Annual Report 2021

CONTENTS

KEY FIGURES OF THE PALFINGER GROUP 3

PALFINGER AT A GLANCE 4

KEY EVENTS 6

FOREWORD BY THE EXECUTIVE BOARD 7

INVESTOR RELATIONS 8

GROUP MANAGEMENT REPORT 12
Strategy & Corporate Management 12
- Strategy 12
- Strategic Objectives 14
- Corporate Governance 15
- Financial Highlights 19

Report on the Development of the Business and the Economic Situation 20
- Marcroeconomic Conditions 20
- Sales & Service 21
- Procurement 25
- Operations 26
- Research and Development 28
- Other Significant Changes within the PALFINGER Group 31

Financial Performance Indicators Report 33
- Business Performance: 2021 33
- Financial Position, Cash Flows, and Results of Operations 33

Segment Reporting 38
- Segment Sales & Service 38
- Segment Operations 39
- Holding Unit 39

Risk Report 40
- Risk Management System 40
- Risk Exposure 41

Other Legal Disclosures 49
- Disclosures Pursuant to Section 243a of the Austrian Business Code 49

Expected Development of the Company 50

Consolidated Non-Financial Statement 52
- Organizational Integration of Sustainability and Due Diligence Process 52
- Stakeholdermanagement 53
- Materiality analysis 53
- Sustainability Strategy 54

For the living planet we all depend on 56
- Less emissions, for positive impact 56
- Positive impact on the value chain 58

For all the people we touch 58
- Safe & healthy on every level 58
- A qualified & diverse workforce 60

For a future-oriented way of doing business 63
- Aligned to our values 63
- Focus on governance & transparency 64
- Disclosure Pursuant to Article 8 Taxonomy Regulation 64
- GRI Content Index 66

CONSOLIDATED CORPORATE GOVERNANCE REPORT 71
Declaration Pursuant to Section 243c and Section 267b of the Austrian Business Code 71
Governing Bodies of the Company and Functioning of the Executive Board and Supervisory Board 71
Diversity Plan 75
Remuneration of the Executive Board and Supervisory Board 76
Corporate Governance code 76

DEFINITION OF METRICS AND KEY PERFORMANCE INDICATORS 78

CONSOLIDATED FINANCIAL STATEMENT AS AT DECEMBER 31, 2021 81
Consolidated Income Statement 81
Consolidated Statement of Comprehensive Income 82
Consolidated Balance Sheet 83
Consolidated Statement of Changes in Equity 84
Consolidated Statement of Cash Flows 86
Notes to the Consolidated Financial Statement 87
- General Information 87
- Consolidation Policies 88
- Foreign Currency Translation within the Group 92
- Segments 93
- Standards and Interpretations to be Applied for the First Time or in the Future 96
- Use of Estimates and Discretionary Decisions 97
- Notes to the Consolidated Income Statement 101
- Notes to the Consolidated Balance Sheet 110
- Notes to Consolidated Statement of Cash Flows 148
- Other Disclosures 150
- Accounting Policies 153
- Fair Value Measurement 157
- List of Shareholdings 158

DECLARATION OF MANAGEMENT 162
AUDITOR'S REPORTS 163
REPORT OF THE SUPERVISORY BOARD 170

COMPANIES OF THE PALFINGER GROUP (ORGANIZATIONAL CHART)
GENERAL INFORMATION
FINANCIAL CALENDAR 2022

KEY FIGURES OF THE PALFINGER GROUP

EUR thousand	2017	2018	2019	2020	2021
Income statement					
Revenue	1,471,075	1,615,628	1,753,849	1,533,864	1,841,533
EBITDA	167,350	196,749	223,643	188,664	243,702
EBITDA margin	11.4%	12.2%	12.8%	12.3%	13.2%
EBIT	27,788	126,974	149,015	100,288	155,023
EBIT margin	1.9%	7.9%	8.5%	6.5%	8.4%
Earnings before income tax	6,117	111,048	133,124	85,095	143,602
Consolidated net result	(11,423)	57,951	80,028	49,789	86,563
Balance sheet					
Net working capital (average)	303,758	334,786	352,681	348,278	361,991
Capital employed (average)	1,059,029	1,048,266	1,113,102	1,084,139	1,051,982
Equity	511,780	555,726	629,092	616,449	613,857
Equity ratio	34.6%	36.4%	38.3%	39.6%	36.3%
Net debt	513,282	515,739	525,647	397,088	476,569
Gearing	100.3%	92.8%	83.6%	64.4%	77.6%
Cash flows and investments					
Cash flows from operating activities	91,978	126,502	156,031	224,669	87,408
Free cash flow	43,058	46,775	112,355	173,319	(42,097)
Net investments[1)]	68,301	95,674	90,846	68,171	121,820
Depreciation, amortization and impairment	139,562	69,774	74,628	88,376	88,679
Value creation					
ROCE	1.7%	8.5%	9.9%	6.9%	11.2%
ROE	0.2%	14.4%	16.5%	10.1%	17.6%
EVA	(45,187)	31,551	43,391	10,776	51,623
WACC	5.9%	5.5%	6.0%	5.9%	6.3%
Employees					
Number of employees[2)]	10,212	10,780	11,126	10,824	11,733
Percentage of women	13.1%	13.0%	13.6%	13.7%	13.3%
Employee turnover	19.3%	18.7%	16.8%	14.7%	17.1%
Environment					
CO2 emissions from production in tonnes	54,341	55,039	36,588	30,796	31,204
Direct emissions from fuels (Scope 1)	22,284	20,368	20,168	18,419	20,160
Indirect emissions from electricity and purchased energy sources (Scope 2)	32,057	34,671	16,421	12,377	11,044
Share					
Market capitalization	1,280,050	834,570	1,099,603	973,665,382	1,289,212
Price as at year-end (EUR)	34.05	22.20	29.25	25.90	34.40
Earnings per share (EUR)	(0.30)	1.54	2.13	1.32	2.31
Dividend per share (EUR)	0.47	0.51	0.35	0.45	0.77[3)]

1) From 2019 including additions from leases (IFRS 16).
2) Reporting date figures of consolidated Group companies without equity investments and without contingent workers.
3) Proposal to the Annual General Meeting

PALFINGER at a Glance

The PALFINGER Group

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

EUR 1,842 million in revenue

82 Companies

11,733 Employees

33 Countries

34 Production & assembly locations

Sales and service network

≈ 5.000 Service centres

>130 Countries

≈ 200 Independent general importers

Product Solutions

LOADER CRANES

TIMBER/ RECYCLING

HOOKLIFTS & SKIPLOADERS

TAIL LIFTS

TURNKEY SOLUTIONS

PASSENGER SYSTEMS

ACCESS PLATFORMS

TRUCK MOUNTED FORKLIFTS

BRIDGE INSPECTION & MAINTENANCE

RAILWAY SYSTEMS

MARINE CRANES

OFFSHORE CRANES

WIND CRANES

DAVITS

BOATS

WINCHES

Significant Events 2021

SANY

On December 15, 2021, PALFINGER and SANY HEAVY INDUSTRIES signed an agreement on the dissolution of the cross-shareholding. This significantly increases PALFINGER's scope of action for acquisitions and investments in the future. The operative cooperation with SANY in China will be further expanded.

PALFINGER World Tour

With the slogan "Challenge Accepted", the digital event this year focused on the MARINE, LATAM and NAM markets. Challenges and innovative product solutions, market anomalies, regional requirements and sites were presented. With around 8,700 participants from over 70 nations, the second edition of the format also attracted a great deal of interest.

Cyberattack

On January 24, 2021, PALFINGER was the target of a global cyberattack. A task force was set up immediately and after about 10 days, operations could be resumed step by step. Substantial investments were made in 2021 to improve cybersecurity.

Go Live SAP

In January 2021, the company's largest system implementation project so far was successfully realized. Since then, more than 1200 users at a total of 8 sites have been working with the new SAP system S/4 HANA. In 2021, the focus was on optimizing the existing SAP template with new releases and improving it with innovations.

Takeover of TSK / EQUIPDRAULIC

In 2021, PALFINGER signed contracts to take over the companies EQUIPDRAULIC, S.L.U. in Spain, and TSK Kran und Wechselsysteme GmbH and TSR Lacktechnik GmbH in Germany. The acquisition strengthens PALFINGER Iberica's position, especially in the industrially strong region of Catalonia as well as in northwest Germany and the border triangle of Germany, Belgium and the Netherlands.

Letter from the Executive Board

Dear Reader.

