730 Ebersbach
• Köthener Strasse 33a, 06118 Halle/Saale
• Dirnismaning 34, 85748 Garching
• Bullerdeich 59, 20537 Hamburg

- Rudolfstrasse 16c, 10245 Berlin
- Merowingerstrasse 16, 85551 Kirchheim

Palfinger Platforms GmbH
- Düsseldorfer Strasse 100, 47809 Krefeld
- Äussere Bautzner Strasse 47, 02708 Löbau
- Halbendorfer Strasse 4, 02782 Seifhennersdorf
- Johann-Andreas-Schubert-Strassse 6, 02730 Ebersbach

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Norwegian Deck Machinery AS
- Ulvenvegen 34, 5210 Os, Norwegen
- Brendehaugen 6, 6065 Ulsteinvik

POLAND

Palfinger Dreggen Poland sp. z o.o.
- Kontenerowa 71, 81-155 Gdynia

QATAR

Megarme Qatar WLL
- Al Qadeem Street, Al Rayyan, Doha

ROMANIA

Nimet Srl
- Strada Targului 103, 137121 Lazuri, Dambovita

RUSSIA

INMAN AO
- 69 Pervomayskaya Street, City of Salavat, 453250, Respublika Bashkortostan
- 2 Pervootkryvateley Baschkirskoy Nefti, 453210, Ishimbay, Respublika Bashkortostan

Palfinger Crane Rus LLC
- Parkovaya Ulitza, 7, 196084, St. Petersburg

PALFINGER SANY Cranes OOO
- Fabriciusa 42, bld. 1, 125363 Moscow

Podjomnie Maschini ZAO
- 6, Kornienko street Velikiye Luki, Pskov region

Holding Company Lifting Machines ZAO
- Parkovaya Ulitza, 7, 196084, St. Petersburg

SMZ OOO
- 77, Nikolsky prospect, Archangelsk, Archangelsk region

Velmash-S OOO
- 6, Kornienko street Velikiye Luki, Pskov region

Konvek OOO
- 6, Kornienko street, Velikiye Luki, Pskov region

Palfinger Kama Cylinders OOO
- Yanaulskaya ul. 3, building 9, Neftekamsk, 452680, Republic of Bashkortostan

Crane Center Kamaz OOO
- Proizvodstvennyi proezd, 45, Nabereschnyje Tschelny, 423800, Republic of Tatarstan

SINGAPORE

Palfinger Asia Pacific Pte. Ltd.
- 3 International Business Park #05-25/26 Nordic European Centre, Singapore 609927
- 79 Joo Koon Circle, Singapore 629107

SLOVAKIA

MBB Palfinger s.r.o.
- Gogolova 18, 85101 Bratislava

SLOVENIA

Palfinger Marine d.o.o., Maribor
- Špelina Ulica 22, 2000 Maribor

Palfinger Proizvodnja d.o.o.
- Jaskova 18, 2001 Maribor

SOUTH KOREA

Palfinger Dreggen Korea Limited
- 20, Waeguk-kiup-ro, Sanam-myeon, Sacheon-si, Gyeongsangnam-do

TURKEY

Palfinger Sany International Mobile Cranes Sales GmbH Irtibat Bürosu
- Hakkı Yeten Cad. Selenium Plaza 10C Kat:6, 34349 Fulya, Beşiktaş, Istanbul

UNITED ARAB EMIRATES

Megarme General Contracting Company LLC
- Office # 101, Pizza Hut Building Sheikh Suroor Building, Khaleefa Street, PO Box 43814, Abu Dhabi

Mega Repairing Machinery Equipment LLC
- Office No. 320, Bruben Business Centre, Bur Dubai, Dubai Investment Park, PO Box 6396, Dubai

Megarme Inspection & Engineering Services LLC
Office No. 320, Bruben Business Centre, Bur Dubai, Dubai Investment Park, PO Box 6396, Dubai

USA

Composite Works, LLC
- 341 NW 122nd Street, Oklahoma City, OK 73114, Oklahoma

Equipment Technology, LLC
- 341 NW 122nd Street, Oklahoma City, OK 73114, Oklahoma

Palfinger Liftgates, LLC
- 15939 Piuma Avenue, Cerritos, CA 90703, California
- 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey

Omaha Standard, LLC
- 3501 South 11th Street, Council Bluffs, IA 51501, Iowa
- 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey

Palfinger, Inc.
- 14359 Miramar Parkway, Unit 353, Miramar, FL 33027, Florida

Palfinger USA, Inc.
- 4151 West State Route 18, Tiffin, OH 44883, Ohio

PalFleet Truck Equipment Company, LLC
- 4151 West State Route 18, Tiffin, OH 44883, Ohio
- 1420 Hildegarde Drive, Birmingham, AL 35215, Alabama
- 5178 Old Dixie Highway, Forest Park, Atlanta, GA 30297, Georgia
- 4101 Trailer Drive, Charlotte, NC 28269, North Carolina
- 3030 Irving Boulevard, Dallas, TX 75247, Texas
- 2770 Bluff Road, Indianapolis, IN 46225, Indiana
- 5620 Fern Valley Road, Louisville, KY 40228, Kentucky
- 2109 South 35th Street, Council Bluffs, IA 51501, Iowa
- 1801 Lebanon Pike, Nashville, TN 37210, Tennessee
- 572 Whitehead Road, Suite 301, Trenton, NJ 08619, New Jersey

Fair Wind Renewable Energy Services LLC
- 6862 NW Meers Porter Hill Road, Lawton, OK 73507, Oklahoma

VIETNAM

Palfinger Boats Vietnam Co. Ltd.
- Road 206, Section A, Pho Noi A Industrial Park, Van Lam District, Hung Yen

Palfinger Ned-Deck Vietnam Co. Ltd.
- 7 Phan Huy Chu, Hoan Kiem, Hanoi
- Road D2, Area D, IZ Pho Noi A, Hung Yen

As at 31 December 2015

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IFC = inside front cover

Bolje spriječiti nego liječiti.

(Croatian saying)

"An ounce of prevention
is worth a pound of cure."

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DEC 2015

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	Jan–Dec 2014[1]	Jan–Dec 2015
Revenue	30	1,063,421	1,229,892
Cost of sales	32, 38, 39, 40	(816,974)	(930,735)
Gross profit		**246,447**	**299,157**
Other operating income	31	23,511	16,920
Research and development costs	33, 39, 40	(25,250)	(24,221)
Distribution costs	34, 39, 40	(76,287)	(83,889)
Administrative costs	35, 39, 40	(90,634)	(94,498)
Other operating expenses	36	(15,848)	(17,056)
Income from companies reported at equity	37	4,140	7,962
Earnings before interest and taxes – EBIT		**66,079**	**104,375**
Interest income	41	763	1,730
Interest expenses for financial liabilities	41	(12,467)	(10,882)
Other interest expenses	41	(2,089)	(1,553)
Exchange rate differences	41	577	(732)
Other financial result	41	1,302	36
Net financial result		**(11,914)**	**(11,401)**
Result before income tax		**54,165**	**92,974**
Income tax expense	10, 42	(10,327)	(21,393)
Result after income tax		**43,838**	**71,581**
attributable to			
shareholders of PALFINGER AG (consolidated net result for the period)		**38,162**	**64,366**
non-controlling interests		**5,676**	**7,215**
EUR			
Earnings per share (undiluted and diluted)	59	1.04	1.73

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan–Dec 2014[1)]	Jan–Dec 2015
Result after income tax		**43,838**	**71,581**
Amounts that will not be reclassified to the income statement in future periods			
Remeasurements acc. to IAS 19	66	(5,577)	(465)
Deferred taxes thereon		1,446	(7)
Amounts that may be reclassified to the income statement in future periods			
Unrealized profits (+)/losses (–) from foreign currency translation of foreign subsidiaries		(9,980)	(3,119)
Unrealized profits (+)/losses (–) from foreign currency translation of companies reported at equity	46	15,998	8,150
Unrealized profits (+)/losses (–) from foreign currency translation of long-term loans to foreign subsidiaries (acc. to IAS 21.15)		2,736	4,018
Deferred taxes thereon		(1,504)	(1,450)
Effective taxes thereon		911	501
Profits (+)/losses (–) from cash flow hedge	61		
Changes in unrealized profits (+)/losses (–)		(19,468)	(11,612)
Deferred taxes thereon		3,112	1,904
Effective taxes thereon		1,972	778
Realized profits (–)/losses (+)		2,706	5,901
Deferred taxes thereon		14	(304)
Effective taxes thereon		(696)	(1,171)
Other comprehensive income after income tax		**(8,330)**	**3,124**
Total comprehensive income		**35,508**	**74,705**
attributable to			
shareholders of PALFINGER AG		**30,085**	**66,723**
non-controlling interests		**5,423**	**7,982**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	1 Jan 2014[1)]	31 Dec 2014[1)]	31 Dec 2015
Non-current assets				
Intangible assets	1, 16, 17, 18, 43	166,730	201,383	214,415
Property, plant and equipment	2, 17, 44	218,027	251,010	268,782
Investment property	3, 45	369	351	348
Investments in companies reported at equity	19, 37, 46	20,052	160,514	175,675
Other non-current assets	49	1,745	3,129	2,866
Deferred tax assets	10, 23, 47	19,704	18,627	14,784
Non-current financial assets	7, 28, 48	2,121	33,656	32,003
		428,748	**668,670**	**708,873**
Current assets				
Inventories	4, 22, 50	211,034	239,180	262,519
Trade receivables	5, 7, 20, 51	159,642	163,274	183,581
Other current receivables and assets	53	20,926	26,007	29,040
Income tax receivables	10	3,093	3,131	2,723
Current financial assets	7, 28, 52	468	1,406	4,077
Cash and cash equivalents	7, 54	13,376	20,757	21,551
		408,539	**453,755**	**503,491**
Total assets		**837,287**	**1,122,425**	**1,212,364**
Equity				
Share capital	55	35,730	37,593	37,593
Additional paid-in capital	11, 56	30,727	82,056	82,141
Treasury stock	57	(1,790)	(1,593)	(1,543)
Retained earnings	59, 60, 61	324,679	332,372	378,193
Foreign currency translation reserve	58	(20,853)	(12,631)	(5,372)
Total equity of the shareholders of PALFINGER AG		**368,493**	**437,797**	**491,012**
Non-controlling interests	62	11,202	16,853	19,646
Total equity		**379,695**	**454,650**	**510,658**
Non-current liabilities				
Liabilities from puttable non-controlling interests	6, 7, 26, 60, 63	17,370	23,372	0
Non-current financial liabilities	7, 64	184,431	327,291	331,472
Non-current purchase price liabilities from acquisitions	7, 27, 65	2,534	8,521	8,715
Non-current provisions	8, 9, 24, 66	36,028	40,865	43,114
Deferred tax liabilities	10, 47	6,888	5,615	9,648
Other non-current liabilities	67	4,561	3,062	2,569
		251,812	**408,726**	**395,518**
Current liabilities				
Liabilities from puttable non-controlling interests	6, 7, 26, 60, 63	0	0	8,701
Current financial liabilities	7	51,219	85,130	74,070
Current provisions	9, 25, 68	12,351	12,813	15,302
Income tax liabilities	10	5,160	4,902	9,472
Trade payables and other current liabilities	7, 69	137,050	156,204	198,643
		205,780	**259,049**	**306,188**
Total equity and liabilities		**837,287**	**1,122,425**	**1,212,364**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Equity attributable to the shareholders of PALFINGER AG Share capital	Additional paid-in capital
As at 1 Jan 2014 as reported		**35,730**	**30,727**
Adjustment acc. to IAS 8		0	0
As at 1 Jan 2014 adjusted		**35,730**	**30,727**
Total comprehensive income			
Result after income tax[1]		0	0
Other comprehensive income after income tax			
Unrealized profits (+)/losses (–) from foreign currency translation	68	0	0
Remeasurements acc. to IAS 19	66	0	0
Profits (+)/losses (–) from cash flow hedge	61	0	0
		0	**0**
		0	**0**
Transactions with shareholders			
Capital increase		1,863	51,192
Dividends	60	0	0
Reclassification non-controlling interests	6, 60, 63	0	0
Addition non-controlling interests		0	0
Disposal non-controlling interests		0	0
Other changes	7, 57	0	137
		1,863	**51,329**
As at 31 Dec 2014[1]		**37,593**	**82,056**
As at 1 Jan 2015[1]		**37,593**	**82,056**
Total comprehensive income			
Result after income tax		0	0
Other comprehensive income after income tax			
Unrealized profits (+)/losses (–) from foreign currency translation	68	0	0
Remeasurements acc. to IAS 19	66	0	0
Profits (+)/losses (–) from cash flow hedge	61	0	0
		0	**0**
		0	**0**
Transactions with shareholders			
Dividends	60	0	0
Reclassification non-controlling interests	6, 60, 63	0	0
Addition non-controlling interests		0	0
Acquisition of non-controlling interests		0	0
Other changes	7, 57	0	85
		0	**85**
As at 31 Dec 2015		**37,593**	**82,141**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustment with retrospective effect").

	Retained earnings				Equity attributable to the shareholders of PALFINGER AG		
Treasury stock	Other retained earnings	Remeasurements acc. to IAS 19	Valuation reserve acc. to IAS 39	Foreign currency translation reserve	Total	Non-controlling interests	Equity
(1,790)	**336,616**	**(4,126)**	**(1,477)**	**(20,929)**	**374,751**	**11,163**	**385,914**
0	(6,333)	0	0	75	(6,258)	39	(6,219)
(1,790)	**330,283**	**(4,126)**	**(1,477)**	**(20,854)**	**368,493**	**11,202**	**379,695**
0	38,162	0	0	0	38,162	5,676	43,838
0	0	0	0	8,223	8,223	(62)	8,161
0	0	(3,940)	0	0	(3,940)	(191)	(4,131)
0	0	0	(12,360)	0	(12,360)	0	(12,360)
0	**0**	**(3,940)**	**(12,360)**	**8,223**	**(8,077)**	**(253)**	**(8,330)**
0	**38,162**	**(3,940)**	**(12,360)**	**8,223**	**30,085**	**5,423**	**35,508**
0	0	0	0	0	53,055	0	53,055
0	(14,515)	0	0	0	(14,515)	(4,912)	(19,427)
0	1,397	0	0	0	1,397	(2,820)	(1,423)
0	(971)	0	0	0	(971)	6,757	5,786
0	0	0	0	0	0	1,211	1,211
197	(81)	0	0	0	253	(8)	245
197	**(14,170)**	**0**	**0**	**0**	**39,219**	**228**	**39,447**
(1,593)	**354,275**	**(8,066)**	**(13,837)**	**(12,631)**	**437,797**	**16,853**	**454,650**
(1,593)	**354,275**	**(8,066)**	**(13,837)**	**(12,631)**	**437,797**	**16,853**	**454,650**
0	64,366	0	0	0	64,366	7,215	71,581
0	0	0	0	7,259	7,259	841	8,100
0	0	(398)	0	0	(398)	(74)	(472)
0	0	0	(4,504)	0	(4,504)	0	(4,504)
0	**0**	**(398)**	**(4,504)**	**7,259**	**2,357**	**767**	**3,124**
0	**64,366**	**(398)**	**(4,504)**	**7,259**	**66,723**	**7,982**	**74,705**
0	(19,398)	0	0	0	(19,398)	(5,858)	(25,256)
0	1,999	0	0	0	1,999	(2,651)	(652)
0	(51)	0	0	0	(51)	3,466	3,415
0	3,804	0	0	0	3,804	(135)	3,669
50	3	0	0	0	138	(11)	127
50	**(13,643)**	**0**	**0**	**0**	**(13,508)**	**(5,189)**	**(18,697)**
(1,543)	**404,998**	**(8,464)**	**(18,341)**	**(5,372)**	**491,012**	**19,646**	**510,658**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Note	Jan–Dec 2014[1]	Jan–Dec 2015
Result before income tax		**54,165**	**92,974**
Write-downs (+)/write-ups (–) of non-current assets		38,254	40,959
Gains (–)/losses (+) on the disposal of non-current assets	31, 36	(600)	(622)
Interest income (–)/interest expenses (+)	41	13,793	10,705
Income from companies reported at equity	46	(4,140)	(7,962)
Expenses for stock option programme	11	11	2
Change in liability from puttable non-controlling interests	63	(1,230)	0
Other non-cash income (–)/expenses (+)		(9,886)	27
Increase (–)/decrease (+) of assets		(34,715)	(44,071)
Increase (+)/decrease (–) of provisions		(7,118)	2,704
Increase (+)/decrease (–) of liabilities		14,626	29,892
Cash flows generated from operations		**63,160**	**124,608**
Interest received		763	1,246
Interest paid		(13,226)	(10,935)
Dividends received from companies reported at equity	46	3,032	3,968
Income tax paid		(6,521)	(8,264)
Cash flows from operating activities	**13**	**47,208**	**110,623**
Cash receipts from the sale of intangible assets and property, plant and equipment		2,222	3,109
Cash payments for the acquisition of intangible assets and property, plant and equipment		(60,843)	(57,691)
Cash payments for the acquisition of subsidiaries net of cash acquired[2]		(35,179)	(8,224)
Cash payments for investments in companies reported at equity[2]	46	(122,742)	(1,317)
Cash receipts from the disposal of subsidiaries net of cash disposed of[2]		(67)	(21)
Cash receipts from the sale of securities		41	40
Cash receipts for other assets		144	836
Cash payments for other assets		(1,022)	(1,369)
Cash flows from investing activities		**(217,446)**	**(64,637)**
Capital increase minus issuing costs	55	52,729	0
Dividends to shareholders of PALFINGER AG	60	(14,515)	(19,398)
Dividends to non-controlling shareholders	62	(4,856)	(5,725)
Cash payments for the acquisition of non-controlling interests[2]	63	(2,635)	(11,723)
Cash receipts from the sale of own shares		0	22
Cash receipts from non-controlling shareholders		202	0
Cash receipts from the exercise of options under the stock option programme	11	366	139
Loans for the aquisition of interests		45,250	36,350
Repayment of loans for acquisitions		(5,389)	(20,342)
Long-term refinancing of redemptions and maturing short-term loans		80,000	50,000
Repayment of maturing/terminated loans		0	(60,000)
Issue of promissory note loans	64	105,000	0
Repayment of maturing/terminated promissory note loans		(72,500)	(4,500)
Cash payments for/cash receipts from other financial liabilities	64, 65, 66	(5,269)	(8,759)
Cash flows from financing activities		**178,383**	**(43,936)**
Total cash flows		**8,145**	**2,050**

1) see Scope of Consolidation, page 127.
2) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

EUR thousand		2014[1]	2015
Funds as at 1 Jan	**54, 13**	**13,376**	**20,757**
Effects of foreign exchange differences		(764)	(1,256)
Total cash flows		8,145	2,050
Funds as at 31 Dec	**54, 13**	**20,757**	**21,551**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

OPERATING SEGMENTS

The Management Board of PALFINGER AG manages the Group by dividing it into the regional operating segments EUROPEAN UNITS and AREA UNITS as well as the VENTURES unit. The structure of the operating segments follows the strategy of the Management Board and combines cash-generating units that are comparable on the basis of their economic features such as anticipated long-term margins, competitive position, products, etc.

EUROPEAN UNITS SEGMENT

The EUROPEAN UNITS segment comprises the following cash-generating units:

- Business area EMEA
- Business area Marine

The EUROPEAN UNITS segment comprises the business area EMEA (Europe, Middle East, Africa and Australia), under which the business units Loader Cranes, Timber and Recycling Cranes, Tail Lifts, Access Platforms, Hooklifts, Truck Mounted Forklifts, Railway Systems, Production and the distribution company in Germany are subsumed. This area includes the markets and business units already established.

In addition, this segment comprises the transregional Marine business area, composed of the business units Marine Cranes, Wind Cranes, Offshore Cranes, Winches & Offshore Equipment, Launch & Recovery Systems, Boats and Dealers and the business unit Rope Access.

The EUROPEAN UNITS segment is managed from Europe and primarily includes developed markets. The lion's share of value creation takes place in Europe with a focus on developing the most modern and efficient products. As a consequence, continued product enhancements and a cost-efficient and elastic value creation chain are the main priorities. The Group's strategic pillars of innovation and flexibility are united above all in this segment.

AREA UNITS SEGMENT

The AREA UNITS segment comprises the following cash-generating units:

- Business area North America (excl. ETI)
- ETI*
- Business area South America
- Business area Asia and Pacific
- Business area CIS

* ETI = Equipment Technology, LLC, Oklahoma City (US)

The AREA UNITS segment centres around the strategic pillar of internationalization. Given that the markets outside Europe are for the most part still being developed, growth is to be accelerated by the Group's own initiatives, partnerships and acquisitions. From a strategic point of view, this segment focuses on introducing customers to the PALFINGER products, i.e. establishing the PALFINGER technology in these markets and building up a suitable distribution structure.

VENTURES UNIT

In the VENTURES unit, PALFINGER bundles all future strategic projects at their development stage. The aim of separating this unit from the operating business is to guarantee a targeted focus on building up new fields of business and continuing market development. No revenue is reported in the VENTURES unit.

Amounts stated

The amounts stated for the purposes of segment reporting are in line with the accounting and valuation methods applied to the IFRS consolidated financial statements. EBIT is reported as segment result.

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

Transfer pricing

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

Transfer pricing for deliveries between subsidiaries is carried out at production cost based on standard capacity utilization plus a mark-up derived from a standardized functional and risk analysis.

Services are divided into different groups and then either charged on a cost basis (final account, cost contribution arrangement, lump sum payment) or using the mark-up method. Whether a profit mark-up may be charged depends on the allocation and on whether the service is a recurring routine function.

Unallocated amounts

Group financing and investment (financial receivables and liabilities, cash and cash equivalents as well as financial expenditure and income) and income taxes are controlled uniformly for the entire Group rather than being allocated to the individual operating segments.

EUR thousand	**EUROPEAN UNITS** Jan–Dec 2014	**AREA UNITS** Jan–Dec 2014	**VENTURES** Jan–Dec 2014	**Consolidation** Jan–Dec 2014	**Unallocated amounts** Jan–Dec 2014	**Total** Jan–Dec 2014
External revenue	720,340	343,081	0	0	0	1,063,421
Intra-group revenue	87,737	34	0	(87,771)	0	0
Total revenue	**808,077**	**343,115**	**0**	**(87,771)**	**0**	**1,063,421**
Depreciation, amortization and impairment[1]	(30,006)	(8,552)	0	0	0	(38,558)
thereof						
impairment	(2,124)	(385)	0	0	0	(2,509)
Income from companies reported at equity	2,913	1,227	0	0	0	4,140
EBIT[1]	74,965	10,028	(19,011)	97	0	66,079
Segment assets[1]	710,047	443,198	0	(108,398)	77,578	1,122,425
thereof						
investments in companies reported at equity	12,312	148,202	0	0	0	160,514
current capital assets	245,778	165,725	0	0	(9,050)	402,453
Segment liabilities[1]	174,158	179,077	0	(108,398)	422,938	667,775
thereof						
current capital liabilities	73,887	24,644	0	0	4,178	102,709
Investments in intangible assets and property, plant and equipment	41,035	19,828	0	0	0	60,863

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

EUR thousand	EUROPEAN UNITS Jan–Dec 2015	AREA UNITS Jan–Dec 2015	VENTURES Jan–Dec 2015	Consolidation Jan–Dec 2015	Unallocated amounts Jan–Dec 2015	Total Jan–Dec 2015
External revenue	833,771	396,121	0	0	0	1,229,892
Intra-group revenue	78,308	837	0	(79,145)	0	0
Total revenue	**912,079**	**396,958**	**0**	**(79,145)**	**0**	**1,229,892**
Depreciation, amortization and impairment	(28,874)	(12,081)	0	0	0	(40,955)
thereof						
impairment	0	0	0	0	0	0
Income from companies reported at equity	3,626	4,336	0	0	0	7,962
EBIT	107,021	13,999	(16,012)	(633)	0	104,375
Segment assets	753,123	492,068	0	(107,962)	75,135	1,212,364
thereof						
investments in companies reported at equity	13,287	162,388	0	0	0	175,675
current capital assets	267,551	185,196	0	0	(6,646)	446,101
Segment liabilities	221,882	163,125	0	(107,962)	424,661	701,706
thereof						
current capital liabilities	95,192	25,249	0	0	5,014	125,455
Investments in intangible assets and property, plant and equipment	37,018	23,990	0	0	0	61,008

The following table shows revenue broken down by product segment:

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Loader cranes	652,727	703,572
Hydraulic systems	410,694	526,320
Total	**1,063,421**	**1,229,892**

The product segment loader cranes is primarily composed of the products loader cranes, timber and recycling cranes, marine and wind cranes and the related service business. The hydraulic systems product group comprises, among other things, the products tail lifts, access platforms, hooklifts, truck mounted forklifts and railway systems as well as marine products such as boats, offshore and winches.

No single external customer contributes more than 10 per cent to external revenue.

Revenue broken down by geographical area is presented in Note (30).

INFORMATION ON GEOGRAPHICAL AREAS

Non-current assets can be broken down as follows:

EUR thousand	31 Dec 2014[1)]	31 Dec 2015
Intangible assets		
Austria	48,401	52,562
Germany	36,565	36,644
United Arab Emirates	22,986	25,047
North America[1)]	20,126	21,804
Russia	23,632	20,753
Norway	10,235	18,994
France	16,968	16,880
Other foreign countries	10,078	10,030
Romania[1)]	7,117	6,950
Netherlands	5,275	4,751
	201,383	**214,415**
Property, plant and equipment		
Austria	66,439	69,958
North America	39,202	53,002
Bulgaria	27,918	27,545
Other foreign countries	18,156	21,723
Germany	20,456	20,832
Slovenia	21,914	20,126
Russia	16,093	15,667
Romania	12,566	13,196
Brazil	11,696	9,643
Korea	6,516	6,866
Canada	5,573	6,124
France	4,480	4,099
	251,009	**268,782**
Investment property		
Germany	351	348
	351	**348**
Other non-current assets		
Austria	1,188	935
France	824	900
Other foreign countries	268	471
Brazil	493	372
Germany	67	103
India	110	64
Russia	179	21
	3,129	**2,866**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) “Adjustments with retrospective effect”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL REMARKS

PALFINGER AG is a publicly listed company headquartered in 5020 Salzburg, Austria, Franz-Wolfram-Scherer-Strasse 24. The main business activity is the production and sale of innovative lifting solutions for use on commercial vehicles and in the maritime field.

The consolidated financial statements of PALFINGER AG for the year ended 31 December 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). As these consolidated financial statements meet the criteria laid down in sec. 245a of the (Austrian) Business Code (UGB), the Company is not obliged to prepare financial statements in accordance with the provisions of the Code. All additional requirements according to sec. 245a para. 1 of the Business Code were complied with.

These consolidated financial statements were 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. The only exception was the associated company SANY Automobile Hoisting Machinery Co., Ltd. Given that the relevant information regarding this company will always become available only after PALFINGER has published the respective consolidated financial statements, it was decided that the results of the respective previous quarter would always be used when preparing the consolidated financial statements. Any key events that might take place between the date of the quarterly financial information included in these consolidated financial statements and the reporting date would be adequately taken into account.

Uniform accounting and valuation criteria were applied within the Group. The consolidated financial statements were prepared on the assumption that the Company would continue as a going concern. For the sake of a clearer presentation, items were aggregated for the purposes of the consolidated balance sheet, the consolidated income statement, the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows. The same items were then listed and explained separately in the notes, following the principle of materiality.

The consolidated balance sheet was structured in accordance with IAS 1, separating current from non-current assets and liabilities. Assets and liabilities were classified as current if they were likely to be realized or balanced within twelve months of the balance sheet date. The consolidated income statement was prepared according to the cost of sales method.

For the sake of clarity and comparability, all figures in the consolidated financial statements are, in principle, expressed in thousands of euros. Minimal arithmetic differences may arise from the application of commercial rounding to individual items and percentages.

The consolidated financial statements and the separate financial statements of the companies included were published in accordance with statutory requirements. The consolidated financial statements of PALFINGER AG for the year ended 31 December 2015 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, Austria. The consolidated financial statements for the year ended 31 December 2015 were released for submission to the Supervisory Board on 28 January 2016 by the Management Board of PALFINGER AG. It is the Supervisory Board’s task to review the consolidated financial statements and state whether it approves the consolidated financial statements for the year ended 31 December 2015.

CONSOLIDATION PRINCIPLES

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 companies controlled by PALFINGER AG as at 31 December of each year. A company controls another company when it has the power to decide on relevant activities, has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Associated companies and joint ventures are included according to the equity method. An associated company is a company on which PALFINGER AG may exercise significant influence by participating in its financial and operating policy decisions but over which it has no control or joint control. There is a rebuttable presumption that the investor holds 20 to 50 per cent of the voting power. 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 company hold rights to the net assets of such company.

The 10 per cent interest in SANY Automobile Hoisting Machinery Co., Ltd. is included in the consolidated financial statements at equity as an associated company. The significant influence results from rights granted to PALFINGER by way of contract such as, for instance, 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 know-how, and representation in the supervisory body.

LIMITATIONS IN CONNECTION WITH INTERESTS IN SUBSIDIARIES

PALFINGER granted a pre-emptive right to Mr. Palfinger sen. in the event of the sale of Palfinger systems units GmbH or of all shares held by PALFINGER in the Megarme companies. Moreover, Mr. Palfinger sen. was granted an option to acquire 19 per cent (of the total net assets of the Megarme companies) of the interests held by PALFINGER in the Megarme companies on the basis of their fair value. This option may be exercised no later than on 31 December 2016.

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

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2014	Direct investment[2] in per cent 2015	Indirect investment[3] in per cent 2014	Indirect investment[3] in per cent 2015	Curr.[4]
Fully consolidated companies						
PALFINGER AG, Salzburg, (AT)						EUR
Composite Works, LLC, Oklahoma City (US)	ETI	63.48	100.00	50.78	100.00	USD
EPSILON Kran GmbH., Salzburg (AT)	PEMEA	65.00	65.00	65.00	65.00	EUR
Equipment Technology, LLC, Oklahoma City (US)	PUSA	80.00	100.00	80.00	100.00	USD
FairWind Renewable Energy Services, LLC, Oklahoma (US) *(initial consolidation: 1 July 2015)*	PUSA	-	51.00	-	51.00	USD
Guima Palfinger S.A.S., Caussade (FR)	PEMEA	65.00	65.00	65.00	65.00	EUR
Holding Company Podyomnie Maschini ZAO, Archangelsk (RU)	VMS/PMH	100.00	100.00	60.00	60.00	RUB
INMAN AO, Ishimbay (RU)	PCIS	100.00	100.00	100.00	100.00	RUB
Konvek OOO, Velikiye Luki (RU)	VMS/PM	100.00	100.00	60.00	60.00	RUB
Madal Palfinger S.A., Caxias do Sul (BR)	PSAG	99.64	99.64	99.64	99.64	BRL
Mega Repairing Machinery Equipment LLC, Dubai (AE)	PSYSU	70.00	70.00	70.00	70.00	AED
Megarme General Contracting Company LLC, Abu Dhabi (AE)	PSYSU	70.00	70.00	70.00	70.00	AED
Megarme Inspection & Engineering Services LLC, Dubai (AE) *(initial consolidation: January 2015)*	PSYSU	-	70.00	-	70.00	AED
Megarme Qatar WLL, Qatar (QA)	PSYSU	70.00	70.00	70.00	70.00	QAR
MBB Palfinger s.r.o., Bratislava (SK)	MBB	100.00	100.00	100.00	100.00	EUR
MBB Inter S.A.S., Silly en Gouffern (FR)	PEMEA	100.00	100.00	100.00	100.00	EUR
MBB Interlift N.V., Erembodegem (BE)	MBB	100.00	100.00	100.00	100.00	EUR
MBB Palfinger GmbH, Ganderkesee (DE)	PEMEA	100.00	100.00	100.00	100.00	EUR
Nimet Srl, Lazuri (RO)	PPT	60.00	60.00	60.00	60.00	RON
Norwegian Deck Machinery AS, Os (NO) *(initial consolidation: 14 January 2015)*	PALMA	-	100.00	-	100.00	NOK
Omaha Standard, LLC, Council Bluffs (US)	PUSA	100.00	100.00	100.00	100.00	USD
PalAir GmbH, Salzburg, (AT)	PAG	100.00	100.00	100.00	100.00	USD
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 Boats B.V., Harderwijk (NL)	PND	80.00	80.00	80.00	80.00	EUR
Palfinger Boats Vietnam Co., Ltd., Hung Yen (VN)	BOATS	100.00	100.00	80.00	80.00	USD
Palfinger CIS GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Crane Rus LLC, St. Petersburg (RU)	PARUS	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 Dreggen AS, Bergen (NO)	PALMA	100.00	100.00	100.00	100.00	NOK
Palfinger Marine Do Brasil Ltda, Rio de Janeiro (BR)	PALMA	100.00	100.00	100.00	100.00	BRL
Palfinger Dreggen Korea, Limited, Sacheon (KR)	PALMA	100.00	100.00	100.00	100.00	KRW
Palfinger Dreggen Poland sp. z.o.o., Gdynia (PL)	PALMA	100.00	100.00	100.00	100.00	PLN
Palfinger Dreggen Pte. Ltd., Singapore (SG)	PALMA	100.00	-	100.00	-	SGD
Palfinger EMEA GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Europe GmbH, Salzburg (AT)	PEMEA	100.00	100.00	100.00	100.00	EUR
Palfinger GmbH, Ainring (DE)	PP/PEU	100.00	100.00	100.00	100.00	EUR