In 2030 PALFINGER will be a global technology company The 2021 fiscal year was remarkable in many ways. Following the difficult pandemic year of 2020, we entered a phase marked by a global upswing. But COVID-19 in particular had (and continues to have) an impact on many different levels. The disruptions to global supply chains are partly due to these effects, as are the recurring regional restrictions caused by a resurgence of the pandemic.
At the same time, the costs for raw materials as well as energy increased sharply, mainly driven by a partially unexpected high demand from the beginning of the year onwards. Furthermore, Europe and the USA are facing the problem of rising inflation for the first time in a long time. In addition, PALFINGER was targeted by a highly complex cyberattack right at the start of the year, which resulted in up to two-week production downtime in most plants.
Facing all these challenges, PALFINGER has proven itself a strong, focused, and future-oriented company — 2021 is a record year in our 90-year history.
The figures speak for themselves: Driven by the favorable economic trend, growth in all regions, and full order books, revenue rose to EUR 1.84 billion, EBITDA increased to EUR 243.7 million, the EBIT margin increased to 8.4 percent, with a consolidated net result of EUR 86.6 million, and the workforce increased to 11,733 employees.
These outstanding results and the success do not come without a reason. The fact that PALFINGER was able to make the most of the prevailing conditions in 2021 is due to the GLOBAL PALFINGER ORGANIZATION (GPO).
It enables us to respond quickly, efficiently, and effectively to unforeseen events. The GPO also allows us to proactively shape our business areas and activities and to implement medium- and long-term strategies.
In procurement, for example, we have relied on long-term cooperation and supply contracts with selected partners for years; we have established a double and multiple sourcing strategy; we make sure to source as much as we can locally, and we actively manage our stock levels. Thanks to this consistent policy, we were able to compensate for supply chain disruptions in the best possible way and minimize their consequences. In addition, we have set up a supply chain task force that defines measures quickly and flexibly to ensure optimum capacity utilization at all our plants. PALFINGER once again lived up to its reputation as a reliable and cooperative partner in 2021.
The transformation process we initiated with the GPO is not yet completed. To secure it and leverage its effects even more effectively, we are stepping up the global rollout of SAP 4/HANA and combining internal services for Europe at the Global Business Services Center in Sofia. At the same time, PALFINGER implemented the most extensive investment program in its history in 2021. Around EUR 122 million was spent on expanding our R&D facilities, additional capacities, test infrastructure, and educational programs, as well as on modernizations and energy efficiency improvements. In addition, PALFINGER AG acquired the headquarters in Bergheim. This overall package is the starting point for further targeted investments in structures that will enable PALFINGER to proactively shape its own and its industry’s future. We are now laying the foundation to achieve our goals.
For this purpose, we formulated the Vision & Strategy 2030 in fiscal year 2021, which will be implemented throughout the entire company in 2022. With the strategic pillar “Go for Solutions”, we are expanding our focus and no longer only see our product, but also the entire vehicle and software solutions as an interconnected system.
With the strategic pillar, “Go Digital”, we are advancing the digitalization of the entire value chain and opening up new, digital business opportunities.
In 2030 PALFINGER will be a global technology company offering hardware and software from a single source.
As a premium brand and innovation leader, we develop future-oriented solutions ahead of our competitors — and aim to achieve an annual revenue target of EUR 3 billion. Together with our employees, customers, partners, and investors we create value every day. Thank you for accompanying us on this journey.

Ing. Andreas Klauser e.h.	**Dr. Felix Strohbichler e.h.**	**DI Martin Zehnder, MBA e.h.**
CEO	CFO	COO

INVESTOR RELATIONS

- **Share price falls in 2021 by 32.8 percent (ATX: -38.9 percent)**
- **Dividend of EUR 0.77 per share will be proposed to the Annual General Meeting on March 24, 2022**

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

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

PALFINGER SHARES

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

Starting from a price of EUR 25.9 at the end of 2020 , the PALFINGER share had a weak start to the year on the stock market at the beginning of January 2021 due to the ongoing global uncertainty surrounding COVID-19. As a consequence, the low for the year of EUR 25.6 per share was reached on January 4. However, the share price recovered quickly from mid-January onwards and continued to gain until the beginning of June. In the weeks that followed, the share price weakened somewhat before reaching its high of EUR 40.0, steadily gaining strength until October 10. In the last weeks of the year, the PALFINGER share came under renewed pressure as a result of profit-taking, and the share price declined once again. On December 31, 2021 , the closing price was EUR 34.4. This corresponds to an increase in the share price of 32.8 percent compared to the closing price in 2020. By comparison, the ATX announced a gain of 38.86 percent in 2021 . The average daily trading volume for PALFINGER shares increased in 2021 by 28.4 percent compared to the previous year.

Shareholder information as at 31 December 2021

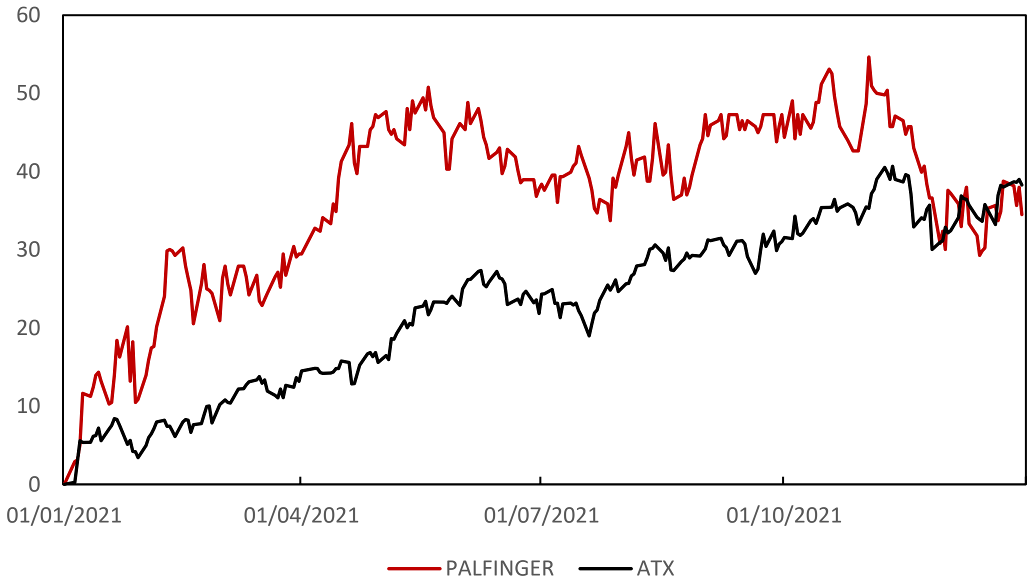
ISIN	AT0000758305
Number of shares issued	37,593,258
Own shares	0 [1)]
Shares outstanding	37,593,258
Listing on the Vienna Stock Exchange	Prime market
OTC listing	New York, Frankfurt, Stuttgart, Berlin, Munich, Dusseldorf
Ticker symbols	Reuters: PALF.VIE; Bloomberg: PALF:AV; Vienna Stock Exchange: PAL

1) The dissolution of the cross-shareholding with SANY was contractually concluded on December 15, 2021, since the condition of the share price to be achieved occurred on December 16, 2021. However, the SANY shares will not be returned to PALFINGER until the first halfyear of 2022 and will be held by PALFINGER as treasury shares from this point in time. According to IFRS, as applicable in the EU, these shares are to be reported as treasury shares in the consolidated balance sheet as of December 31, 2021.

EUR	2019	2020	2021
Low	20.85	15.40	25.60
High	30.70	30.50	40.00
Average exchange rate	25.69	22.29	35.38
Price at year-end	29.25	25.90	34.40
Earnings per Share[1)]	2.13	1.32	2.31
Operating cash flows per share[1)]	4.15	5.98	2.53
Dividend per share	0.35	0.45	0.77[2)]
Dividend yield in relation to the average share price	1.4%	2.0%	2.2%
Market capitalization as at year-end (EUR million)	1,099.60	973.67	1,289.21

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

Share price development in 2021



Research Reports

- Berenberg Bank
- Deutsche Bank
- Erste Group
- Hauck & Aufhäuser
- Kepler Cheuvreux
- RBI
- UBS

Ratings

Regular assessments by leading ESG ratings show PALFINGER as an opportunity for sustainability-oriented investors.

In its 2021 corporate rating, Oekom (part of ISS ESG since 2018) rated PALFINGER B– (2018: B–). This rating corresponds to prime status. The VÖNIX sustainability indexrated PALFINGER, as in the previous year, B+ as a sustainable company in 2021. An analysis by the Carbon Disclosure Project (CDP) gave the Group a C rating in 2021, as it had the previous year. This score places the Group in the “Awareness” category.