Company, registered office	Controlling company[1]	Direct investment[2] in per cent 2014	Direct investment[2] in per cent 2015	Indirect investment[3] in per cent 2014	Indirect investment[3] in per cent 2015	Curr.[4]
Fully consolidated companies						
Palfinger Gru Idrauliche S.r.l., Cadelbosco di Sopra (IT)	PEU	100.00	100.00	100.00	100.00	EUR
Palfinger, Inc., Niagara Falls (CA)	PNAG	100.00	100.00	100.00	100.00	USD
Palfinger Kama Cylinders OOO, Neftekamsk (RU) *(initial consolidation: 1 March 2015)*	PCIS	-	51.00	-	51.00	RUB
Palfinger Koch Montagens Industrialis Ltda., Cachoeirinha (BR)	PDB	60.00	60.00	60.00	60.00	BRL
Palfinger Liftgates, LLC, Cerritos (US)	PUSA	100.00	100.00	100.00	100.00	USD
Palfinger Lifting Technology (Nantong) Co., Ltd., Natong (CN) *(initial consolidation: 1 June 2015)*	PAP	-	100.00	-	100.00	CNY
Palfinger Marine GmbH, Salzburg (AT) *(formerly: Palfinger Marine- und Beteiligungs-GmbH)*	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Marine d.o.o., Maribor, Maribor (SI)	PALMA	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Pte.Ltd., Singapore (SG)	PALMA	100.00	-	100.00	-	SGD
Palfinger PM Holding GmbH, Salzburg (AT)	PCIS	60.00	60.00	60.00	60.00	EUR
Palfinger Ned-Deck B.V., Barneveld (NL)	PALMA	100.00	100.00	100.00	100.00	EUR
Palfinger Ned-Deck Vietnam Co. Ltd., Hanoi (VN)	PND	100.00	100.00	100.00	100.00	USD
Palfinger North America GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms GmbH, Krefeld (DE)	MBB/PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	PEMEA	100.00	100.00	100.00	100.00	EUR
Paflinger Platforms Italy S.r.l., Bolzano (IT)	PSUG	80.00	80.00	80.00	80.00	EUR
Palfinger Proizvodnja d.o.o., Maribor (SI)	PEMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Proizvodna Tehnologija Hrvatska d.o.o., Delnice (HR)	PEMEA	100.00	100.00	100.00	100.00	HRK
Palfinger Projects B.V., Elst (NL) *(formerly: Palfinger Marine Services B.V.)*	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Russland GmbH, Salzburg (AT)	PCIS	100.00	100.00	100.00	100.00	EUR
Palfinger (Shenzhen) Ltd., Shenzhen (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger South America GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger SLS Holding Pte. Ltd., Singapore (SG)	PAG	100.00	-	100.00	-	EUR
Palfinger S. Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger systems units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul (BR)	MP	100.00	100.00	99.64	99.64	BRL
Palfinger Trading (Shanghai) Co., Ltd., Shanghai (CN) *(initial consolidation: 1 April 2015)*	PAP	-	100.00	-	100.00	CNY
Palfinger USA, Inc., Tiffin (US)	PNAG	100.00	100.00	100.00	100.00	USD
PalFleet Truck Equipment Company, LLC, Birmingham (US)	OSI	100.00	100.00	100.00	100.00	USD
PM Engineering OOO, Velikiye Luki (RU)	SMZ OOO	100.00	-	60.00	-	RUB
Podyomnie Maschini ZAO, Velikiye Luki (RU)	PMH	100.00	100.00	60.00	60.00	RUB
Ratcliff Palfinger Ltd., Welwyn Garden City (UK)	PEMEA	100.00	100.00	100.00	100.00	GBP
SMZ OAO, Archangelsk (RU)	PM/HKPM	100.00	-	60.00	-	RUB
SMZ OOO, Archangelsk (RU)	VMS/HKPM	100.00	100.00	60.00	60.00	RUB
Velmash-S OOO, Velikiye Luki (RU)	PM/SMZ	100.00	100.00	60.00	60.00	RUB
Velmash ZAO, Velikiye Luki (RU)	SMZ OAO/HKPM	100.00	-	60.00	-	RUB

Company, registered office	Controlling company[1)]	Direct investment[2)] in per cent 2014	Direct investment[2)] in per cent 2015	Indirect investment[3)] in per cent 2014	Indirect investment[3)] in per cent 2015	Curr.[4)]
Companies reported at equity						
Associated companies						
Andrés N. Bertotto S.A.I.C., Río Tercero (AR)	PSAG	30.00	30.00	30.00	30.00	ARS
Dreggen (Hong Kong) Company Limited, Hong Kong	DREG	33.00	33.00	33.00	33.00	HKD[6)]
Palfinger Argentina S.A., Buenos Aires (AR)	MP	100.00	-	99.64	-	ARS[5)]
Palfinger France S.A.S., Étoile sur Rhône (FR)	PEMEA	49.00	49.00	49.00	49.00	EUR
Crane Center Kamaz OOO, Nabereschnyje Tschelny (RU) *(initial consolidation: 1 March 2015)*	PCIS	-	49.00	-	49.00	RUB
STEPA Farmkran Gesellschaft m.b.H., Elsbethen (AT)	PEMEA	45.00	45.00	45.00	45.00	EUR
SANY Automobile Hoisting Machinery Co., Ltd., Changsha City (CN)	PAP	10.00	10.00	10.00	10.00	CNY
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., Changsha (CN)	PAP	50.00	50.00	50.00	50.00	CNY
Other shareholdings						
Hubert Palfinger Technologies GmbH, Salzburg (AT) *(formerly: Palfinger systems GmbH)*	PSYSU	26.00	-	26.00	-	EUR
Palfinger Entraco systems Solution BV, Spijkenisse (NL)	HPT	50.00	-	13.00	-	EUR

1) Controlling company:
DREG = Palfinger Dreggen AS, Bergen (NO)
ETI = Equipment Technology, LLC, Oklahoma City (US)
BOATS = Palfinger Boats B.V., Barneveld (NL)
HKPM = Holding Company Podyomnie Maschini ZAO
MBB = MBB Palfinger GmbH, Ganderkesee (DE)
MP = Madal Palfinger S.A., Caxias do Sul (BR)
NDM = Norwegian Deck Machinery AS, Os (NO)
PND = Palfinger Ned-Deck B.V., Barneveld (NL)
OSI = Omaha Standard, LLC, Council Bluffs (US)
PAG = PALFINGER AG, Salzburg (AT)
PALMA = Palfinger Marine GmbH, Salzburg (AT)
PAP = Palfinger Asia Pacific Pte. Ltd., Singapore (SG)
PARUS = Palfinger Russland GmbH, Salzburg (AT)
PAUG = Palfinger Area Units GmbH, Salzburg (AT)
PCIS = Palfinger CIS GmbH, Salzburg (AT)
SMZ = SMZ OOO, Archangelsk (RU)
PDB = Palfinger Marine Do Brasil Ltda, Rio de Janeiro (BR)
PEMEA = Palfinger EMEA GmbH, Salzburg (AT)
PEU = Palfinger Europe GmbH, Salzburg (AT)
PSUG = Palfinger S. Units GmbH, Salzburg (AT)
PM = Podyomnie Maschini ZAO, Velikiye Luki (RU)
PMH = Palfinger PM Holding GmbH, Salzburg (AT)
PNAG = Palfinger North America GmbH, Salzburg (AT)
PP = Palfinger Platforms GmbH, Krefeld (DE)
PPT = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)
PSAG = Palfinger South America GmbH, Salzburg (AT)
PSV = Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)
PUSA = Palfinger USA, Inc., Tiffin (US)
HPT = Hubert Palfinger Technologies GmbH (AT)
PSYSU = Palfinger systems units GmbH (AT)
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) Company not fully consolidated due to negligible importance and sold in 2015
6) Company not consolidated due to negligible importance

NEWLY FOUNDED COMPANIES

In January 2015, Megarme Inspection & Engineering Services LLC, Dubai, was founded. Palfinger systems units GmbH holds an interest of 70 per cent in this company.

In April 2015, Palfinger Trading (Shanghai) Co., Ltd., Shanghai, China, was founded as a wholly-owned subsidiary of Palfinger Asia Pacific Pte. Ltd.

In June 2015, Palfinger Lifting Technology (Nantong) Co., Ltd, Rudong, China, was founded as a wholly-owned subsidiary of Palfinger Asia Pacific Pte. Ltd.

FairWind Renewable Energy Services, LLC, Oklahoma, USA, was founded in June and entered into the commercial register on 1 July. Palfinger USA, Inc. holds a 51 per cent interest in this company, the minority share of 49 per cent is held by the US company FairWind Holdings, LLC with its registered office in Lawton, Oklahoma. The company was established for the American wind service industry. The use of large access platforms can double or even triple the efficiency of service and maintenance work. To date, workman baskets or rope access technicians have been the main methods of access.

REORGANIZATIONS

These reorganizations did not have any impact on the scope of consolidation:

On 3 March 2015, the shares held by Palfinger Dreggen AS, Norway, in Palfinger Dreggen Do Brasil, Brazil, were taken over by Palfinger Marine GmbH, Salzburg. In early December, the Brazilian company Palfinger Dreggen Do Brasil Ltda was renamed Palfinger Marine Do Brasil Ltda.

On 28 August 2015, Velmash ZAO and PM Engineering OOO were merged into Velmash-S-OOO.

Effective 1 October 2015, Palfinger SLS Holding Pte. Ltd. and Palfinger Marine Pte. Ltd. were merged with Palfinger Asia Pacific Pte. Ltd.

On 15 October 2015, PALFINGER AG acquired Palfinger Marine Services B.V. from Palfinger Marine GmbH. Palfinger Marine Services B.V. was then renamed Palfinger projects B.V.

Effective 4 November 2015, Norwegian Deck Machinery Ulsteinvik AS was merged into Norwegian Deck Machinery AS.

In December 2015, all shares in the French company MBB Inter SAS were transferred from MBB Palfinger GmbH, Germany, to Palfinger EMEA GmbH, Austria.

In December 2015, the Russian company SMZ OAO was merged into SMZ OOO.

ACQUISITIONS IN 2015

NDM Group

On 18 December 2014, the contract on the acquisition of 100 per cent of the shares in Norwegian Deck Machinery AS, Os, Norway, and the company’s majority interests in the two subsidiaries Norwegian Deck Machinery Ulsteinvik AS and NDM Poland sp.z.o.o. was signed. The transaction was closed on 14 January 2015.

Norwegian Deck Machinery AS has achieved a prominent market position with the development of special winches as well as handling equipment for offshore vessels, offshore service vessels, and oil and gas rigs. One of the distinctive features of the systems developed by Norwegian Deck Machinery AS is the automatic compensation of wave movement, allowing for a safer and more efficient handling of loads. With this acquisition, PALFINGER has expanded its product portfolio in the marine sector.

At the time of acquisition, the purchase price was allocated on the basis of the estimated fair values as follows:

EUR thousand	2015
Purchase price paid in cash	8,506
Pro-rata net assets of non-controlling interests	40
Subtotal	**8,545**
Net assets	(2,118)
Goodwill	**6,427**

The goodwill associated with the acquisition primarily reflects the benefits expected from synergies in the field of distribution, from the potential arising from market expansion in the oil and gas industry, and from staff know-how.

The goodwill generated cannot be used for tax purposes.

At the time of acquisition, the net assets acquired, on the basis of the estimated fair values, were broken down as follows:

EUR thousand	Fair value
Non-current assets	
Intangible assets	1,940
Property, plant and equipment	30
Deferred tax assets	90
	2,060
Current assets	
Trade receivables	2,162
Other current receivables and assets	236
Cash and cash equivalents	74
	2,472
Non-current liabilities	
Deferred tax liabilities	329
	329
Current liabilities	
Current financial liabilities	282
Current provisions	113
Income tax liabilities	195
Trade payables and other current liabilities	1,496
	2,085
Net assets	**2,118**

The trade receivables taken over have a gross value of EUR 2,190 thousand. The impairment loss for probable bad debt is EUR 28 thousand.

Net cash flows from the acquisition were as follows:

EUR thousand	2015
Cash flows from operating activities	
Transaction costs	(111)
Cash flows from investing activities	
Purchase price paid in cash	(8,506)
Cash and cash equivalents	74
Net cash flows from the acquisition	**(8,543)**

Since the time of its initial consolidation the acquisition of the NDM Group has contributed EUR 17,265 thousand to the consolidated revenue of PALFINGER AG and EUR 887 thousand to the consolidated net result for the period.

KAMAZ

At the beginning of March 2015, the establishment of the two joint venture companies, agreed between PALFINGER and the Russian KAMAZ Group in August 2014, took legal effect with their entry in the Russian commercial register. This paved the way for the operational implementation of the cooperation between the PALFINGER Group and OJSC KAMAZ. KAMAZ is Russia's largest truck producer ranking 11th among the world's largest truck manufacturers. KAMAZ trucks are sold in the Russian market, with many also exported to Asia and Latin America.

The establishment of these two joint venture companies was a major step in consolidating and expanding PALFINGER's business in CIS. In KAMAZ, the Group has found a partner with good contacts in CIS. This region has already become a relevant market for PALFINGER. In line with its strategic objectives, PALFINGER is looking to expand local production and as a result local value creation.

Palfinger Kama Cylinders OOO

PALFINGER's stake in the company Palfinger Kama Cylinders OOO[1)] is 51 per cent. PALFINGER has acquired this interest in the existing cylinder production of KAMAZ in Neftekamsk in the Bashkortostan region and is investing in the modernization and expansion of the plants.

Palfinger Kama Cylinders OOO is included in the consolidated financial statements of PALFINGER AG as a fully consolidated company.

1) This name was chosen deliberately and results from the particularities of the Russian language.

At the time of acquisition, the preliminary purchase price allocation for the acquisition was made on the basis of the estimated fair values as follows:

EUR thousand	**2015**
Purchase price paid in cash	2,777
Pro-rata net assets of non-controlling interests	1,992
Subtotal	**4,769**
Net assets	(4,065)
Goodwill	**704**

The goodwill associated with the acquisition primarily reflects the benefits expected from synergies through the expansion of the value creation chain and from closer customer ties as well as the potential arising from market expansion in CIS.

The goodwill generated cannot be used for tax purposes.

The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for determining the fair values, in particular relating to property, plant and equipment, have been analysed in detail.

At the time of acquisition, the net assets acquired, on the basis of the preliminarily estimated fair values, were broken down as follows:

EUR thousand	**Fair value**
Non-current assets	
Property, plant and equipment	1,026
Deferred tax assets	54
	1,079
Current assets	
Cash and cash equivalents	2,985
	2,985
Net assets	**4,065**

Since the time of its initial consolidation Palfinger Kama Cylinders OOO has contributed EUR 2,531 thousand to the consolidated revenue of PALFINGER AG and –EUR 180 thousand to the consolidated net result for the period.

Crane Center Kamaz OOO

The PALFINGER Group holds 49 per cent and the KAMAZ Group 51 per cent in the company Crane Center Kamaz OOO, which specializes in truck bodies. The joint venture company equips trucks with loading and handling systems. In addition to the existing sales network of KAMAZ, the establishment of a separate network of dealers and service centres is planned. The company has its registered office in Nabereschnyje Tschelny in Tatarstan, not far from the headquarters of the KAMAZ Group.

The company is included in the consolidated financial statements at equity as an associated company.

At the time of acquisition, the preliminary purchase price allocation for the acquisition was made on the basis of the estimated fair values as follows:

EUR thousand	**2015**
Purchase price paid in cash	1,317
Subtotal	**1,317**
Pro-rata net assets	(1,493)
Negative difference	**(176)**

The negative difference was reported in the income statement under income from companies reported at equity.

Net assets include non-current assets in the amount of EUR 87 thousand and net working capital in the amount of EUR 2,927 thousand.

The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for determining the fair values have been analysed in detail.

Net cash flows from the establishment of the two joint ventures were as follows:

EUR thousand	2015
Cash flows from operating activities	
Transaction costs	(296)
Cash flows from investing activities	
Purchase price paid in cash	(4,094)
Cash and cash equivalents	2,985
Net cash flows from the acquisitions	**(1,405)**

ACQUISITIONS IN 2016

MYCSA Group

On 22 December 2015, with a view to taking over the Spanish PALFINGER dealer, a contract for the acquisition of 75 per cent of the shares in certain companies of the MYCSA Group was signed. PALFINGER holds a call option for the purchase of the remaining 25 per cent of the shares, which may be exercised in 2021. The closing of this transaction is scheduled to take place within the coming months, subject to the official approvals.

In the course of this transaction, the new subsidiary, PALFINGER Ibérica, will be founded. It will take over substantial parts of MYCSA and operate them under the umbrella of the PALFINGER Group. PALFINGER Ibérica will employ around 80 staff members at six locations and focus on the sale and servicing of truck mounted loader cranes, timber and recycling cranes, hooklifts, access platforms, and products from the marine division.

ACQUISITIONS IN 2014

In 2014, the acquisitions of Palfinger systems, Megarme, PM-Group Lifting Machines, SANY-Lifting-Business and Hidro-Grubert were carried out. For details see the 2014 Annual Report.

The acquisition of a 30 per cent share in the Argentinian company Andrés N. Bertotto S.A.I.C. was closed on 31 July 2014. Due to the purchase price allocation on the basis of a preliminary estimate of the fair value, goodwill of EUR 1,778 thousand was reported in the 2014 financial year. Within the valuation period, following the final determination of the fair values, goodwill increased to EUR 2,338 thousand. The investments in companies reported at equity remained unchanged.

In the course of the final purchase price allocation for Andrés N. Bertotto S.A.I.C. the pro-rata net assets decreased from EUR 1,331 thousand to EUR 771 thousand:

EUR thousand	2014	Adjustment	2014 adjusted
Purchase price paid in cash	746	0	746
Purchase price not yet fallen due	1,137	0	1,137
Contingent consideration not yet due (escrow account)	1,226	0	1,226
Subtotal	**3,109**	**0**	**3,109**
Pro-rata net assets	(1,331)	560	(771)
Goodwill	**1,778**	**560**	**2,338**

The net assets of Andrés N. Bertotto S.A.I.C. include non-current assets in the amount of EUR 1,330 thousand and net working capital in the amount of EUR 640 thousand.

All other amounts stated for the acquired net assets of the companies acquired in 2014 remained unchanged; no adjustments had to be made.

NON-CONTROLLING INTERESTS

On 15 May 2015, the remaining 20 per cent share in Equipment Technology, LLC, Oklahoma City, USA, was acquired from the former minority shareholder at a purchase price of EUR 11,255 thousand. The difference between the purchase price and the carrying amount of the liability from puttable non-controlling interests was directly recorded in equity as retained earnings. See also Note (62).

On 1 July 2015, the remaining 17.3 per cent share in Norwegian Deck Machinery Ulsteinvik AS, Ulsteinvik, Norway, was acquired from the minority shareholder at a purchase price of EUR 171 thousand. The difference between the purchase price and the carrying amount of the non-controlling interests came to –EUR 123 thousand and was directly recorded in equity as retained earnings.

In the beginning of December, the remaining 36.52 per cent of Composite Works, LLC, Oklahoma City, USA, were acquired from the minority shareholder at a purchase price of EUR 230 thousand. The difference between the purchase price and the carrying amount of the non-controlling interests came to –EUR 143 thousand and was directly recorded in equity as retained earnings.

OTHER SHAREHOLDINGS

On 1 April 2015, the remaining 26 per cent in Palfinger systems GmbH (now: Hubert Palfinger Technologies GmbH), Salzburg, were sold to Marine Systems Overseas Pte. Ltd., Singapore, at the amortized cost of EUR 1. Marine Systems Overseas Pte. Ltd., which was already the 59 per cent majority owner of Palfinger systems GmbH, is a company owned by Hubert Palfinger sen. The remaining 15 per cent in Palfinger systems GmbH are still held by the private foundation Palfinger Privatstiftung. The disposal had no effect on the financial position, cash flows and result of operations of PALFINGER AG. The collateralization of the receivables from Palfinger systems GmbH remains in full force and effect [see also Note (48)]. The 26 per cent non-controlling interest was held exclusively in order to provide security for the interests of PALFINGER AG as a creditor. Given the overall picture of the contractual agreements and the reduced minority rights, no significant influence could be exercised, despite the 26 per cent interest.

LIQUIDATIONS

In June 2015, Palfinger Dreggen Pte. Ltd., a wholly-owned subsidiary of Palfinger Marine GmbH with its registered office in Singapore, was liquidated.

DECONSOLIDATION

On 10 December 2015, all shares in NDM Poland sp.z.o.o. were sold to the local management at a purchase price of EUR 1 thousand. The impact on earnings from the deconsolidation of the company in the amount of EUR 21 thousand was reported under miscellaneous other operating expenses.

On 12 March 2015, Palfinger Argentina S.A. was sold.

Consolidation method

Business combinations are accounted for using the acquisition method. The cost of a business acquisition is calculated as the aggregate of the consideration transferred, measured at its acquisition-date fair value, and the non-controlling interests in the acquiree. For each business combination, PALFINGER AG measures the non-controlling interests in the acquiree either at their fair value or at the proportionate share of the identifiable net assets of the acquiree. Costs incurred in connection with the business combination are expensed.

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 provisions of the contract, the economic conditions and the general conditions prevailing at the time of the transaction.

For business combinations achieved in stages, the equity interest in the entity previously held by PALFINGER AG is remeasured at its fair value at the time of the transaction and the resulting gain or loss is recognized in the income statement.

The agreed contingent consideration is recognized at its fair value at the acquisition date. Subsequent changes in the fair value of a contingent consideration representing an asset or liability are recognized through the income statement in accordance with IAS 39.

Goodwill is initially measured at cost, this being 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 the income statement.

Following 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, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those cash-generating units.

Where goodwill is allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Earnings, assets and liabilities of associated companies and joint ventures are included in the consolidated financial statements applying the equity method. Investments in associated companies or joint ventures are reported in the balance sheet at cost after the adjustment to changes in the Group's share of net assets after acquisition and impairment losses. Losses exceeding the Group's investments in associated companies or joint ventures are not recognized unless the Group bears the economic risk. The goodwill relating to the associated company or joint venture is included in the carrying amount of this share and is neither amortized on a straight-line basis 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 reported as an equity transaction.

Intra-group accounts receivable and payable, income and expenses as well as inter-company profits and losses are fully eliminated.

Currency translation within the Group

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

Monetary assets and liabilities in foreign currencies are converted into the functional currency at every reporting period end date using the respective closing rates. All currency differences are recognized in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate of the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are converted using the exchange rate applicable at the time of determination of the fair value.

In line with IAS 21, financial statements of group companies reporting in foreign currencies are translated in accordance with the functional currency concept. The assets and liabilities are converted from the functional currency into euros using the respective middle rate at the balance sheet date. Goodwill arising from the acquisition of foreign subsidiaries is allocated to the acquired company and translated at the respective middle rate at the balance sheet date. The income statement items of the consolidated foreign companies are converted using average rates for the period.

Differences arising from the currency conversion of the pro-rata equity are recognized directly in other comprehensive income. In the event of the deconsolidation of a foreign company, these exchange rate differences are recognized in the income statement. 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 operation. Exchange rate differences arising on such monetary items are recognized directly in other comprehensive income. Upon 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:

	Exchange rate as at		Average exchange rate	
1 euro equals	**31 Dec 2014**	**31 Dec 2015**	**Jan–Dec 2014**	**Jan–Dec 2015**
BRL	3.2207	4.3117	3.1162	3.7024
GBP	0.7789	0.7340	0.8055	0.7284
NOK	9.0420	9.6030	8.3940	8.9953
RMB	7.5358	7.0608	8.1693	6.9924
RUB	72.3370	80.6736	51.4243	69.0427
USD	1.2141	1.0887	1.3255	1.1130

FAIR VALUE MEASUREMENT

PALFINGER measures financial instruments such as derivatives, contingent purchase price obligations and liabilities from puttable non-controlling interests at fair value on a recurring basis. The fair values of financial instruments recognized at amortized cost are stated in these notes under "Financial instruments".

The 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 measurement date. When measuring the 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 values by taking into account all assumptions that the market participants would use as a basis for pricing and proceeding on the assumption that the market participants would act in their own best economic interest.

A fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefit through such asset's highest and best use.

When determining a fair value, PALFINGER applies valuation techniques appropriate in the circumstances and for which sufficient data is available to measure the fair value, using, wherever possible, observable inputs.

The fair values recognized or reported 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 entity can access at the measurement date.

Level 2 – inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods used when preparing the consolidated financial statements of the PALFINGER Group are explained in the following:

Note	Balance sheet item	Accounting and valuation principles	Standard
(1)	**Intangible assets**		
	Intangible assets with definite useful lives	At amortized acquisition or manufacturing cost Straight-line amortization over useful lives In general 2-15 years Capitalized customer relationships 5-10 years An impairment test is carried out whenever there is any indication of impairment. If the reasons for the impairment cease to exist, corresponding reversals of the impairment loss are performed up to the level of amortized costs.	IAS 38 IAS 36
	Intangible assets with indefinite useful lives and intangible assets under development	Impairment-only approach: No amortization over the assets' useful lives on a systematic basis. An impairment test is carried out once a year and whenever there is any indication of impairment. If the reasons for the impairment cease to exist, corresponding reversals of the impairment loss are performed up to the level of amortized costs.	IAS 38 IAS 36
	Goodwill	Impairment-only approach (see above) In order to perform impairment tests, goodwill is allocated to cash-generating units. The essential standard applied for determining whether a unit qualifies as a cash-generating unit is the assessment of its technical and commercial independence in the generation of income. The impairment test of the cash-generating unit is carried out by comparing the amortized carrying amount (including the allocated goodwill) to the higher of either the fair value less 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. The value in use is calculated as the present value of relevant estimated future cash flows before tax for the next four to five years on the basis of the data obtained from internal medium-term corporate planning. Medium-term corporate planning is prepared every second year. In the years in which no medium-term corporate planning is done, the estimated cash flows are adjusted on the basis of a deviation analysis. The most recent strategic corporate planning was carried out in November 2014. After the detailed planning period, calculations are made using a perpetual annuity on the basis of the previous year's assumptions. The discount rate is derived from the weighted average cost of capital customary in the market, adjusted to the specific risks, on the basis of externally available capital market data. When determining the weighted average cost of capital, primarily externally available capital market data is used. If the calculated amount is less than the carrying amount, the impairment loss in the amount of the difference is allocated first 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 applied to the entire goodwill capitalized. When, in the course of an acquisition, non-controlling interests are reported at their fair values, the impairment is spread over the individual groups of shareholders. The allocation is made on the basis of the same key that is also applied when distributing the results of the subsidiary at hand among the shareholders, provided that the subsidiary under review is a cash-generating unit to which goodwill is allocated. According to IAS 36, once goodwill has been written down for impairment, no recovery of the goodwill value may be recognized in later periods.	IFRS 3 IAS 36
	Research and development	Research expenses are reported in the income statement when incurred. Development expenses made with a view to a significant further development of a product or a process are capitalized if the product or process is feasible both from a technological and commercial 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 the income statement when incurred. Capitalized development expenses of closed projects are reported at cost less accumulated amortization. As long as a development project is not yet completed, an impairment test of the capitalized amounts accrued is carried out annually or more frequently if circumstances indicate that an impairment loss might have occurred.	IAS 38 IAS 36

Note	Balance sheet item	Accounting and valuation principles	Standard
(2)	**Property, plant and equipment**	At amortized cost Besides direct costs, production costs also contain appropriate proportions of materials and manufacturing overhead costs and, in the case of qualifying assets, also borrowing costs. General administrative expenses are not capitalized. Straight-line depreciation over useful lives: Own buildings and investments in third-party buildings 20 –50 years Plants and machinery 3 –15 years Fixtures, fittings and equipment 3 –10 years In the case of asset disposals, the difference between the carrying amounts and the net realizable value is recognized in the income statement in 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 the impairment cease to exist, corresponding reversals of the impairment loss are performed up to the level of amortized cost.	IAS 16 IAS 36
	Government grants	Investment grants presented as reductions of acquisition and/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 Company will comply with the conditions attaching to it and that the grant will be received.	IAS 20
	Leases as lessees	The allocation of a leased asset to the lessor or lessee is based on the transfer of all material risks and rewards incidental to ownership of the asset. Finance lease: The leased objects are capitalized at the fair value or lower present value of the minimum lease payments at the time of acquisition; straight-line depreciation over useful lives Operating lease: Lease payments are recognized as an expense in earnings before interest and taxes (EBIT) in equal instalments over the term of the lease	IAS 17
	Borrowing costs	Capitalized if attributable to the acquisition or production of a qualifying asset	IAS 23
(3)	**Investment property**	Land or buildings held to earn rentals or for capital appreciation are measured at amortized cost less accumulated depreciation. Depreciation on the building is performed on a straight-line basis over a period of 25 years.	IAS 40 IAS 36 IFRS 13
(4)	**Inventories**	Valued at acquisition or production cost [see (2) Property, plant and equipment] or the lower net realizable value at the balance sheet date Materials and production supplies, and merchandise: moving average cost method Work in progress and finished goods: standard production costs; costs are reviewed regularly and adjusted if necessary	IAS 2
(5)	**Contract manufacturing and rendering of services**	Revenue is realized in accordance with the percentage of completion which is determined by means of the cost-to-cost method. When applying this method, sales and contract revenue are recognized in proportion of the manufacturing costs actually incurred 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. For technological and financial risks that might occur during the remaining term of the project, an individual estimate is made for each contract and the corresponding amounts are reported in estimated total costs. Imminent losses are realized when incurred if total contract costs are likely to exceed the contract revenue.	IAS 11 IAS 18
(6)	**Liabilities from puttable non-controlling interests**	Puttable or fixed-term equity interests in subsidiaries with a put option held by non-controlling shareholders of subsidiaries constitute financial liabilities. Initially, the liabilities are recognized at fair value, which, as a rule, corresponds to the fair value of the interest held by the non-controlling shareholder in the subsidiary at the time the obligation was entered into. The fair value is calculated internally using acknowledged calculation models applying market interest rates matching the respective maturities. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	IFRS 10 IAS 32 IAS 39

Note	Balance sheet item	Accounting and valuation principles	Standard
		Provided that the non-controlling shareholders are currently the beneficial owners of the interests, the results and payments are still attributed to the non-controlling interests and recognized acc. to IFRS 10. This is above all the case if PALFINGER and the non-controlling shareholder intend that the latter remain a non-controlling shareholder in the long term and profit from the increases in value recorded by the unit. At the balance sheet date, they are reclassified to liabilities, and differences, if any, between the non-controlling interest and the obligation are presented under retained earnings. If, however, the non-controlling shareholders are not the beneficial owners, they are presented as an accelerated acquisition and recognized acc. to IAS 39/IAS 32. This is primarily the case if the non-controlling shareholder and/or PALFINGER intend to exercise the put option. Measurement subsequent to initial recognition is made through the income statement. As at 31 December 2015 and 2014, these liabilities include exclusively puttable interests for which the non-controlling shareholders are the beneficial owners of the shares.	
(7)	**Financial instruments**	When they are recognized initially, financial assets are measured at fair value. In the case of financial investments that are not recognized at fair value through the income statement, transaction costs are recognized as well. These costs are directly allocable to the acquisition of the assets. The fair value is determined on the basis of market information available at the balance sheet date. The values listed may diverge from values realized later due to varying determinants. The fair value of financial assets and liabilities reflects the effects of the risk of non-performance by the counterparty. When determining the fair value of a financial asset, the banks' credit risks are taken into account on the basis of their ratings. The fair values of financial liabilities are determined taking into account the Company's own credit risk on the basis of the ratings made by the banks. Market values are available for all derivative financial instruments and securities. The fair values for all other financial instruments are determined on the basis of the discounted anticipated cash flows. Acquisitions or sales of financial assets are recognized at the trade date. Impairment losses for all financial instruments are recorded in the income statement. If there is no more need for impairment, the impairment losses recorded are reversed in the income statement, except in the case of "available for sale" equity instruments where impairment losses are reversed through other comprehensive income.	IAS 32 IAS 39 IFRS 7 IFRS 13
	Securities and other shareholdings	"Available for sale": Measurement subsequent to initial recognition at fair value; recognized in other comprehensive income. In the case of sales, the unrealized profit and/or loss that up to that point was reported under other comprehensive income will be reported in the income statement under other financial result.	
	Loans	"Loans and receivables": Measurement subsequent to initial recognition reported at amortized cost applying the effective interest method, if necessary less impairment losses	
	Receivables	"Loans and receivables": Measurement subsequent to initial recognition reported at amortized cost, if necessary less impairment losses that are recorded in allowance accounts	
	Cash and cash equivalents	Mark to market	
	Liabilities	Subsequent to initial recognition, liabilities are measured at amortized cost applying the effective interest method.	
	Non-current purchase price liabilities from acquisitions	Non-current purchase price liabilities from acquisitions are measured at fair value. The fair value is calculated internally using acknowledged calculation models applying market interest rates matching 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 satisfy the criteria for hedge accounting laid down in IAS 39 are classified as held for trading according to IAS 39 and recognized at their fair values through the income statement.	
	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 by means of forward foreign exchange contracts and interest swaps. The special hedge accounting principles as stipulated by IAS 39 are applied to ensure compensation on an accrual basis for the effects of hedged transactions and the hedging instruments in the income statement. The market values resulting at the balance sheet date after deduction of deferred taxes are reported in other comprehensive income and recognized as a reserve according to IAS 39. The reserve is reversed to income in line with future proceeds generated in the relevant financial year.	

Note	Balance sheet item	Accounting and valuation principles	Standard
(8)	**Long-term employment benefits**		IAS 19
	Defined benefit plans	Defined benefit plans apply to pension commitments in Austria, France and Germany as well as severance pay obligations in Austria, Slovenia, Bulgaria, South Korea, Qatar and the United Arab Emirates. Provisions for pensions and other post-employment benefits as well as for severance payments and anniversary bonuses are valued on the basis of an actuarial opinion prepared by an actuary as at the balance sheet date using the projected unit credit method. The discount rate with matching maturity is determined on the basis of the yield of first-class, fixed-interest industrial bonds, i.e. a rating of AA or higher. According to IAS 19, remeasurements are recognized as other comprehensive income if they relate to provisions for pensions and other post-employment benefits or for 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	Other long-term employment benefits refer primarily to collective bargaining commitments for payment of anniversary bonuses depending on years of service for the employees of Austrian and Slovenian companies and to bonus agreements concluded with the members of the Management Board and other executives. In accordance with IAS 19, remeasurements are recognized as employee benefits expenses in the income statement if they relate to provisions for anniversary bonuses.	
(9)	**Other provisions**	Provisions are reported at the anticipated settlement amount; non-current provisions are reported at their present value.	IAS 37
(10)	**Income tax**	Tax receivables and tax liabilities are offset when they relate to the same tax authority and the Company has a right to offset the items. Deferred taxes are reported according to the liability method and calculated using the respective country's applicable tax rate. Deferred tax assets are only recognized if it is probable that the relevant tax benefits will actually be realized. Deferred tax is calculated using the tax rate expected to apply at the balance sheet date when the temporary differences reverse. As a rule, all changes in taxes result in tax expenses and/or income. Taxes on items reported in other comprehensive income are reported in other comprehensive income. Taxes on items directly reported in equity are directly recognized in equity.	IAS 12

(11) Stock option programme

The Annual General Meeting on 25 March 2009 resolved to set up a stock option programme in the form of an equity-settled plan for members of the Supervisory and Management Boards. As provided for in the agreement, the 2009 stock option programme was terminated in 2014. Under the 2009 stock option programme, 36,122 options were exercised in 2014, and the remaining options lapsed. The same modalities as for exercise date 2 (2014) under the 2009 stock option programme applied to exercise date 2 under the 2010 stock option programme (see below).

The Annual General Meeting on 31 March 2010 resolved to grant 50,000 stock options to Christoph Kaml, member of the Management Board. As provided for in the agreement, this 2010 stock option programme was terminated in 2015. Under the 2010 stock option programme, 8,406 options were exercised in 2015, and the remaining options that could have been exercised under this programme lapsed.

The following applied to the 2010 stock option programme: In order to be able to exercise stock options, the average ratio of earnings before taxes (EBT) and revenue as reported in the consolidated financial statements of PALFINGER AG had to be at least 5 per cent for each of the three balance sheet dates preceding exercise date 2 in 2015. The maximum number of shares available for subscription was equivalent to the number of options issued. If the EBT ratio was less than 5 per cent, no options could be exercised and there was no entitlement to subscription. If the EBT ratio was 5 per cent, the entitled person enjoyed the right to exercise 25 per cent of his stock options at the relevant exercise date. If the EBT ratio exceeded 5 per cent, the number of stock options that could be exercised by a person at the relevant exercise date rose in linear progression up to an EBT ratio of 11 per cent.