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

Dividends

PALFINGER AG pursues a continuous dividend policy. Under this policy, approximately one-third of annual profit is to be distributed to shareholders. In 2021, the consolidated net profit of PALFINGER AG amounted to EUR 249.9 million. Based on this, the PALFINGER Executive Board and Supervisory Board will propose a dividend of EUR 0.77 (2020: 0.45 EUR) per share at the Annual General Meeting on March 24, 2022.

Ownership Structure

With the Palfinger family, which directly or indirectly holds approximately 56.4 percent of the shares, PALFINGER AG has a stable core shareholder, is also represented in the Supervisory Board. In addition, a cross-shareholding relationship with the SANY Group existed, whereby the latter held 7.5 percent of PALFINGER AG. At the end of 2021, PALFINGER and SANY negotiated the parameters for a mutually consented dissolution of the cross-holding, which was contractually concluded and reported ad hoc on December 15, 2021. On December 16, 2021, the necessary conditions regarding the share price became effective. The dissolution of the cross-holding was subject to the condition that the closing price of the PALFINGER share would reach at least EUR 34.7 by December 31, 2023. The shares in SAHM (7.5 percent) and the PALFINGER shares (7.5 percent) will be exchanged and, in addition, PALFINGER will receive an additional cash payment of approximately EUR 15 million. As per year-end 2021, the shares for the 7.5 percent holding have not yet been transferred to PALFINGER. The remaining approximately 36.1 percent of shares are in free float. According to the information available to PALFINGER AG, a significant portion of the free float is held by retail shareholders. The majority of shares, however, are held by institutional investors, which are primarily located in continental Europe.

Group Manage-ment Report

GROUP MANAGEMENT REPORT

Strategy & corporate management

Strategy

- **Status as a leading provider of innovative crane and lifting solutions reinforced**
- **“Go for Solutions” and “Go Digital” as new strategic pillars**
- **Revenue target raised to EUR 2.3 billion by 2024**

Vision & Strategy 2030

Global megatrends are constantly confronting PALFINGER with new challenges. Among them, sustainability, social change, and digitalization have been identified as particularly relevant.

For 90 years, PALFINGER has been exploiting changing market conditions proactively and successfully to strengthen its position as an innovative technology leader. With its vision and strategy for 2030, PALFINGER formulates insightful answers to current and future challenges.

PALFINGER's vision for 2030 is: Lifting Value — Creating Momentum. PALFINGER offers customers sustainable lifting solutions of the highest quality and fit for the future — responsibly and with a positive impact on people, the planet, and PALFINGER's own success. As a technology company, PALFINGER meets the customer’s challenges and turns them into value.

Based on this vision, PALFINGER developed the 2030 strategy. At its heart are two strategic pillars: “Go for Solutions” and “Go Digital.”

The 2030 strategy replaces the four strategic pillars of innovation, internationalization, flexibility, and PALFINGER 21st (P21st) defined by PALFINGER in the past and sets the Group on course for sustainable profitable growth. Thereby, PALFINGER is strengthening its position as a leading global manufacturer of innovative crane and lifting solutions. The result is cross-product revenue and earnings increases in all customer segments and regions. Supported by a positive global economic trend, which is increasing demand in almost all regions, PALFINGER is benefiting particularly in the construction and forestry sectors and is using this tailwind to strengthen and expand its new strategic pillars until 2030.

Sustainability is of particular importance in the vision and strategy for 2030. The Sustainability Council, created in 2021, ensures that PALFINGER takes particular account of environmental, social, and governance issues as well as economic aspects in all business processes. To this end the sustainability strategy was also revised and integrated more closely into the corporate strategy in 2021 (for details, see the consolidated non-financial statement). As such, sustainability is never just a challenge or a risk for PALFINGER. In fact, responsible, sustainable business is always an opportunity and a value driver, opening doors to new business segments, growth, and greater differentiation.

PALFINGER is an extremely stable company with dependable value:

- PALFINGER is positioned as a premium brand.
- PALFINGER is the world's no. 1 for loader cranes, timber and recycling cranes, and solutions in the rail sector.
- PALFINGER is among the top 3 in almost all target markets.
- PALFINGER as a global player exports to 130 countries and demonstrates genuine customer proximity with a network of over 5,000 dealers, distributors, and service partners guaranteeing all customers service of the highest quality.
- PALFINGER has an extremely solid balance sheet structure.

This solid basis enables PALFINGER to put the 2030 strategy into practice and make the significant investments it requires. Apart from strengthening its core business in the Europe, Middle East and Africa (EMEA), North America (NAM) and Commonwealth of Independent States (CIS) regions, PALFINGER continues to focus on growth markets in the Asia and Pacific (APAC) and Latin America (LATAM) regions. Its global structure and high depth in value creation allow PALFINGER to operate with maximum effectiveness in the procurement, production, and sales markets in the various regions.

The strategic pillars are also reflected in PALFINGER's four business models. These business models are increasingly being digitized, specify value creation, and respond to different market, customer, and application needs:

- **Configurated** is PALFINGER's central business model and defines global modular construction kit architectures. The aim is to develop individual construction kits and thus enable highly efficient and cost-effective production of the very highest quality while making it possible to meet individual customer requirements with regard to product specifications.
- **Standard** configurations from modular construction kit architecture allow production of standard solutions in large quantities with optimized costs and the highest quality.
- **Customized** enables individual design adjustments of Configured solutions. Adaptation of individual elements is possible, for example by installing adapted control panels and radio remote controls or hydraulic, electrical and pneumatic energy supplies to the crane tip for controlling special attachments.
- **Project** enables implementation of new solutions based on specific customer and tender requirements and represents an additional product in the service portfolio. Individual, customer-specific solutions for special requirements are developed here. Orders of this kind are always processed as projects in the product lines. Here too, PALFINGER is focusing on the pre-developed basic concepts of the modular system in order to use use preconfigured systems wherever possible and manufacture them even more efficiently and with higher quality while still tailoring them perfectly to the needs of the customer.

Strategic Pillars

Go for Solutions: As part of its 2030 strategy, PALFINGER is continuing to systematically push the company's development toward becoming a complete solution provider with an even stronger customer focus. This requires fundamental contiuous development of PALFINGER in all areas (R&D, procurement, production, distribution, etc.) thereby contributing to a substantial evolution of the PALFINGER brand. To achieve the goal of becoming a complete solution provider, vehicle integration and industrialized setup processes are necessary core competencies, especially in development and production.

PALFINGER prioritizes the highest quality throughout the entire product life cycle (from development to service) and is a strong partner for its customers and all stakeholders in its networks. This is reflected in sustainable investments in technologies and employees.

Go Digital: PALFINGER's second strategic pillar proactively supports the digital transformation of solutions, services, and business processes. The digitalization initiatives focus on customers, partners, and employees with the aim of making their work easier and more efficient through innovative solutions. Digitalization of the entire production and value chain will be continued and taken further. The main goal of the PALFINGER digitalization strategy is to offer customers intelligent and connected lifting solutions and services that give them more functions and added value. In addition, new, data-based business models are to be established.

2030 sees PALFINGER as an even more innovative technology company combining the latest hardware with the most advanced software from a single source. PALFINGER will offer its customers groundbreaking solutions and services — smart, connected, environmentally friendly, and even more powerful than they already are today.

Strategic objectives

The world's no. 1 for crane and lifting solutions

The position as the world's number one for innovative crane and lifting solutions is safeguarded by focusing on the company's own strengths and the utilization of synergies. Its market position for growth products and in growth regions will be further strengthened. To achieve the maximum synergy potential improvements will be pursued with a global approach in all product areas, whilst taking account of universal standards and the highest quality standards.

Financial targets

Organic growth: PALFINGER pursues a path of continual growth. Organic revenue growth is targeted to reach EUR 2.3 billion by 2024. The decisive factors for PALFINGER in this regard are above-average growth in the NAM, LATAM, and APAC regions. By 2030 organic revenue growth is targeted to reach EUR 3 billion.

10% EBIT margin: PALFINGER aims to achieve an EBIT margin of 10 percent by 2024. Key factors in this regard are the use of synergies by the GLOBAL PALFINGER ORGANIZATION introduced in 2019, for example in global procurement, the further development of shared service centers, and optimization of the globally positioned functions. Additionally, professionalizing processes and activities as well as the pooling of competencies will safeguard PALFINGER's position as a leading solution provider in the global context.

12% ROCE: The PALFINGER Group carries out strict current capital management and focuses on assets that serve the core business. This ensures the optimal use of non-current assets and current assets and will help to achieve a Return on Capital Employed (ROCE) of 12 percent by 2024.

Non-financial targets

Based on the new sustainability strategy and the materiality analysis carried out in 2021, the non-financial targets were adjusted. The non-financial targets are split according to the criteria of environment, social aspects, and governance. With respect to the environment, there is a clear focus on reducing energy consumption and emissions within the company itself as well as on reducing emissions in product use and the value chain. The safety of PALFINGER products and the well-being and safety of employees are also central to meeting social targets such as education and training, employee turnover, diversity, and employee development. The aspect of governance includes anti-corruption targets, for example.

Implementation of the strategy in 2021

The implementation and introduction of first measures of the new strategy was initiated in 2021:

Go for Solutions: In 2021, considerable investments were made in technology and employees. Examples include expanding the Köstendorf Technology Center (Austria) as a global innovation and development hub with a focus on ideal working conditions for employees. The PALFINGER World in Lengau (Austria) was expanded at a cost of around EUR 6 million. For example, a flagship store and event location were created to enhance the customer experience during vehicle handover.

There was also an increased focus on turnkey solutions to implement the Go for Solutions strategic pillar. Production focused on the Mounting Competence Centers (MCC) in Poland and Austria where crane and vehicle are assembled into a single unit. The interfaces between the vehicle, loader crane, and all assembled components are crucial to achieving the optimum performance of turnkey solutions.

To ensure maximum customer proximity, PALFINGER is continuously expanding its network of sales and service partners. To this end, EQUIPDRAULIC, S.L.U in Spain, and the German-based companies TSK Wechselsysteme GmbH and TSR Lacktechnik GmbH, were acquired as sales and service locations in 2021.

Go Digital: The key prerequisites for implementing the strategy are ensuring data availability and cyber security along the entire value chain as well as integrated system and application architecture with an intelligent mix of cloud and on-premises systems, which make it possible to work from anywhere. Investments in strengthening the "digital backbone" have been made as concrete actions to achieve these goals. Digital processes and standardized procedures were also driven forward by rolling out SAP S/4 HANA at European production and assembly sites, as well as digital services and data-driven business models such as STRUCINSPECT.

Further actions taken at Group level in 2021 to implement the strategy include the launch of a transformation program to increase the digitalization of products, processes, and business models, and a program to promote cooperation between the global core functions on digital issues and strategic initiatives.

Outlook: Medium-term implementation of the strategy through 2024

In order to safeguard PALFINGER's growth in the future, above-average investments will continue. Substantial investments will also be made in 2022, including the PALFINGER Campus training and staff education center in Lengau (Austria). PALFINGER is also investing in capacity expansion and the renewal of its machinery, such as painting or robot welding systems. In production, for example, the use of global synergies (plant capacity utilization, flexibility) will be intensified in the medium term, and investment made in expanding production facilities in the CIS region to secure revenue growth. In R&D, the technology leadership will be further strengthened for all product lines and fully integrated connected solutions developed for the customer.

In Sales & Service, measures are planned to increase the market share and revenue growth in all regions in the medium term. Expansion of the product portfolio in LATAM is also planned. The dealer network will be further strengthened, and digital services expanded so that they too can contribute substantially to revenue. Procurement will further expand the supplier network through 2024 to safeguard the supply chain. Furthermore, the make-or-buy strategy will be developed further and implemented.

Corporate governance

- **Good corporate governance through organizational and procedural measures**
- **Task force set up for crisis management**
- **Code of Conduct revised**

Structure and process organization

The "GLOBAL PALFINGER ORGANIZATION" (GPO) has enabled central management of functions within the Group since 2019. It is coordinated by global functions and corporate functions, which are headed by the PALFINGER AG Executive Board. Global functions include Sales & Service, Operations, Procurement, Controlling & Regional Finance, Human Resources, and Product Line Management & Engineering. Corporate functions cover the areas of Corporate Governance, Risk Management & Compliance / Group Accounting & Taxes, Process & Quality Management, Treasury & Insurance, Information & Communication Technology & Global Business Services, Legal Counsels, Business Development, Investor Relations, Marketing & Communications, PALFINGER21st / Digital Transformation, Sales & Operations Planning, and Supply Chain Management.

Global functions directly lead the individual specialist areas in the regions and local units with disciplinary responsibility. Corporate functions act as centers of excellence and thus assume Group-wide governance and technical leadership right down to local units. Global / corporate functions create and develop strategies, processes, tools, and Group policies. These actions ensure uniform global standards. The global value creation structure is used across all products and regions.

In order to ensure the independence of quality management and to increase compliance with Group-wide quality standards, the quality organization underwent a comprehensive restructuring in 2021 which is to be fully implemented by 2022. The responsibility for the quality organization lies with the Chief Financial Officer.

To introduce uniform process standards across the Group, the PALFINGER process organization was established, which clearly defines who is responsible for the respective processes within the framework of the GPO. The aim of process organization is to increase the level of standardization, innovation, and automation of processes with a view to exploiting synergies across the Group. Most processes are supported by digital tools, such as the ERP system SAP S/4 HANA. The current focus of process organization lies on the rollout of SAP S/4 HANA. With the successful go-live of the Wave ONE project at the beginning of January 2021, eight sites in five countries were converted to the new system. More sites will be successively connected as part of a rollout plan. Besides the continuous rollout, development of the process template in SAP S/4 HANA is also ongoing. In 2021, two so-called "process releases" were carried out in May and November which contained over 70 process innovations and improvements for Operations, Procurement, Sales & Service, Product Line Management & Engineering, Accounting and Controlling.

As part of process standardization and digitalization, options for shared service centers (SSC) and global business service centers (GBS) are continuously being evaluated. In the past especially transactional activities in the accounts departments at European sites were pooled, for example at the SSC in Cherven Briyag (Bulgaria). In 2021, a GBS was additionally established in Sofia (Bulgaria). These centralized services directly contribute to increasing efficiency. The GBS in Sofia supports the Sales, Procurement, Accounting, Controlling, Human Resources, Product Line Management & Engineering, and Process & Quality Management functions in the EMEA region. The GBS is being continually expanded.

If needed, PALFINGER also uses permanent committees as a management tool. This includes, for example, the Sustainability Council, founded in 2021, which acts as a steering committee and, among other things, decides on the sustainability strategy and key measures relating to sustainability, ensuring their increasingly widespread implementation in the organization. The Sustainability Council reports to the entire board. During the COVID crisis, the task force format was established as a steering instrument to augment the routine organization for as long as necessary. The organization of the task force ensures that the focus is on the most pressing issue as the crisis evolves and enables direct and global steering across the functions.

Corporate planning and controlling

In order to achieve strategic financial goals, a multi-phase financial planning process has been established. A distinction is made between short-term planning and medium and long-term planning instruments. Strategic planning represents long-term planning over a period of five years. The planning process analyzes market trends, defines, or adapts business models within a region, and maps changes as part of the implementation of the overall strategy for PALFINGER. The strategic planning process takes place every two years and is coordinated by Global Controlling and Business Development. For each year a strategic planning is not carried out, medium-term planning is prepared instead, also for a period of five years. It shows the organic development of PALFINGER in the context of changing circumstances (e.g., the COVID crisis). Short-term planning takes place every month by simulating the revenue and result development for the current year.

Global sales & operations planning (sales & operations planning) brings together sales demand and supply capacity on the production side on a monthly basis. In the event of an unresolved deviation between supply and demand, production capacities are prioritized accordingly. This process also provides the central planning parameters for the forecast, the budget and long-term, strategic planning with regard to the entire organization. In addition, the simulation is prepared in more detail on a local level every quarter. This simulation also plans structural costs on the basis of the latest data.

Risk and crisis management

PALFINGER's risk management serves to identify, assess, and monitor risks early and comprehensively, and to ensure the definition and implementation of appropriate mitigation measures. The risk management process is controlled and coordinated by Corporate Risk Management.

Thereby, risk management ensures transparency regarding the risks for the PALFINGER Group and thus supports the strategic decision-making process. The risk catalog includes both strategic and material operational risks. PALFINGER sees a risk as the possibility of a positive or negative deviation from planned results, which is why risks are evaluated and prioritized with their plan variance. The risk management process is integrated into the PALFINGER Group's planning process and therefore actively supports PALFINGER in meeting its targets.

A risk strategy for all material risks is defined. The measures defined for mitigating the material risks are monitored centrally by Corporate Risk Management. Regular reports on the overall risk position and material risks are submitted to the Executive Board, while the Supervisory Board receives quarterly reports and thus conducts its monitoring function. An external auditor performs an annual review and assessment of the Group-wide risk management process with regard to its appropriate design and implementation, in accordance with rule 83 of the Austrian Code of Corporate Governance (ÖCGK).

In addition to the proactive risk management process, crisis management is also part of Corporate Risk Management's responsibility. A Group policy defines a crisis and procedures for crisis management. PALFINGER defines a crisis as a serious incident with major potential impact. The declaration of a crisis is the responsibility of the Executive Board, which mandates Corporate Risk Management to set up and convene a task force.