The fair value of the options granted was recognized as an employee benefits expense over the vesting period and offset against additional paid-in capital in equity. The fair value was determined at the date the option was granted and expensed over a period during which the employees acquired the unconditional entitlement to the options granted (vesting period). The amount, which was to be reported as an expense, was adjusted to take into account the effect of anticipated employee turnover in order to reflect the expected actual number of options that could be exercised in the future. The reserve according to

IFRS 2 reflected accumulated employee benefits expenses. When the stock options lapsed, they were set off against retained earnings.

Thus, changes in stock options were as follows:

	Herbert Ortner		Christoph Kaml		Wolfgang Pilz		Martin Zehnder		Total	
Changes in stock options	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
As at 1 Jan	40,000	0	25,000	25,000	25,000	0	25,000	0	115,000	25,000
Options exercised	(16,054)	0	0	(8,406)	(10,034)	0	(10,034)	0	(36,122)	(8,406)
Options lapsed	(23,946)	0	0	(16,594)	(14,966)	0	(14,966)	0	(53,878)	(16,594)
As at 31 Dec	0	0	25,000	0	0	0	0	0	25,000	0
Exercise price of options exercised	10.12			16.57	10.12		10.12			
Share price at date of exercise	28.20			24.00	28.20		28.20			

(12) Recognition of revenue and expenses

Revenue arising from the provision of goods is recognized when all major risks and opportunities arising from the delivered object have been transferred to the buyer. Revenue from the provision of services refers to short-term services which are recognized when the service is rendered.

Operating expenses are recognized when the service is rendered or a delivery is received, or at the time the expenses are incurred. Interest is recognized using the effective interest method. For information on contract manufacturing and the rendering of services see Note (5).

(13) Consolidated statement of cash flows

The presentation of cash flows from operating activities in the consolidated statement of cash flows is based on the indirect method. The item funds corresponds to cash and cash equivalents.

Cash flows from operating activities rose, primarily as a result of the increase in profit before tax and the increase in accounts payable to the factor arising from incoming payments for sold receivables.

Other non-cash income and expenses included exchange rate differences, measurement effects and, in the previous year, income from deconsolidation.

Cash flows from investing activities improved mainly because of the lower volume of acquisitions.

Additions of intangible assets and property, plant and equipment include non-cash investments in the amount of EUR 3,317 thousand.

(14) Adjustments with retrospective effect

In the period 27 February to 2 December 2014, the consolidated financial statements for the year ended 31 December 2013 and the consolidated interim financial information for the period ended 30 June 2014 of PALFINGER AG were reviewed by the Austrian Accounting Reporting Enforcement Panel (Österreichische Prüfstelle für Rechnungslegung; OePR). The Austrian Financial Market Authority (FMA) then took over these proceedings and reviewed the aforementioned financial information in the period 18 March 2015 to 16 December 2015. According to the declaratory decision dated 16 December 2015, the FMA made the following declarations, which resulted in adjustments with retrospective effect to be made in the 2015 consolidated financial statements:

Upward revaluation of the stake in Nimet srl held before acquiring a controlling interest

In June 2013, PALFINGER acquired another 20 per cent in Nimet Srl. Through this transaction, PALFINGER, now holding a total share of 60 per cent, obtained control over Nimet Srl. When measuring the 40 per cent equity stake held in Nimet before the time of acquisition, reported as a step acquisition pursuant to IFRS 3.41 f., PALFINGER used the transaction price from the acquisition of the additional 20 per cent of the shares, which also constituted the fair value, as an estimate of the fair value pursuant to IFRS 13 of the previously held 40 per cent stake. Adjustments or discounts on the transaction price were not considered to be necessary. PALFINGER disclosed the described measurement accordingly in its 2013 Annual Report.

In its consolidated financial statements for the year ended 31 December 2013, PALFINGER AG used the transaction price payable for the stake with which PALFINGER AG obtained control over Nimet Srl as the basis for assessing the fair value of the stake held prior to the date of acquisition, and thus did not apply a non-controlling interest discount to the stake to be measured. PALFINGER AG overvalued the amount of the stake in the income statement by failing to make an adjustment. Thus goodwill was overvalued to the same extent. The unadjusted measurement of the stake in Nimet Srl held before obtaining control on the basis of a price payable for a stake with which control was obtained is in violation of IFRS 3.32 and IFRS 3.42 in conjunction with IFRS 13.69.

Assumptions relating to the useful life of the dealer network

When taking over Omaha Standard in 2008, PALFINGER also acquired the company's existing dealer network. This dealer and services network constituted a substantial asset for PALFINGER in connection with the acquisition. It was identified as an intangible asset and recognized separately from goodwill. PALFINGER did not regard the dealer network as a list of individual dealers (meaning customers) but as a self-perpetuating entity. As a consequence, it was assumed that the asset had an indefinite useful life for as long as there are sufficient products in need of servicing on the market.

As regards the business combination with Omaha Standard, Inc. carried out in 2008, PALFINGER AG recognized the intangible asset "dealer network" and failed to amortize this item in subsequent periods by invoking an indefinite useful life of the dealer network as a self-perpetuating entity. The assumed indefinite useful life did not take into account the fact that the acquired stock of dealer relationships would diminish in the course of time. Due to its limited useful life, this asset should have been amortized. The assumption of an indefinite useful life of the dealer network is in violation of IAS 38.88 and 38.90.

First-time application of IFRS 11

In the consolidated financial statements for the year ended 31 December 2013, the three joint ventures with SANY were included using the proportionate consolidation method in line with the IAS 31 standard applicable at that time. When IFRS 11 was applied for the first time as at 1 January 2014 and consequently the joint ventures had to be included in the consolidated financial statements using the equity method, no adjustment of the previous year's figures was made with retrospective effect as the impact of the first-time application of IFRS 11 on the consolidated financial statements was not considered to be material. This was also disclosed in the Annual Report and the 2014 Interim Report.

When applying IFRS 11 for the first time in its interim financial information for the period ended 30 June 2014, PALFINGER AG did not adjust the previous year's figures with reference to the lack of materiality. Thus, the joint ventures to be reported at equity were reported in the previous year using the proportionate consolidation method. Without adjusting the previous year's figures, in particular, the presentation of the development of the item "funds of cash and cash equivalents" in the statement of cash flows, was distorted between 31 December 2013 and 30 June 2014. The form of presentation of the figures for previous periods is in violation of IFRS11.C2.

The full wording of the decision, including the statements that did not have any impact on the 2015 consolidated financial statements, is disclosed on the website of PALFINGER AG.

The impact on the consolidated balance sheets as at 1 January 2014 and as at 31 December 2014 was as follows:

EUR thousand	**1 Jan 2014**	**Adjustment acquisition of Nimet**	**Adjustment dealer network**	**Adjustment IFRS 11**	**1 Jan 2014 adjusted**
Intangible assets	173,707	(4,946)	(2,031)		166,730
Property, plant and equipment	218,371			(344)	218,027
Investments in companies reported at equity	12,955			7,097	20,052
Other non-current assets	1,746			(1)	1,745
Deferred tax assets	20,206			(502)	19,704
Non-current financial assets	1,871			250	2,121
Non-current assets	**429,225**	**(4,946)**	**(2,031)**	**6,500**	**428,748**
Inventories	215,445			(4,411)	211,034
Trade receivables	163,792			(4,150)	159,642
Other current receivables and assets	21,557			(631)	20,926
Current financial assets	433			35	468
Cash and cash equivalents	15,965			(2,589)	13,376
Current assets	**420,285**			**(11,746)**	**408,539**
Total assets	**849,510**	**(4,946)**	**(2,031)**	**(5,246)**	**837,287**
Retained earnings	331,013	(5,044)	(1,292)	2	324,679
Foreign currency translation reserve	(20,929)	59	16	1	(20,853)
Total equity of the shareholders of PALFINGER AG	**374,751**	**(4,985)**	**(1,276)**	**3**	**368,493**
Non-controlling interests	11,163	39			11,202
Total equity	**385,914**	**(4,946)**	**(1,276)**	**3**	**379,695**
Non-current financial liabilities	184,681			(250)	184,431
Non-current provisions	38,592			(30)	38,562
Deferred tax liabilities	7,652		(755)	(9)	6,888
Non-current liabilities	**252,856**		**(755)**	**(289)**	**251,812**
Income tax liabilities	5,172			(12)	5,160
Trade payables and other current liabilities	141,998			(4,948)	137,050
Current liabilities	**210,740**			**(4,960)**	**205,780**
Total equity and liabilities	**849,510**	**(4,946)**	**(2,031)**	**(5,246)**	**837,287**

EUR thousand	31 Dec 2014	Adjustment acquisition of Nimet	Adjustment dealer network	31 Dec 2014 adjusted
Intangible assets	209,070	(4,933)	(2,753)	201,384
Non-current assets	**676,356**	**(4,933)**	**(2,753)**	**668,670**
Total assets	**1,130,111**	**(4,933)**	**(2,753)**	**1,122,425**
Retained earnings	338,966	(5,043)	(1,551)	332,372
Foreign currency translation reserve	(12,519)	66	(178)	(12,631)
Total equity of the shareholders of PALFINGER AG	**444,503**	**(4,977)**	**(1,729)**	**437,797**
Non-controlling interests	16,809	44		16,853
Total equity	**461,312**	**(4,933)**	**(1,729)**	**454,650**
Deferred tax liabilities	6,639		(1,024)	5,615
Non-current liabilities	**409,750**		**(1,024)**	**408,726**
Total equity and liabilities	**1,130,111**	**(4,933)**	**(2,753)**	**1,122,425**

The impact on the consolidated income statement and the consolidated statement of comprehensive income for 2014 was as follows:

EUR thousand	Jan–Dec 2014	Adjustment dealer network	Jan–Dec 2014 adjusted
Revenue	1,063,421		1,063,421
Cost of sales	(816,974)		(816,974)
Gross profit	**246,447**		**246,447**
Other operating income	23,511		23,511
Research and development cost	(25,250)		(25,250)
Distribution costs	(75,874)	(413)	(76,287)
Administrative costs	(90,634)		(90,634)
Other operating expenses	(15,848)		(15,848)
Income from companies reported at equity	4,140		4,140
Earnings before interest and taxes – EBIT	**66,492**	**(413)**	**66,079**
Net financial result	**(11,914)**		**(11,914)**
Result before income tax	**54,578**	**(413)**	**54,165**
Income tax expense	(10,481)	154	(10,327)
Result after income tax	**44,097**	**(259)**	**43,838**
attributable to			
shareholders of PALFINGER AG (consolidated net result for the period)	**38,421**	**(259)**	**38,162**

EUR			
Earnings per share (undiluted and diluted)	1.05	(0.01)	1.04

EUR thousand	Jan–Dec 2014	Adjustment	Jan–Dec 2014 adjusted
Result after income tax	**44,097**	**(259)**	**43,838**
Unrealized profits (+)/losses (–) from foreign currency translation of foreign subsidiaries	(9,798)	(182)	(9,980)
Other comprehensive income after income tax	**(8,148)**	**(182)**	**(8,330)**
Total comprehensive income	**35,949**	**(441)**	**35,508**
attributable to			
shareholders of PALFINGER AG	**30,531**	**(446)**	**30,085**
non-controlling interests	**5,418**	**5**	**5,423**

The impact on the 2014 consolidated statement of cash flows was as follows:

EUR thousand	Jan–Dec 2014	Adjustment dealer network	Adjustment IFRS 11	Jan–Dec 2014 adjusted
Result before income tax	**54,578**	**(413)**		**54,165**
Write-downs (+)/write-ups (–) of non-current assets	37,841	413		38,254
Other non-cash income (–)/expenses (+)	(9,896)		10	(9,886)
Increase (+)/decrease (–) of liabilities	14,623		3	14,626
Cash flows generated from operations	**63,147**		**13**	**63,160**
Income tax paid	(6,508)		(13)	(6,521)
Cash flows from operating activities	**47,208**			**47,208**
Cash receipts from the disposal of subsidiaries net of cash disposed of	(2,655)		2,589	(66)
Cash flows from investing activities	**(220,034)**		**2,589**	**(217,445)**
Total cash flows	**5,557**		**2,589**	**8,146**

EUR thousand	2014			2014 adjusted
Funds as at 1 Jan	**15,965**		**(2,589)**	**13,376**

(15) Standards and interpretations to be applied for the first time and/or in the future

The following new, revised and/or supplemented IASB standards and IFRS IC interpretations, whose application was mandatory for the first time in the 2015 financial year, are of no relevance for the consolidated financial statements of PALFINGER AG:

Standards/interpretations	Mandatory application in the EU	Endorsement status
Improvements to IFRS (2011–2013) (published in: December 2013)	1 January 2015	endorsed in December 2014

The following new, revised and/or supplemented IASB standards and IFRS IC interpretations that might be of relevance for PALFINGER have been issued but their application is not yet mandatory and/or they have not yet been endorsed by the European Commission. For this reason, they are not relevant for these consolidated financial statements:

Standards/interpretations	Mandatory application
IAS 1 Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (published in: January 2016)	1 Jaunary 2017
IAS 16 and IAS 41 Bearer Plants (published in: June 2014)	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (published in: May 2014)	1 January 2016
IAS 19 Defined Benefit Plans: Employee Contributions (published in: November 2013)	1 February 2015
IAS 27 Equity Method in Separate Financial Statements (published in: August 2014)	1 January 2016
IFRS 9 Financial Instruments (published in: July 2014)	1 January 2018
IFRS 10, 12 and 28 Investment Entities: Applying the Consolidation Exemption (published in: December 2014)	1 January 2016
IFRS 10/IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published in: Septenber 2014)	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (published in: May 2014)	1 January 2016
IFRS 14 Regulatory Deferral Accounts (published in: January 2014)	n/a
IFRS 15 Revenue from Contracts with Customers (publishing in: May 2014)	1 January 2018
IFRS 16 Leases (published in: January 2016)	1 January 2019
Improvements to IFRS (2010–2012) (published in: December 2013)	1 February 2015
Improvements to IFRS (2012–2014) (published in: September 2013)	1 January 2016

It is currently not planned to apply the above standards ahead of time.

IFRS 9 Financial Instruments provides for changes regarding the classification and measurement of financial instruments and the impairment of financial assets, and introduces new provisions regulating hedge accounting. PALFINGER expects the application of the new standard to result in minor changes in the posting approach.

IFRS 15 Revenue from Contracts with Customers governs the generation of revenue, thus replacing IAS 11 and IAS 18. The first-time application of this standard will result in an adjustment of internal processes at PALFINGER. The possible impact on revenue recognition, primarily with a view to the recognition of revenue over time, will be examined by the Company.

IFRS 16, which was issued in January 2016 and supersedes IAS 17, contains new rules on lease accounting. In the future, lessees will have to recognize assets and liabilities for most leases, irrespective of whether they classify as operating leases or finance leases according to the criteria of the former IAS 17. For lessors, there will only be minor accounting changes compared to IAS 17. PALFINGER is going to begin its detailed analysis of the effects of IFRS 16 in the near future.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of estimates and assumptions, which may influence the reported values of assets, liabilities and financial obligations at the balance sheet date, as well as the income and ex penses of the financial year. Actual results may differ from these estimates. The true and fair view principle is fully applied in the use of all estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in the following.

(16) Purchase price allocations

Purchase price allocations made in the course of acquisitions require assumptions as to the existence and measurement of the assets (primarily intangible assets), liabilities and contingent liabilities taken over. The main assumptions made when determining the fair values in the course of the purchase price allocation refer to the cash flows and the discount rate. Further details on the acquisitions made in 2015 are provided on pages 131 to 136.

(17) Impairment of non-financial assets

The impairment tests performed by PALFINGER regarding goodwill, intangible assets with indefinite useful lives and uncompleted capitalized development projects are based on calculations of the value in use, for the purpose of which a discounted cash flow model was applied. The recoverable amount strongly depends 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 under depreciation, amortization and impairment expenses. Further details on the impairment of non-financial assets are presented in Note (43) Intangible assets and Note (44) Property, plant and equipment.

(18) Development expenditure

Development expenditure is capitalized in accordance with the accounting and valuation method presented. The initial capitalization of these costs is based on the management's assessment that the development's feasibility from a technical and economic point of view is proven. This is usually the case when a product development project has reached a specific milestone of an existing project management model. For the purpose of determining the amount to be capitalized, the management makes assumptions on the amount of the expected future cash flows from the project, the discount rates to be applied and the time period in which the expected future benefits are to be received. The capitalized development expenditure included primarily development services in cranes, access platforms, tail lifts, services and railway systems. The impairment test is geared to the benefit of the individual assets, irrespective of the profit expectations of the entire area. Further details on capitalized development expenditure are presented in Note (43) Intangible assets.

(19) Investments in companies reported at equity

In the case of investments in companies reported at equity, assumptions and estimates are made for the purposes of the assessment of impairment. The recoverability of the share in SANY Automobile Hoisting Machinery depends on the development of the Chinese economy and on the success of the internationalization strategy. The development of the share will be influenced primarily by the performance of the construction industry in China. The progressing urbanization of the Chinese population and the necessary infrastructure projects resulting therefrom play a vital role in this connection. In the international markets, there are various political and macroeconomic risks that might have an influence on the assessment of the recoverability of the share in SANY Lifting-Business.

The economic and market environment of SANY Automobile Hoisting Machinery is marked by the changes experienced by the Chinese economy, which has no longer been able to record double-digit growth rates in recent years. The assumptions made for the purposes of the impairment test were based on the underlying assumption that the Chinese construction machinery market, in particular, would stabilize in the years to come and growth would be possible again. Despite the fact that demand declined in 2014 and 2015, PALFINGER sees further growth potential for SANY Automobile Hoisting Machinery in the mobile and crawler crane market due to the multitude of planned infrastructure projects and the upcoming 5-year plan for 2016-2020. Moreover, the company's share in the market for truck and crawler cranes is expected to grow due to the withdrawal of competitors and the internationalization and diversification strategy. For the above reasons, the temporary slump in demand and market is not seen as an indication for impairment of the investments.

The carrying amounts and further details on investments in companies reported at equity are described in Note (46) Investments in companies reported at equity.

(20) Measurement of receivables

Besides standardized measurement of receivables on the basis of experience regarding days overdue and country risk, the probability of receiving payment is taken into consideration by means of specific bad-debt allowances. In doing so, primarily previous experience with the respective customers, their creditworthiness and available collateral, if any, are taken into account. Impairment losses on receivables are presented in Note (51) Trade receivables. Bad debts are derecognized.

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

Revenue from contract manufacturing and the rendering of services is recognized in accordance with the percentage-of-completion method. When applying this method, PALFINGER estimates the share of services already performed by the balance sheet date in proportion to the overall scope of orders and the order costs yet to be incurred. Imminent losses are immediately recognized as expenses if total contract costs are likely to exceed the contract revenue. Especially in the case of technically complex and demanding projects, there is the risk that this estimate of total costs may deviate from the actual costs incurred. Further details on revenue generated from contract manufacturing and the rendering of services are available in Note (30) Revenue and Note (51) Trade receivables.

(22) Measurement of inventories

A standardized obsolescence measurement method was implemented in order to allow for the risk of obsoleteness. This method considers not only actual and planned consumption, minimum inventories and determinations of days stock on hand, but also alternative uses of materials. In addition, the commercial benefit of the existing inventories is reviewed on a case-by-case basis and, if necessary, additional impairment losses are recorded on the basis of long-term storage, limited sales channels or defects in quality. In addition, a systematic review of finished goods is carried out with a view to achieving a loss-free measurement, which is basically characterized by the expected sales prices, currency developments, the time of selling and the costs yet to be expected. Further details on impairment losses recognized for inventories are presented in Note (50) Inventories.

(23) Deferred tax assets

Deferred tax assets are reported for all unused tax-loss carry forwards in the amount of taxable income probably available so that the loss carry forwards may actually be used. In the case of loss carry forwards not subject to expiry, their usability during the next five years is taken as the decisive factor. For the purpose of determining the amount of the deferred tax asset that may be capitalized, material judgements by the management on the anticipated time of occurrence and the amount of the future taxable income as well as on the future tax planning strategies are required. Further details on deferred taxes are disclosed in Note (47) Deferred tax assets and liabilities.

(24) Pensions, severance payments and anniversary bonuses

The expenses for defined benefit plans and statutory obligations upon 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 on discount rates, future increases in wages and salaries, mortality and future increases in pension payments. Each reporting date, these assumptions are reviewed. For the purpose of determining the adequate discount rate, the management uses long-term market interest rates. The mortality rate is based on publicly available mortality tables for the respective countries. The future increases in wages and salaries as well as pension payments are based on the anticipated future inflation rates for the respective countries. Further details on the assumptions used are presented in Note (66) Non-current provisions.

(25) 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 influenced considerably by the time of occurrence of the warranty claim, specific product replacement campaigns, refund quotas of suppliers, the development of the revenue subject to warranty and assumptions of gross profit margins on the basis of the implemented warranty process. Provisions for guarantee and warranty expenses are presented in Note (68) Current provisions.

(26) Liabilities from puttable non-controlling interests

This item comprises puttable and fixed-term equity interests with put options that are reported at fair value. As their fair value depends on the development of earnings of the entities concerned, a change in fair value may become necessary should the development be different than expected. These estimates are based on the medium-term corporate strategic planning of the PALFINGER Group. For details, please refer to Note (63) and the disclosures regarding financial instruments (70).

(27) Non-current purchase price liabilities from acquisitions

The item non-current purchase price liabilities from acquisitions comprises purchase price portions not yet fallen due that depend on the future development of the earnings of the acquired entities. Therefore, a change in the expected underlying values may result in an adjustment of the reported values through the income statement. These estimates are based on the medium-term corporate strategic planning of the PALFINGER Group. For details, please refer to Note (65) and the disclosures regarding financial instruments.

(28) Cash flow hedge

For the purposes of cash flow hedge accounting, a high probability of the respective future cash flows' actually occurring is assumed. Details are disclosed in Note (70) Financial instruments.

(29) Changes in estimates

No major changes in estimates were made in the 2015 financial year. However, see also Note (14) Adjustments with retrospective effect.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(30) Revenue

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
European Union	522,418	585,505
Rest of Europe	50,437	63,890
North America	219,047	286,582
Central and South America	62,151	43,477
CIS	60,056	67,773
Middle East and Africa	49,409	55,836
Far East	99,903	126,829
Total	**1,063,421**	**1,229,892**

The classification by geographical area is governed by the customer's registered office. Revenue of EUR 58,010 thousand (previous year: EUR 44,792 thousand) was achieved with Austrian customers.

Revenue recorded in the European Union increased primarily in the business units Loader Cranes, Access Platforms, and Timber and Recycling Cranes as well as in the Marine business area. The increase achieved in the rest of Europe chiefly relates to the Marine business area in Norway, where the acquisition of the NDM Group was an important factor. Thanks to PALFINGER's consistent implementation of its internationalization strategy, revenue generated outside Europe has been continuously rising. In North America, PALFINGER managed to increase revenue by approx. 30 per cent. Around one-third of these gains were generated by organic growth of revenue and roughly two-thirds were caused by the appreciation of the US dollar. The decline in Central and South America was predominantly due to the weak economy. In the Far East, revenue increased as a result of higher sales achieved by the business units Loader Cranes and Railway Systems from Europe to China and Hong Kong, as well as sales to the Chinese joint venture with Sany.

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Revenue invoiced	999,630	1,106,553
Revenue from contract manufacturing and rendering of services	63,791	123,339
Total	**1,063,421**	**1,229,892**

Revenue from contract manufacturing rose primarily in the Railway Systems business unit and the Marine business area, among other things as a result of the acquisition of the NDM Group. Revenue arising from the rendering of services came from Megarme and related to services recognized under the percentage of completion method.

(31) Other operating income

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Income from the disposal of intangible assets and property, plant and equipment	1,030	948
Income from the reversal of impairment losses on intangible assets and property, plant and equipment	273	0
Income from the reversal of contingent purchase price obligations	2,709	0
Income from charges for services	2,183	2,321
Exchange rate differences	4,968	9,023
Insurance income	530	354
Rental income	356	376
Income from deconsolidation	7,725	0
Miscellaneous other operating income	3,737	3,898
Total	**23,511**	**16,920**

In 2014, other operating income of EUR 2,709 thousand related to the reversal of purchase price liabilities from acquisitions, as the local results generated by the unit made the utilization of this liability unlikely.

Income from charges for services mostly resulted from the provision of after-sales services and guarantee services.

For details on exchange rate differences, see Note (70) Financial instruments, item 3 Foreign exchange risk.

(32) Cost of sales

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Changes in inventories and own work capitalized	9,518	11,327
Materials and external services	(547,125)	(632,636)
Employee benefits expenses	(179,131)	(199,385)
Depreciation, amortization and impairment	(26,181)	(30,190)
Outgoing freight costs	(17,798)	(18,499)
Guarantees and warranties	(11,104)	(10,855)
Repairs and maintenance	(7,898)	(9,948)
Rentals and leases	(5,375)	(6,947)
Commissions	(4,712)	(5,331)
Temporary workers and other third-party services	(6,159)	(7,191)
Energy infrastructure	(5,122)	(5,728)
Travel expenses	(5,292)	(4,676)
Vehicle fleet	(2,608)	(2,925)
Consultancy services	(2,877)	(1,751)
Miscellaneous other expenses	(5,110)	(6,000)
Total	**(816,974)**	**(930,735)**

Cost of sales increased slightly less than revenue, which is why the gross profit margin went up from 23.2 per cent to 24.3 per cent.

(33) Research and development costs

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Changes in inventories and own work capitalized	7,943	9,905
Materials and external services	(998)	(761)
Employee benefits expenses	(24,818)	(26,850)
Depreciation, amortization and impairment	(1,281)	(1,416)
Income from research grants	2,572	1,379
Consultancy services	(3,838)	(2,231)
Temporary workers and other third-party services	(1,757)	(1,486)
Travel expenses	(1,180)	(937)
Miscellaneous other expenses	(1,893)	(1,824)
Total	**(25,250)**	**(24,221)**

This item includes research costs, development costs that cannot be capitalized, and product management costs.

Amortization and impairment of development costs in the amount of EUR 4,243 thousand (previous year: EUR 3,454 thousand) is reported under cost of sale. Therefore, total research and development expenses come to EUR 28,464 thousand (previous year: EUR 28,704 thousand), hence 2.3 per cent (previous year: 2.7 per cent) of revenue.

(34) Distribution costs

EUR thousand	Jan–Dec 2014[1)]	Jan–Dec 2015
Changes in inventories and own work capitalized	(90)	(81)
Materials and external services	(1,481)	(1,792)
Employee benefits expenses	(44,630)	(51,164)
Depreciation, amortization and impairment	(4,760)	(4,823)
Advertising, representation and market costs	(8,672)	(8,535)
Travel expenses	(5,881)	(6,627)
Temporary workers and other third-party services	(1,664)	(1,234)
Vehicle fleet	(2,411)	(2,536)
Transport costs	(1,496)	(1,657)
Consultancy services	(1,410)	(1,265)
Office and IT expenses	(1,269)	(1,309)
Miscellaneous other expenses	(2,523)	(2,866)
Total	**(76,287)**	**(83,889)**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

(35) Administrative expenses

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Changes in inventories and own work capitalized	(21)	618
Materials and external services	159	(38)
Employee benefits expenses	(50,339)	(53,715)
Depreciation, amortization and impairment	(6,337)	(4,527)
Consultancy services	(6,638)	(7,919)
Temporary workers and other third-party services	(6,082)	(5,803)
Office and IT expenses	(6,099)	(5,831)
Travel expenses	(3,462)	(3,817)
Vehicle fleet	(2,895)	(2,637)
Advertising, representation and market costs	(1,288)	(1,686)
Rentals and leases	(2,744)	(3,475)
Taxes other than those on income	(1,767)	1,877
Insurance	(1,432)	(1,953)
Repair and maintenance	(1,119)	(1,159)
Bank charges	(863)	(963)
Miscellaneous other expenses	293	(3,470)
Total	**(90,634)**	**(94,498)**

FEES CHARGED BY THE AUDITOR

For services provided in the 2015 financial year by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. – the auditor of the consolidated financial statements – as well as by the businesses of the global Ernst & Young network, the following fees were recognized as expenses:

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Audit of the consolidated financial statements and related certification services (including reviews)	(782)	(709)
of which Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.	(400)	(233)
Tax advice	(165)	(194)
Other services	(26)	(106)
Total	**(973)**	**(1,009)**

(36) Other operating expenses

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Losses on the disposal of intangible assets and property, plant and equipment	(471)	(366)
Losses on bad debt and impairment losses	(2,251)	(2,779)
Exchange rate differences	(5,781)	(8,738)
Damage costs	(502)	(325)
Expenses in connection with other income	(1,269)	(811)
Allocation default reserve from factoring	(272)	0
Allocation provision for legal disputes	(656)	(94)
Contractual penalty	(306)	(386)
Miscellaneous other operating expenses	(4,340)	(3,557)
Total	**(15,848)**	**(17,056)**

(37) Income from companies reported at equity

Income from associated companies and joint ventures included according to the equity method is comprised of the following:

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Share in the net result for the period	4,140	7,786
Negative difference from initial consolidation	0	176
Total	**4,140**	**7,962**

(38) Materials and external services

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Cost of materials	(510,774)	(590,186)
Cost of external services	(38,671)	(45,041)
Total	**(549,445)**	**(635,227)**

For details on the impairment losses on inventories reported under cost of materials, see Note (50) Inventories. Cost of materials primarily relates to metal components such as sheets, pipes and profiles, as well as purchased parts, and electrical and hydraulic components.

(39) Employee benefits expenses

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Wages and salaries	(230,647)	(255,648)
Expenses for severance payments	(2,391)	(3,547)
Pension expenses	(1,763)	(2,335)
Expenses for statutory social security contributions and other pay-related contributions	(49,024)	(53,036)
Other employee benefits	(15,093)	(16,548)
Total	**(298,918)**	**(331,114)**

Expenses for severance payments include payments made under defined contribution plans in the amount of EUR 964 thousand (previous year: EUR 1,041 thousand), which, in turn, include payments made to external severance pay funds for employees, totalling EUR 732 thousand (previous year: EUR 741 thousand).

Pension expenses include expenses under defined contribution plans amounting to EUR 2,145 thousand (previous year: EUR 1,881 thousand).

EUR 2 thousand (previous year: EUR 11 thousand) in employee benefits expenses relating to the granting of stock options as part of the stock option programme and in accordance with IFRS 2 were reported in the 2015 financial year.

(40) Depreciation, amortization and impairment expenses

EUR thousand	Jan–Dec 2014[1)]	Jan–Dec 2015
Depreciation and amortization	(36,049)	(40,955)
Impairment	(2,509)	0
Total	**(38,558)**	**(40,955)**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) “Adjustments with retrospective effect”).

The development of depreciation, amortization and impairment is discussed in detail in Note (43) Intangible assets, Note (44) Property, plant and equipment and Note (45) Investment property.

(41) Interest result and other financial result

The following table shows the net interest result and other financial result:

Jan–Dec 2014		Financial instruments acc. to IAS 39	
EUR thousand	**Gesamt**	**Loans and receivables**	**Financial liabilities at amortized cost**
Interest income	763	763	0
Interest expenses from financial liabilities	(12.467)	0	(12.217)
Other interest expenses	(2.089)	0	0
Interest result	**(13.793)**	**763**	**(12.217)**
Income from the disposal of financial assets	1.271	0	0
Write-up of financial assets	31	0	0
Exchange rate differences	577	991	0
Net result	**1.879**	**991**	**0**
Net financial result	**(1.914)**	**1.754**	**(12.217)**

Jan–Dec 2015		Financial instruments acc. to IAS 39	
EUR thousand	**Total**	**Loans and receivables**	**Financial liabilities at amortized cost**
Interest income	1,730	1,730	0
Interest expenses from financial liabilities	(10,882)	0	(10,648)
Other interest expenses	(1,553)	0	0
Interest result	**(10,705)**	**1,730**	**(10,648)**
Income from the disposal of financial assets	40	0	0
Write-up of financial assets	0	0	0
Impairment of financial assets	(4)	0	0
Exchange rate differences	(732)	(592)	0
Net result	**(696)**	**(592)**	**0**
Net financial result	**(11,401)**	**1,138**	**(10,648)**

Financial instruments acc. to IAS 39				
Available for sale	Held for trading / other derivatives	Other non-current provisions & purchase price liabilities	Non-current provisions acc. to IAS 19	Finance lease
0	0	0	0	0
0	0	0	0	(250)
0	(225)	(855)	(1,009)	0
0	**(225)**	**(855)**	**(1,009)**	**(250)**
41	1,230	0	0	0
31	0	0	0	0
0	(414)	0	0	0
72	**816**	**0**	**0**	**0**
72	**591**	**(855)**	**(1,009)**	**(250)**

Financial instruments acc. to IAS 39				
Available for sale	Held for trading / other derivatives	Other non-current provisions & purchase price liabilities	Non-current provisions acc. to IAS 19	Finance lease
0	0	0	0	0
0	0	0	0	(234)
0	0	(699)	(854)	0
0	**0**	**(699)**	**(854)**	**(234)**
40	0	0	0	0
0	0	0	0	0
(4)	0	0	0	0
0	118	(258)	0	0
36	**118**	**(258)**	**0**	**0**
36	**118**	**(957)**	**(854)**	**(234)**

(42) Income tax expense

The rate of corporation tax applicable to the parent company, PALFINGER AG, remained at 25 per cent, which is the same rate as in the previous year:

EUR thousand	Jan–Dec 2014[1)]	Jan–Dec 2015
Effective tax expense (–)/income (+)	(7,979)	(12,942)
thereof from previous years	615	(440)
thereof from the use of tax-loss carry forwards so far not used	0	388
Deferred tax expense (–)/income (+)	(2,348)	(8,451)
thereof from the recognition of tax-loss carry forwards from previous years	20	201
thereof due to tax rate changes	(132)	140
thereof from the adjustment of tax-loss carry forwards	(21)	0
Total	**(10,327)**	**(21,393)**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

The difference between the book income tax expense and the effective income tax expense in the financial year, as shown in the consolidated income statement, is calculated as follows:

EUR thousand	Jan–Dec 2014[1]	Jan–Dec 2015
Result before income tax	**54,165**	**92,974**
Tax rate payable by the Group	25.0%	25.0%
Book income tax expense	**13,541**	**23,243**
Adjustment to foreign tax rates	(1,107)	(831)
Tax-reducing factors		
Research and education allowances	(554)	(586)
Investment grants	(530)	(246)
Tax rate changes	(140)	(299)
Tax-free income from investments	(1,035)	(1,991)
Reversal of non-taxable provisions	(1,227)	(64)
Other income not subject to tax	(206)	(358)
Recognition and use of loss carry forwards from previous years	(20)	(590)
Income tax from previous years	(1,187)	(496)
Valuation of investments and intra-group transfers of investments	(625)	0
	(5,524)	**(4,629)**
Tax-increasing factors		
Tax rate changes	8	15
Non-capitalized loss carry forwards	1,175	509
Impairment of loss carry forwards	21	0
Non-tax-deductible expenses	1,064	1,455
Minimum taxes	250	153
Income tax from previous years	573	678
Non-deductible withholding taxes	326	58
Consolidation effects	0	332
Other tax-increasing factors	0	410
	3,417	**3,610**
Income tax expense	**10,327**	**21,393**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

NOTES TO THE CONSOLIDATED BALANCE SHEET

(43) Intangible assets

The following table shows the movement in intangible assets:

EUR thousand	**Goodwill**[1)]
Acquisition costs	
As at 1 Jan 2014[1)]	**104,304**
Corporate acquisitions and disposals	22,960
Additions	0
Disposals	0
Reclassifications	0
Foreign currency translation	(6,427)
As at 31 Dec 2014[1)]	**120,837**
As at 1 Jan 2015	**120,837**
Corporate acquisitions	7,131
Additions	0
Disposals	0
Reclassifications	0
Foreign currency translation	(638)
As at 31 Dec 2015	**127,330**
Accumulated amortization and impairment	
As at 1 Jan 2014[1)]	**0**
Corporate acquisitions and disposals	0
Amortization	0
Impairment	0
Disposals	0
Reclassifications	0
Foreign currency translation	0
As at 31 Dec 2014[1)]	**0**
As at 1 Jan 2015[1)]	**0**
Corporate acquisitions	0
Amortization	0
Disposals	0
Foreign currency translation	0
As at 31 Dec 2015	**0**
Carrying amounts as at 31 Dec 2014	**120,837**
Carrying amounts as at 31 Dec 2015	**127,330**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

Intangible assets with indefinite useful lives[1]	Development expenditure	Brands, customer base and order backlog[1]	Other intangible assets	Prepayments	Total
19,615	**28,528**	**47,751**	**16,661**	**0**	**216,859**
8,117	0	10,066	107	3	41,253
0	8,310	0	1,368	13	9,691
0	(115)	0	(1,068)	0	(1,183)
(4)	8	0	69	0	73
(512)	268	613	238	(1)	(5,821)
27,216	**36,999**	**58,430**	**17,375**	**15**	**260,872**
27,216	**36,999**	**58,430**	**17,375**	**15**	**260,872**
0	1,645	267	18	0	9,061
0	10,063	0	2,816	37	12,916
0	(225)	0	(485)	(6)	(716)
0	0	0	101	(10)	91
976	(4)	1,378	(250)	(2)	1,460
28,192	**48,478**	**60,075**	**19,575**	**34**	**283,684**
0	**7,222**	**30,003**	**12,903**	**0**	**50,128**
0	0	0	(14)	0	(14)
0	3,444	4,031	1,488	0	8,963
0	11	0	0	0	11
0	(115)	0	(1,044)	0	(1,159)
0	8	0	(8)	0	0
0	123	1,193	243	0	1,559
0	**10,693**	**35,227**	**13,568**	**0**	**59,489**
0	**10,693**	**35,227**	**13,568**	**0**	**59,489**
0	0	0	2	0	2
0	4,243	4,045	1,633	0	9,921
0	(41)	0	(377)	0	(418)
0	93	391	(211)	0	273
0	**14,988**	**39,663**	**14,615**	**0**	**69,269**
27,216	**26,306**	**23,203**	**3,807**	**15**	**201,383**
28,192	**33,490**	**20,412**	**4,960**	**34**	**214,415**

GOODWILL

Reported goodwill resulting from business combinations pertains to the following cash-generating units:

EUR thousand	31 Dec 2014[1)]	31 Dec 2015
Business area EMEA cash-generating unit	45,785	45,814
Business area Marine cash-generating unit	53,280	60,256
ETI cash-generating unit	6,052	6,749
Business area CIS cash-generating unit	14,463	13,572
Business area South America cash-generating unit	1,257	939
Total	**120,837**	**127,330**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangible assets with indefinite useful lives result from business combinations and are as follows:

EUR thousand	31 Dec 2014[1)]	31 Dec 2015
Business area EMEA		
MBB brand	5,840	5,840
Nimet brand	5,012	4,966
Business area Marine		
Megarme brand	5,395	6,002
Business area North America (excl. ETI)		
OMAHA STANDARD brand	1,826	2,036
American Roll-off brand	568	633
ETI		
ETI brand	4,690	5,231
Business area CIS		
INMAN brand	1,573	1,410
Velmash brand	2,312	2,074
Total	**27,216**	**28,192**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

As the management intends to continue to use the brands resulting from business combinations for an indefinite time, thus rendering it impossible to determine the useful lives of these intangible assets, such assets were assigned indefinite useful lives.

After subjecting the intangible assets with indefinite useful lives to impairment tests, no need for impairment was found.

The recoverable amount of the cash-generating units is determined by calculating a value in use on the basis of an estimate of the future cash flows for a period of four or five years. Subsequently, the cash flows are extrapolated at a constant rate.

Given that strategic corporate planning is only prepared every second year, a deviation analysis was carried out in 2015 on the basis of the actual values for 2015 and rolling wave planning for 2016. Where significant deviations from the plan occurred, new plans were prepared. Where deviations were insignificant, the future results planned were adjusted in accordance with the deviations.

The discount rates applied are in accordance with customary, weighted cost of capital adjusted to specific risks on the basis of external capital market data and are shown in the following table in comparison with the corresponding discount rates of the previous year:

	Pre-tax discount rate	
in per cent	**2014**	**2015**
Business area EMEA cash-generating unit	8.3	8.9
Business area Marine cash-generating unit	8.9	9.6
Business area North America (excl. ETI) cash-generating unit	10.5	11.2
ETI cash-generating unit	12.7	12.1
Business area CIS cash-generating unit	18.3	18.2
Business area South America cash-generating unit	22.5	17.4[1)]

1) Derivation of the descount rate has been adjusted.

A sensitivity analysis has found that even if the discount factor increases by 1 percentage point, the carrying amounts will still be covered, as was the case in the previous year, and that there is no need for impairment.

The sensitivity analysis also determined that if the EBITs for the years 2016 to 2019/2020 decrease by 10 per cent, provided that all other parameters remain unchanged, the carrying amounts will still be covered and there will be no need for impairment.

For cash-generating units containing no goodwill or intangible assets with indefinite useful lives, no impairment tests were carried out, as no indicator was available.

The assumptions underlying the calculation of the values in use of the cash-generating units contain estimation uncertainties. Gross profit margins are determined by using those amounts that are integrated into rolling wave planning based on the experience of the current year. Thus, corporate planning is based on previous results as well as on current forecasts of future market developments.

DEVELOPMENT EXPENDITURE

In the 2015 financial year, PALFINGER capitalized development expenditure of EUR 10,063 thousand (previous year: EUR 8,310 thousand) as internally generated intangible assets.

BRANDS, CUSTOMER BASE AND ORDER BACKLOG

In the course of the purchase price allocation for the acquisition of the NDM Group, EUR 267 thousand was capitalized for order backlog.

In the 2015 financial year, customer bases and order backlogs in the amount of EUR 2,918 thousand (previous year: EUR 2,810 thousand) were consumed.

(44) Property, plant and equipment

The movements in property, plant and equipment are shown in the following table:

EUR thousand	Land and buildings
Acquisition cost	
As at 1 Jan 2014[1)]	**159,736**
Corporate acquisitions and disposals	15,961
Additions	7,458
Disposals	(9,042)
Reclassifications	3,203
Foreign currency translation	2,062
As at 31 Dec 2014	**179,378**
As at 1 Jan 2015	**179,378**
Corporate acquisitions and disposals	0
Additions	4,044
Disposals	(1,411)
Reclassifications	8,538
Foreign currency translation	1,979
As at 31 Dec 2015	**192,528**
Accumulated depreciation and impairment	
As at 1 Jan 2014[1)]	**40,569**
Corporate acquisitions and disposals	3,306
Depreciation	5,816
Impairment	0
Reversal of impairment losses	(217)
Additional capitalization	0
Disposals	(2,477)
Reclassifications	27
Foreign currency translation	150
As at 31 Dec 2014	**47,174**
As at 1 Jan 2015	**47,174**
Corporate acquisitions and disposals	0
Depreciation	6,069
Reversal of impairment losses	(339)
Disposals	(401)
Reclassifications	0
Foreign currency translation	(22)
As at 31 Dec 2015	**52,481**
Carrying amounts as at 31 Dec 2014	**132,204**
Carrying amounts as at 31 Dec 2015	**140,047**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

Undeveloped land	Plant and machinery	Other plant, fixtures, fittings and equipment	Prepayments and assets under construction	Total
1,866	**149,260**	**65,993**	**9,905**	**386,760**
233	9,556	3,767	373	29,890
71	9,865	13,038	20,740	51,172
(310)	(1,817)	(3,498)	(4)	(14,671)
0	7,085	7	(10,368)	(73)
54	(1,301)	1,982	(739)	2,058
1,914	**172,648**	**81,289**	**19,907**	**455,136**
1,914	**172,648**	**81,289**	**19,907**	**455,136**
0	998	23	0	1,021
44	12,035	19,322	12,632	48,077
0	(3,208)	(5,463)	(99)	(10,181)
0	7,961	1,864	(18,454)	(91)
56	(404)	2,732	(1,222)	3,141
2,014	**190,030**	**99,767**	**12,764**	**497,103**
40	**91,462**	**36,662**	**0**	**168,733**
0	7,009	2,483	0	12,798
9	12,876	8,364	0	27,065
0	0	2,498	0	2,498
0	(55)	0	0	(272)
0	0	19	0	19
0	(1,550)	(2,453)	0	(6,480)
0	552	(579)	0	0
6	(1,000)	609	0	(235)
55	**109,294**	**47,603**	**0**	**204,126**
55	**109,294**	**47,603**	**0**	**204,126**
0	(14)	(17)	0	(31)
21	14,944	9,980	0	31,014
(390)	110	108	0	(511)
0	(2,534)	(3,959)	0	(6,894)
0	(52)	52	0	0
12	(424)	1,051	0	617
(302)	**121,324**	**54,818**	**0**	**228,321**
1,859	**63,354**	**33,686**	**19,907**	**251,010**
2,316	**68,706**	**44,949**	**12,764**	**268,782**

Additions relate primarily to the expansion of production in Russia and the expansion of the service and fleet business in North America, as well as the expansion of a production and service plant in the marine business. Apart from that, some plants in Austria were modernized.

Land and buildings include the real property values of developed properties amounting to EUR 29,998 thousand (previous year: EUR 27,320 thousand). Prepayments and assets under construction are reported at cost and represent assets which were under construction as at the balance sheet date, totalling EUR 12,018 thousand (previous year: EUR 19,396 thousand).

A purchase option agreement was concluded in 2012, obligating and/or authorizing PALFINGER to acquire additional plots of land next to the plot of land where the new group headquarters is located, amounting to approx. 19,000 m^2 in total, after five or ten years following the planned rezoning of the plots of land. The exercise price of the option to acquire these additional properties amounts to EUR 4,353 thousand plus an adjustment for inflation up to the date of exercise of the purchase option.

In the period under review, borrowing costs on qualifying assets in the amount of EUR 39 thousand (previous year: EUR 72 thousand) were capitalized. Provided that there is no specific financing agreement, the weighted interest rate on borrowings applied by the PALFINGER Group in the amount of 2.06 per cent (previous year: 2.28 per cent) is used.

In the 2015 financial year, as in the previous year, no government grants in accordance with IAS 20 were taken into account as reductions of acquisition and/or manufacturing costs.

As at 31 December 2015, the carrying amount of property, plant and equipment pledged as collateral for liabilities amounted to EUR 642 thousand (previous year: EUR 4,875 thousand).

(45) Investment property

As at 31 December 2015, investment property included acquisition costs totalling EUR 832 thousand (previous year: 816 thousand) and had a carrying amount of EUR 348 thousand (previous year: EUR 351 thousand). Depreciation and impairment amounted to EUR 20 thousand (previous year: EUR 18 thousand). As at 31 December 2015, the fair value of investment property came to EUR 547 thousand (previous year: EUR 567 thousand). The fair value was determined on the basis of calculations made internally. This was a Level 3 fair value measurement made by means of acknowledged calculation models. Calculation was based on an expert opinion prepared in 2005 by an independent expert on the basis of sales prices observed in the market for similar properties. The standard land value has not changed since then. The building values were adjusted for depreciation.

Rental income from the lease of investment property amounted to EUR 61 thousand (previous year: EUR 61 thousand), and directly attributable operating expenses from the lease of investment property were EUR 20 thousand (previous year: EUR 18 thousand).

(46) Investments in companies reported at equity

The names of the companies included in the consolidated financial statements using the equity method are listed in the statement of investments.

EUR thousand	2014[1]	2015
As at 1 Jan	**20,052**	**160,514**
Additions	113,523	1,317
Capital increase	10,152	1,700
Share in the net result for the period	4,140	7,962
Dividends	(3,032)	(3,968)
Foreign currency translation	15,998	8,150
Disposals	(319)	0
As at 31 Dec	**160,514**	**175,675**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

The negative difference of EUR 176 thousand arising from the Crane Center Kamaz OOO transaction was reported as income under income from companies reported at equity.

The tables below contain a summarized schedule of the financials for the associated companies and joint venture companies which are material to the Group and have been included according to the equity method. In each case, the information given refers to 100 per cent and not the share held by PALFINGER in these companies.

	Palfinger France S.A.S.		SANY Automobile Hoisting Machinery Co., Ltd.		Sany Palfinger SPV Equipment Co., Ltd.[1]	
EUR thousand	**Jan–Dec 2014**	**Jan–Dec 2015**	**Apr–Sept 2014**	**Oct 2014–Sept 2015**	**Jan–Dec 2014[2]**	**Jan–Dec 2015**
Revenue	94,425	96,275	279,627	412,265	20,735	43,756
Result after income tax	5,288	5,168	15,099	10,275	(108)	5,413
Other comprehensive income after income tax	0	0	141,080	84,392	3,105	2,455
Total comprehensive income	5,288	5,168	156,179	94,667	2,997	7,868
EUR thousand	**31 Dec 2014**	**31 Dec 2015**	**30 Sept 2014**	**30 Sept 2015**	**31 Dec 2014**	**31 Dec 2015**
Non-current assets	2,656	2,263	349,973	359,332	5,708	7,510
Current assets	42,536	44,732	433,501	420,062	43,065	58,300
Non-current liabilities	0	0	9,573	7,223	0	0
Current liabilities	18,482	20,856	422,009	386,431	11,499	20,630
Net assets	**26,709**	**26,138**	**351,892**	**385,739**	**37,274**	**45,180**
EUR thousand	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Shares/voting rights	**49%**	**49%**	**10%**	**10%**	**50%**	**50%**
Carrying amount 1 Jan	**12,013**	**12,292**	**0**	**125,595**	**6,951**	**18,602**
Additions	0	0	109,977	0	10,152	0
Share in the net result for the period	2,591	2,532	1,510	1,028	(54)	2,707
Foreign currency translation	0	0	14,108	8,439	1,552	1,228
Dividends	(2,312)	(2,933)	0	0	0	0
Carrying amount 31 Dec	**12,292**	**11,891**	**125,595**	**135,062**	**18,602**	**22,536**
of which goodwill	0	0	90,406	96,488	0	0
of which downstream sales	(796)	(917)	0	0	(35)	(54)
of which pro-rata net assets	13,087	12,808	35,189	38,574	18,637	22,590

1) At the balance sheet date, the company's cash and cash equivalents were EUR 19,130 thousand (previous year: EUR 20,758 thousand). The company did not have any financial liabilities. In the reporting period depreciation and amortization came to EUR 465 thousand (previous year: EUR 87 thousand), interest income amounted to EUR 641 thousand (previous year: EUR 203 thousand) and tax expenses to –EUR 1,.327 thousand (previous year: tax income of EUR 229 thousand).
2) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

Palfinger France S.A.S. is a dealer for PALFINGER's products in France. SANY Automobile Hoisting Machinery Co., Ltd. is a strategic partner. Sany Palfinger SPV Equipment Co. Ltd. is the Group's production and distribution company in China.

The table below contains a summarized schedule of the financials for the associated companies not material to the Group, included according to the equity method. In each case, the information given refers to the share held by PALFINGER in these companies.

EUR thousand	2014	2015
Carrying amounts of investments	**4,026**	**6,187**
Result after income tax	93	1,696
Other comprehensive income after income tax	338	(1,517)
Total comprehensive income	431	180

(47) Deferred tax assets and liabilities

EUR thousand	31 Dec 2014[1)]	31 Dec 2015
Deferred tax assets		
Non-current assets		
Intangible assets – different useful lives	364	395
Intangible assets – tax deductible goodwill	1,705	1,440
Property, plant and equipment – different useful lives	892	1,063
Non-current financial assets – financial asset write-downs not yet taxed	4,798	2,169
Other non-current assets	28	0
	7,787	**5,067**
Current assets		
Inventories – elimination of intercompany profits, differences in tax measurement of manufacturing costs	3,961	4,966
Trade receivables – differences in tax measurement of impairment loss	1,542	1,116
Other current assets – severance payments not yet taxed	306	300
	5,809	**6,382**
Non-current liabilities		
Non-current provisions – different recognition of employee benefits provisions IAS 19	7,008	7,268
of which deferred taxes directly recognized in other comprehensive income	2,867	2,837
Other non-current liabilities	4,019	5,098
of which deferred taxes directly recognized in other comprehensive income	3,199	4,798
	11,027	**12,366**
Current liabilities		
Current financial liabilities	0	198
Current provisions – different recognition of provisions for guarantee expenses	1,836	2,339
Trade payables and other current liabilities	1,755	1,468
	3,591	**4,005**
Total deferred tax assets	**28,215**	**27,821**
Deferred tax liabilities		
Non-current assets		
Intangible assets – acquisitions, development expenditure	(17,446)	(18,707)
Property, plant and equipment – different useful lives	(8,204)	(8,469)
Non-current financial assets	(1,505)	(2,955)
of which deferred taxes directly recognized in other comprehensive income	(880)	(2,304)
	(27,155)	**(30,132)**
Current assets		
Inventories – differences in tax measurement of manufacturing costs	(192)	(419)
Trade receivables – contract manufacturing (POC)	(1,990)	(3,604)
Other current assets – differences in tax measurement	(1,014)	(2,025)
of which deferred taxes directly recognized in other comprehensive income	0	0
	(3,196)	**(6,049)**
Non-current liabilities		
Non-current provisions	(181)	(153)
of which deferred taxes directly recognized in other comprehensive income	0	0
	(181)	**(153)**
Current liabilities		
Current provisions – different recognition of provisions for guarantee expenses	(626)	(489)
Trade payables and other current liabilities	(56)	(1,060)
	(682)	**(1,549)**
Total deferred tax liabilities	**(31,214)**	**(37,882)**
Deferred tax assets on loss carry forwards	**16,011**	**15,197**

EUR thousand	31 Dec 2014[1)]	31 Dec 2015
Deferred taxes	**13,012**	**5,136**
thereof		
deferred tax assets	18,627	14,784
deferred tax liabilities	(5,615)	(9,648)

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

Deferred taxes contain deferred tax assets directly recognized in other comprehensive income of EUR 4,955 thousand (previous year: EUR 4,730 thousand) and deferred tax liabilities directly recognized in other comprehensive income of –EUR 376 thousand (previous year: –EUR 456 thousand).

Tax-loss carry forwards are comprised of the following:

	Non-capitalized loss carry forwards		Capitalized loss carry forwards	
EUR thousand	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015
Loss carry forwards subject to expiry				
within one year	87	0	260	482
within two years	0	0	530	1,211
within three years	0	0	1,146	949
within four years	0	0	881	0
within five years	0	228	0	1,457
more than five years	14,896	16,614	20,905	21,261
Loss carry forwards not subject to expiry	24,032	27,089	25,176	23,887
Total	**39,015**	**43,931**	**48,898**	**49,247**

For tax-loss carry forwards of EUR 43,931 thousand (previous year: EUR 39,015 thousand), no deferred tax assets were recognized by the Group, since their effectiveness as definite tax relief within the scope of medium-term planning is not yet sufficiently secured.

For deferred withholding taxes in the amount of EUR 1,913 thousand (previous year: EUR 1,414 thousand), no deferred tax liabilities were recognized according to IAS 12.39, as PALFINGER is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

(48) Non-current financial assets

Non-current financial assets are comprised of the following:

EUR thousand	31 Dec 2014	31 Dec 2015
Loans	2,054	2,343
Financial receivables from related parties	29,959	27,891
Securities	1,141	1,138
Cash at banks	502	631
Total	**33,656**	**32,003**

Securities comprise shares in investment funds and bonds for safeguarding employee benefits provisions as required by law.

Receivables from related parties refer to accounts receivable from Palfinger systems GmbH (now: Hubert Palfinger Technologies GmbH) in the amount of EUR 30,016 thousand (of which EUR 27,891 thousand are non-current receivables and EUR 2,125 thousand are current receivables); an instalment plan for repayment over the next nine years has been agreed. Observance of this instalment plan has been secured by various forms of collateral provided by related parties (guarantees, pledging of lease proceeds) outside Palfinger systems GmbH so that no impairment loss for the overall accounts receivable of EUR 30 million has to be recorded. Interest payable on the receivables will be in observance of the arm's length principle.

(49) Other non-current assets

Other non-current assets are the following:

EUR thousand	31 Dec 2014	31 Dec 2015
Employer's pension liability reinsurance	2,938	2,713
Deferred expenses	180	147
Miscellaneous other non-current assets	11	6
Total	**3,129**	**2,866**

Employer's pension liability reinsurance pertains to repurchase rights for life insurance policies which do not meet the criteria for being offset against pension provisions in accordance with IAS 19.

(50) Inventories

Inventories are shown below:

EUR thousand	31 Dec 2014	31 Dec 2015
Materials and production supplies	96,382	104,065
Work in progress	67,228	74,650
Finished goods and goods for resale	74,236	83,035
Prepayments	1,334	769
Total	**239,180**	**262,519**

Inventories increased mainly due to exchange rate effects and a demand-related inventory build-up in the business area North America as well as an increase in inventories in EUROPEAN UNITS.

EUR 446 thousand (previous year: EUR 671 thousand) in inventories was valued at net realizable value.

In the 2015 financial year, an impairment of inventories of EUR 2,438 thousand (previous year: EUR 1,302 thousand) and a reversal of an impairment of inventories from obsolescence measurements of EUR 490 thousand (previous year: EUR 1,696 thousand) were made and recognized as cost of sales.

(51) Trade receivables

Trade receivables are as follows:

EUR thousand	31 Dec 2014	31 Dec 2015
Receivables from contract manufacturing and rendering of services	27,317	34,900
Invoiced receivables	135,957	148,681
Total	**163,274**	**183,581**

On 19 December 2014, PALFINGER AG, or rather a number of selected Austrian and German subsidiaries of the PALFINGER Group, entered into a factoring agreement with an Austrian bank. Under this factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 60,000 thousand. In 2015, the volume was gradually raised and additional subsidiaries were included. The receivables sold in connection with the existing factoring agreement amounted to EUR 34,948 thousand (previous year: EUR 14,843 thousand) as at the balance-sheet date (31 December 2015) and were fully derecognized in accordance with the rules of IAS 39 due to the transfer of control. Up to a contractually defined amount, PALFINGER continues to bear the risk in connection with credit-risk-related defaults. As at 31 December 2015, the maximum risk of loss resulting therefrom amounted to EUR 589 thousand (previous year: EUR 287 thousand) and corresponded to the maximum deductible. The total risk from the portfolio of receivables was covered in the balance sheet through impairment and the default reserve. The recognition of the expected loss as an expense primarily covered the impact on the income statement during the reporting period.

Manufacturing orders according to the percentage-of-completion method are shown below:

EUR thousand	31 Dec 2014	31 Dec 2015
Costs incurred	22,925	98,132
Plus profits recognized	5,003	17,313
Minus losses recognized	0	(2,443)
Progress billings	(611)	(78,102)
Receivables from contract manufacturing and rendering of services	**27,317**	**34,900**

Receivables from contract manufacturing increased primarily as a result of projects in the Marine business area, some of which were in consequence of the acquisition of the NDM Group.

Based on experience, allowances for doubtful debts of EUR 8,770 thousand (previous year: EUR 7,869 thousand) were made to take into account insolvency risks. These allowances are the following:

	Specific bad-debt allowances		Standardized bad-debt allowances	
EUR thousand	2014[1)]	2015	2014	2015
As at 1 Jan	**3,132**	**4,403**	**2,220**	**3,466**
Change in scope of consolidation	479	0	692	14
Allocation	1,606	1,425	1,863	2,357
Use	(612)	(345)	(116)	(107)
Reversal	(272)	(577)	(1,160)	(1,885)
Reclassification	0	46	0	78
Foreign currency translation	70	(309)	(33)	204
As at 31 Dec	**4,403**	**4,643**	**3,466**	**4,127**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

(52) Current financial assets

Current financial assets are shown below:

EUR thousand	31 Dec 2014	31 Dec 2015
Financing receivables from companies reported at equity	774	1,682
Receivables from related parties	0	2,125
Other financing receivables	632	270
Total	**1,406**	**4,077**

For details on the receivables from related parties, see Note (48).

(53) Other current receivables and assets

Other current receivables and assets are shown in the following table:

EUR thousand	31 Dec 2014	31 Dec 2015
Receivables relating to social security and other taxes	11,457	12,024
Other receivables	9,463	11,759
Deferred expenses and indemnification	5,026	5,257
Receivables from companies reported at equity	61	0
Total	**26,007**	**29,040**

Other receivables include receivables from the factor under the sale of trade receivables (also see Note (51)).

(54) Cash and cash equivalents

The funds reported in the statement of cash flows correspond to cash and cash equivalents. Cash and cash equivalents comprise the following:

EUR thousand	31 Dec 2014	31 Dec 2015
Cash in hand	118	166
Cash at banks	20,639	21,385
Total	**20,757**	**21,551**

As at 31 December 2015, there were no restraints on the disposal over funds.

(55) Share capital

The Company's share capital is divided into 37,593,258 (previous year: 37,593,258) no-par-value shares. All shares issued have been paid up in full.

At the Extraordinary General Meeting of 3 November 2011, the Management Board was authorized, according to sec. 169 of the Companies Act, to increase the share capital, subject to the approval of the Supervisory Board, by 31 October 2016 by up to EUR 10 million by means of issuing up to 10 million new ordinary bearer or registered shares (no-par-value shares) against contributions in cash or in kind – in several tranches, if necessary – and to determine the issue price, the terms of issue and any further details pertaining to the implementation of the capital increase in agreement with the Supervisory Board. As a result of the issue of 1,863,258 shares to Sany in 2014, the volume of the authorized capital decreased to EUR 8,136,742.

Moreover, the Management Board was authorized to exclude the subscription right of shareholders, subject to the approval of the Supervisory Board,

(i) if the capital increase is made against contributions in kind, which is to say that shares are issued for the purpose of acquiring businesses, enterprises, business units or shares in one or more companies in Austria or abroad or
(ii) if the capital increase is made for the purpose of listing the shares of the Company on a foreign stock exchange or
(iii) in order to exempt any fractional amounts from the subscription rights of shareholders or
(iv) in order to service an over-allotment (greenshoe) option granted to issuing banks.

The movements in shares outstanding are shown below:

Shares	**2014**	**2015**
As at 1 Jan	**35,401,910**	**37,301,290**
Issue of new shares	1,863,258	0
Sale of own shares	0	806
Exercise of stock options	36,122	8,406
As at 31 Dec	**37,301,290**	**37,310,502**

(56) Additional paid-in capital

Additional paid-in capital comprises appropriated and non-appropriated additional paid-in capital as well as reserves according to IFRS 2.

RESERVE ACCORDING TO IFRS 2

The reserve according to IFRS 2 for the stock option programme is as follows:

EUR thousand	2014	2015
As at 1 Jan	**86**	**36**
Allocation	11	0
Use	(61)	(36)
Reversal	0	0
As at 31 Dec	**36**	**0**

Details on the stock option programme can be found in Note (11).

(57) Treasury stock

As at 31 December 2015, holdings of treasury stock amounted to 282,756 shares (previous year: 291,968 shares).

The Extraordinary General Meeting of 3 November 2011, according to sec. 65 para. 1 (8) as well as paras. 1a and 1b of the Companies Act, authorized the Management Board to acquire no-par-value bearer or registered shares of the Company, in an amount not exceeding 10 per cent of the share capital of the Company via the stock exchange as well as over the counter, with said authorization to remain valid for a period of 30 months from the date of adoption of the resolution. The consideration payable may not be lower than EUR 1.00 per share or higher than EUR 50.00 per share. The Management Board of PALFINGER AG may resolve on the acquisition of shares via the stock exchange but must subsequently inform the Supervisory Board of such resolution. The acquisition of shares over the counter is subject to the prior approval of the Supervisory Board.

Moreover, the Management Board was authorized, for a period of five years according to sec. 65 para. 1b of the Companies Act, subject to the approval of the Supervisory Board, to resolve on a method of selling and/or using own shares other than by sale via the stock exchange or by public offer, also excluding the repurchase right (reverse subscription right) of shareholders, and to determine the conditions of sale.

(58) Foreign currency translation reserve

The change in the foreign currency translation reserve, broken down by currency, is shown in the following table:

EUR thousand	2014	2015
AED	2,252	2,102
BRL	170	(6,391)
GBP	632	420
NOK	(1,005)	(1,587)
RMB	15,937	9,895
RUB	(20,852)	(6,134)
USD	10,080	9,639
Other	1,009	(685)
Total change	**8,223**	**7,259**

(59) Earnings per share

According to IAS 33, earnings per share are calculated by dividing the consolidated net result for the period by the weighted average number of shares outstanding. In the 2015 financial year, the weighted average number of shares outstanding amounted to 37,307,839 shares (previous year: 36,612,148 shares).

On the basis of the consolidated net result for the period, amounting to EUR 64,366 thousand (previous year: EUR 38,162 thousand), undiluted earnings per share were EUR 1.73 (previous year: EUR 1.04). Diluted earnings per share were identical with undiluted earnings per share.

(60) Retained earnings

Retained earnings increased by EUR 1,999 thousand (previous year: increase of EUR 1,397 thousand) owing to the reclassification of the puttable non-controlling interests from the current earnings of the Company. For details on liabilities from puttable non-controlling interests, see Notes (6) and (63).

DIVIDEND PER SHARE

The following dividends were resolved upon and paid to the shareholders of PALFINGER AG:

	Total EUR thousand	Number of shares	Dividend per share
Interim dividend for the 2015 financial year	6,716	37,309,902	0.18
Dividend resolved for the 2014 financial year (Annual General Meeting of 11 March 2015)	12,682	37,301,290	0.34
Dividend resolved for the 2013 financial year (Annual General Meeting of 12 March 2014)	14,515	35,401,910	0.41

The distribution of the net profit for 2015 reported in the financial statements of PALFINGER AG in accordance with the Business Code is as follows:

	EUR thousand
Net profit for 2015 of PALFINGER AG	125,901
Profit carry forward from 2014[1)]	134,151
Total net profit[1)]	**260,052**
Annual dividend (EUR 0.57 per share)[2)]	21,267
Remaining net profit	**238,790**

1) Prior to the interim dividend.
2) Incl. interim dividend of EUR 0.18 per share.

The Management Board will propose to the Annual General Meeting of 9 March 2016 to distribute a dividend of EUR 0.39 per share. On 21 December 2015, the Management Board of PALFINGER AG, with the approval of the Supervisory Board, paid out an interim dividend in the amount of EUR 0.18 per share. The annual dividend for the 2015 financial year thus amounts to EUR 0.57 per share.

(61) Valuation reserves according to IAS 39

As in the previous year, the valuation reserves according to IAS 39 only contain cash flow hedging reserves. Changes in the cash flow hedging reserves are presented in the following table (after taxes):

EUR thousand	2014	2015
Changes in unrealized profits (+)/losses (–)	(14,384)	(8,930)
thereof from		
interest rate swaps	(5,190)	(935)
forward foreign exchange contracts	(9,194)	(7,995)
Realized profits (–)/losses (+)	2,024	4,426
thereof from		
interest rate swaps	1,295	1,469
forward foreign exchange contracts	729	2,957
Total change	**(12,360)**	**(4,504)**

(62) Non-controlling interests

The table below contains a summarized schedule of the financials for intra-group eliminations regarding each subsidiary in which significant non-controlling interests are held:

	EPSILON Kran GmbH.		Equipment Technology, LLC		Nimet Srl		Guima Palfinger S.A.S.	
EUR thousand	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015
Non-current assets	1,405	2,093	26,831	33,397	19,683	20,145	9,153	8,281
Current assets	26,624	30,393	20,570	22,944	11,185	12,637	7,630	10,024
Non-current liabilities	1,112	769	3,917	3,158	1,009	916	1,091	1,233
Current liabilities	11,880	16,782	7,729	9,690	15,267	16,208	6,084	7,284
Net assets	**15,037**	**14,935**	**35,755**	**43,493**	**14,592**	**15,658**	**9,608**	**9,788**
Shares/voting rights of non-controlling interests	**35%**	**35%**	**20%**	**0%**	**40%**	**40%**	**35%**	**35%**
Carrying amount of non-controlling interests	5,451	5,416	0	0	5,372	5,798	3,308	3,371
EUR thousand	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2014	Jan–Dec 2015
Cash flows from operating activities	14,170	17,385	3,099	6,474	3,644	5,672	2,438	3,362
Cash flows from investing activities	(1,170)	(4,612)	(4,816)	(5,200)	(4,693)	(2,290)	(246)	(1,827)
Cash flows from financing activities	(13,000)	(12,775)	1,053	(1,305)	1,077	(3,652)	(2,118)	(1,579)
Profit/loss attributable to non-controlling interests	4,503	4,437	405	110	1,168	1,320	384	574
Other comprehensive income attributable to non-controlling interests	(32)	(1)	845	920	(22)	(66)	(147)	(2)
Dividends to non-controlling interests	4,550	4,471	0	0	347	828	0	508

* The carrying amount of the non-controlling interest in Equipment Technology, LCC is included in liabilities from puttable non-controlling interests.

The net assets of EPSILON Kran GmbH are restricted insofar as share transfers are subject to the approval of the minority shareholder and any deviation from the existing agreement regarding a linear distribution of a maximum amount in relation to the equity ratio may only be made by mutual consent.

The net assets of Guima Palfinger S.A.S. are restricted insofar as any deviation from the existing agreement regarding the distribution of a minimum percentage of the annual profit may only be made by mutual consent.

The remaining, insignificant non-controlling interests are also governed by profit distribution agreements or subject to the restriction that distributions must be approved by the minority shareholders.

(63) Liabilities from puttable non-controlling interests

The following table shows the movement in liabilities from puttable non-controlling interests:

EUR thousand	2014	2015
As at 1 Jan	**17,370**	**23,372**
Interest cost	225	0
Addition through corporate acquisition	8,209	0
Reversal through profit and loss	(1,229)	0
Redemption	(2,626)	(11,255)
Increase directly in equity	1,976	858
Reversal directly in equity	(553)	(4,274)
As at 31 Dec	**23,372**	**8,701**

The redemption and reversal relate to the acquisition of the remaining 20 per cent in Equipment Technology, LLC, Oklahoma City, USA. See “Scope of consolidation” for details.

The carrying amounts are Level 3 fair values, determined on the basis of the following valuation methods and inputs:

Liabilities from puttable non-controlling interests	Valuation method	Inputs
Equipment Technology, LLC, Oklahoma City (US)	Discounted cash flow method	Risk-adjusted pre-tax interest rate, results of strategic corporate planning in USD
Megarme Group, Middle East	Discounted cash flow method	Risk-adjusted pre-tax interest rate, results of strategic corporate planning in AED

Sensitivity analysis for significant inputs when determining Level 3 fair value as at 31 December 2015 and 2014:

		Change in fair value recognized in OCI			
		Increase		Decrease	
EUR thousand	Change in assumption	2014	2015	2014	2015
Interest rate	+/–1BP	(852)	(60)	898	61
Projected profit measure	+/–10%	2,140	338	(2,141)	(338)
EUR/USD	+/–10%	(1,378)	-	1,684	-
EUR/AED	+/–10%	(568)	(165)	694	201

(64) Non-current financial liabilities

Deferred interest expenses are contained in current financial liabilities.