Major challenges in 2021 required proactive crisis management. PALFINGER had to deal with the cyberattack at the beginning of the year and is still facing a constrained resource and supply chain situation as well as COVID-19. Based on the successful implementation of the task force in these areas swift reactions, proactive management, and the definition of effective measures were ensured.

Governance & Internal Control System

PALFINGER's top priority is to achieve company goals based on the corporate vision and values. PALFINGER ensures good corporate governance that meets internal and external requirements. The PALFINGER Group Policy System, a framework of Group policies, strengthens Group-wide governance and fosters compliance.

As a central platform, the PALFINGER Group Policy System forms the basis of the PALFINGER Group's governance model, including the internal control system. Corporate Governance & Compliance ensures the maintenance of the system and supports global/corporate functions with establishing new Group policies. These are published through the central PALFINGER Group Policy System and communicated to employees through Corporate Governance & Compliance. The responsible management is tasked with assuring the content, timeliness, and implementation of Group policies. In line with a risk-based approach Corporate Internal Audit reviews the design and implementation of Group policies.

Processes are defined on the basis of group policies and process risks and controls are addressed accordingly. To ensure that essential key controls are implemented equally in all companies and processes, reporting on accounts-related controls is carried out on a quarterly basis.

The PALFINGER organization acts according to the principles of dual control and the separation of functions. A separate Group policy regulates the internal approval process and external signatory powers, taking into account the principles of dual control and the separation of functions.

In reporting year 2021, the following Group policies were among those that were created or significantly adapted: Procurement of indirect materials/investments & services, health management, investment management, process organization, fire protection, and PALFINGER Development Process.

Compliance

PALFINGER pursues the goal of achieving profitable and sustainable growth. As a global company, PALFINGER ensures that all business activities are carried out according to the same Code of Conduct. A separate Code of Conduct defines moral, ethical, and legally compliant norms with regard to human rights, business ethics, and environmental standards. All employees and business partners, such as PALFINGER suppliers and dealerships, are obliged to adhere to the Code of Conduct and act according to its precepts.

This Code of Conduct is published on PALFINGER’s website. Particular points of the Code of Conduct are defined in more detail in Group policies relating to selected topics.

Awareness of compliance issues is increased through in-house training. Corporate Governance & Compliance uses existing internal communication channels to share current topics and updates relating to compliance within the company. In 2021, existing compliance training was integrated into the new PALFINGER learning management platform.

PALFINGER has defined a catalog of multi-stage actions to prevent or, if need be, investigate any violations of legislation or Group policies. An “integrity line”, accessible on the corporate website, enables anonymous reporting of suspected violations to Corporate Governance & Compliance. Reported violations are assessed in examinations carried out by the Corporate Internal Audit department, their level of process compliance is analyzed, and proposals for improvements to processes are made. The Corporate Internal Audit department and the responsible managers jointly define specific actions for improving process compliance. Implementation of the actions is monitored by the Corporate Internal Audit department.

As in previous years, PALFINGER had no confirmed cases of corruption in 2021, nor were any legal proceedings opened in connection with corruption against the company or its employees.

In order to perform its monitoring function, the Supervisory Board has received an annual comprehensive report on measures taken to prevent corruption since 2021.

Internal Audits

The Corporate Internal Audit department acts as a central point of contact for the Executive Board and as a body for independent and objective reviews of the effectiveness of Group-wide risk management, control processes, and process organization. These activities promote improvements in organization and procedures. PALFINGER follows a standardized audit methodology for this purpose.

The most important audit priorities are defined in the annual audit plan. Derived from risk management, the material risks are evaluated and those that represent a high risk are prioritized for audit purposes. After approval of the audit plan by the Audit Committee, the Corporate Internal Audit department carries out ad hoc audits or special audits in addition to the planned audits, in accordance with the structured audit process.

The audit results are presented to the responsible management of the PALFINGER Group and measures for improvement are jointly defined. The Corporate Internal Audit department regularly reviews the implementation of the measures. Audit results and measures are reported to the entire board. The Supervisory Board performs its monitoring function by regularly reporting the audit activities to the Audit Committee.

In fiscal year 2021 , most audits were carried out as remote audits due to the ongoing COVID pandemic. The 2021 audit focused particularly on reviewing the implementation of new Group policies, for example relating to the PALFINGER Development Process and credit limits. In addition, process risks and controls in quality management were reviewed.

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

It is the responsibility of the Executive Board to set up an appropriate internal control and risk management system for the accounting process. To this end, the Executive Board of PALFINGER AG has adopted binding Group policies and has installed an appropriate accounting and internal control system. The separation of functions and the dual control principle are essential elements of this. The risks involved in preparing the financial statements and actions to minimize risk are described in the risk report as part of Group-wide risk management.

The Corporate Function for Group Accounting is globally responsible for Group accounting, sets Group-wide standards and Group guidelines, and uses its expert knowledge to support the locally responsible finance business partners and GBS/SSC functions with implementing the requirements of centers of excellence.

The IFRS Group manual sets out uniform Group rules for the recognition, posting, and accounting of business transactions for the preparation of annual financial statements. This ensures the implementation of accounting and valuation methods in accordance with IFRS standards within the Group. The Group manual is continuously updated by Group Accounting and is to be applied and implemented independently by the individual Group companies.

IT systems take into account the principles of the internal control system, such as the appropriate allocation of user access rights. Access to sensitive data is limited to those employees who need this data to perform their tasks.

The Supervisory Board's Audit Committee is responsible for monitoring the accounting process and the effectiveness of the internal control and risk management system. In addition to monthly internal reports, a quarterly and semi-annual report with the most important events, facts and figures is also prepared and presented by the Executive Board. This ensures that the Supervisory Board is provided with all the necessary information and is kept regularly informed of current business developments.

Financial Highlights

- **PALFINGER uses economic upswing to reach record revenue and earnings**
- **Pressure on internal and external supply chains steadily increases during the year**
- **Development of raw material prices and inflation pose challenge**

PALFINGER measures the progress of the Group’s development progress over the long term on the basis of financial and non-financial indicators. PALFINGER’s short-term value enhancement is reflected in the operational profitability and revenue. These indicators developed very well in 2021. However, the sharp increases in raw material prices began to have an increasing impact at the start of the second half of the year and started to negatively influence the profitability. Indicators such as capital employed, employee health, and environmentally friendly business operations point to medium- to long-term success. The main indicators for PALFINGER in 2021 were:

- Revenue
- EBIT margin
- Capital employed
- Return on capital employed (ROCE)
- Free cash flow
- Net debt
- Total recordable injury rate (TRIR)
- Employee turnover
- Energy consumption in relation to revenue

PALFINGER strives to achieve long-term, profitable growth. Therefore, the focus is on the long-term trend of the KPIs listed here. In the reporting year 2021 , revenue volumes – driven by the global economic upturn following the first phase of the pandemic –increased 20.1 percent compared to the previous year, which was characterized by lockdowns due to COVID-19. Revenue for the previous record year of 2019 was exceeded by 5.0 percent. The EBIT margin increased to 8.4 percent. Despite the expansion of production volumes and the largest program of investment in the company’s history, average capital employed decreased to EUR 1,052.0 million in the reporting period due to the agreement with Sany to terminate the cross-holding. In the reporting period, ROCE reached 11.2 percent. Free cash flow amounted EUR -42.1 million in 2021 , compared to EUR 173.3 million in 2020 . In spite of the good earnings situation, the increase in working capital and the ambitious investment program had a negative impact. Net debt increased to EUR 476.6 million as a result, compared to the previous year.

REPORT ON THE DEVELOPMENT OF THE BUSINESS AND THE ECONOMIC SITUATION

Macroeconomic conditions

Although the pandemic is flaring up again, the global economy continues to recover. The International Monetary Fund forecasts global economic growth of 5.5 percent in 2021.

According to the IMF, the eurozone will see growth of 5,2 percent in 2021 after a fall of 6.4 percent in the previous year. Germany recorded growth of 2.7 percent, Spain and Italy 4.6 and 6.2 percent respectively, while in Austria growth was comparatively subdued at 4.4 percent. The USA achieved economic growth at 5.6 percent.

The impact of the COVID-19 pandemic on average GDP growth was lower in emerging and developing countries. The IMF estimates growth of 6.5 percent within this group in 2021, after a decline of 1.4 percent in the previous year.

India and China stand out as the largest growth drivers, with increases of 9.5 percent and 8 percent respectively. This development is supported by measures taken to contain COVID-19 along with state economic stimulus packages and strong economic growth thanks to infrastructure projects.