The average interest rate is the interest burden as at 31 December 2015 in per cent relating to the carrying amount of the financial liabilities as at 31 December 2015, after interest hedging has been taken into account, and amounts to 2.06 per cent (previous year: 2.28 per cent).

(65) Non-current purchase price liabilities from acquisitions

The following table shows the movements in non-current purchase price liabilities from acquisitions:

EUR thousand	2014	2015
As at 1 Jan	**2,534**	**8,521**
Corporate acquisitions	9,592	0
Interest cost	258	452
Reversal	(3,871)	0
Foreign currency translation	8	(258)
As at 31 Dec	**8,521**	**8,715**

As at 31 December 2015, non-current purchase price liabilities from acquisitions included purchase price portions not yet due from the acquisition of subsidiaries in 2014. These purchase price portions consist of a put/call option to sell the remaining 20 per cent in PM-Group, which may be exercised in 2019, as well as a disproportional dividend for the years 2014 to 2018.

In the 2014 financial year, liabilities for contingent purchase price portions from the acquisitions of subsidiaries in 2012 were reversed as the local results generated by the units made the utilization of these liabilities unlikely.

For the Level 3 carrying amounts added in 2014, the following valuation methods and inputs were used when determining fair values:

Financial instruments	Valuation method	Inputs
Non-current purchase price liabilities from acquisitions	Discounted cash flow method	Risk-adjusted pre-tax interest rate, results of strategic corporate planning in RUB

Sensitivity analysis for significant inputs when determining Level 3 fair value as at 31 December 2015 and 2014:

		Change in fair value			
		Increase		Decrease	
EUR thousand	Change in assumption	2014	2015	2014	2015
Interest rate	+/–1BP	(52)	(50)	53	52
Projected profit measure	+/–10%	276	218	(276)	(218)
EUR/RUB	+/–10%	(227)	(237)	278	289

(66) Non-current provisions

The following table shows non-current provisions:

EUR thousand	31 Dec 2014	31 Dec 2015
Pension provisions	9,837	9,187
Provisions for severance payments	21,809	24,077
Anniversary bonus provisions	4,674	5,295
Other non-current provisions	4,545	4,555
Total	**40,865**	**43,114**

PENSION PROVISIONS

PALFINGER is committed by the terms of individual contracts with certain employees to provide supplementary retirement pensions payable after their retirement. The amounts of these pensions are calculated on the basis of length of service and remuneration at the time of retirement.

Valuation was based on the following parameters:

	Age of retirement		Interest rate (p.a.)		Pension increase (p.a.)	
	2014	2015	2014	2015	2014	2015
Austria	65 years	65 years	2.25%	2.25% to 2.50%	1.5%	1.5%
Germany	63 years	63 years	2.25%	2.25% to 2.50%	1.5%	1.5%
France	60–63 years	62–63 years	2.25%	2.00%	2.7%	2.7%

The change in the interest rate is based on the remeasurement necessitated by the change in market conditions.

As at 31 December 2015, the average duration of defined benefit pension obligations from pension commitments was 14.38 years (previous year: 15.31 years).

The calculation of pension provisions was performed as at 31 December 2015 using actuarial principles and taking into account the calculation rules under IAS 19. The obligations are measured using the projected unit credit method.

The calculations in Austria are based on the earliest possible pensionable age according to the 2004 Pension Reform ([Austrian] Budget Accompanying Act of 2003 [Budgetbegleitgesetz 2003]), taking into consideration transitional regulations. In the case of women entitled to such benefits, the computed pensionable age has been raised in steps corresponding to the (Austrian) Federal Constitutional Act Concerning Different Age Limits for Male and Female Citizens Covered by Social Security (Bundesverfassungsgesetz über unterschiedliche Altersgrenzen von männlichen und weiblichen Sozialversicherten). These bases for calculation were established using Austrian pension tables AVO-2008-P (version for salaried employees).

The calculations in Germany are based on the earliest possible pensionable age in accordance with the German statutory social security pension insurance, using the mortality tables "Richttafeln 2005 G".

Given that pension obligations are adjusted in line with the consumer price index, pension plans are exposed to the risk of inflation. In addition, there are interest rate risks and risks caused by changes in the life expectancy of retirees. Pension obligations are, in part, hedged by reinsurance contracts, giving rise to a low counterparty risk vis-à-vis insurance companies.

PROVISIONS FOR SEVERANCE PAYMENTS

Severance payments are one-time settlements required under labour law, payable to employees on termination of employment by the employer or by mutual agreement or on retirement. They are calculated on the basis of the length of service and the amount of remuneration. The amount of the provisions for severance payments was calculated in accordance with actuarial principles.

Valuation was based on the following parameters:

	Interest rate (p.a.)		Salary increases (p.a.)		Employee turnover discount (p.a.)	
	2014	**2015**	**2014**	**2015**	**2014**	**2015**
Austria	2.25%	2.25% to 2.50%	3.0%	3.0%	2.0%	2.0%
Slovenia	2.25%	2.25%	3.0%	3.0%	2.0%	2.0%
Bulgaria	2.25%	2.00%	5.0%	5.0%	age-related 5% to 20%	age-related 5% to 20%
South Korea	3.29%	2.94%	5.0%	5.0%	age-related 7.8% to 13.4%	age-related 7.1% to 18.7%
UAE and Qatar	4.75%	4.00%	4.5%	4.0%	service-related 3.5% to 6.3%	service-related 3.5% to 13.5%

Changes in the interest rate are based on the remeasurement necessitated by the change in market conditions.

As at 31 December 2015, the average duration of defined benefit obligations from severance payments was 13.30 years (previous year: 14.13 years).

Employees whose employment contract is governed by Austrian law and whose employment status started before 1 January 2003 are entitled to a severance payment if their contract is terminated by the employer or if they leave the company early for good cause, provided that their employment lasted for three years without interruptions. In addition, if their employment lasted for at least ten years, they are entitled to a severance payment upon any kind of termination of employment when they have reached the statutory pensionable age. The amount of the severance payment depends on the amount of the remuneration paid at the time of termination and the length of service.

In the case of employees in Austria whose employment commenced after 1 January 2003, this obligation has been transferred to a contribution-based system. These payments, which are made to an external severance pay fund, are reported as expenses and amount to 1.53 per cent of the remuneration paid.

Pension provisions and provisions for severance payments can be seen in the following table:

	Pensions		Severance payments	
EUR thousand	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015
Net present value of defined benefit	10,624	9,905	21,809	24,077
Fair value of plan assets	(787)	(718)	0	0
Provision	**9,837**	**9,187**	**21,809**	**24,077**

	Pensions		Severance payments	
EUR thousand	2014	2015	2014	2015
Net present value of defined benefit obligation as at 1 Jan	**8,410**	**10,624**	**15,977**	**21,809**
Addition through corporate acquisition	0	0	1,140	0
Addition	60	0	0	0
Current service cost	188	190	1,432	1,592
Interest expenses	291	235	619	531
Gains (–)/losses (+) from remeasurements	2,014	(452)	3,463	901
Benefits paid	(337)	(690)	(1,001)	(946)
Foreign currency translation	(2)	(2)	179	190
Net present value of defined benefit obligation as at 31 Dec	**10,624**	**9,905**	**21,809**	**24,077**

Plan assets consist of a pension fund with a renowned insurance company.

EUR thousand	2014	2015
Fair value of plan assets as at 1 Jan	**924**	**787**
Expected return on plan assets	32	17
Gains (+)/losses (–) from remeasurements	(97)	(3)
Actual benefits paid by fund	(72)	(83)
Fair value of plan assets as at 31 Dec	**787**	**718**

The actual return amounted to EUR 15 thousand (previous year: –EUR 65 thousand).

Net costs for pensions and severance payments, resulting from defined benefit plans, are comprised as follows:

	Pensions		Severance payments	
EUR thousand	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2014	Jan–Dec 2015
Employee benefits expenses				
Current service cost	(188)	(190)	(1,432)	(1,592)
Interest expenses				
Interest expenses	(259)	(218)	(619)	(531)
Net cost	**(447)**	**(408)**	**(2,051)**	**(2,123)**

Remeasurements are composed as follows:

	Pensions		Severance payments	
EUR thousand	Jan–Dec 2014	Jan–Dec 2015	Jan–Dec 2014	Jan–Dec 2015
Gains (–)/losses (+) from remeasurements	**2,111**	**(449)**	**3,463**	**901**
thereof experience adjustments	18	(408)	213	827
thereof from changes in demographic assumptions	52	11	4	40
thereof from changes in financial assumptions	1,944	(55)	3246	34
thereof from return on plan assets	97	3	0	0

Realistic changes in the following actuarial parameters as at the reporting date that are deemed to be essential for calculating pension costs and the expected defined benefit claims, with all other parameters remaining constant, would give rise to the following change in the net present value of an obligation:

	Change in the net present value of defined benefit obligation							
	Pensions				Severance payments			
	+1%		(1)%		+1%		(1)%	
EUR thousand	2014	2015	2014	2015	2014	2015	2014	2015
Interest rate	(1,406)	(1,247)	1,775	1,551	(2,711)	(2,774)	3,270	3,267
Pension increase / salary increase	1,564	1,270	(1,291)	(1,073)	3,097	2,876	(2,630)	(2,701)

ANNIVERSARY BONUS PROVISIONS

Provisions for anniversary bonuses derived from collective bargaining and/or company agreements were calculated using the same parameters (with the exception of the employee turnover discount) as for the provision for severance payments.

The following table shows the movements in anniversary bonus provisions:

EUR thousand	2014	2015
As at 1 Jan	**3,826**	**4,674**
Change in scope of consolidation	(16)	0
Allocation	908	698
Interest cost	131	101
Use	(175)	(178)
As at 31 Dec	**4,674**	**5,295**

OTHER NON-CURRENT PROVISIONS

The changes in other non-current provisions are shown in the following table:

EUR thousand	2014[1)]	2015
As at 1 Jan	**8,712**	**4,544**
Change in scope of consolidation	323	0
Allocation	4,139	1,620
Interest cost	597	247
Use	(8,958)	0
Reversal	(170)	(566)
Reclassification	0	(1,467)
Foreign currency translation	(99)	177
As at 31 Dec	**4,544**	**4,555**

1) The figures for 2014 were adjusted with retrospective effect (see Note (14) "Adjustments with retrospective effect").

Other non-current provisions contain other non-current employee benefits provisions of EUR 3,911 thousand (previous year: EUR 2,513 thousand). These are composed of long-term bonus agreements for executives, which will become payable in 2018 provided that the agreed benchmarks are achieved. In 2014, non-current provisions were used primarily for the payment of long-term bonus agreements (see disclosures concerning governing bodies and employee, page 206).

(67) Other non-current liabilities

Other non-current liabilities primarily relate to foreign taxes and liabilities to employees as well as deferred income.

(68) Current provisions

The movements in current provisions are shown in the following:

	Provision for guarantee and warranty expenses		Other current provisions	
EUR thousand	2014	2015	2014	2015
As at 1 Jan	**11,527**	**11,120**	**824**	**1,693**
Change in scope of consolidation	111	0	391	0
Allocation	4,043	3,962	842	1,555
Use	(4,300)	(3,270)	(192)	(1,139)
Reversal	(388)	(132)	(173)	(388)
Reclassification	0	10	0	1,712
Foreign currency translation	127	186	1	(7)
As at 31 Dec	**11,120**	**11,876**	**1,693**	**3,426**

(69) Trade payables and other current liabilities

Trade payables and other current liabilities are broken down as follows:

EUR thousand	31 Dec 2014	31 Dec 2015
Trade payables	81,992	104,228
Liabilities to companies reported at equity	424	2,158
Advances received on orders	20,640	20,749
Liabilities to employees	24,733	27,238
Liabilities relating to social security and other taxes	13,622	16,994
Other liabilities	12,426	26,329
Deferred income	2,367	947
Total	**156,204**	**198,643**

Liabilities to employees, amounting to EUR 27,238 thousand (previous year: EUR 24,733 thousand), include deferrals for unused vacation time, incentive bonuses and compensatory time off, as well as wage and salary expenditures payable.

Other liabilities, totalling EUR 26,329 thousand (previous year: EUR 12,426 thousand), relate to debtors with credit balances, accounts payable to the factor arising from incoming payments for sold receivables (see Note (51) for details), and miscellaneous other liabilities.

(70) Financial instruments

The reconciliation of the carrying amounts for each category under IAS 39 to fair values is shown in the following table:

			Measured acc. to IAS 17
EUR thousand	**Carrying amount 31 Dec 2015**	**No financial instrument/ recognition acc. to IFRS 10**	**At amortized cost**
Non-current assets			
Non-current financial assets	32,003	0	0
thereof			
Level 1 fair value			
Current assets			
Trade receivables	183,581	34,900	0
Current financial assets	4,077	0	0
Other current receivables and assets	29,040	17,779	0
Cash and cash equivalents	21,551	0	0
Total assets	**270,252**	**52,679**	**0**
Non-current liabilities			
Non-current financial liabilities	331,472	0	10,067
thereof			
Level 2 fair value			
Non-current purchase price liabilities from acquisitions	8,715	0	0
thereof			
Level 3 fair value			
Other non-current liabilities	2,569	2,569	0
Current liabilities			
Liabilities from puttable non-controlling interests	8,701	8,701	0
Current financial liabilities	74,070	0	1,273
thereof			
Level 2 fair value			
Trade payables and other current liabilities	198,643	65,928	0
Total liabilities	**624,170**	**77,198**	**11,340**

	Measured acc. to IAS 39					
	At amortized cost		At fair value			
			Recognized in other comprehensive income		Recognized in the income statement	
	Loans and receivables	**At amortized cost**	**Available for sale**	**Hedging derivatives**	**Held for trading / other derivatives**	**Carrying amount of financial instruments 31 Dec 2015**
	30,865	0	1,138	0	0	32,003
			1,138	0	0	
	148,681	0	0	0	0	148,681
	4,077	0	0	0	0	4,077
	11,261	0	0	0	0	11,261
	21,551	0	0	0	0	21,551
	216,435	**0**	**1,138**	**0**	**0**	**217,573**
	0	309,026	0	12,379	0	331,472
			0	12,379	0	
	0	6,113	0	0	2,602	8,715
					2,602	
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	70,677	0	1,920	200	74,070
			0	1,920	200	
	0	132,715	0	0	0	132,715
	0	**518,531**	**0**	**14,299**	**2,802**	**546,972**

			Measured acc. to IAS 17
EUR thousand	**Carrying amount 31 Dec 2014**	**No financial instrument/ recognition acc. to IFRS 10**	**At amortized cost**
Non-current assets			
Non-current financial assets	33,656	0	0
thereof			
Level 1 fair value			
Current assets			
Trade receivables	163,274	27,317	0
Current financial assets	1,406	0	0
Other current receivables and assets	26,007	16,483	0
Cash and cash equivalents	20,757	0	0
Total assets	**245,100**	**43,800**	**0**
Non-current liabilities			
Liabilities from puttable non-controlling interests	23,372	23,372	0
Non-current financial liabilities	327,291	0	10,168
thereof			
Level 2 fair value			
Non-current purchase price liabilities from acquisitions	8,521	0	0
thereof			
Level 3 fair value			
Other non-current liabilities	3,062	3,062	0
Current liabilities			
Current financial liabilities	85,130	0	923
thereof			
Level 2 fair value			
Trade payables and other current liabilities	156,204	61,362	0
Total liabilities	**603,580**	**87,796**	**11,091**

The fair value of forward foreign exchange contracts is determined by calculating the present value of cash flows on the basis of the current interest yield curves of the respective currencies from observable market data as well as the current exchange rates at the valuation date. In the case of interest rate swaps, the fair value is determined by calculating the present value of cash flows on the basis of the current interest yield curves of the respective currencies from observable market data. Securities are measured at the current rate at the valuation date.

Measured acc. to IAS 39					
At amortized cost		At fair value			
		Recognized in other comprehensive income		Recognized in the income statement	
Loans and receivables	**At amortized cost**	**Available for sale**	**Hedging derivatives**	**Held for trading / other derivatives**	**Carrying amount of financial instruments 31 Dec 2014**
32,515	0	1,141	0	0	33,656
		1,141			
135,957	0	0	0	0	135,957
1,406	0	0	0	0	1,406
9,524	0	0	0	0	9,524
20,757	0	0	0	0	20,757
200,159	**0**	**1,141**	**0**	**0**	**201,300**
0	0	0	0	0	0
0	303,653	0	13,470	0	327,291
		0	13,470	0	
0	6,022	0	0	2,499	8,521
				2,499	
0	0	0	0	0	0
0	81,410	0	2,479	318	85,130
		0	2,479	318	
0	94,842	0	0	0	94,842
0	**485,927**	**0**	**15,949**	**2,817**	**515,784**

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 amounts of current assets and current liabilities correspond to the market values, as they either have short-term maturities or have floating interest rates. Default risks are accounted for by adequate impairments. The carrying amounts of non-current financial liabilities in the amount of EUR 331,472 thousand (previous year: EUR 327,291 thousand) more or less correspond to the market values (Level 2) of EUR 333,360 thousand (previous year: EUR 328,624 thousand) as they mostly carry floating interest rates. The market values were calculated on the basis of observable current interest rate curves of the respective currencies using the discounted cash flow method. Interest rate swaps held to hedge against interest rate exposure are reported at market value.

In the 2015 financial year, income from the disposal of securities amounted to EUR 40 thousand (previous year: EUR 41 thousand) and is reported in other financial result (cf. Note (41) Interest result and other financial result).

The following table shows the movement in Level 3 fair values:

EUR thousand	2014	2015
As at 1 Jan	**6,164**	**2,499**
Addition through corporate acquisition	3,592	0
Interest cost	461	361
Redemption	(2,626)	0
Reversal through profit and loss	(3,881)	0
Foreign currency translation	8	0
Exchange rate differences through profit and loss	(1,219)	(258)
As at 31 Dec	**2,499**	**2,602**

Result in the income statement	**Jan–Dec 2014**	**Jan–Dec 2015**
Interest expenses	(461)	(361)
Other financial result	1,230	0
Other operating income	2,651	0
Exchange rate differences of the net financial result	1,219	258
Unrealized gain/loss for financial instruments held on the balance sheet date	1,093	(103)

As at 31 December 2015, Level 3 fair values were only made up of the disproportional dividend.

Capital management

The primary objective of PALFINGER's capital management is to secure financial flexibility, scope for value-enhancing investments and the retention of solid balance-sheet ratios.

A strong equity structure retains the trust of investors, lenders and the market and guarantees a solid capital basis for its future business development.

Net debt of PALFINGER is controlled centrally in consultation with the corporate treasury department, whose main responsibilities include long-term guaranteed liquidity in support of business operations, an efficient use of banking and financial services and limiting financial risks while optimizing revenue and costs.

PALFINGER controls its capital structure taking into consideration the change in economic framework conditions, the strategic projects agreed upon and the internal equity ratio and gearing ratio targets. In the long term, an equity ratio of 40 to 50 per cent and a gearing ratio, which corresponds to the ratio of net debt and equity, of 50 to 60 per cent are desirable. Net debt of EUR 347,913 thousand (previous year: EUR 356,600 thousand) includes non-current and current financial assets and the cash holdings as well as non-current and current financial liabilities. Equity of EUR 510,658 thousand (previous year: EUR 454,650 thousand) corresponds to the equity reported according to IFRS.

In order to maintain this capital structure, PALFINGER pursues a consistent dividend policy based on the consolidated net result for the previous year. In accordance with PALFINGER's long-term dividend policy of distributing approx. one-third of the consolidated net result for the period to its shareholders, a dividend of EUR 0.34 (previous year: EUR 0.41) per share was paid in 2015 for the 2014 financial year. On 21 December 2015, an interim dividend in the amount of EUR 0.18 per share was paid out to the shareholders on the basis of the expected net profit for 2015.

Financial risks

PALFINGER, in accordance with its own treasury guidelines, places a strong focus on minimizing financial risks. As a result of the increased internationalization of PALFINGER, the Group's risk concentration has been reduced. All relevant indicators in this connection are regularly monitored and actively controlled. The Group's operations entail financing risks as well as interest-rate and foreign-exchange risks. In order to contain and control these risks, operational measures are taken and derivative financial instruments such as interest rate swaps and currency swaps are used. No derivative financial instruments are contracted for speculation purposes. The financial risks are presented in detail in the following.

1. LIQUIDITY RISK

Liquidity risk describes the necessity of having sufficient funds available at any time in order to meet obligations when they come due. The tasks of liquidity risk management therefore are the analysis of the exposure and the consistent safeguarding of liquidity through liquidity planning, maintenance of sufficient credit lines and sufficient diversification of lenders.

Managing the liquidity risk is the responsibility of the Group's treasury department, which uses efficient cash management systems for this purpose. Group-wide cash reporting ensures the transparency necessary to control funds in a targeted manner. Medium-to-long-term planning allows PALFINGER to identify any financial need that may arise and coordinate this need with its banking partners at an early stage. Due to the intra-group financing structure and the use of cash pooling solutions in Europe and America, an efficient control and group-wide distribution of the required liquidity are facilitated.

In order to extend the maturities of the financial liabilities and diversify PALFINGER's financing partners, the acquisitions and investments made in 2015 as well as the loans maturing in the same year were refinanced through long-term loans. The new loan agreements, like previous agreements, contain covenants providing for a minimum equity ratio of 25 per cent. At the end of the year, the equity ratio was 42.1 per cent and thus far exceeded this required threshold value. The facilities entered into in 2015 have maturities of up to five years.

Another measure to ensure liquidity is the maintenance of long-term unutilized credit lines with PALFINGER's banking partners. The existing financing agreements have been extended. They have durations of up to three years and include approx. 20 per cent of net debt on the average.

The contractual remaining time to maturity of undiscounted cash flows is broken down as follows:

EUR thousand	31 Dec 2014	< 1 year	1–5 years	> 5 years
Financial liabilities	**428,638**	**93,771**	**304,847**	**30,020**
Liabilities from cash flow hedges	**17,416**	**7,661**	**8,842**	**913**
Liabilities from derivatives held for trading	**371**	**371**	**0**	**0**
Non-current purchase price liabilities from acquisitions	**8,250**	**0**	**8,250**	**0**
Trade payables and other current liabilities				
Trade payables	81,992	81,992	0	0
Other liabilities for financial instruments	12,850	12,850	0	0
	94,842	**94,842**	**0**	**0**
Total	**549,517**	**196,645**	**321,939**	**30,933**

EUR thousand	31 Dec 2015	< 1 year	1–5 years	> 5 years
Financial liabilities	**414,188**	**79,356**	**304,483**	**30,349**
Liabilities from cash flow hedges	**15,970**	**6,931**	**8,628**	**411**
Liabilities from derivatives held for trading	**651**	**651**	**0**	**0**
Non-current purchase price liabilities from acquisitions	**9,995**	**427**	**9,568**	**0**
Trade payables and other current liabilities				
Trade payables	104,562	104,562	0	0
Other liabilities for financial instruments	28,153	28,153	0	0
	132,715	**132,715**	**0**	**0**
Total	**573,519**	**220,080**	**322,679**	**30,760**

2. CREDIT RISK

Credit risk is the risk of loss due to a contracting party's default in payment or non-payment. The Group counters this risk by establishing internal limits for contracting parties – determined through solvency analyses – and taking out adequate insurance. Credit risk is limited to the amounts reported in the balance sheets.

A standardized bad-debt allowance was recognized for all receivables overdue.

Under a factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 60,000 thousand (for details see note (51)).

The following is a breakdown of trade receivables overdue:

EUR thousand	31 Dec 2014	31 Dec 2015
Receivables not yet due	**124,475**	**138,372**
Receivables impaired		
Overdue for less than 30 days	23,877	25,581
Overdue for more than 30 days but less than 60 days	8,259	10,154
Overdue for more than 60 days but less than 90 days	2,411	3,864
Overdue for more than 90 days but less than 120 days	1,123	1,506
Overdue for more than 120 days	3,129	4,104
	38,799	**45,209**
Total	**163,274**	**183,581**

Other receivables do not include any receivables overdue. In the case of receivables not yet due there is no indication of bad-debt losses.

When investing funds, only banks with excellent credit ratings are chosen. Credit risk is limited to the amounts reported in the balance sheet.

3. FOREIGN EXCHANGE RISK

Foreign exchange risk is a form of risk that arises from the change in price of one currency against another. The value of a financial instrument may be affected by changes in the currency exchange rate.

The Group's international activities account for payment transactions in different currencies. Through local value creation, excessive amounts of foreign exchange items are minimized by way of natural hedges. The resulting material foreign exchange exposure is hedged using adequate hedging instruments. Foreign exchange cash flows from operations are hedged by means of forward foreign exchange contracts (cash flow hedges).

The supply of finished products and components to foreign-currency countries creates a risk position that is not covered by natural hedges. The ongoing analyses of this position are the basis for establishing a hedging strategy that is evaluated in regular meetings.

Financial transactions may only be concluded on the basis of a relevant hedged item. Speculative transactions (i.e. transactions without an underlying operating item) are prohibited.

Foreign exchange differences in the individual financial statements are reported in earnings before interest and taxes (EBIT) and/or the net financial result, depending on their cause.

Foreign exchange differences had the following effects on the income statement:

EUR thousand	Jan–Dec 2014	Jan–Dec 2015
Exchange rate differences income	4,968	9,023
Exchange rate differences expenses	(5,781)	(8,738)
Exchange rate differences in at equity result	(1,615)	(699)
Earnings before interest and taxes – EBIT	**(2,428)**	**(414)**
Exchange rate differences of the net financial result	577	(732)
Result from exchange rate differences	**(1,851)**	**(1,146)**

Foreign-currency risk sensitivity analysis:
Transactions that are carried out in a currency other than the respective functional currency may have an impact on foreign exchange risks. In the case of fair-value and cash-flow hedges, the changes in the values of the underlying transaction and the hedging transaction caused by changes in the exchange rate are almost completely offset in the same period in the income statement. Accordingly, these financial instruments are not linked to currency risks with an impact on profit or loss, or equity.

The impact of a hypothetical foreign exchange movement on profit or loss and equity is identified within the scope of a sensitivity analysis. This analysis assumes that the major exchange rates against the euro either strengthen or decrease by 10 per cent as at the balance sheet date, while all other variables remain constant. The following table shows the impact of a 10 per cent appreciation or depreciation of the major exchange rates against the euro:

31 Dec 2014		+10%			(10)%	
EUR thousand	Impact on profit or loss	Impact on equity	Total impact	Impact on profit or loss	Impact on equity	Total impact
USD	(662)	(8,684)	(9,346)	810	10,614	11,424
GBP	(126)	(584)	(710)	155	713	868
BRL	(111)	(649)	(760)	136	793	929
SGD	(18)	0	(18)	22	0	22
CNY	35	0	35	(43)	0	(43)
RUB	(368)	(691)	(1,059)	450	845	1,295
INR	(254)	(317)	(571)	311	387	698
CAD	(51)	0	(51)	62	0	62
NOK	744	(764)	(20)	(910)	934	24
SEK	1	0	1	(1)	0	(1)
HRK	(76)	0	(76)	93	0	93
AED	30	0	30	(36)	0	(36)
RON	(779)	0	(779)	952	0	952
KRW	(460)	0	(460)	562	0	562
Foreign currency sensitivities	**(2,095)**	**(11,689)**	**(13,784)**	**2,563**	**14,286**	**16,849**

31 Dec 2015	+10%			(10)%		
EUR thousand	Impact on profit or loss	Impact on equity	Total impact	Impact on profit or loss	Impact on equity	Total impact
USD	(964)	(7,974)	(8,938)	1,178	9,745	10,923
GBP	(132)	(372)	(504)	162	454	616
BRL	(144)	(485)	(629)	176	593	769
SGD	(58)	0	(58)	70	0	70
CNY	(29)	0	(29)	35	0	35
RUB	(451)	(676)	(1,127)	551	826	1,377
INR	(249)	(180)	(429)	304	220	524
CAD	(56)	0	(56)	68	0	68
NOK	82	0	82	(100)	0	(100)
SEK	4	0	4	(5)	0	(5)
HRK	(4)	0	(4)	5	0	5
VND	15	0	15	(18)	0	(18)
PLN	(1)	0	(1)	1	0	1
AED	15	0	15	(19)	0	(19)
RON	(606)	0	(606)	741	0	741
KRW	(1)	(476)	(477)	1	581	582
Foreign currency sensitivities	**(2,579)**	**(10,163)**	**(12,742)**	**3,150**	**12,419**	**15,569**

The calculation is made on the basis of the original and derivative foreign-currency financial instruments in non-functional currency as at the balance sheet date before taxes. Foreign currency translation effects from intra-group accounts receivable and accounts payable were reported in profit or loss; 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 were recognized in equity. Foreign currency translation effects caused by the conversion of the financial statements of foreign subsidiaries into the group currency, the euro, are not taken into account.

4. INTEREST RATE RISK

Changing interest rates have an impact on the value of financial instruments (in particular when interest rates are fixed for a long term) and on the net interest income or expense resulting from these financial instruments. This impact constitutes the interest rate risk in its two forms – risk of change in value and net interest income risk.

The risk of change in value results in a depreciation of financial assets or an appreciation of financial liabilities. Changing values have a more pronounced impact if interest rates are fixed for long periods than in the case of floating-interest arrangements.

The net interest income risk is manifested in higher interest expenses for financial liabilities or lower interest income on financial assets. This risk mainly concerns financial instruments for which floating (short-term) interest rates have been fixed.

Monitoring and managing interest rate risks is part of the regular treasury reporting in the Group. The floating-rate exposure of the Group's financing is hedged by interest rate swaps of EUR 144.7 million (previous year: EUR 146.7 million).

The sensitivity analysis is made on the basis of PALFINGER's floating-interest financial liabilities. A hypothetic change in floating interest rates by 100 base points or one percentage point per year would change PALFINGER's interest expenses by EUR 858.7 thousand (previous year: EUR 764.7 thousand). A hypothetic increase in floating interest rates by 100 base points would raise other comprehensive income by EUR 4,264 thousand (previous year: EUR 5,697 thousand); a decrease of 100 base points would reduce other comprehensive income by EUR 4,496 thousand (previous year: EUR 6,039 thousand).

Hedging

HEDGING FOR FUTURE CASH FLOWS (CASH FLOW HEDGE)

The foreign exchange risks of PALFINGER AG result from receivables from group companies in a foreign currency and from international project business. This exposure is primarily hedged through forward foreign exchange contracts.

The sale of foreign currencies in forward foreign exchange contracts constitutes a hedge against the income from operations in foreign currencies. The result of the underlying transaction runs in the opposite direction of the result of the forward transaction. Assessment and risk analysis of the outstanding hedges are carried out regularly (mark to market). Hedges pertain to those cash flows that are expected within the next twelve months at the latest or correspond to the duration of a project.

The existing interest rate swaps hedge against the risk of interest rate changes in the case of floating-interest arrangements. This hedge limits the negative effect of unforeseeable interest-rate fluctuations on the net financial result.

	Nominal amount in contract currency		**Mark-to-market valuation (EUR)**	
thousand	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**
Forward foreign exchange contracts				
sell USD/buy EUR	USD 25,200	USD 23,158	(944)	(38)
sell EUR/buy NOK	EUR 8,355	EUR 0	46	0
sell USD/buy NOK	USD 76,438	USD 68,112	(8,257)	(8,180)
sell EUR/buy CHF	EUR 0	EUR 208	0	0
Interest rate swaps	EUR 146,720	EUR 144,720	(6,794)	(6,081)
Total			**(15,949)**	**(14,299)**

The market value of hedges is reported as a cash flow hedge according to IAS 39. Valuation gains or losses as at the balance sheet date are to be directly recognized in equity. As soon as the underlying transactions have been carried out, the accumulated gains/losses are reversed from other comprehensive income and recognized in the income statement.

Any amounts relating to cash flow hedges that were recorded in other comprehensive income and those realized are illustrated in the statement of comprehensive income.

HEDGING OF FUNDS (HELD FOR TRADING)

Derivative financial instruments which the Group uses for the hedging of funds and which do not meet the criteria of hedge accounting under IAS 39 with regard to documentation and effectiveness are classified as held for trading. Changes in the fair values of these financial instruments are recognized in the income statement.

	Nominal amount in contract currency		Mark-to-market valuation (EUR)	
thousand	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015
Currency swaps				
sell USD/buy EUR	USD 43,000	USD 68,000	(354)	(317)
sell NOK/buy EUR	NOK 106,500	NOK 312,400	43	129
sell AED/buy EUR	AED 3,400	AED 2,430	(7)	(5)
sell PLN/buy EUR	PLN 0	PLN 1,200	0	(7)
Total			**(318)**	**(200)**

Valuation gains/losses from currency swaps amount to EUR 117 thousand (previous year: –EUR 421 thousand) and are reported in the amount of EUR 117 thousand (previous year: –EUR 421 thousand) under exchange rate difference in the financial result.

Other liabilities and risks

OPERATING LEASES

Liabilities for the use of assets not recognized in the balance sheet (buildings, production facilities, fixtures, fittings and equipment) will presumably amount to EUR 3,549 thousand (previous year: EUR 2,929 thousand) for the 2015 financial year and EUR 8,678 thousand (previous year: EUR 8,987 thousand) for the following four years and EUR 16,049 thousand (previous year: EUR 17,348 thousand) in more than five years. They also include business transactions with related parties.

In the reporting period, minimum lease payments from operating leases in the amount of EUR 3,095 thousand (previous year: EUR 2,360 thousand) were reported as expenses.

FINANCE LEASES

The property, plant and equipment leased relates to a company aircraft with a carrying amount of EUR 8,232 thousand (previous year: EUR 8,237 thousand).

The pertaining lease liabilities are carried under non-current or current financial liabilities in accordance with their durations.

	Minimum lease payments		**Present value of minimum lease payments**	
EUR thousand	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**
Up to one year	1,157	1,290	923	1,273
Between one and five years	10,576	10,504	10,168	10,067
More than five years	0	0	0	0
Total	**11,733**	**11,794**	**11,091**	**11,340**
Minus any future finance costs	(642)	(454)		
Present value of finance lease liabilities	**11,091**	**11,340**		

Other financial obligations

As at 31 December 2015 and 31 December 2014, there were no contingent claims or contingent liabilities.

OTHER DISCLOSURES

Disclosures of business transactions with related parties

At PALFINGER, related parties are broken down into associated companies and joint ventures, key management and other related parties. The associated companies and joint ventures are listed in the statement of investments. The term key management comprises the Supervisory and Management Boards of PALFINGER AG. Other related parties primarily include businesses controlled by the key management and businesses controlling associated companies.

All transactions with associated companies, joint ventures and enterprises controlling associated companies are carried out for the ordinary provision of goods and services. Transactions carried out with the Supervisory Board result from the provision of consultancy services. Transactions carried out with other related parties primarily relate to the delivery of goods and the provision of consultancy services.

Transactions with related parties are carried out in observance of the arm's length principle.

The following table contains transactions with associated companies and joint ventures; the information given refers to 100 per cent and not the actual share held.

Transactions with Management Board members are not contained in the following table; for details, please see "Disclosures concerning governing bodies and employees", page 206.

	Associated companies		Joint ventures		Supervisory Board		Other	
EUR thousand	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015
Receivables	4,028	8,163	4,261	2,744	0	0	30,830	30,655
Liabilities	184	145	240	2,013	0	0	1,209	1,344
Revenue	48,128	64,752	3,301	6,254	0	0	3,216	14,295
Other operating income	8	197	192	382	0	0	551	558
External services	(4)	0	(1,544)	(508)	(11)	(12)	(2,399)	(3,915)
Cost of materials	(5)	(10)	0	0	0	0	0	0
Interest income	0	0	8	28	0	0	2	486

Receivables from associated companies and joint ventures include trade receivables of EUR 8,725 thousand (previous year: EUR 6,954 thousand).

Of the liabilities to associated companies and joint ventures of EUR 2,158 thousand (previous year: EUR 424 thousand), EUR 335 thousand (previous year: EUR 72 thousand) resulted from the provision of goods and services.

In early August 2015, PALFINGER relocated to the new group headquarters in Bergheim near Salzburg, Austria. PALFINGER AG rents the headquarters from a company of the private foundation Palfinger Privatstiftung. The lease agreement was concluded for a period of 20 years and, after this 20-year period, may be terminated by PALFINGER AG at the end of each year upon twelve months' notice. Rent was determined on the basis of an independent expert opinion identifying the current market value. PALFINGER AG has a pre-emptive right to this property.

On 1 April 2015, the remaining 26 per cent in Palfinger systems GmbH, Salzburg, were sold to Marine Systems Overseas Pte. Ltd., a company owned by Hubert Palfinger sen. (see "Scope of consolidation" for details).

Receivables from related parties of EUR 30,016 thousand (previous year: EUR 29,531 thousand) refer to Palfinger systems GmbH (now: Hubert Palfinger Technologies GmbH); an instalment plan for repayment over the next nine years has been agreed. Sufficient collateral has been provided by related parties [see Note (48)]. Interest payable on the receivables will be in observance of the arm's length principle.

PALFINGER granted a pre-emptive right to Mr. Palfinger sen. in the event of the sale of Palfinger systems units GmbH or of all shares held by PALFINGER in the Megarme companies. Moreover, Mr. Palfinger sen. was granted an option to acquire 19 per cent (of the total assets of the Megarme companies) of the interests held by PALFINGER in the Megarme companies on the basis of their fair value. This option may be exercised no later than on 31 December 2016.

Disclosures concerning governing bodies and employees

EMPLOYEES

The average number of employees (FTEs) in the PALFINGER Group (including the Management Board) during the financial year was 8,995 (previous year: 8,030). At the balance sheet date there were 9,131 group employees (previous year: 8,893).

In 2015 as in 2014, no companies were included in the consolidated financial statements on a proportionate basis.

SUPERVISORY BOARD

In the 2015 financial year, the following individuals were either appointed, or delegated by the Works Council, to serve on the Supervisory Board:

- Hubert Palfinger jun., Chairman[1)]
- Hannes Palfinger, Deputy Chairman[1)]
- Jian Qi
- Peter Pessenlehner[2)]
- Heinrich Dieter Kiener
- Gerhard Gruber (Works Council)
- Johannes Kücher (Works Council)[2)]
- Alois Weiss (Works Council)

1) Member of the Audit, Nomination and Remuneration Committees.
2) Member of the Audit Committee.

Effective 16 June 2015, Wolfgang Anzengruber resigned from the Supervisory Board. Johannes Kücher took over the seat held by Johann Mair on the Supervisory Board, effective 6 February 2015.

The members of the Supervisory Board received no remuneration for their services.

MANAGEMENT BOARD

- Herbert Ortner, CEO
- Christoph Kaml, CFO
- Wolfgang Pilz, CMO
- Martin Zehnder, COO

The remuneration of the Management Board consists of several components and is broken down as follows:

	Fixed salary		**Stock option programme**		**Performance-related remuneration**	
EUR thousand	**Jan–Dec 2014**	**Jan–Dec 2015**	**Jan–Dec 2014**	**Jan–Dec 2015**	**Jan–Dec 2014**	**Jan–Dec 2015**
Herbert Ortner	528	537	1	0	396	395
Christoph Kaml	395	437	8	2	288	303
Wolfgang Pilz	329	335	1	0	297	297
Martin Zehnder	334	339	1	0	297	297
Total	**1,586**	**1,648**	**11**	**2**	**1,278**	**1,292**

For the short-term performance-related remuneration of Management Board members, provisions totalling EUR 1,425 thousand (previous year: EUR 1,402 thousand) were formed.

In addition, an agreement on bonuses for the achievement of a long-term increase in corporate value was concluded with the members of the Management Board in 2011. These bonuses were paid out at the end of February 2014 for the increase in corporate value from January 2011 to February 2014. The bonus for the increase from then until the end of 2015 will be paid out in 2016, provided that the agreed benchmarks are achieved. In the 2014 financial year, the CEO received a bonus of EUR 820 thousand p.a. and the other Management Board members each received a bonus of EUR 550 thousand p.a.

Previous bonus agreements concluded with members of the Management Board either expired in February 2014 or at the end of 2015. In order to ensure a smooth transition, a new agreement for the period until 2018, again oriented on a long-term increase in corporate value, was concluded in mid-2015. It is expected that the bonuses will be paid out in 2019.

For benefits payable after termination of employment, EUR 54 thousand (previous year: EUR 43 thousand) were reported as current service cost in the 2015 financial year. This concerns severance payment obligations for Herbert Ortner and Wolfgang Pilz as well as individual contracts regarding pension commitments concluded with Wolfgang Pilz.

At PALFINGER AG, expenses for severance and pension payments for members of the Management Board and other executives amounted to EUR 87 thousand (previous year: EUR 352 thousand), for the remaining employees to EUR 417 thousand (previous year: EUR 1,369 thousand).

The expenses for severance payments contain payments made to contribution-based severance pay funds for members of the Management Board in the amount of EUR 19 thousand (previous year: EUR 72 thousand).

Key events after the balance sheet date

After the end of the 2015 financial year, there have been no material post-reporting events that would have led to a different presentation of the Group's financial position, cash flows or result of operations.

Salzburg, 28 January 2016

The Management Board of PALFINGER AG

Herbert Ortner m.p.
Chief Executive Officer

Christoph Kaml m.p.
Chief Financial Officer

Wolfgang Pilz m.p.
Chief Marketing Officer

Martin Zehnder m.p.
Chief Operating Officer

Goed voorgaan doet goed volgen.

(Dutch saying)

"Set a good example,
and others will follow."

DETAILED GRI & SUSTAINABILITY DISCLOSURES

DETAILED GRI AND SUSTAINABILITY DISCLOSURES

SUSTAINABILITY REPORT PROFILE AND BOUNDARIES

This Integrated Annual Report presents a comprehensive overview of all aspects of corporate governance, economic aspects as well as social and ecological ones. Since 2013, an Integrated Annual Report, containing reporting on sustainability aspects, has been published annually. The topics reported on are selected on the basis of the results of the materiality analysis and take into account PALFINGER's four sustainability areas. The GRI index provides an overview of the sustainability aspects and references to the respective pages in the Report. To help the reader, those pages also contain references to the relevant GRI disclosures and indicators, as well as references to other additional information.

All figures for the year 2015 were compared to those for the previous year. Comparisons of key performance indicators (KPIs) are presented over a period of three years. For the first time, the consolidated management report provides primarily aggregated KPIs at group level. Moreover, detailed reporting can be found in this chapter.

As a matter of principle, all consolidated companies of the PALFINGER Group have been included in the sustainability reporting. Information on companies or sites that were only acquired or founded in 2015 will be included in the reporting starting next year. Therefore, the following information is not yet disclosed for such companies:

- Staff KPIs other than employment figures,
- Environmental data

Environmental data comprises the following manufacturing and assembly sites:
Elsbethen (AT), Köstendorf (AT), Lengau (AT), Cherven Brjag (BG), Tenevo (BG), Cachoeirinha (BR), Caxias do Sul (BR), Niagara Falls (CA), Shenzhen (CN), Ganderkesee (DE), Krefeld (DE), Löbau (DE), Seifhennersdorf (DE), Caussade (FR), Welwyn Garden City (GB), Delnice (HR), Cadelbosco (IT), Modena (IT), Sacheon (KR), Barneveld (NL), Harderwijk (NL), Gdynia (PL), Lazuri (RO), Achangelsk (RU), Ishimbay (RU), Salavat (RU), Velikiye Luki (RU), Maribor (SI), Marine Maribor (SI), Cerritos (US), Council Bluffs (US), Tiffin (US), Trenton (US), Hanoi (VN), Hung Yen (VN).

The office locations Ainring (DE) and Salzburg (AT), being corporate headquarters or distribution and administration sites, were included in the reporting due to their size.

Due to the large number of sites, it was not possible to present data for each site individually in this Report. Rather, data was presented for the regions European Union, Rest of Europe, CIS, Central and South America, North America, Middle East and Africa as well as Far East and/or for the PALFINGER Group. As eco-efficiency in production does not affect any sites in the regions Rest of Europe or Middle East and Africa, no figures were indicated for these regions for the related aspects.
GRI G4-18: Defining the report content; GRI G4-22: Restatements of reported information; GRI G4-28: Reporting period; GRI G4-29: Previous report; GRI G4-30: Reporting cycle
Strategic sustainability aspects, page 21; GRI index, page 233

SUSTAINABILITY PROGRAMME 2015/2016

The following table lists all the measures that form PALFINGER's sustainability programme for 2015/2016. In addition, it provides an overview of the current status of implementation of previous measures.

KEY
In preparation
Measures from the previous year's sustainability programme were re-defined in the course of review and/or processing, after which they were reincorporated in the current programme.
Completed
These measures have been successfully implemented internally and do not require any follow-up measures, unless explicitly indicated.
Deferred/Cancelled
For internal reasons, these measures have been deferred or replaced by more target-oriented measures.
Sections marked in grey
These sections indicate measures from the previous Integrated Annual Report.
Sections marked in white
These sections indicate measures defined in the current reporting period.

FAIR BUSINESS

Corporate ethics and corruption prevention	Status
Strengthening corporate ethics	**In preparation**
Awareness for corporate ethics as a fundamental pillar of PALFINGER's Code of Conduct is to be promoted. In 2016, targeted communication and the group-wide PALversity initiative, as well as the inclusion of this issue in the updated employee packages and in the internal communication channel Yammer, will make central contributions. In addition, a PMI process is to be developed.	
Training in corporate ethics for new employees	**In preparation**
PALFINGER is raising awareness for corporate ethics, for example through the group-wide PALversity project. The primary focus is on the integration of the new companies in Russia and China. In addition, PALFINGER plans to produce a video explaining the Code of Conduct.	

Sustainability in the supply chain	Status
Follow-up to training on "Sustainable Procurement"	**Completed**
This training course aims to raise awareness for the Code of Conduct (human rights) and to provide an opportunity for an exchange of experience regarding previous supplier audits relating to ecological and social aspects.	
Viability of the business model	**In preparation**
Promoting complete PALFINGER solutions from one source will remain a priority. In this regard, financing models will be analysed.	
Regional procurement	**In preparation**
In the future, more initiatives to promote regional procurement are to be launched.	

Sustainability management	Status
Certified environmental management systems at additional sites	**In preparation**
Environmental management systems certified according to ISO 14001 will be introduced at the site in Elsbethen (Austria).	
Group conference for environmental and health officers	**In preparation**
All local officers for the environment, health and safety will exchange their experience and ideas. The group conference for 2016 is on the agenda. Objectives include creating a common sustainability culture at PALFINGER, standardizing definitions and optimizing reporting and the exchange of experience among personnel in charge of reporting.	
Targeted stakeholder communication	**In preparation**
A workshop to analyse PALFINGER's stakeholder groups and their involvement is scheduled for 2016. Due to the dynamic environment, another sustainability analysis was carried out in 2015. On this basis, measures for the specific control of communication strategies are being developed.	
Carbon Disclosure project	**Deferred**
PALFINGER aims to participate in the Carbon Disclosure initiative.	
Changeover to provider mix in reporting	**Completed**
A gradual changeover from country-specific GHG emissions to the local mix of providers was effected.	

ECO-EFFICIENCY IN PRODUCTION

PALFINGER has set itself the goal of improving energy efficiency and reducing hazardous waste by 1.8 percentage points every year starting in 2014. In addition, as a long-term objective, PALFINGER intends to have the attainment of sustainability benchmarks agreed upon as a criterion for variable salary components within the entire Group.

Energy efficiency and climate protection	Status
Continuation of lighthouse projects for energy efficiency	**In preparation**
PALFINGER will continue to place a focus on eco-efficiency in production and facility management: Efforts to enhance energy efficiency are initiated for new, in particular large, and hence energy-intensive, sites upon their inclusion in the PALFINGER Group.	
Best-practice pool of energy efficiency	**In preparation**
Information on measures that have been successfully implemented will be electronically exchanged between the local responsible officers in order to speed up the group-wide establishment of energy efficiency measures. Communication via SharePoint, as well as other media such as webinars and conference calls, will continue to be promoted.	
Local environmental protection officers	**Completed**
Every regional management ensures that local officers promote energy efficiency and environmental protection. Teams at all companies control a continuous improvement process. Due to organic as well as inorganic growth, this is regarded as an ongoing measure.	
Optimization of travel costs	**Completed**
As part of the Lean Administration project, group-wide video conference systems will be expanded in order to further optimize travel costs and their impact. The travel cost optimization is seen as a continuous process. In Austria and Slovenia, new systems were installed. Moreover, "Skype for Business" systems at the workplace are increasingly applied.	
Energy cooperation with SANY Heavy Industries	**Deferred**
Once the relocation of the production site to Rudong has been completed in China, a follow-up workshop on energy efficiency will be held.	
Energy Efficiency Directive	**Completed**
In order to meet the obligations under the EU Energy Efficiency Directive, an evaluation of the respective national implementation requirements and deadlines took place for sites in European countries in 2015. The requirements concerned 14 PALFINGER sites in 5 countries. In Austria and in Bulgaria, external audits will be performed, in Germany and Slovenia the ISO 50001 standard will be introduced.	
Energy audits	**In preparation**
In compliance with the Energy Efficiency Directive, energy audits took place at all Austrian sites and at Cherven Brjag, Bulgaria, in 2015.	
Introduction of ISO 50001	**In preparation**
At PALFINGER's German and Slovenian sites, certification under ISO 50001, which specifies requirements for energy management systems, is planned for 2016. The implementation of this measure at additional sites within the EU is currently being reviewed.	
Observance of efficiency standards in the new production hall in Ishimbay, Russia	**Completed**
The application of state-of-the-art technology standards when completing the new production hall in Ishimbay in 2015 has substantially raised energy efficiency once again.	
Paint shops and powder coating plants	**In preparation**
The existing paint shops and powder coating plants in Maribor and Lengau will be optimized.	
Modernization and expansion of plants	**In preparation**
PALFINGER plans to expand the building control systems at the Lengau and Köstendorf sites. At the Bulgarian sites, the plants will be expanded and a modernization programme will be launched.	

Waste and hazardous substances	Status
Waste optimization project	**In preparation**
A waste optimization project is planned for the sites in Lengau, Köstendorf, Maribor and Tenevo. A first analysis of recyclable material flows has already been carried out.	

Transport	Status
Transport optimization	**In preparation**
It is planned to optimize transports in the EMEA region. In this connection, a strategy to reduce transports will be developed as well.	

RESPONSIBLE EMPLOYER

Employee turnover and recruiting	Status
Establishment of an employer branding strategy	**In preparation**
A group-wide employer branding strategy, taking into account the increased use of social media, will be implemented at PALFINGER. Amongst other things, this has the object of enhancing PALFINGER's attractiveness as an employer.	
Personnel marketing	**In preparation**
In the future, PALFINGER plans to use additional new media for HR marketing purposes in order to actively promote its attractiveness as an employer. Measures to be taken in this connection include the development of a professional, group-wide recruiting platform.	
Onboarding process	**In preparation**
The onboarding process will be optimized; this is to enhance the integration of new staff members.	

Occupational health and safety	Status
Uniform global definition of accidents and uniform reporting	**In preparation**
In addition to absence periods, individual accidents will also be reported group-wide in accordance with a uniform definition regarding severity. This will contribute to the local continuous improvement processes.	
Group-wide minimum standards for occupational health and safety	**Cancelled**
PALFINGER acknowledges the significance of decent working conditions all over the world and is integrating this project as a priority to be dealt with by the PALversity project team “Working Conditions”.	
Expansion of PALfit	**In preparation**
The occupational health management PALfit was expanded in Croatia. In Germany, due to the social and legal restructuring, the implementation of PALfit will be a priority in 2016.	
First aid training	**In preparation**
This is to be offered at the PALFINGER College in Austria.	
“Healthy leadership”	**In preparation**
Industrial psychologists (focus: crisis communication) will give presentations to raise employees’ awareness; as a follow-up, measures will now be implemented. The Austrian project is to be expanded and is planned to start at the Sites in Krefeld and Löbau.	

Training and education	Status
Introduction of group-wide staff review talks for indirectly productive	**Completed**
This measure was reinforced within the Company in the current reporting period. Evaluation and awareness enhancements have started at several sites. Implementation is carried out the local management and was integrated into the operational management systems.	
Continuation of the HR review	**In preparation**
In the medium term, the HR review is to be rolled out to lower management levels as well.	
Minimum standards for exit interviews	**Completed**
Well-structured exit interviews are to be conducted with employees leaving the Company. The measure was integrated into the operational management system.	
Coaching for executives	**In preparation**
The further establishment of coaching programmes for executives and the active communication of the availability of these programmes are to remain a continuing priority.	
Expansion of HR development	**In preparation**
The college programme is to be regionally expanded in order to further internationalize the idea of the PALFINGER College.	

Diversity and equal opportunity	Status
Expansion of the Diversity Circle	**Cancelled**
Instead of the Diversity Circle, the group-wide exchange of opinion takes place via the PALversity project.	
PALversity project “Corporate Culture”	**In preparation**
The objective pursued by this project is to obtain a holistic overview of PALFINGER’s existing corporate culture, to strengthen the concept of “leadership by example” and to install a Corporate Culture Board, which will discuss concerns and develop additional strategies and initiatives. Based on a survey carried out in 2015 the corporate values were updated and afterwards communicated to all employees.	
PALversity project “Recruiting”	**In preparation**
All employees were given access to the social-media platforms Xing and LinkedIn in 2015. In addition, a recruiting tool is to be implemented in the medium term.	

PALversity project "International Mobility"	**In preparation**
In 2015, an international exchange programme was instituted: Talented employees from the individual regions may transfer to PALFINGER's headquarters for a certain period of time, bringing their own culture to Austria and at the same time embracing Austria's culture. This will facilitate an exchange of Corporate Functions to and from the regions. In addition, a value-oriented strategy development is to be initiated for mobility programmes.	
PALversity-project "Working Conditions"	**In preparation**
There will be follow-up measures on group-wide minimum standards in regard to health and occupational safety as well as environmental protection. A first analysis of manufacturing and assembly sites has provided the necessary transparency of local conditions, on the basis of which improvement measures may be taken.	
PALversity-project "Talent Management"	**In preparation**
The project intends to generate group-wide awareness for talent management. Afterwards, corporate targets are to be defined and the necessary HR requirements for a relevant tool are to be gathered and evaluated.	

Communication with employees	**Status**
New intranet	**In preparation**
A priority in 2016 will be the introduction of a new intranet in order to improve internal communications with PALFINGER's employees.	

Economic and social security: remuneration and freedom of assembly	**Status**
Continuation of Living Wages project	**Cancelled**
The focus in the PALversity project "Working Conditions" was placed on general working conditions concerning health and environment, exclusive of the topic of living wages. Generating uniform international minimum standards in the area of living wages, proved to be extremely difficult. At the PALFINGER locations wages in excess of the respective regional standards are paid. This principle has long been followed by PALFINGER and will also be applied and regularly checked on in the future.	

SUSTAINABLE PRODUCTS

Research and development, product safety	**Status**
Safety systems SRC and RTC	**Completed**
Synchronized Rope Control (SRC) and the cable winch solution Rope Tension Control (RTC), both of which are already available on the market, were a priority in research and development as well as in implementation in 2015.	
PALcom 7	**Completed**
PALcom 7 is equipped with additional safety features such as a tilting sensor and an acceleration sensor. This series launch was completed in 2015. The launch of HPSC for timber and recycling cranes was also completed in 2015.	
Introduction of the P-profile	**In preparation**
The introduction of the new polygonal profile (P-profile) facilitates the construction of lighter models with more lifting force. In the future, this profile is to be used in other crane models as well.	
Review of dealer standards	**In preparation**
The purpose of the review of international dealer standards is to support the safe use of the products and to enhance product quality and longevity.	
Safety system	**In preparation**
In the context of the "Fall Protection Mode" of the DACHS project (DACHS stands for Germany, Austria, Switzerland and South Tyrol), the occupational safety mode of the crane is being further developed. Moreover, PALFINGER plans to introduce new control systems for developing countries. Safety will also be enhanced by the new training for operators.	
Mounting Competence Center (MCC)	**In preparation**
MCC as an integrated mounting unit has been established for loader cranes. The development of mounting standards is being promoted.	

Products for ecological and social purposes	**Status**
New website: environmentally friendly and safe products	**In preparation**
A general description of all PALFINGER products has already been made, and is now to be supplemented by a presentation of their environmental and safety advantages.	

GRI G4-DMA: Sustainability programme

MATERIAL GRI ASPECTS ALONG THE VALUE CREATION CHAIN

The following illustration shows which sustainability aspects of the Global Reporting Initiative (GRI) PALFINGER has defined as being material, and the stages within the value creation chain at which their effects are felt. The indicators used by PALFINGER to measure them are presented as well. The material topics are ranked according to the overall relevance attributed to them by the PALFINGER management as well as internal and external stakeholders in 2015. The list includes the 32 topics of the materiality analysis chosen for assessment. Changes as compared to the previous reports are presented in the key and/or in the materiality analysis chapter.

Ranking	Material topics	Stage of the value creation chain: Supply chain	Within the Company	Product use	Material aspect acc. GRI Reported GRI Indicator	Intensity of reporting
1	**Health and safety of employees** PALFINGER should protect its employees against accidents and promote their health care.	●	●		**Occupational health and safety** Industrial accidents, occupational diseases and lost days (G4-LA 6); Workers with high incidence or high risk of diseases (G4-LA 7); Formal agreements with trade unions concerning health and safety topics (G4-LA 8)	Quantitative presentation of accidents and employee absence in company's own production process and description of initiatives
2	**Product safety** PALFINGER's products should be distinguished by utmost safety. The prevention of accidents during their use should go beyond statutory requirements.			●	**Customer health and safety** Product and service categories for which health and safety impacts are assessed (G4-PR 1); Incidents of non-compliance with safety provisions (G4-PR 2)	Quantitative presentation of possible accidents and description of safety innovations for products
3	**Viability of the business model** PALFINGER should make sure that its business model remains viable in the long term and actively pursue trends (e.g. urbanization, rental instead of purchase, etc.).	●	●	●	**Economic performance** Direct economic value generated and distributed (G4-EC 1); Financial implications and other risks and opportunities due to climate change (G4-EC 2); Financial assistance received from government (G4-EC 4)	Presentation in the context of the management report, risk management, economic performance, organizational profile
4	**Attractive employment possibility** PALFINGER should be known as an attractive employer, keep employee turnover low and create career opportunities within the company.	●	●		**Employment; Supplier assessment for labour practices** Total number of employees and employee turnover (G4-LA 1); Screening of labour practices in the supply chain (G4-LA 14); Impacts of labour practices in the supply chain (G4-LA 15)	Qualitative description
5	**Research and development** PALFINGER should continue to invest in research and development.	●	●	●		Qualitative description of research and development
6	**Raw materials demand and efficiency** In production, PALFINGER should use raw materials such as steel and aluminium efficiently.	●	●	●	**Materials** Materials used by weight (G4-EN 1)	Quantitative presentation of waste cuttings

Ranking	Material topics	Stage of the value creation chain: Supply chain	Stage of the value creation chain: Within the Company	Stage of the value creation chain: Product use	Material aspect acc. GRI Reported GRI Indicator	Intensity of reporting
7	**Compliance with legal and ethical standards [1)]** PALFINGER should act in an ethical correct manner: laws are obeyed, taxes are payed correctly and corruption is counteracted.	●	●	●	**Ethics and integrity; Anti-corruption** Code of conduct (G4-56); Compliance and integrity (G4-57); Reporting concerns about integrity (G4-58); Operations assessed (G4-SO 3); Anti-corruption communication (G4-SO 4); Incidents of corruption (G4-SO 5); Competition law (G4-SO 7)	Presentation of violations, if any, and description of initiatives regarding corporate ethics
8	**Correct corporate governance [2)]** The company should be governed properly and guarantee the independence of the Supervisory Board, involvement of shareholders, and transparent remuneration of top management. The behaviour according to defined corporate values should be emphasized.	●	●	●	**Compliance** Significant fines (G4-SO 8); Incidents of non-compliance with safety provisions (G4-PR 2)	Presentation of violations, if any, and compliance management
9	**Energy efficiency and climate protection [3)]** PALFINGER should strive to continuously optimize energy consumption and transportation, to reduce costs and emissions and thus actively contributes to climate protection.		●	●	**Energy; Emissions** Energy consumption and intensity (G4-EN 3, G4-EN 4, G4-EN 5, G4-EN 6, G4-EN 7); GHG emissions (G4-EN 15, G4-EN 16, G4-EN 17, G4-EN 18)	Quantitative indicator and qualitative description of energy consumption
10	**Efficient and environmentally friendly products [4)]** PALFINGER products should stand out due to their low need for energy and operating materials when in operation. Measured over their life cycles they should be the most economical solution available.			●	**Products and services** Mitigation of environmental impacts of products (G4-EN 27)	Qualitative description of product innovations
11	**Durability of products [5)]** Customer satisfaction is the upmost priority at PALFINGER. Therefore, the products should be of top quality, reliable, made to last and low in maintenance.		●	●		Qualitative description of product innovations for quality enhancement
12	**Training** PALFINGER should invest in the further training of its employees.		●		**Training and education** Hours of training per employee (G4-LA 9); Programmes for skills management (G4-LA 10); Employees receiving regular reviews (G4-LA 11)	Quantitative indicator and qualitative description of the training programme
13	**Diversity and equal opportunity** PALFINGER should enhance diversity and offer all employees the same opportunities – irrespective of age, gender, personal background and other factors.	●	●		**Diversity and equal opportunity** Diversity and equal opportunity (G4-LA 12)	Quantitative presentation of the percentage of women, generations and employees with disabilities and qualitative presentation of initiatives
14	**Fair remuneration [6)]** PALFINGER should offer fair remuneration.		●		**Equal remuneration for women and men** No GRI indicator reported	Qualitative description of wage level
15	**Products without problematic substances [4)]** PALFINGER should offer product variations with biodegradable hydraulic oil. Hazardous substances (e.g. chrome VI, water-soluble paints, etc.) should be avoided and environmental damage caused by product use should be minimized.	●	●	●	**Effluents and waste; Products and services** Waste and disposal (G4-EN 23); Mitigation of environmental impacts of products (G4-EN 27)	Presentation of waste cuttings rate and development of hazardous waste, description of the status quo of electroplating and paint shops, description of product innovations

Ranking	Material topics	Stage of the value creation chain: Supply chain	Stage of the value creation chain: Within the Company	Stage of the value creation chain: Product use	Material aspect acc. GRI Reported GRI Indicator	Intensity of reporting
16	**Sustainability in the supply chain** [7)] PALFINGER should take an interest in whether suppliers pay attention to environmental protection and to their social responsibility. Suppliers that show commitment in these fields should receive advantages from PALFINGER.	●			**Supplier assessment for environmental aspects, labour practices, human rights and social aspects** Evaluation of the supply chain concerning: Environmental protection (G4-EN 32, G4-EN 33); Labour practices (G4-LA 14, G4-LA 15); Human rights (G4-HR 10, G4-HR 11); Impacts on society (G4-SO 9, G4-SO 10)	Number of supplier audits and their results
17	**Employee communication** Every employee should be informed about major corporate developments. Communication with and among employees should take place at an elevated international level and be characterized by the common corporate values.		●			Qualitative description of communication with employees
18	**Effluents and waste** [8)] At PALFINGER sites hazardous waste and substances should be avoided, safely stored and disposed of.	●	●	●	**Effluents and waste** Waste and disposal (G4-EN 23)	Presentation of waste cuttings rate and development of hazardous waste, description of the status quo of electroplating and paint shops, description of product innovations
19	**Product recyclability** PALFINGER Product recyclability should be easy to recycle at the end of their lifecycles.		●	●	**Effluents and waste; products and services** Waste and disposal (G4-EN 23); Mitigation of environmental impacts of products (G4-EN 27)	Presentation of waste cuttings rate and development of hazardous waste, description of the status quo of electroplating and paint shops, description of product innovations
20	**Avoidance of noise and emissions** PALFINGER products should avoid noise and emissions during operation.		●	●	**Emissions** Direct and indirect GHG emissions (G4-EN 15, G4-EN 16); Other GHG emissions (G4-EN 17); GHG emissions intensity (G4-EN 18)	Quantitative indicator and qualitative description of emissions
21	**Lower product weight** [4)] PALFINGER products and truck-bodies should be low in weight.		●	●	**Materials** Materials used by weight (G4-EN 1)	Quantitative presentation of waste cuttings
22	**Product information** Users should be provided with product information and training courses in order to ensure safety and environmental protection when using PALFINGER products.		●	●	**Product and service labelling** Product and service information (G4-PR 3)	Qualitative description of product information
23	**Regional responsibility** [9)] PALFINGER sites should become actively involved at the regional level and should invest in public welfare (e.g. donations and sponsoring). Good relations should be maintained with local residents.		●		**Local communities** No GRI indicator reported	Qualitative description of regional responsibility

Ranking	Material topics	Stage of the value creation chain: Supply chain	Within the Company	Product use	Material aspect acc. GRI / Reported GRI Indicator	Intensity of reporting
24	**Stakeholder involvement** PALFINGER should openly inform customers, suppliers, employees and all other cooperation partners, and engage them in the development of the company accordingly.	●	●	●	**Stakeholder engagement** List of stakeholders (G4-24); Basis for identification and selection of stakeholders (G4-25); Stakeholder engagement (G4-26); Results of engagement (G4-27)	Presentation for purposes of stakeholder management
25	**Environmentally friendly transport** The transport of raw materials, components and PALFINGER products should be kept short and environmentally friendly.	●	●	●	**Transportation** No GRI indicator reported	Qualitative description of envionmentally friendly transportation
26	**Lifting solutions for developing and emerging countries** PALFINGER products should also be affordable in less developed countries in order to make physical labour easier.		●	●		Qualitative description of lifting solutions for developing and emerging countries
27	**New products for ecological/social usages** PALFINGER should strive for successful product innovations for the use in environmental and social fields. This has already been achieved in the case of cranes for wind energy plants and access systems for people with disabilities.		●	●		Qualitative description of product innovations
28	**Biodegradable hydraulic oil** PALFINGER should offer product variants with biodegradable hydraulic oil.	●	●	●	**Products and services** Mitigation of environmental impacts of products (G4-EN 27)	Qualitative description of product innovations
29	**Fair marketing** The products should be promoted in an honest and transparent manner.		●	●	**Marketing communications** No GRI indicator reported	Qualitative description of marketing
30	**Alternative power systems** PALFINGER should offer alternative power systems (e.g. electrical, hybrid).	●	●	●	**Products and services** Mitigation of environmental impacts of products (G4-EN 27)	Qualitative description of product innovations
31	**Freedom of association** [6] PALFINGER should uphold the freedom of association and guarantee freedom of expression.	●	●	●	**Freedom of association and collective bargaining** Operations where the right to exercise the freedom of assembly may be at risk (G4-HR 4)	Qualitative description of freedom of association
32	**Regional purchasing** PALFINGER should buy primary products in the regions in which the company operates.	●			**Procurement practices** No GRI indicator reported	Qualitative description of regional purchasing

Changes to the last materiality analysis:

1) Combination of the topics: Compliance with legal provisions; Code of Conduct; Corporate ethics and competition law
2) Combination of the topics: Inclusion of shareholders; Independence of the Supervisory Board; Transparent remuneration of the top management
3) Combination of the topics: Risks due to climate change; Energy efficiency; Greenhouse gas emissions; Transport reduction
4) More detailed presentation of the former topic: Efficient and environmentally friendly products
5) Former term: Product quality
6) Splitting of the topic: Fair remuneration and freedom of association
7) Combination of the topics: Sustainability in the supply chain; Transparency in the supply chain; Avoidance of child labour in the supply chain
8) Combination of the topics: Avoiding discharge of hazardous substances; Avoiding waste
9) Combination of the topics: Regional responsibility; Impacts on residents

GRI G4-20: Boundary within the organization for each material aspect; GRI G4-21: Boundary outside the organization for each material aspect

Materiality analysis, page 36

MANAGEMENT SYSTEMS IN USE

Continuously enhancing the management of quality assurance, environmental standards, product safety and occupational safety at the production sites is a key priority at PALFINGER. External certifications may be obtained to this end by the respective business units or companies on their own authority and in line with local requirements, but they are not a must. As a result of the extensive acquisition efforts pursued in recent years, the percentages of sites with such certifications have in most cases decreased. Approx. 88 per cent (previous year: 85 per cent) of all employees work at sites with an ISO 9001 quality management system in place. PALFINGER's quality standards for welding processes are equally high, which is why approx. 41 per cent (previous year: 45 per cent) of all employees work at sites that have obtained country-specific welding certificates. Moreover, group-wide quality management guidelines define the settlement of warranty payments, company-wide minimum standards for quality, and definitions of warranty cases and warranty expenses.

Many aspects of the quality management system are also relevant for environmental protection. In contrast to quality management systems, relatively few employees (31 per cent; previous year: 34 per cent) work at plants that have been certified under ISO 14001 or EMAS. In any case, all PALFINGER sites meet at least the minimum criteria required for an environmental management system. While the management systems follow the same processes throughout the Group, quality assurance and central quality management are controlled by the production site in Lengau (AT).

Since 2015, 14 PALFINGER sites in Austria, Germany, Slovenia, Romania and Bulgaria have been subject to the respective national legislations transposing the EU Energy Efficiency Directive. Since Lengau (AT), Köstendorf (AT), Tenevo (BG) and Lazuri (RO) had already obtained certification under ISO 50001 Energy Management, requirements to be met in the reporting period were lower for these sites. For reasons regarding capacity and ressources, ISO 50001 was introduced ahead of time at the five relevant sites in Germany and the two in Slovenia. At the three remaining sites, external audits were carried out in line with national requirements.

At PALFINGER, one way of managing occupational health and safety aspects is OHSAS 18001 certification, which has been established within the Group to the same extent as ISO 50001. Both systems will increasingly be used at the European sites in the years to come.