Demand for steel products and steel price trend

For PALFINGER, developments relating to steel as a building material are of crucial importance.

At the beginning of 2020, the pandemic led to reduced demand for steel and consequently to lower production worldwide. Driven by the expansive fiscal and monetary policy of major steel customers such as China and the USA, demand recovered rapidly from summer 2020. This development continued in 2021. As a result of this upswing, global steel production grew by around 7 percent in 2021. For the first time, around 1.9 billion tonnes of steel were produced in one year.

Despite these record production levels, the cost of steel rose rapidly due to bottlenecks in supply chains and rising raw material costs. Whereas a tonne of iron ore was still quoted at around USD 80 in 2020, the cost peaked at USD 240 per tonne at the beginning of May 2021. Subsequently, and especially in the second half of 2021, costs decreased significantly — to below USD 100 per tonne.

As a result of these factors, the global cost of steel in the first quarter of 2021 was between 30 percent and 90 percent above the previous year's level. Despite the falling cost of steel, which mirrored that of iron ore, the average cost of steel in 2021 was 70 percent higher than in the previous year.

Foreign exchange and inflation

The international character of the Group means that payment transactions are made in various currencies. The US dollar (USD) and the Russian ruble (RUB) have the biggest influence on PALFINGER AG's business performance.

The main currency in the primary steel business is the USD. For example, the steel price is quoted in USD on the London Metal Exchange. Apart from the purchase prices of primary steel, other essential raw materials are also priced in USD.

Due to the large share of business in Russia, the ruble is an important currency for PALFINGER AG. Many sales are made in rubles and the five production sites in Russia mean that the ruble exchange rate has an immense impact on the Group’s operating result.

The Austrian HICP inflation rate rose from 1.1 percent in January 2021 to 4.3 percent in December 2021. Up until August, two-thirds of the rise in inflation since the beginning of the year was due to energy prices. At 1.8 percent, the inflation rate for non-energy industrial goods will be significantly higher in 2021 than in the previous year (1.2 percent).

The HWWI price index, as an indicator of price developments on the world raw materials markets, has also risen continuously since spring 2021. The commodity price index fell in November but was on average still 92.6 percent higher than in the previous November. The falling price is in particular due to the sharp losses in price on the energy raw materials markets. The strong upward trend in energy raw material prices, which has been ongoing for several months, was interrupted in November, as the new coronavirus variants created uncertainty on the commodity markets. Prices for industrial raw materials also fell in November, in particular for iron ore and aluminum.

Sales & Service

- **Record order situation**
- **PALFINGER World Tour NAM, LATAM & MARINE**
- **Acquisition of contractual partners in Spain and Germany**

The global function Sales & Service at PALFINGER is responsible for both sales and service business and is managed regions. In each region, the sales & service function is the responsibility of a regional sales & service manager.

In 2021, the EMEA region was reorganized and split into two: a new region, “EMEA Distribution” was created to promote the organization’s customer proximity in key markets in the EMEA region. This new region comprises the dealerships in Denmark, Germany, Portugal, Sweden, and Spain which are majority-owned or wholly owned by PALFINGER AG. The new structure is in line with the 2030 strategy and increases the customer proximity and effectiveness of the Sales & Service function in the EMEA region.

PALFINGER products are sold by general agents and dealerships, although in some countries they are sold directly by the company’s own subsidiaries. The global PALFINGER sales and service partner network in more than 130 countries comprises around 200 general importers and independent dealerships, as well as over 5,000 service partners.

Increasingly, dealerships and general importers are sending orders to PALFINGER via the product configurator tool. This tool helps to manage the complexity of customer inquiries and avoid errors when preparing quotations. It significantly shortens the time from inquiry to order entry and underlines the spread of digitalization at PALFINGER.

The objective in Sales & Service is to provide customers with the best possible support from their first contact with PALFINGER right through to the after-sales servicing of the products. In particular, work is currently being done on digitalizing service processes that support activities in the workshops and make them digitally replicable (e.g. smart inspection, smart handover). In addition, complete vehicles are offered that are immediately available — new vehicles as an all-in package for the chassis, crane, and mounting. The end-customer application PALconnect also supports customer fleet management. These are applications aimed at fleet managers and machine operators, allowing them to view the PALFINGER fleet and its operating status on the basis of telematics data.

Significant events in 2021

In 2021, almost all regions and product lines recorded new record order intake and levels. This market demand is mainly the result of the positive development of the forestry, waste, and construction industries. As a consequence of COVID-19, many governments have approved infrastructure packages, and these are increasing demand still further, especially in the construction industry. Despite the stressed supply situation, PALFINGER was able to maintain relatively good delivery reliability.

The challenges posed by the cyberattack at the beginning of 2021 were also successfully met in the Service sector, as PALFINGER, together with the dealerships in the network, secured the supply of spare parts.

The PALFINGER World Tour was already established as a successful digital and innovative event format for the future in 2020. Consequently, another PALFINGER World Tour took place in June 2021 in the Marine, LATAM and NAM regions under the tagline “Challenge Accepted”. Over 8,700 visitors took part in discussions and presentations that were streamed live. The focus was on new products, market conditions, regional requirements, and ideas for particular sites.

In November 2021, PALFINGER participated at Expo 2020 in Dubai — which started one year late — and showed how digitalization and technologies can open up new business opportunities.

Development in the Regions

EMEA

In the EMEA region, PALFINGER was able to further strengthen its market position in 2021 despite the ongoing challenges. Sales in the EMEA region are largely conducted via exclusive independent agents or general agents as well as dealers belonging to the PALFINGER Group. In some product lines there are also direct sales for original equipment manufacturers (OEM) and key accounts.

In EMEA, PALFINGER's customers come from the most diverse industries. In PALFINGER's core industries (construction, transport and logistics, rentals and leases, agriculture and forestry, waste management, railways, and state institutions) the positive trend continued undiminished into the fourth quarter 2021. The continuing very high order level across all product lines reflects this development.

In 2021, over 80 percent of orders in the loader crane as well as timber and recycling crane product lines in EMEA were already submitted using the product configurator tool. Sales and service training courses were also increasingly switched to digital formats.

As part of the PALFINGER Sales Conference in the fall of 2021, the Group presented its sales partners with strategies surrounding its sales and service activities for the coming years.

To strengthen and further develop the sales and service organization and to ensure customer satisfaction and market success in the long term, the EMEA Distribution region was expanded in 2021. The Swedish dealership Hinz Försäljnings AB has been a PALFINGER subsidiary since the beginning of 2021, and the focus over the course of the year was on integrating the company into the PALFINGER Group. In February 2021, a contract was signed to acquire EQUIPDRAULIC, S.L.U in Barcelona (Spain). This acquisition strengthens PALFINGER Iberica's position in the Spanish market and, above all, in Catalonia, a leading industrial region. In November 2021, the contract was signed to acquire TSK Kran und Wechselsysteme GmbH and TSR Lacktechnik GmbH, a long-standing partner in Duisburg (Germany). Following complete integration into the PALFINGER Group, the Duisburg site will be expanded to become the central sales and service location in northwest Germany. In 2021 , Sales & Service invested in a new location in Copenhagen (Denmark).

In order to increase service capacities, a new service hub was opened in Hamburg (Germany) in September 2021. Products such as Loader Cranes, Aerial Work Platforms, Hooklifts and Skip Loaders, Timber and Recycling Cranes, Truck-Mounted Forklifts, and Tail Lifts are repaired and serviced on site.

In addition to the spare parts center in Lengau (Austria), the spare parts hub in Toulouse (France) was opened for business on July 1, 2021. The hub is mainly responsible for supplying spare parts to France, Spain, Portugal, and the Benelux countries. Spare parts for almost all EMEA products are stored in Toulouse. Its proximity to the market means that spare parts can be sent directly to the workshop overnight on receiving the order, thereby cutting transport distances. Despite the current difficulties with procurement, the hub achieves a very good delivery rate on the customer's requested delivery date.

NAM

Besides the independent dealers and the network of general agents, PALFINGER also owns and operates its own dealership in the USA that covers a large area in the Midwest and southeast. PALFINGER's product and service portfolio includes a mobile fleet of almost 100 service vehicles at over 10 locations, enabling excellent market access and added benefits for the customer.

The high demand for PALFINGER solutions in North America is a result of the very positive overall economic development in this region. The economic upswing and increasing investments in infrastructure benefited order intake. The strongest economic sectors were the construction industry, followed by the waste management and energy supply industry. The rental market for aerial work platforms remained strong in 2021. The North American commercial vehicle industry was adversely affected by the semiconductor shortage in 2021, but bottlenecks in other materials and pre-work services also presented challenges.