GRI G4-DMA: Disclosure on management approach

Certifications

Site or registered office	Company	Headcount	Quality: ISO 9001[1]	Quality: Welding certifications[2]	Environment: ISO 14001 / EMAS	Environment: ISO 50001	Safety: OHSAS 18001
Ainring (DE)	Palfinger GmbH	144	X	X		Planned for 2016	
Archangelsk (RU)	SMZ Archangelsk	270	X				
Barneveld (NL)	Palfinger Ned-Deck B.V.	79	X				
Cachoeirinha (BR)	Palfinger Koch Metalurgica Ltda.	17					
Cadelbosco di Sopra (IT)	Palfinger Gru Idrauliche S.r.l.	74	X				
Caussade (FR)	Guima Palfinger S.A.S.	200	X	X	X		X
Caxias do Sul (BR)	Madal Palfinger S.A.	249	X				
Cerritos (US)	Palfinger Liftgates, LLC	84					
Cherven Brjag (BG)	Palfinger Produktionstechnik Bulgaria EOOD	469	X	X			
Council Bluffs (US)	Omaha Standard, LLC	357					
Delnice (HR)	Palfinger Proizvodna Tehnologija Hrvatska d.o.o.	84	X	X	X		
Elsbethen (AT)	Epsilon Kran GmbH.	92	X				
Ganderkesee (DE)	MBB Palfinger GmbH	227	X	X		Planned for 2016	
Gdynia (PO)	Palfinger Dreggen Poland sp.z o.o.	10	X				
Hanoi (VN)	Palfinger Ned-Deck Vietnam Co. Ltd.	76	X				
Harderwijk (NL)	Palfinger Boats B.V.	29	X				
Hung Yen (VN)	Palfinger Boats Vietnam Co. Ltd.	65	X				
Ishimbay (RU)	INMAN AO	521	X				
Köstendorf (AT)	Palfinger Europe GmbH	360	X		X	X	X
Krefeld (DE)	Palfinger Platforms GmbH	126	X	X		Planned for 2016	
Lazuri (RO)	Nimet Srl	430	X		X		X
Lengau (AT)	Palfinger Europe GmbH	629	X	X	X	X	X
Löbau (DE)	Palfinger Platforms GmbH	206	X			Planned for 2016	
Maribor (SI)	Palfinger Marine d.o.o., Maribor	77	X			Planned for 2016	
Maribor (SI)	Palfinger Proizvodnja d.o.o.	461	X	X		Planned for 2016	
Modena (IT)	Palfinger Platforms Italy s.r.l.	25	X				
Niagara Falls (CA)	Palfinger, Inc.	74					
Sacheon (KR)	Palfinger Dreggen Korea, Limited	44	X	X	X		X
Salavat (RU)	INMAN AO	0	X				
Salzburg (AT)	PALFINGER AG	227					
Seifhennersdorf (DE)	Palfinger Platforms GmbH	49	X	X	Planned 2018	Planned for 2016	Planned 2018
Shenzhen (CN)	Palfinger (Shenzhen) Ltd.	20	X	X			
Tenevo (BG)	Palfinger Produktionstechnik Bulgaria EOOD	545	X	X	X	X	
Tiffin (US)	PalFleet Truck Equipment Company, LLC	63					
Trenton (US)	Omaha Standard, LLC	83					
Velikiye Luki (RU)	Velmash Velikie Luki	781	X				
Welwyn Garden City (GB)	Ratcliff Palfinger Ltd.	123	X				
Total headcount		**7,370**	**6,465**	**2,998**	**2,292**	**1,534**	**1,663**
Percentage of headcount using certificate			**88%**	**41%**	**31%**	**21%**	**23%**

1) As well as other similar quality management standards.
2) According to the following certifications: ZL EN729, EN3834-2, Schweiß-ZL GL, BS 4872 or EN287 issued to individuals; at American sites certification by TSSA, ASTM A36, A514 T1 or HNSI/AWS D1.1 issued to individuals.

DETAILED SUSTAINABILITY DISCLOSURES

RESPONSIBLE EMPLOYER

Employment trend

Employment trend (headcount)		**2013**	**2014**	**2015**
European Union	Core workforce	4,500[1)]	4,749	4,879
	(thereof staff at new sites)	381	85	10
	Temporary workers	300	299	423
	Total	**4,800[1)]**	**5,048**	**5,302**
Far East	Core workforce	289[1)]	301	310
	(thereof staff at new sites)	24	0	39
	Temporary workers	7	13	18
	Total	**296[1)]**	**314**	**328**
CIS	Core workforce	523[1)]	1,756	1,843
	(thereof staff at new sites)	0	1,230	155
	Temporary workers	17	38	0
	Total	**540[1)]**	**1,794**	**1,843**
Central and South America	Core workforce	405	372	297
	(thereof staff at new sites)	6	0	0
	Temporary workers	0	0	10
	Total	**405**	**372**	**307**
Middle East and Africa	Core workforce	-	543	609
	(thereof staff at new sites)	-	543	0
	Temporary workers	-	0	0
	Total	**-**	**543**	**609**
North America	Core workforce	956	1,075	1,081
	(thereof staff at new sites)	0	0	0
	Temporary workers	28	60	45
	Total	**984**	**1,135**	**1,126**
Rest of Europe	Core workforce	87[1)]	97	112
	(thereof staff at new sites)	0	0	29
	Temporary workers	0	0	0
	Total	**87[1)]**	**97**	**112**
PALFINGER Group	**Core workforce**	**6,760[1)]**	**8,893**	**9,131**
	(thereof staff at new sites)	**411**	**1,858**	**233**
	Temporary workers	**351**	**410**	**496**
	Total	**7,111[1)]**	**9,303**	**9,627**

1) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

GRI G4-10: Employment profile; GRI G4-LA 1: Total number of employees and employee turnover

In 2015, as in previous years, the number of employees of the PALFINGER Group increased and came to 9,627 at the end of the year. The respective figures remained stable in the companies that have been part of the PALFINGER Group for a long time. The increase in staff numbers was caused primarily by the acquisitions made, adding 233 new employees (previous year: 1,858 employees) to the headcount. Temporary workers were employed primarily in the European Union and their number rose to 423 in the reporting period (previous year: 299 temporary workers).

In the European Union, the high volume of incoming orders resulted both in organic growth and in an increased deployment of temporary workers. While the employment situation was stable in most other regions, Central and South America posted a decline caused by the difficult local economic conditions.

As a rule, there is no disguised employment and no seasonal employee turnover at PALFINGER. As a general rule, PALFINGER employees are permanently employed; fixed-term employment contracts beyond the probationary period are not a common practice. The only exception is work experience placements, in the course of which PALFINGER gives young talents the opportunity to gain work experience in an international environment. The vast majority of employees work for PALFINGER on a full-time basis.

Employee turnover

In the 2015 reporting period, the employee turnover rate increased from 10.0 per cent to 13.6 per cent. Average group-wide staff turnover therefore remains at a low level.

A company's increasingly international orientation frequently results in higher employee turnover. The elevated regional employee turnover rates at PALFINGER can be traced back to individual sites. Restructurings at German plants, relocations of plants in China and Russia and a lack of employee satisfaction at a single site in North America were the biggest factors influencing these rates.

Employee turnover (in per cent)	**2013**	**2014**	**2015**
European Union	6.1%	6.3%	8.6%
Far East	12.5%	9.0%	13.2%
CIS	10.9%	7.9%	18.3%
Central and South America	25.8%	32.5%	26.9%
Middle East and Africa	-	11.4%	14.1%
North America	23.3%	22.2%	23.7%
Rest of Europe	18.8%	10.3%	18.8%
PALFINGER Group	**10.3%**	**10.0%**	**13.6%**

Employee turnover by gender (in per cent)	**2013**	**2014**	**2015**
Women	10.5% [2]	11.8%	12.6%
Men	10.2% [2]	10.0%	14.1%
PALFINGER Group [1]	**10.3%**	**10.0%**	**13.6%**

1) Depending on the report boundaries, employee turnover was reported by gender or as a total figure. As a consequence, detailed figures differ from the overall employee turnover rate.
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

GRI G4-LA 1: Total number of employees and employee turnover

Health and safety

Staff absence in per cent of regular working time		**2013**	**2014**	**2015**
European Union	Accidents	0.36%	0.21%	0.21%
	Sick leave and other causes	6.08%	6.93%	4.35%
Far East	Accidents	0.05%	0.00%	0.13%
	Sick leave and other causes	3.94%	4.35%	5.26%
CIS	Accidents	0.00%	0.00%	0.00%
	Sick leave and other causes	4.51%	5.79%	4.31%
Central and South America	Accidents	0.34%	0.19%	0.13%
	Sick leave and other causes	2.46%	2.81%	1.29%
Middle East and Africa	Accidents	-	0.10%	0.00%
	Sick leave and other causes	-	0,78%[1)]	0.69%
North America	Accidents	0.03%	0.07%	0.09%
	Sick leave and other causes	1.56%	5.02%	2.53%
Rest of Europe	Accidents	0.00%	0.00%	0.04%
	Sick leave and other causes	2.10%	2.60%	3.06%
PALFINGER Group	**Accidents**	**0.18%**	**0.11%**	**0.13%**
	Sick leave and other causes	**3.62%**	**4.19%**	**3.85%**

1) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

GRI G4-LA 6: Industrial accidents, occupational diseases and lost days

Staff absence due to industrial accidents has constantly been at a low level in recent years. In 2013, it came to 0.18 per cent of regular working time, whereas in 2014 the figure decreased to 0.11 per cent and in 2015 to 0.13 per cent. Regional increases in lost days were due to paid leaves on the occasion of site relocations in China and Russia, one-off effects resulting from changed (management) structures and the flu epidemic in Germany. Between 2006 and 2015, no PALFINGER employee suffered a fatal accident on the job.

In the European countries, psychological strain is still the number one cause for employee absence. Around 60 per cent of the causes can be found in the private realm of the employees. In the course of a current project on the assessment of work conditions, the stresses suffered by employees worldwide are being analysed. At the production sites, the focus is still on preventing physical strain and improving workplace ergonomics. In principle, health management strives to avoid risks for employees in production (74.9 per cent of the total workforce) arising, in particular, from the following sources: noise, emissions of fumes and gases during welding and coating processes, chemicals used in coating processes, handling of heavy loads and strenuous work postures. PALFINGER makes an effort to preserve and promote the health and working capacity of its staff through preventative measures.

In Austria, ever since the statutory changes in the field of occupational health and safety came into effect (2013 amendment), psychological strain at the workplace has been increasingly analysed and evaluated. This is an ongoing process, which is repeated as soon as the field of activity of the employee concerned changes. The results are diverse with sources of stress perceived by employees ranging from a lack of respect and appreciation by their superiors to a lack of information. But employees also frequently mentioned that they wanted to understand and be included in processes. The evaluation process also produced valuable insights for the workplace design at the new site in Bergheim, which have already been implemented. In production, it is possible, in many cases, to provide the necessary support through additional tools. Processes are discussed with the team and the responsible executive and then improved. By listening to the employees' needs and recognizing them, many sources of stress can be eliminated.

GRI G4-LA 7: Workers with high incidence or risk of diseases

Training and education

In the period under review, training programmes were further developed at most of the PALFINGER sites. Cross-region executive and management training courses were attended by 60 participants from 17 nations, including 9 women. At the Austrian sites, the PALFINGER College has become a well-established institution over the years. This training and development programme is essentially based on the transfer of knowledge by internal experts, supplemented by courses and seminars held by external experts. Languages and intercultural training are going to be even bigger priorities in the future. In Russia, the number of training courses held increased in 2015 due to the new production sites. Training activities in North America were reduced, given that the sites are currently undergoing a stabilization process. In South America, substantial investments in health and safety training were made. In the Far East, the focus was on internal process training and product-related training, and the growing importance of the region was taken into account by establishing a new executive development programme.

Training hours (per employee)	**2013**	**2014**	**2015**
European Union	11.0	10.1	16.0
Far East	8.3	11.8	7.5
CIS	9.6	15.2	17.7
Central and South America	42.1	21.8	24.5
Middle East and Africa	-	30.0	25.2
North America	2.0	2.8	1.2
Rest of Europe	8.8	3.2	0.6
PALFINGER Group	**11.9**	**12.0**	**15.0**

GRI G4-LA 9: Hours of training per employee

Equal opportunity

GENERATIONS

The average age structure within the PALFINGER Group has changed over the past few years, primarily in connection with the new sites. In general, compared with previous years, a slight increase in employment rates of staff aged 56 and over to 10.0 per cent was recorded in 2015. This development was influenced by demographic changes and the catchment areas of PALFINGER sites which set the tone for the general development. In Russia, positions are deliberately staffed with younger employees, whereas in India, demography is the reason for the young team. In South America, however, the workforce became younger as a consequence of employee downsizing. In North America, employees tend to retire later, and the industry has so far not been very attractive for young people.

Percentage of employees aged 56+ (in per cent)	**2013**	**2014**	**2015**
European Union	8.6%	8.7%	9.7%
Far East	1.4%	2.3%	1.3%
CIS	14.8%[1)]	15.5%[1)]	14.6%
Central and South America	3.7%	3.5%[1)]	3.0%
Middle East and Africa	-	0.6%	0.8%
North America	13.5%[1)]	14.6%[1)]	14.0%
Rest of Europe	4.7%[1)]	3.1%	6.3%
PALFINGER Gruppe	**9.1%[1)]**	**9.8%[1)]**	**10.0%**

1) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

GRI G4-LA 12: Diversity and equal opportunity

GENDER

The percentage of women employees at PALFINGER has increased marginally, coming to 12.6 per cent in 2015 (previous year: 12.5 per cent); however, the low figure is typical for the industry. The percentage of women in management positions remained stable in the reporting period at 16.5 per cent. Countries typically known for a higher percentage of women in management positions include primarily Norway and those in the CIS region. At the large sites in Cherven Brjag (BG), Caussade (FR), Archangelsk (RU) and Velikiye Luki (RU) the share of women in executive positions exceeds 25 per cent.

Share of women (in percent)		**2013**	**2014**	**2015**
European Union	Total	9.9%	10.5%	10.4%
	Percentage of women in management[1]	12.0%[2]	12.1%	12.9%
Ferner Osten	Total	13.5%	14.6%	13.5%
	Percentage of women in management[1]	12.5%	7.1%	7.4%
CIS	Total	10.7%	23.3%	24.5%
	Percentage of women in management[1]	19.2%[2]	35.6%[2]	33.7%
Central and South America	Total	13.1%	14.0%	13.8%
	Percentage of women in management[1]	14.3%	17.9%	9.1%
Naher Osten und Afrika	Total	-	2.9%[2]	2.6%
	Percentage of women in management[1]	-	13.0%	5.0%
North America	Total	6.9%	6.7%	6.7%
	Percentage of women in management[1]	12.0%	9.5%	8.1%
Rest of Europe	Total	16.5%	20.6%	18.8%
	Percentage of women in management[1]	0.0%	7.7%	20.0%
PALFINGER Group	**Total**	**10.0%**	**12.5%**	**12.6%**
	Percentage of women in management[1]	**13.0%[2]**	**16.7%**	**16.5%**

1) Employees in management positions include all members of the Management Board, the heads of business areas, business units and corporate functions as well as all employees in disciplinary management positions.
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

⊕ **GRI G4-LA 12: Diversity and equal opportunity**

EMPLOYEES WITH DISABILITIES

PALFINGER wants to offer its staff members with special needs a meaningful occupation and integration into the Company's teams. The Eastern European sites employ many people with disabilities, whereas in Austria PALFINGER falls short of the stipulated employment quota of 4 per cent and therefore has to pay penalties.

In the future, the percentage of employees with disabilities is to be raised through several initiatives. Plans include, for instance, job advertisements specifically addressed to people with disabilities.

⊕ **GRI G4-LA 12: Diversity and equal opportunity**

ECO-EFFICIENCY IN PRODUCTION

Efficient use of raw materials

Waste cuttings are produced exclusively at manufacturing and assembly sites, and in most cases there is only minimal room for further improvement. The highest waste cuttings figures of up to 35 per cent were recorded at the new Russian sites due to the high level of value added of turned parts. Waste cuttings savings were achieved at the sites in Maribor (SI), Cherven Brjag (BG) and Council Bluffs (US) by optimizing the stacking of the parts on the steel plates. The reason for slighlty higher waste cuttings volumes in Lazuri (RO) was that this site, which used to supply uncut components only, now also provides customers with the service of cutting coated components. Waste cuttings volumes at the Asian marine sites Hanoi (VN) and Sacheon (KR) showed the highest increases, due to a change in the product mix. In general, waste cuttings optimization is in direct proportion to material usage. In South America, the difficult economic situation limited flexibility in stacking, causing more metal waste.

⊕ **GRI G4-EN 23: Waste and disposal**

Waste cuttings broken down by manufacturing and assembly site (in per cent)	**2013**	**2014**	**2015**
Archangelsk (RU)[1]	-	-	21.9%
Caussade (FR)	30.1%	27.8%	28.7%
Caxias do Sul - Madal (BR)	25.0%	24.7%	25.9%
Cherven Brjag (BG)	26.8%	26.6%	26.3%
Council Bluffs (US)	20.0%	17.8%	15.0%
Hanoi (VN)	2.1%	8.0%	16.3%
Hung Yen (VN)[1]	-	-	15.5%
Ishimbay (RU)[1]	-	-	31.1%
Lazuri (RO)[1]	-	11.3%	11.5%
Lengau (AT)	23.6%	23.7%	23.7%
Maribor (SI)	28.8%	29.5%	29.2%
Sacheon (KR)[1]		15.4%	20.8%
Shenzhen (CN)	21.5%	22.3%	22.3%
Salavat (RU)	20.1%	24.8%[2)]	24.9%
Tenevo (BG)	3.2%	3.0%	3.0%
Velikiye Luki (RU)[1]	-	-	34.5%
Welwyn Garden City (UK)[1]	-	10.0%	11.0%

1) No previous years' data available.
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

Hazardous waste

Increased revenue and a higher level of value added resulted in an increase in hazardous waste, expressed in absolute figures, to 3,434 tonnes (previous year: 2,460 tonnes), the majority of which was generated in the European Union. In the past, coating through electroplating processes was done by suppliers, but since 2013 PALFINGER has been operating its own electroplating plant in Lazuri (RO). The biggest year-on-year increase, namely 599 tonnes, was recorded in Russia, primarily due to the newly integrated sites in Archangelsk (RU) and Velikiye Luki (RU) which accounted for around 90 per cent of the hazardous waste produced in CIS. In South America, declining revenue was not the only reason for the 25 per cent reduction in hazardous waste volumes; the improvement was also a consequence of process optimizations and training courses. In the remaining regions, figures remained stable as compared to the previous year.

Hazardous waste (in tonnes)	**2013**	**2014**	**2015**
European Union	2,050[1)]	2,117	2,538
Far East	54	85	84
CIS	61	57	656
Central and South America	200	176	133
North America	13	25	24
Total	**2,378[1)]**	**2,460**	**3,434**

1) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

When using an index for presentation, it is possible to present the figures adjusted for revenue developments. From this point of view, the regions North and South America were the only ones contributing to an optimization of hazardous waste. Within the EU, the site in Lazuri (RO), which recorded a plus of 243 percentage points, had a negative impact on the index. Process changes and the new electroplating plant resulted in one-off effects in 2015. In the Far East, the development at the Sacheon (KR) site was also negative, but the absolute figures were low. Due to the large absolute quantities of hazardous waste in Lazuri (RO), this site was crucial for the fact that the target of an annual reduction by 1.8 percentage points was not met in 2015.

Index: Hazardous waste in relation to revenue (in per cent) [1]	**2013**	**2014**	**2015**
European Union	95.3%[2]	91.9%[2]	115.6%
Far East	98.7%	96.9%[2]	118.6%
CIS	100.0%	71.0%	95.3%
Central and South America	81.8%	81.3%	76.1%
North America	116.3%	152.1%	140.8%
PALFINGER Group	**94.4%[2]**	**91.4%[2]**	**110.5%**

1) Volume 2011 = 100%
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

GRI G4-EN 23: Waste and disposal

USE OF HAZARDOUS SUBSTANCES

Biodegradable hydraulic oil is based on synthetic esters and, in comparison to conventional hydraulic oil, produces a significantly lower burden on the environment should the hydraulic system of a product happen to leak. Upon the customer's request, also wind cranes can be delivered with biodegradable oil, which almost completely eliminates the risk of environmental contamination.

Another contribution to environmental protection can be made by regularly servicing oil by filtration. In this case, it is no longer necessary to do an oil change, which avoids pollution through disposal.

Another positive effect is generated by the substantial reduction of maintenance costs and downtime. With a total of more than 2,000 wind cranes delivered, PALFINGER has made a significant contribution to the successful implementation of the energy turnaround. Moreover, the new winch system, which consumes substantially less oil, causes minimum pollution to the sea in case of damage. Also access platforms can be operated with biodegradable hydraulic oil.

The use of a new guide block technology in loader cranes reduces the maintenance need of cranes and also 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.

In the case of hydraulic screw connections and standard mounting parts, PALFINGER uses chrome-VI-free products.

The changeover to water-soluble paints, in particular when it comes to interior-paint on PAL Pro body compartments, is not only environmentally friendly but also enhances product quality. The purchase volumes of paint were 21 per cent higher in the reporting period. However, the proportion of water-soluble paints remained the same as in the previous year, namely 95 per cent.

Purchase volumes of paint (in tonnes)	**2013**	**2014**	**2015**
Volume of water-soluble paints	206	189	229
Volume of solvent-based paints	11	11	12
Total	**217**	**199**	**241**

Energy efficiency

In the reporting period, total energy consumption rose slightly to 165 million KWh (previous year: 152 million KWh), corresponding to an increase of 8.8 per cent, which was primarily caused by the expansion of production.

The energy source responsible for this increase was electricity, which accounted for 53 per cent of total energy consumption, as compared to 49 per cent in the previous year. For production-related reasons, electricity consumption increased from 74 million KWh to 88 million KWh, corresponding to a rise of 20 per cent. The main consumer was the site in Lazuri (RO), due to the newly installed electroplating plant, followed by the large production plants with electricity-intensive processes in Lengau (AT) and Maribor (SI).

Demand for heat energy continuously declined. This was due, on the one hand, to energy efficiency measures taken and, on the other hand, to the warmer winter that brought down heating requirements. Natural gas consumption decreased slightly to 55 million KWh (previous year: 56 million KWh), and accounted for 33 per cent of total energy consumption (previous year: 37 per cent). The main consumer was Council Bluffs (US), due to the natural-gas-operated paint shop.

Total fuel consumption rose slightly to 14 million KWh (previous year: 13 million KWh); however the consumption of diesel and petrol increased disproportionately. This was in part due to the changed product mix, which resulted in higher fuel requirements, for instance for testing boats or fuelling vehicles for customers. On the other hand, the company aircraft was used less, reducing kerosene consumption by two-thirds.

Energy consumption broken down by energy source (in MWh)		**2013**	**2014**	**2015**
Fuels	Diesel	8,598[1)]	8,281[1)]	11,166
	Petrol	1,151[1)]	1,439	2,158
	Kerosene	2,983	3,275	1,084
Heat	Natural gas	57,547[1)]	56,409	54,994
	Propane	3,086	3,221	2,896
	Butane	666	749	582
	LPG	3,837	3,290[1)]	3,153
	Heating oil	1,842	1,460	1,151
Electricity	Electricity	55,605[1)]	73,644[1)]	88,007
Total		**135,316**[1)]	**151,769**[1)]	**165,191**

1) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

Energy consumption broken down by category (in MWh)		**2013**	**2014**	**2015**
European Union	Electricity	40,557[1)]	58,505[1)]	64,895
	Heat (incl. process heat)	48,093[1)]	40,466[1)]	41,736
	Fuels	10,142[1)]	11,321[1)]	8,973
Far East	Electricity	406	870	900
	Heat (incl. process heat)	45	117	167
	Fuels	239	418	545
CIS	Electricity	1,949	2,066	10,634
	Heat (incl. process heat)	2,515	2,838	3,563
	Fuels	1,177	985	4,469
Central and South America	Electricity	3,274	2,746	2,115
	Heat (incl. process heat)	612	879	842
	Fuels	1,060	163	274
North America	Electricity	9,419	9,457	9,464
	Heat (incl. process heat)	15,713	20,829	16,469
	Fuels	115	107	146
Total	**Electricity**	**55,605**[1)]	**73,644**[1)]	**88,007**
	Heat (incl. process heat)	**66,978**[1)]	**65,130**[1)]	**62,777**
	Fuels	**12,733**[1)]	**12,995**[1)]	**14,408**
Total energy consumption		**135,316**[1)]	**151,769**[1)]	**165,191**

1) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

GRI G4-EN 3: Energy consumption within the organization; GRI G4-EN 5: Energy intensity; GRI G4-EN 6: Reduction of energy consumption

Europe is still the main energy consumer, followed by North America. However, due to the expansion of production in CIS, consumption there closed a good part of the gap to North America in 2015. All in all, energy efficiency once again improved within the PALFINGER Group, exceeding the annual target with an increase of 4.25 percentage points.

The strongest reduction (22.45 percentage points) was recorded in North America, which was, however, caused primarily by the weather in 2015: cooler summer days and warmer winters. In South America, even though capacity utilization was lower, efficiency remained constant at a good level, but the index increased slightly due to the integration of a new site. The same applies to the sites in the CIS region. Absolute energy consumption rose significantly due to the two new sites Archangelsk (RU) and Velikiye Luki (RU), resulting in a pronounced change in the energy efficiency index. In the Far East, absolute energy consumption rose but remained at a low level, and efficiency clearly improved, with an index of 70.0 per cent (previous year: 84.3 per cent). The sites in the European Union once again slightly improved their already high level of energy efficiency.

At the sites with the highest energy intensities, namely Lengau (AT), Maribor (SI), Lazuri (RO), Tenevo (BG), Cherven Brjag (BG) and Council Bluffs (US), the index was reduced constantly over a period of several years, reaching 87.4 per cent in 2015 (previous year: 91.6 per cent), which illustrates the improvement in energy efficiency

Index: Energy consumption in relation to revenue (in per cent)[1]	**2013**	**2014**	**2015**
European Union	96.8%[2]	87.8%[2]	87.5%
Far East	64.7%	84.3%[2]	70.0%
CIS	88.4%	70.2%	88.5%
Central and South America	84.4%	73.1%	75.7%
North America	96.8%	110.9%	88.4%
PALFINGER Group	**95.8%**[2]	**91.6%**[2]	**87.4%**

1) Volume 2011 = 100%
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

Climate protection

Absolute greenhouse gas emissions increased to 66,590 tonnes of CO_2 (previous year: 57,907 tonnes of CO_2), primarily because larger quantities of electrical power were purchased. Direct emissions under Scope 1, accounting for approx. 25.2 per cent of the total, remained stable at 16,798 tonnes of CO_2 (previous year: 16,996 tonnes of CO_2). At 8,514 tonnes of CO_2 (previous year: 7,954 tonnes CO_2), Scope 3 emissions indirectly caused by third parties (exclusive of emissions caused by steel) were relatively low. Compared to the upstream emissions generated from steel, PALFINGER's total greenhouse gas emissions account for an extremely low share only.

At the Russian site Velikiye Luki, coal was introduced as a new energy source. The 1,300 tonnes of coal used in 2015 will only be systematically included in the reporting and presented in the index in 2016. This new source of energy will have a substantial negative impact on CO_2 emissions, with approximately 4,500 tonnes of CO_2 equivalents produced.

Scope 1, 2 and 3 greenhouse gas emissions caused by energy consumption at PALFINGER (in tonnes of CO_2 equivalents)[1]		**2013**	**2014**	**2015**
Scope 1	Electricity	-	0	0
	Heat (incl. process heat)	-	13,688[2]	13,092
	Fuels	-	3,309	3,706
Scope 2	Electricity	-	32,957[2]	41,279
	Heat (incl. process heat)	-	0	0
	Fuels	-	0	0
Scope 3	Electricity	-	3,875[2]	4,704
	Heat (incl. process heat)	-	3,272[2]	3,147
	Fuels	-	807	662
No distinction by scope	Electricity	29,142[2]	-	-
	Heat (incl. process heat)	17,021[2]	-	-
	Fuels	3,926[2]	-	-
Total		**50,089**[2]	**57,907**[2]	**66,590**

1) Differentiation by scope was implemented in 2014; as a result, retrospective comparison for 2013 is not possible. The conversion starting from 1 January 2014 is based on the Ecoinvent Version 3.01 database, only data on direct emissions (Scope 1) of petrol and diesel were provided by the Environmental Agency Austria ("Umweltbundesamt").
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

The total rise in greenhouse gas emissions was higher than the rise in energy consumption. Production increased primarily in regions where also fossil energy sources are used for electricity generation, for instance CIS. Nevertheless, greenhouse gas emissions from heat energy were lower, an improvement achieved through efficiency measures and weather influences. The coal-fired power plant at the new site in Velikiye Luki (RU) will drive up CO_2 emissions considerably in the future, as coal was not yet reported as an energy source in 2015.

Specific greenhouse gas emissions in relation to revenue were once again reduced. However, for the reasons explained above, the improvements were not as substantial as in the case of energy efficiency. A slight increase was recorded in the European Union, primarily due to the rise in energy consumption at the Romanian site in Lazuri (RO), where the power network is marked by an unfavourable energy mix. The same applies to the Russian region. CO_2 intensities in CIS are expected to rise considerably again in 2016 due to the use of coal. In North America, the reduction in heat requirements and the good capacity utilization in production caused an improvement in the level of specific greenhouse gas emissions.

Index: Specific greenhouse gas emissions in relation to revenue (in per cent)[1]	**2013**	**2014**	**2015**
European Union	96.6%[2]	88.3%[2]	88.7%
Far East	76.7%	116.6%[2]	94.3%
CIS	91.0%	80.2%	94.7%
Central and South America	81.6%	78.0%	80.3%
North America	95.8%	101.0%	85.3%
PALFINGER Group	**95.6%[2]**	**91.1%[2]**	**89.0%**

1) Volume 2011 = 100%
2) Adjustments with retrospective effect, due to adjusted incorrect system boundaries.

GRI G4-EN 15: Direct greenhouse gas (GHG) emissions (Scope 1); GRI G4-EN 16: Energy indirect greenhouse gas (GHG) emissions (Scope 2); GRI G4-EN 17: Other indirect greenhouse gas (GHG) emissions (Scope 3); GRI G4-EN 18: Greenhouse gas (GHG) emissions intensity

SUSTAINABLE PRODUCTS

Safety assessment, product labelling

PALFINGER products are among the market leaders when it comes to combining ease of use with utmost safety. In the reporting period, there were basically no changes made in safety standards. All of PALFINGER's products are sold on the international market in accordance with the relevant standards applicable in each country. In Europe, the EN12999:2011 standard and the Machinery Directive 2006/42/EC are relevant for loader cranes. What counts, however, is that PALFINGER complies with these safety standards in a user-friendly manner. Otherwise, users might regard the safety features as a restriction, which in turn could tempt them to deactivate such features.

The future requirements arising from the revision of the standard EN 280 (2015) have already been taken into account in the ongoing construction of new products. The early integration of the standard is supported by PALFINGER's participation in the technical committee CEN/TC 98/WG, and specifically in North America, by the certification of all PSC crane operators starting in January 2017. All operators working with cranes that have a lifting power of more than 2,000 pounds (907.18 kg) must be certified by an external certification body. All information is documented for the user in the technical documents.

In the sector of tail lifts, PALFINGER is involved in the work of the technical committee CEN/TC 98/WG 4 on the revision of the relevant standard EN 1756-1, including new safety requirements, through MBB and RATCLIFF representatives. The changes regarding rear underrun protection systems as required by the new Regulation UN/ECE/ R58 have been implemented. All PALFINGER tail lifts are produced and labelled accordingly.

All of PALFINGER's products are assessed as to their health and safety impacts, and any potential for improvement is continuously being realized. In the period under review, no knowledge was received of any legal proceedings with a value in dispute of more than EUR 20,000 or any compliance-relevant publicly known cases regarding violations of regulations or voluntary codes of conduct concerning impacts of products on health or safety.

GRI G4-PR 3: Product and service information
Fair business, page 103

Product innovation for user safety

In 2015, a series of innovative concepts for the prevention of accidents were enhanced. The PALcom 7 remote control for loader cranes is equipped with additional safety features such as a tilting sensor and an acceleration sensor. Following its market launch in 2014, mass production of PALcom 7 was successfully started in the reporting period. In addition, 2015 saw the successful completion of the development of the automated crane movement system P-Fold. P-Fold makes the folding and unfolding of the crane much easier and safer for the operator. The HPSC stability control system was introduced as an optional feature for timber and recycling cranes. This system offers increased comfort and safety during crane operations where space is restricted – for instance in densely built-up areas and in flowing traffic. In order to enhance the safety of the forklift during transport when mounted on a truck, all European truck-mounted forklifts have been equipped with a double-acting load holding valve since 2015. The skiploaders of the PSA and PST series, which were introduced to the market recently, meet all standards for the securing of cargo. In addition, the new electronic PAD control with automatic drive rules out errors in the operation of skiploaders. New safety standards are met by access platforms with a new workman-basket control panel and a QR code system. Crane products for the Indian market now contain a feature ensuring that in order for the crane to be moved, the truck's stabilizers must be fully extended. In China, new features included overload protection and an emergency stop. The former, in particular, was very well received by the market.

GRI G4-EN 7: Reductions in energy requirements of products; GRI G4-EN 27: Mitigation of environmental impacts of products

Eco-efficient product innovation

Customers are increasingly paying attention to the total cost of ownership when making purchase decisions. A reduction of costs during the product utilization phase always makes a product more attractive. In 2015, eco-efficient innovations focused primarily on light construction, electric drives and in some products also on demand-oriented control of engine performance.

When the weight of PALFINGER products is reduced, less material is used and less fuel is consumed during transport or the vehicles are able to transport a higher payload. In the reporting period, PALFINGER presented the PK 165.002 TEC 7 as a new generation of cranes. The crane is a tonne lighter than its predecessor, but its lifting capacity is up to 15 per cent higher. This improved lifting power to deadweight ratio will be extended to other crane models in 2016. In the marine business, equipment was also made lighter in 2015 through the increased use of compound material and aluminium. The new P0H TS SLD hookloader in North America has a substantially lower deadweight. Moreover, a new interface was developed, making it much easier to install a hookloader-crane combination and also reducing its weight. The newly introduced access platforms in Europe and the USA were also designed in the light construction mode. Here, too, the substantially lower weight was achieved by using aluminium components and high-tension steel. High-tension steel grades are also being increasingly used for production in China.

Alternative drives offer new energy-efficient solutions without local emissions. PALFINGER has been using hybrid drives for two years now. They enable the electro-hydraulic operation of the crane, which is almost silent and emission-free. Electrical solutions are now also feasible for marine applications. Since 2015, mooring winches (AHC winches) have been offered as both hydraulic and electrical variants. These winches are, for instance, used in the DKW2500 model for offshore crane applications. In 2016, Active Heave Compensated (AHC) cranes will facilitate the interim storage and reuse of energy.

In the field of access platforms, load sensing was introduced, meaning that the rotational speed of the truck's engine is adjusted to the crane's current energy requirement, causing a reduction in fuel consumption. Since 2015, cranes produced for the Indian market have featured a reduced energy demand in stationary phases during operation.

GRI G4-EN 7: Reductions in energy requirements of products; GRI G4-EN 27: Mitigation of environmental impacts of products

PALFINGER products for people and the environment

PALFINGER sees great market opportunities in lifting solutions that also serve ecological purposes, which can be covered by the existing product portfolio. Railway systems facilitate low-emission rail transport, offshore cranes are installed in wind energy plants, timber cranes are used in forestry, for biomass handling or in the field of recycling, which is also the main area of application for hooklifts. PALFINGER access systems make it easier for wheelchair-bound passengers to access means of public transport such as buses or trains.

On the basis of the results of the materiality analysis, the key figure "Percentage of revenue from products for ecological and social purposes" was no longer reported in the current reporting period.

Materiality analysis, page 36

GRI INDEX

According to the criteria of the Global Reporting Initiative (“Core”), all general standard disclosures and the specific standard disclosures for all aspects of relevance according to the materiality analysis have been described in this Report on the basis of G4 indicators. The following GRI index contains the relevant references, indicating the chapters and page numbers. In the Integrated Annual Report, the references are marked with the relevant icon.

GRI G4-32: GRI index

GENERAL STANDARD DISCLOSURES

General standard disclosures	Short description of information disclosed	Reference to page number in the printed Integrated Annual Report
Strategy and analysis		
G4–1	Statement from the most senior decision-maker of the organization	Foreword by the CEO p. 8
G4–2	Key sustainability impacts, risks, and opportunities	Risk report p. 70
Organizational profile		
G4–3	Organizational profile: Brands, products and services	PALFINGER at a glance p. 12
G4–4	Product overview	PALFINGER at a glance p. 12
G4–5	Organizational profile: The organization’s headquarters	PALFINGER at a glance p. 12
G4–6	Overview of operations	Corporate locations of the PALFINGER Group p. 110
G4–7	Nature of ownership and legal form	Ownership structure p. 42; Information according to sec. 243a of the Business Code p. 64
G4–8	Markets	Regions and industries p. 48; Customers and dealer network p. 51; Performance by segment p. 55
G4–9	Organizational profile: Scale of the organization	PALFINGER at a glance p. 12
G4–10	Employment profile	Employment trend and employee turnover p. 77; Diversity and equal opportunity p. 83; Employment trend and employee turnover (Sustainability Annex) p. 221; UNGC progress report (www.palfinger.ag)
G4–11	Number of employees covered by collective bargaining agreements	Attractive jobs for employees with individual responsibility p. 78; UNGC progress report (www.palfinger.ag)
G4–12	Description of supply chain	Value creation p. 26; Suppliers p. 52; Sustainability among suppliers p. 54
G4–13	Significant changes regarding the organization, shareholder structure, supply chain	Sale of own shares p. 42; Suppliers p. 52; Sustainability among suppliers p. 54; Significant changes within the PALFINGER Group p. 62
G4–14	Precautionary principle	Risk report p. 70; Progress report UNGC (www.palfinger.ag)
G4–15	Self-commitment to voluntary initiatives	Ratings p. 41; Commitment p. 44
G4–16	Active memberships	Commitment p. 44
Identified material aspects and boundaries		
G4–17	Entities included in the consolidated financial statements	Companies of the PALFINGER Group IBC
G4–18	Defining the report content	Materiality analysis p. 36; Sustainability report profile and boundaries (Sustainability Annex) p. 210
G4–19	Material aspects	Strategic sustainability aspects p. 21; Materiality analysis p. 36
G4–20	Boundary within the organization for each material aspect	Value creation p. 26; Material GRI aspects in the value creation chain (Sustainability Annex) p. 215
G4–21	Boundary outside the organization for each material aspect	Value creation p. 26; Suppliers p. 52; Sustainability among suppliers p. 54; Material GRI aspects in the value creation chain (Sustainability appendix) p. 215
G4–22	Restatements of reported information	How to use this Report p. 6; Materiality analysis p. 36; Sustainability report profile and boundaries (Sustainability Annex) p. 210
G4–23	Changes in the scope and aspect boundaries	Materiality analysis p. 3

General standard disclosures	Short description of information disclosed	Reference to page number in the printed Integrated Annual Report
Stakeholder engagement		
G4–24	List of stakeholders	Stakeholder management p. 34
G4–25	Selection of stakeholders	Stakeholder management p. 34
G4–26	Stakeholder engagement	Stakeholder management p. 34; Attractive jobs for employees with individual responsibility p. 78
G4–27	Results of stakeholder engagement	Stakeholder management p. 34
Report profile		
G4–28	Reporting period	Sustainability report profile and boundaries (Sustainability Annex) p. 210
G4–29	Previous report	Sustainability report profile and boundaries (Sustainability Annex) p. 210
G4–30	Reporting cycle	Sustainability report profile and boundaries (Sustainability Annex) p. 210
G4–31	Contact to sustainability management	General information IBC
G4–32	GRI index	GRI index (Sustainability Annex) p 233
G4–33	External assurance	Sustainability management p. 37; Auditor's report p. 241 ;Independent assurance statement p. 243
Governance		
G4–34	Governance structure and governance bodies	Sustainability management p. 37; Governing bodies of the Company and method of operation of the Management Board and Supervisory Board pursuant to sec. 243b para. 2 of the Business Code p. 98
G4–35	Governance structure of the organization	Sustainability management p. 37; Governing bodies of the Company and method of operation of the Management Board and Supervisory Board pursuant to sec. 243b para. 2 of the Business Code p. 98
G4–36	Responsibility of the highest governance body	Sustainability management p. 37; Governing bodies of the company and method of operation of the management board and supervisory board pursuant to se. 243b para. 2 of the business code p. 98
G4–37	Consultation procedures	Stakeholder management p. 34
G4–48	Highest position that reviews, approves and ensures the organization's sustainability report	Sustainability management p. 37
Ethics and integrity		
G4–56	Code of Conduct	Strategy and value management p. 16; Group guidelines and Code of Conduct p. 103; UNGC progress report (www.palfinger.ag)
G4–57	Compliance and integrity	Corporate ethics and corruption prevention p. 103; UNGC progress report (www.palfinger.ag)
G4–58	Reporting concerns about integrity	Internal audits and risk management p. 104; UNGC progress report (www.palfinger.ag)

SPECIFIC STANDARD DISCLOSURES

Material aspects	DMA and indicators	Reference	Omission
List of identified aspects	List specific standard disclosures related to each identified material aspect	Reference to page number in the printed Integrated Annual Report	In exceptional cases, where it is not possible to provide certain information, reasons for the omission have to be given.
	Information on DMA (Disclosures on Management Approach) and sustainability programme	Environmental and energy management p. 39; Sustainability programme 2015/16 (Sustainability Annex) p. 211; Management systems in use (Sustainability Annex) p. 219	
Category: Economic			
Economic performance	G4-EC 1: Direct economic value generated and distributed	Monetary flows to stakeholders p. 38; Donations p. 45	
	G4-EC 2: Financial implications and other opportunities and risks due to climate change	Risk issues p. 70	The focus is on a description of risks in qualitative terms.
	G4-EC 4: Financial assistance received from government	Monetary flows to stakeholders p. 38	The presentation covers subsidies, investment grants and R&D grants. Tax relief has been included in the EC 1 indicator.
Indirect economic impacts	G4-EC 8: Indirect economic impacts	Value management p. 24; Risk report p. 70	
Category: Environmental			
Materials	G4-EN 1: Materials used by weight	Efficient use of raw materials p. 89; UNGC progress report (www.palfinger.ag)	The main materials used, steel and aluminium, are presented.
Energy	G4-EN 3: Energy consumption within the organization	Energy efficiency p. 91; Energy efficiency (Sustainability Annex) p. 228; UNGC progress report (www.palfinger.ag)	
	G4-EN 4: Energy consumption outside the organization	Efficient use of raw materials p. 89; Energy efficiency p. 91; UNGC progress report (www.palfinger.ag)	An estimate is presented for the most important raw materials, steel and aluminium. Due to the variety of products and their uses, it is impossible to provide information on the absolute energy consumption of the products.
	G4-EN 5: Energy intensity	Energy efficiency p. 91; Energy efficiency (Sustainability Annex) p. 228; UNGC progress report (www.palfinger.ag)	
	G4-EN 6: Reduction of energy consumption	Energy efficiency p. 91; Energy efficiency (Sustainability Annex) p. 228; UNGC progress report (www.palfinger.ag)	The reduction is described exclusively in a qualitative manner.
	G4-EN 7: Reductions in energy requirements of products	Safe and efficient products p. 85; Product innovation for user safety p. 231; Eco-efficient product innovation p. 232; UNGC progress report (www.palfinger.ag)	Due to the diversity of products and their uses, the measures are described in qualitative terms.
Emissions	G4-EN 15: Direct GHG emissions (Scope 1)	Climate protection p. 92; Climate protection (Sustainability Annex) p. 230; UNGC progress report (www.palfinger.ag)	Differentiation by scope was implemented in the 2014 financial year; as a result, a three-year comparison is currently not possible.
	G4-EN 16: Energy indirect GHG emissions (Scope 2)	Climate protection p. 92; Climate protection (Sustainability Annex) p. 230; UNGC progress report (www.palfinger.ag)	Differentiation by scope was implemented in the 2014 financial year; as a result, a three-year comparison is currently not possible.
	G4-EN 17: Other indirect GHG emissions (Scope 3)	Climate protection p. 92; Climate protection (Sustainability Annex) p. 230; UNGC progress report (www.palfinger.ag)	Differentiation by scope was implemented in the 2014 financial year; as a result, a three-year comparison is currently not possible.
	G4-EN 18: GHG emissions intensity	Climate protection p. 92; Climate protection (Sustainability Annex) p. 230; UNGC progress report (www.palfinger.ag)	Differentiation by scope was implemented in the 2014 financial year; as a result, a three-year comparison is currently not possible.

Material aspects	DMA and indicators	Reference	Omission
Effluents and waste	G4-EN 23: Waste and disposal	Efficient use of raw materials p. 89; Hazardous waste p. 90; Hazardous waste (Sustainability Annex) p. 225; UNGC progress report (www.palfinger.ag)	Production waste eligible for recycling is not presented in absolute figures but rather expressed as a waste cuttings rate. Due to the relevance of this information, only hazardous waste is reported on.
Products and services	G4-EN 27: Mitigation of environmental impacts of products	Safe and efficient products p. 85; Product innovation for user safety p. 231; Eco-efficient product innovation p. 232; UNGC progress report (www.palfinger.ag)	
Supplier environmental assessment	G4-EN 32: Screening of the supply chain using environmental criteria	Sustainability among suppliers p. 54; UNGC progress report (www.palfinger.ag)	
	G4-EN 33: Environmental impacts in the supply chain	Sustainability among suppliers p. 54; UNGC progress report (www.palfinger.ag)	
Category: Social			
Labour practices and decent work			
Employment	G4-LA 1: Total number of employees and employee turnover	Employment trend and employee turnover p. 77; Employment trend and employee turnover (Sustainability Annex) p. 221; Employee turnover (Sustainability Annex) p. 222	Employee turnover and retirements are presented. It is currently not possible to show newly hired employees, but there are long-term plans to do so following the introduction of the relevant HR systems.
	G4-LA 2: Benefits provided to full-time employees only	Information according to sec. 243a of the Business Code p. 64	The description contains qualitative disclosures.
Occupational health and safety	G4-LA 6: Industrial accidents, occupational diseases and lost days	Health and safety p. 80; Health and safety (Sustainability Annex) p. 223	A presentation by gender is currently not possible, but is planned in the long term following the introduction of the relevant HR systems.
	G4-LA 7: Workers with high incidence or high risk of diseases	Health and safety (Sustainability Annex) p. 223	The presentation contains a description without any quantitative disclosures.
	G4-LA 8: Formal agreements with trade unions concerning health and safety topics	Health and safety p. 80	The Company's occupational health management scheme is presented.
Training and education	G4-LA 9: Hours of training per employee	Skilled labour p. 82; Training (Sustainability Annex) p. 224	A presentation by gender and employee category is currently not possible but is planned in the long term following the introduction of the relevant HR systems.
	G4-LA 10: Programmes for skills management	Skilled labour p. 82	Transition assistance programmes for the management of career endings resulting from retirement or termination of employment are not reported on.
	G4-LA 11: Employees receiving regular reviews	Attractive jobs for employees with individual responsibility p. 78	A presentation by gender and employee category is currently not possible but is planned in the long term following the introduction of the relevant HR systems.
Diversity and equal opportunity	G4-LA 12: Diversity and equal opportunity	Diversity and equal opportunity p. 83; Governing bodies and method of operation of the Management Board and Supervisory Board regarding the information according to sec. 243b of the Business Code p. 98; Diversity and equal opportunity (Sustainability Annex) p. 224; UNGC progress report (www.palfinger.ag)	Percentages of employees in various age groups are indicated in the categories 0–30, 30–56, 56+.
Supplier assessment for labour practices	G4-LA 14: Screening of the supply chain using labour practices	Sustainability among suppliers p. 54; UNGC progress report (www.palfinger.ag)	
	G4-LA 15: Impacts of labour practices in the supply chain	Sustainability among suppliers p. 54; UNGC progress report (www.palfinger.ag)	

Material aspects	DMA and indicators	Reference	Omission
Human rights			
Human rights	G4-HR 1: Human rights in investment agreements	Strategy and value management p. 16; UNGC progress report (www.palfinger.ag)	The focus is on a description in qualitative terms.
	G4-HR 2: Training on human rights policies or procedures	Sustainability among suppliers p. 54	The description contains qualitative disclosures.
Freedom of association and collective bargaining	G4-HR 4: Operations where the right to exercise the freedom of assembly may be at risk	Attractive jobs for employees with individual responsibility p. 78; UNGC progress report (www.palfinger.ag)	
Child labour	G4-HR 5: Risk for incidents of child labour	Corporate ethics and corruption prevention p. 103; UNGC progress report (www.palfinger.ag)	The description contains qualitative disclosures.
Forced or compulsory labour	G4-HR 6: Risk for incidents of forced or compulsory labour	Corporate ethics and corruption prevention p. 103; UNGC progress report (www.palfinger.ag)	The description contains qualitative disclosures.
Supplier human rights assessment	G4-HR 10: Screening of the supply chain using human rights criteria in the supply chain	Sustainability among suppliers p. 54; UNGC progress report (www.palfinger.ag)	The description contains qualitative disclosures.
	G4-HR 11: Human rights impacts in the supply chain	Sustainability among suppliers p. 54; UNGC progress report (www.palfinger.ag)	
Society			
Anti-corruption	G4-SO 3: Operations assessed	Quality management p. 88; Corporate ethics and corruption prevention p. 103; UNGC progress report (www.palfinger.ag)	
	G4-SO 4: Anti-corruption communication	Corporate ethics and corruption prevention p. 103; UNGC progress report (www.palfinger.ag)	The description contains qualitative disclosures.
	G4-SO 5: Incidents of corruption	Corporate ethics and corruption prevention p. 103; UNGC progress report (www.palfinger.ag)	
Anti-competitive behaviour	G4-SO 7: Competition law	Corporate ethics and corruption prevention p. 103	
Compliance	G4-SO 8: Significant fines	Corporate ethics and corruption prevention p. 103	
Supplier assessment for impacts on society	G4-SO 9: Screening of the supply chain using criteria for impacts on society	Sustainability among suppliers p. 54	The focus is on a description of accidents involving PALFINGER products.
	G4-SO 10: Impacts on society in the supply chain	Suppliers p. 52	
Product responsibility			
Customer health and safety	G4-PR 1: Product and service categories for which health and safety impacts are assessed	Safe and efficient products p. 85	The description contains qualitative disclosures.
	G4-PR 2: Incidents of non-compliance with safety provisions	Safe and efficient products p. 85	Non-compliance with provisions regarding health and safety is reported on in a qualitative manner.
Product and service labelling	G4-PR 3: Product and service information	Safety assessment, product labelling (Sustainability Annex) p. 231	The description contains qualitative disclosures.
	G4-PR 5: Survey measuring customer satisfaction	Customers and dealers p. 35	

问路总比迷路好！

(Chinese saying)

"Better to ask the way than go astray."

STATEMENT
OF LEGAL REPRESENTATIVES

AUDITOR'S REPORT

REPORT OF THE
SUPERVISORY BOARD

STATEMENT OF LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the consolidated financial statements for the year ended 31 December 2015 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) and that the consolidated management report for the year ended 31 December 2015 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.

We confirm to the best of our knowledge that the separate financial statements for the year ended 31 December 2015 give a true and fair view of the assets, liabilities, financial position and profit or loss of PALFINGER AG as required by the Austrian Business Code (UGB) and that the management report for the year ended 31 December 2015 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.

Salzburg, 28 January 2016

The Management Board of PALFINGER AG

Herbert Ortner m.p.
Chief Executive Officer

Christoph Kaml m.p.
Chief Financial Officer

Wolfgang Pilz m.p.
Chief Marketing Officer

Martin Zehnder, m.p.
Chief Operating Officer

AUDITOR'S REPORT

- TRANSLATION -

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of PALFINGER AG, Salzburg, for the financial year from 1 January 2015 to 31 December 2015. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year ended 31 December 2015, and the notes.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND FOR THE ACCOUNTING SYSTEM

The Company's management is responsible for the Group's accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under sec. 245a UGB (Austrian Business Code). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY AND DESCRIPTION OF TYPE AND SCOPE OF THE STATUTORY AUDIT

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

OPINION

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and its cash flows for the financial year from 1 January 2015 to 31 December 2015 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

COMMENTS ON THE CONSOLIDATED MANAGEMENT REPORT

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to sec. 243a UGB are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to sec. 243a UGB are appropriate.

Salzburg, 28 January 2015

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Brigitte Frey m.p. Certified public accountant	Diether Dämon m.p. Certified public accountant

*) If the consolidated financial statements are published or transmitted in a version that differs from the German version (e. g. shortened version or translation), it is not permitted to quote the auditor's report nor is it permitted to refer to our audit review without our prior consent.

GRI G4-33: External assurance

INDEPENDENT ASSURANCE REPORT

Independent assurance over the 2015 sustainability disclosures and data of PALFINGER AG

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

Engagement

We were requested to perform a limited assurance engagement over the 2015 sustainability disclosures and data (hereafter "Reporting") in accordance with the GRI G4 CORE Option of PALFINGER AG.

The assurance engagement covers the Reporting as follows::

- "Integrated Annual Report 2015" in pdf-format concerning information and references linked from the GRI-Index to sustainability disclosures and data.

Our assurance engagement solely covers references directly specified in the GRI-Index. It does not cover any further web references, nor references made directly in the Reporting.

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

LIMITATIONS TO OUR REVIEW

- The scope of our review procedures at operational level was limited to site visits in Salzburg, Austria.
- We did not test data derived from external surveys, we only verified that relevant disclosures and data are correctly quoted in the Reporting.
- The objective of our engagement was neither a financial audit nor a financial audit review. We did not perform any further assurance procedures on data, which were subject of the annual financial audit, the corporate governance report. We merely checked that data was presented in accordance with the GRI Guidelines.
- Limited assurance over prospective information was not subject to our engagement.
- Neither the detection and investigation of criminal offenses, such as embezzlement or other fraudulent actions, nor the assessment of effectiveness and efficiency of management were subject to our engagement.

Criteria

The information included in the Reporting was based on the criteria applicable in the year 2015 ("The Criteria"), consisting of:

- GRI Sustainability Reporting Guidelines G4[1)]

We believe that these criteria are suitable for our assurance engagement.

Management responsibilities

PALFINGER AG's management is responsible for the Reporting and that the information therein is in accordance with the criteria mentioned above. This responsibility includes designing, implementing and maintaining internal controls. These are essential for the elimination of material misstatements in the Reporting.

Our responsibilities

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

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000[2)] and the Code of Ethics for Professional Accountants, issued by the International Federation of Accountants (IFAC), which includes requirements in relation to our independence.

The objective of our engagement is not to account for the interests of any third parties. Our work solely serves the client and his purpose. Our engagement is thus not destined to be used as a basis of decision-making for third parties.

The "General Conditions of Contract for the Public Accounting Professions"[3)], are binding for this engagement. According to that, our liability is limited and an accountant is only liable for violating intentionally or by gross negligence the contractual duties and obligations entered into. In cases of gross negligence the maximum liability towards PALFINGER AG and any third party together is EUR 726,730 in the aggregate.

What we did to form our conclusion

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. The assurance engagement was conducted at PALFINGER AG´s head quarter in Salzburg. Our main procedures were:

- Obtained an overview over the industry as well as the characteristics and governance of the organisation;
- Interviewed a selection of Group and functional senior managers and executives to understand key expectations and identify systems, processes and internal control processes to support them;
- Reviewed Group level, Board and Executive documents to assess awareness and to understand how progress is tracked;
- Examined risk management and governance processes related to sustainability and critical evaluation of the representation in the Reporting;
- Performed analytical procedures at Group level;
- Reviewed data and processes on a sample basis to test whether they had been collected, consolidated and reported appropriately at Group level. This included reviewing data samples to test whether the data had been reported in an accurate, reliable and complete manner;
- Reviewed the coverage of material issues against the key issues raised in the stakeholder dialogues, areas of performance covered in external media reports and the environmental and social reports of PALFINGER AG's peers;
- Evaluated the materiality assessment, including sector specific megatrends and aspects of SASB[4)], IIRC[5)] and GRI;
- Challenged a sample of statements and claims in the Reporting against our work steps and the GRI G4 principles;
- Reviewed whether the GRI G4 Guidelines were consistently applied for the CORE Option;
- Assessed completeness of UNGC reporting against the links with the "10 principles" of the UNGC as outlined in the GRI G4 guidelines.[6)]

Our Conclusion

Based on the scope of our review nothing has come to our attention that causes us to believe that the disclosures and data in the Reporting were not prepared, in accordance with the criteria identified above.

Salzburg, 28 January 2015
ERNST & YOUNG Wirtschaftsprüfungsgesellschaft m.b.H

Brigitte Frey **ppa. Christine Jasch**

GRI G4-33: External assurance

1) https://www.globalreporting.org/reporting/g4/Pages/default.aspx
2) International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or reviews of Historical Financial Information (ISAE3000), effective for assurance statements dated after January 1, 2005.
3) Version of February 21th 2011 (AAB 2011) issued by the Chamber of Public Accountants and Tax Advisors, section 8; http://www.kwt.or.at/de/PortalData/2/Resources/downloads/downloadcenter/AAB_2011_englische_Fassung.pdf
4) http://www.sasb.org/wp-content/uploads/2013/10/SASB-Conceptual-Framework-Final-Formatted-10-22-13.pdf
5) http://www.theiirc.org/international-ir-framework/
6) https://www.globalreporting.org/resourcelibrary/UNGC-G4-linkage-publication.pdf

REPORT OF THE SUPERVISORY BOARD

In the 2015 financial year, 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 6 February, 1 June, 21 September and 14 December, and attended by the Management Board. The Management Board informed the Supervisory Board regularly, both in writing and verbally, about the course of business and the position of the Company and of the group companies. The Chairman of the Supervisory Board communicated regularly with the Chairman of the Management Board, also outside the scope of the Supervisory Board meetings, in order to confer with him concerning the Company's strategy, business development and risk situation.

Besides current developments and planning, the Supervisory Board focused primarily on strategy in the individual segments, acquisition projects and major investment decisions, economic, environmental and social risks, the developments of group-wide sustainability management as well as the cooperation with the Chinese SANY Group. The Audit Committee, the Nomination Committee and the Remuneration Committee met at regular intervals during the reporting year. The strategic orientation and further development of the Group were the focus of discussions.

PALFINGER AG's financial statements for the year ended 31 December 2015 and the management report including the Company's accounting records were audited by Ernst & Young WirtschaftsprüfungsgesellschaftGm.b.H., Salzburg. The audit revealed that the accounting records, the financial statements and the management report 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 2015. This also applies to the consolidated financial statements. The consolidated financial statements prepared in accordance with IFRS (as adopted by the European Union) were supplemented by the consolidated management report and additional information in accordance with sec. 245a of the Business Code.

The Supervisory Board has approved the financial statements for the year ended 31 December 2015 and the management report for the 2015 financial year, thereby adopting the 2015 financial statements of PALFINGER AG according to sec. 96 para. 4 of the Companies Act. The Supervisory Board has approved the consolidated financial statements of the Company and the consolidated management report prepared according to sec. 244 et seq. of the Business Code. The Supervisory Board has evaluated and approved the proposal of the Management Board with respect to the distribution of profits for the 2015 financial year.

The Supervisory Board would like to express its thanks and recognition to the members of the Management Board and all staff members of the PALFINGER Group for their outstanding commitment and excellent achievements in the 2015 financial year.

Salzburg, 5 February 2016

Hubert Palfinger jun.
Chairman of the Supervisory Board

GENERAL INFORMATION

PALFINGER AG

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Daniela Werdecker, Sustainability Management
Ext. 81105, d.werdecker@palfinger.com

GRI G4-31: Contact to sustainability management

Consulting and Overall Concept
Scholdan & Company

Consulting Sustainability Aspects
Denkstatt GmbH

Design
Rahofer Werbeagentur

Typesetting
in-house, using FIRE.sys

Minimal arithmetic differences may arise from the application of commercial rounding to individual items and percentages in this Report.

The English translation of the PALFINGER Report is for convenience. Only the German text is binding.

This Integrated Annual Report contains forward-looking statements made on the basis of all information available at the date of its preparation. Forward-looking state-ments are usually identified by the use of terminology such as “expect”, “plan”, “estimate”, “believe”, etc. Actual outcomes and results may be different from those predicted. Moreover, in individual cases, changes in non-financial performance indicators of previous years may result from the application of stricter internal control loops for the purpose of improving data quality.

Published on 5 February 2015.

PALFINGER AG
Austria, Salzburg

- 100% **Palfinger EMEA GmbH** – Austria, Salzburg
  - 65% **EPSILON Kran GmbH.** – Austria, Salzburg – 35% STEINDL KRANTECHNIK G.m.b.H. et al.
  - 45% **STEPA Farmkran GmbH** – Austria, Elsbethen – 55% STEINDL KRANTECHNIK G.m.b.H.
  - 100% **MBB Inter S.A.S.** – France, Silly en Gouffern
  - 100% **MBB Palfinger GmbH** – Germany, Ganderkesee-Hoykenkamp
    - 100% **MBB Palfinger s.r.o.** – Slovakia, Bratislava
    - 100% **MBB Interlift N.V.** – Belgium, Erembodegem
    - 90% **Palfinger Platforms GmbH** – Germany, Krefeld – 10% Palfinger Europe GmbH
      - 90% **Palfinger GmbH** – Germany, Ainring – 10% Palfinger Europe GmbH
  - 49% **Palfinger France S.A.S.** – France, Étoile sur Rhône – 51% Group Vincent
    - 33.34% **Caridro Ouest S.A.S.** – France, Saint Abraham – 66.66% RHF SARL u. Olivier Billon
      - 100% **Caridro Atlantique Sarl** – France, Rezé
      - 54.17% **Caridro Centre Sarl** – France, Ingré – 45.83% Codepar
    - 100% **A.C.I. S.A.S.** – France, Antigues près Bordeaux
    - 30% **MASCHE Sarl** – France, Sarcelles – 70% Ch. Liauzu et al.
    - 100% **Guima Provence Sarl** – France, Brignoles
    - 60% **Nord Benne Sarl** – France, Loos Cedex – 40% Family Parmentier
    - 100% **Palfinger Service Annecy S.A.S.** – France, Poisy
    - 100% **Palfinger Service Paris S.A.S.** – France, Saint Michel sur Orge
    - 100% **Guima Sud Ouest S.A.S.** – France, Saint Sauveur
    - 100% **Guima Herblay Sarl** – France, Herblay
  - 100% **Palfinger Europe GmbH** – Austria, Salzburg
    - 100% **Palfinger Gru Idrauliche S.r.l.** – Italy, Bolzano
  - 65% **Guima Palfinger S.A.S.** – France, Caussade – 35% Group Vincent
  - 100% **Palfinger Produktionstechnik Bulgaria EOOD** – Bulgaria, Cherven Brjag
    - 60% **Nimet Srl** – Romania, Lazuri – 40% Samy Numan
  - 100% **Palfinger Proizvodnja d.o.o.** – Slovenia, Maribor
  - 100% **Palfinger Proizvodnja Tehnologija Hrvatska d.o.o.** – Croatia, Delnice
  - 100% **Ratcliff Palfinger Ltd.** – Great Britain, Welwyn Garden City
- 100% **Palfinger Marine GmbH** – Austria, Salzburg
  - 100% **Palfinger Dreggen AS** – Norway, Bergen
    - 33% **Dreggen (Hong Kong) Company Limited** – Hong Kong – 67% Ng Kwong Wing et al.
  - 100% **Palfinger Marine Do Brasil Ltda.** – Brazil, Rio de Janeiro
    - 60% **Palfinger Koch Montagens Industriais Ltda.** – Brazil, Cachoeirinha – 40% Koch Metalúrgica S/A
  - 100% **Palfinger Dreggen Poland sp. z o.o.** – Poland, Gdynia
  - 100% **Palfinger Dreggen Korea Ltd.** – South Korea, Sacheon-si
  - 100% **Palfinger Ned-Deck B.V.** – Netherlands, Barneveld
    - 100% **Palfinger Ned-Deck Vietnam Co. Ltd.** – Vietnam, Hanoi
    - 80% **Palfinger Boats B.V.** – Netherlands, Harderwijk – 20% Matthijs van der Ham
      - 100% **Palfinger Boats Vietnam Co. Ltd.** – Vietnam, Hung Yen
  - 100% **Palfinger Marine d.o.o., Maribor** – Slovenia, Maribor
  - 100% **Norwegian Deck Machinery AS** – Norway, Os

Fully consolidated: Palfinger EMEA GmbH, Palfinger Marine GmbH, EPSILON Kran GmbH., MBB Inter S.A.S., MBB Palfinger GmbH, MBB Palfinger s.r.o., MBB Interlift N.V., Palfinger Platforms GmbH, Palfinger GmbH, Palfinger Europe GmbH, Palfinger Gru Idrauliche S.r.l., Guima Palfinger S.A.S., Palfinger Produktionstechnik Bulgaria EOOD, Nimet Srl, Palfinger Proizvodnja d.o.o., Palfinger Proizvodnja Tehnologija Hrvatska d.o.o., Ratcliff Palfinger Ltd., Palfinger Dreggen AS, Palfinger Marine Do Brasil Ltda., Palfinger Koch Montagens Industriais Ltda., Palfinger Dreggen Poland sp. z o.o., Palfinger Dreggen Korea Ltd., Palfinger Ned-Deck B.V., Palfinger Ned-Deck Vietnam Co. Ltd., Palfinger Boats B.V., Palfinger Boats Vietnam Co. Ltd., Palfinger Marine d.o.o., Maribor, Norwegian Deck Machinery AS

At equity: all other companies

- Fully consolidated
- At equity
- * Held in parts via escrow

As at 31 December 2015

- 100% **Palfinger Area Units GmbH** — Austria, Salzburg
  - 100% **Palfinger North America GmbH** — Austria, Salzburg
    - 100% **Palfinger, Inc.** — Canada, Niagara Falls
    - 100% **Palfinger USA, Inc.** — USA, Tiffin
      - 100% **Palfinger Liftgates, LLC** — USA, Cerritos
      - 51% **FairWind Renewable Energy Services, LLC** — USA, Lawton (49% Fairwind Holding LLC)
      - 100% **Omaha Standard, LLC** — USA, Council Bluffs
        - 100% **Palfleet Truck Equipment Company, LLC** — USA, Birmingham
      - 100% **Equipment Technology, LLC** — USA, Oklahoma City
        - 100% **Composite Works, LLC** — USA, Oklahoma City
  - 100% **Palfinger South America GmbH** — Austria, Salzburg
    - 30% **Andrés N. Bertotto S.A.I.C..** — Argentina, Río Tercero (70% Family Bertotto)
    - 99.64% **Madal Palfinger S.A.** — Brazil, Caxias do Sul (0.36% retail shareholders)
      - 100% **Palfinger-Tercek Indústria de Elevadores Veiculares Ltda** — Brazil, Caxias do Sul
  - 100% **Palfinger Asia Pacific Pte. Ltd.** — Singapore, Singapore
    - 50% **Sany Palfinger SPV Equipment Co., Ltd.** — China, Rudong (50% Sany Automobile Hoisting Machinery Co Ltd.)
    - 10% **Sany Automobile Hoisting Machinery Co., Ltd.** — China, Changsha (90% SANY HEAVY Group)
    - 100% **Palfinger Trading (Shanghai) Co., Ltd.** — China, Shanghai
    - 100% **Palfinger (Shenzhen), Ltd.** — China, Shenzhen
    - 100% **Palfinger Lifting Technology (Nantong) Co., Ltd.** — China, Nantong
  - 99.99% **Palfinger Cranes India Pvt. Ltd.** — India, Chennai (0.01% Palfinger Asia Pacific Pte. Ltd.)
  - 100% **Palfinger CIS GmbH** — Austria, Salzburg
    - 100% **INMAN AO** — Russia, Ishimbay
    - 51% **Palfinger Kama Cylinders OOO** — Russia, Neftekamsk (49% KAMAZ OAO)
    - 49% **Crane Center Kamaz OOO** — Russia, Naberezhnye Chelny (51% KAMAZ OAO)
    - 100% **Palfinger Russland GmbH** — Austria, Salzburg
      - 100% **Palfinger Crane Rus OOO** — Russia, St. Petersburg
    - 60% **Palfinger PM Holding GmbH** — Austria, Salzburg (20% Steindl Forsttechnik GmbH; 20% P.M.H.G Holding Global Limited)
      - 100% **Podyomnie Maschini ZAO** — Russia, Velikiye Luki
        - 11.98% **Velmash-S OOO** — Russia,Velikiye Luki (88.02% SMZ OOO et al.)
        - 49.1% **SMZ OOO** — Russia, Arkhangelsk (50.9% Holding Company Podyomnie Maschini ZAO et al.)
        - 51.6% **Holding Company Podyomnie Maschini ZAO** — Russia, St. Petersburg (48.4% Palfinger PM Holding GmbH)
        - 75.5% **Konvek OOO** — Russia, Velikiye Luki (24.5% Velmash-S OOO)
- 100% **Palfinger S. Units GmbH** — Austria, Salzburg
  - 80% **Palfinger Platforms Italy s.r.l.** — Italy, Bolzano (20% Sky Access Srl.)
  - 50% **Palfinger Sany International MobileCranes Sales GmbH** — Austria, Salzburg (50% SANY Belgium Holding S.A.)
    - 100% **PALFINGER SANY Cranes OOO** — Russia, Moscow
- 100% **Palfinger systems units GmbH** — Austria, Salzburg
  - 70%* **Mega Repairing Machinery Equipm. LLC** — United Arab Emirates, Dubai (30%* Billy Harkin et al.)
  - 70%* **Mega Inspection & Engineering Services LLC** — United Arab Emirates, Dubai (30%* Billy Harkin et al.)
  - 70%* **Megarme General Contracting Company LLC** — United Arab Emirates, Abu Dhabi (30%* Harkin Holdings Limited)
  - 70%* **Megarme Qatar WLL** — Qatar, Doha (30%* Harkin Holdings Limited)
- 100% **Palfinger Projects B.V.** — Netherlands, Elst
- 100% **PalAir GmbH** — Austria, Salzburg

GRI G4-17: Entities included in the consolidated financial statements

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