Demand for and acceptance of PALFINGER's new truck-mounted forklift models is high. PALFINGER was able to win a major order in the USA in 2021 for the delivery of 150 units of the new truck-mounted forklift model.

LATAM

Mining reinforced the positive trend in the core markets of Chile, Peru, and Brazil, where PALFINGER is highly successful with its Loader Cranes. In addition, the strong development in the agricultural and construction sectors in Brazil and Argentina led to increased demand for PALFINGER products. Demand in the recycling and forestry sectors also remains high.

In the LATAM region, the entire year 2021 was marked by supply chain bottlenecks and a shortage of components and truck chassis. Despite these difficulties, PALFINGER was able to maintain its growth trajectory and enlarge its sales and service network (mainly in Brazil, Central America, and the Caribbean). In addition, the expansion of direct sales in Brazil and Argentina led to an increase in sales and service revenues.

In 2021, product lines such as Tail Lifts and Aerial Work Platforms were introduced in countries like Uruguay, Panama, Colombia, Costa Rica, and Nicaragua. In addition, the Network Development Program represented an important milestone for standardization. Digitalization tools such as customer relationship management and market analysis were implemented to streamline internal sales processes and provide the best possible support for customers and partners.

CIS

Market demand remained strong in 2021. Competition increased significantly, primarily due to local manufacturers of lifting equipment, but PALFINGER was able to further cement its position as the market leader for Loader Cranes, Timber and Recycling Cranes, and Hooklifts.

The Loader Crane and the Timber Crane remain PALFINGER’s core products in the CIS region. The main industries include agriculture and forestry, the construction industry, transport and logistics, the oil and gas industry, and energy supply. In addition to local value creation, PALFINGER maintains a comprehensive sales and service network in the region.

The positive dynamics from the 2nd half of 2020 continued during the whole of 2021. In the forestry and recycling sector in particular, rising wood and scrap costs drove demand to new highs. An upswing in the construction industry also increased demand for Loader Cranes. Thanks to local value creation PALFINGER was able to increase its market share in Loader Cranes including stiff boom cranes further. The Early Procurement State Program launched by the Russian Federation in 2020 also generated greater demand for all products and is being continued.

The successful localization strategy in the region has largely prevented negative effects from the global supply situation.

APAC

In the APAC region, PALFINGER increased direct sales and handled some markets itself side by side with the existing dealer structure in 2021. New products were launched on the market in some growth sectors.

PALFINGER's most important industries in the region are construction and infrastructure, transport and logistics, rail, waste disposal and recycling, forestry, and government institutions. Every sector of the economy in this region was affected by COVID-19 restrictions, which were in force almost until the end of the third quarter. While most markets saw demand drop in the first half of the year, it picked up again in all markets from the second half of the year. Despite local lockdowns in the regions, continued demand and, as a result, strong growth prevailed. Specific industries such as metal recycling and waste management have also experienced a significant upswing in recent years and will continue to be an important sector for PALFINGER in the future.

PALFINGER achieved considerable growth in its joint venture with Sany in 2021 and was able to significantly expand its Loader Crane business in China. PALFINGER won substantial orders in India and Korea as part of major rail projects. In Korea, the recycling industry was also characterized by considerable growth. In Thailand, PALFINGER received another major order from the public sector. In Japan, stability in forestry sector ensured steady business development.

MARINE

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

With the exception of the cruise industry, the trend toward larger-scale projects with higher order volumes and more equipment continued in 2021 for marine products in all branches. Due to the ongoing COVID-19 situation, especially at the beginning of 2021, and the resulting lower utilization of ship fleets, the business in the service sector and equipment refurbishment stagnated. In the fast-growing offshore wind market, PALFINGER's marine business secured a number of major orders in the reporting period.

In 2021, the Chinese joint venture with Jiangyin Neptune Marine Appliance Co. Ltd was launched with the aim of establishing PALFINGER as a leading supplier of marine lifesaving equipment on the Chinese market.

Outlook

The positive market environment and record order levels in almost all regions give PALFINGER a positive outlook for 2022. Despite the risks posed by material availability, chassis availability, and the COVID-19 pandemic, PALFINGER expects positive development in all regions.

In EMEA, the boom in the construction industry and the need for forestry and recycling cranes in particular are boosting a good order situation. In LATAM, the raw material extraction sector and in NAM, the demand for aerial work platforms from energy suppliers are driving growth still further. The LATAM and NAM regions recorded the strongest growth in order backlogs. Strong growth in the APAC region is expected, in particular as a result of the joint venture in China. The increased demand for wind cranes also suggests strong development in the MARINE sector.

The third and last EMEA Spare Part Hub will be opened in the north of Germany on May 1, 2022. This means that the hub network is fully established in Europe and can ensure maximum availability of our solutions by optimizing spare parts stocks.

Procurement

- **Cost increases**
- **Challenges from material availability**
- **Task force “Supply & Operations Resilience”**

The global function Procurement is divided into seven purchasing categories, each of which is managed by a Category Lead Buyer. The categories include Raw Material, Cylinder, Control Systems & Mechatronic, Hydraulic & Equipment and Indirect Spend & Investment, among others. PALFINGER’s procurement volume amounted to around EUR 1 billion in 2021.

PALFINGER classifies 700 of its 7,000 suppliers worldwide as strategic partners. Working together with them more intensively involves long-term supply contracts, annual demand planning, regular supplier evaluation, supplier audits as well as early integration into the development process. Long-term contracts ensure that prices remain unchanged while allowing variation in annual procurement quantities that is adapted using monthly rolling planning updates. This guarantees that the expected demand for critical articles is met. To make procurement of building parts less complex, to lower process costs, and to increase flexibility, PALFINGER increasingly uses electronic interfaces to its suppliers.

PALFINGER minimizes the risk of supplier failure through its “double/multiple sourcing” practice. In addition, the company pursues the principle of “in the region, for the region” in procurement. Through these partnerships, preferably with global suppliers, PALFINGER reduces its environmental footprint and contributes to local value creation.

Significant Events in 2021

The high worldwide demand for steel combined with massive production bottlenecks led to noticeable cost increases in 2021. PALFINGER was able to cushion some of the increases through long-term supply contracts and active management of its inventory. In addition, transport costs and delivery periods increased due to the limited availability of containers for sea freight.

This means that delivery times for steel, chassis, and semiconductors (“chips”) in particular increased sharply in 2021. Delivery reliability dropped from 95 to 75 percent. Following the establishment of the “Supply & Operations Resilience” task force in the second half of the year, the effects on production were largely offset and, thanks to long-term partnerships, supply demand could be met in due time. PALFINGER continuously adapted its inventory strategy and increased safety stocks in its warehouses. In order to secure its own supply chain, PALFINGER also supported suppliers and sub-suppliers with raw materials and electronic components, etc.

The cooperation for reverse factoring - PALFINGER suppliers receive their money within a few days, while PALFINGER itself has a significantly longer payment term - with an Austrian bank was further expanded in 2021.

Outlook

The cost of raw materials is not expected to ease before the 2nd half of 2022. PALFINGER also expects supply bottlenecks to continue for electronic components and chassis during the first months of 2022. COVID-19 is repeatedly causing difficulties for suppliers and sub-suppliers.

Operations

- **Record output**
- **Expansion of the "in the region, for the region" strategy**
- **Pushing digitization in production**

The global function Operations is responsible for all production plants in the PALFINGER Group and is managed by regions. In order to create closer geographical proximity to customers and optimally benefit from the cost advantages in best-cost countries, PALFINGER manufactures products at 34 sites in 15 countries worldwide. Two thirds of PALFINGER's total workforce are employed in production, most of them in the EMEA and CIS regions.

The globally oriented Operations Excellence organization homogenizes and optimizes manufacturing and business processes in the production network. Lean management reduces waste and establishes stable processes at all levels of the company, but especially through the four core stages of value creation - production, painting, assembly, and installation. These are then automated and digitized as far as possible.

In order to be able to react quickly to changing market volumes, PALFINGER is pushing ahead with its strategy "in the region, for the region." It enables the customer-oriented production of products and solutions that are in demand within the same region.

Significant Events in 2021

Despite stressed supply chains and business interruptions, production kept running during 2021 and a record output was generated in terms of volume.

Production backlogs resulting from the cyberattack were largely reduced during the 1st half of the year thanks to the employees' commitment and flexibility.

The pandemic remained a constant factor of uncertainty in 2021. Thanks to well-coordinated crisis management and the measures taken by the COVID-19 task force, critical situations were quickly handled, and production was maintained.

In the global production network, projects to further consolidate value creation processes and harmonize manufacturing capabilities were driven forward in 2021. A central element of the value creation strategy is being able to best serve regionally specific customer needs in terms of costs, delivery reliability, quality, and flexibility in customizing.

In 2021, significant investments were made in the function Operations to expand production capacities, modernization, and training/further education. The expansion of the PALFINGER Campus in Lengau (Austria) makes it possible to double the number of apprentices. As a result, PALFINGER is actively counteracting the shortage of skilled workers.

In order to further digitize production, intensive work was carried out on the target architecture for processes, data, and applications in 2021 and a purpose-specific plan was developed. Pilot projects, such as the application of an "Internet of Things" platform, were used to test individual elements of the target architecture and are now available for global rollouts. Plant-specific implementation roadmaps and integration into the enterprise architecture support digital data consistency and digital transformation. During the go-live of SAP S/4 HANA across the majority of the EMEA production network in January 2021, processes were standardized, data optimized, and workflows improved.

PALFINGER provides customers with production know-how and capacity as part of manufacturing for third parties. As a result, customers benefit from PALFINGER's quality standards when manufacturing complex components such as welded parts, hydraulic cylinders, and piston rods. PALFINGER therefore maintains the business model of manufacturing for third parties. It generates additional revenue, ensures optimized utilization, increases competitiveness, and improves internal processes. In the 2021 reporting period, production for third parties generated revenue of EUR 136.4 million (2020: EUR 76.5 million).

Development in the Regions

EMEA

The EMEA region holds the largest share of PALFINGER's production network. It includes assembly plants and production sites for the individual product lines, and supplies customers and sales units both within and outside the EMEA region. The cyberattack at the beginning of the year hit EMEA plants in particular during a critical phase: Downtimes of up to two weeks caused backlogs that affected all internal supply chains. These effects were felt until the middle of the year. The high order intake and the general material supply crisis caused bottlenecks in the third and fourth quarters of 2021. In order to offer improved delivery times, investments were made in welding robots, mechanical machining centers, and painting technology, etc., in the component production plants.

CIS

Demand in the CIS region was very high in all product lines throughout the year. The Stiff Boom Crane product division posted above-average growth rates. To satisfy this great demand, three to four production shifts were temporarily introduced at the plants. The commissioning of the new wet paint and powder coating plant had to be postponed until the 1st half of 2022 due to COVID-19 restrictions.

NAM

The consolidation of the production of Tail Lifts at the Council Bluffs site was largely completed during 2021. As a result, the Cerritos site will be operated in future as a Sales & Service location with truck installation. The demand for pickup bodies with service cranes saw a significant surge in demand and created additional capacity utilization in Council Bluffs. However, this site and the Niagara Falls plant were severely affected by the transport and material supply crisis, which hit supplies from Europe and China in particular.

Restructuring measures at the Oklahoma plant led to a more stable production process. Due to the dominance of Turnkey Solutions, the plant is heavily dependent on truck deliveries from various manufacturers. Sharply rising personnel costs and a shortage of qualified personnel are characteristic of the labor market in NAM. Against this background, an investment package for the automation of welding processes was adopted in the third quarter of 2021.

LATAM

Thanks to continuously increasing demand, the market environment in Brazil developed very positively. As in EMEA, the cyberattack and COVID-19 affected achievement of planned output. At the Caxias do Sul plant, the new paint shop was put into operation and the bottleneck in component production was resolved.

Following the acquisition of further shares from Hidro-Grubert in 2020, the integration of the Argentine plant in Rio Tercero made good progress with the introduction of the PK series. Rio Tercero will be an important part of the regional plant network in LATAM and is already showing earnings growth.

APAC

The production site in Rudong (SPV), China, a joint venture with SANY, continued to post record output figures in 2021. In addition, work was carried out on implementing the future plant concept with the aim of further rolling out Group manufacturing standards and increasing capacities.

MARINE

The plant in Hanoi established itself as a solid location for davit systems and special aluminum boats. PALFINGER's Ølve site became independent following a management buy-out in March 2021 and is no longer part of the PALFINGER Group. PALFINGER leases Ølve's infrastructure to the new company and uses them as a supplier when needed.

Outlook

In addition to expanding production capacities to meet medium-term customer needs, the focus of further investments is on automating production processes, particularly in the EMEA and NAM regions. The COVID-19 situation remains tense. Bottlenecks in material availability are expected in the first quarter, and the situation should ease by the second half of the year. In order to create additional added value, the footprint strategy "in the region, for the region" will be continued and expanded.

Research and Development

- **Centers of Excellence: System Management & Engineering und Mechatronics**
- **PALFINGER Development Process rolled out globally**
- **Group-wide research and development center at the Köstendorf site in Austria**

Research & development make a significant contribution to the positioning of PALFINGER as the world's leading innovative technology company. The global function Product Line Management & Engineering covers all research and development activities. A total of eight product lines define and develop the global product range and the development of modular structures based on regional and local markets and customer requirements. Two Centers of Excellence focus on the areas of "System Management & Engineering" and "Mechatronics".

The Center of Excellence System Management & Engineering pools critical competencies for the development and integration of complex systems and solutions. It is also responsible for intellectual property, which is of central importance to PALFINGER as a technology and market leader.

The Center of Excellence Mechatronics combines all technical disciplines that are necessary for the development of PALFINGER lifting systems. These include competencies such as mechanical development, hydraulics, stability calculations, electrical systems and electronics, application software development, and data transmission. The aim is to map the entire system in an integrated digital model, the digital twin. This simulation model provides the basis for optimizing and maintaining the products and represents the process chain throughout the entire product life cycle.

Strategy 2030 promotes stronger integration of the lifting system in the vehicle with the aim of providing a complete solution. To develop it, PALFINGER is investing in expanding the necessary skills, competencies and infrastructure for product and technology development. The central prototype and test center at the Köstendorf technology center plays a key role in this.

In addition to digitizing core processes, PALFINGER is also involved in the development of assisted, networked, and eco-efficient systems and solutions. To ensure the effective and efficient development of the necessary technologies and functionalities, PALFINGER has combined the expansion of these important topics for the future in an integrated development program. The first new functions have already been successfully launched on the market. These include innovative functions such as virtual drive, a virtual reality control system of the future, also known as smart control, featuring a digital crane tip control system for Loader Cranes. These developments make the products easier to operate and increase user safety.

Digitization increases the efficiency and performance of lifting systems. The data obtained can be used to create added value for customers along the entire value chain. Moreover, the digital product functions of PALFINGER's complete solution, and the data obtained from it, enable the development of new digital services and business models.

In addition to Product Line Management & Engineering, the corporate incubator PALFINGER 21st ("P21st") is set up as an independent, exploratory business unit. P21st creates sustainable strategic value and growth potential for PALFINGER through a deeper understanding of customer needs in the future, developing new solutions with disruptive potential, and strengthening existing value chains.

In close cooperation with the research and development teams of the function Product Line Management & Engineering, P21st is driving forward topics such as scouting, funding, competence building in the area of new technologies and the development of new business models. In addition, P21st promotes collaboration between PALFINGER and external partners and research institutions.

Significant Events in 2021

In 2021, the PALFINGER Development Process was thoroughly revised and improved, and the global implementation of the relevant standards was started. The process provides the framework for module and product development projects and, due to the uniform structure of the development projects, creates the basis for mutual understanding with clearly defined interfaces between departments worldwide that strengthens the internal monitoring system during product development. The core project team, composed of different organizational areas, ensures a coordinated process. This enables transparent management, measurement, and advancement of the process on the basis of clear decisions. Controls are also integrated into the process which strengthen the internal control system during product development.

A new simulation program enables the strength calculation of steel construction assemblies to be performed in an efficient manner. The proportion of simulation programs in application software development is also increasing continuously.

In 2021, P21st focused on promoting PALFINGER's internal innovation network and expanding cooperation with external partners. The P21st team set important impulses with a series of initiatives in the areas of Internet of Things & data science, customer centricity, open innovation, and innovation strategy. As in previous years, the PALFINGER Innovation Challenge was once again held in 2021. In the third edition of this event, P21st and Global HR invited all PALFINGER employees to share their ideas on the topic of "The Future of Work." As in past years, PALFINGER is supporting the winning teams chosen by a panel of judges, helping them to develop their concepts further.

STRUCINSPECT is a PALFINGER joint venture with VCE – Vienna Consulting Engineers and the ANGST Group for digital railway and road bridge inspection. This resulted in STRUCINSPECT's Infrastructure Lifecycle Hub. It offers all stakeholders in digital inspection knowledge, services and partnerships and enables precise and efficient testing and cost-efficient maintenance. The Infrastructure Lifecycle Hub guarantees recurring revenue through memberships and service packages. In the first three months after the launch, more than 350 interested parties registered. The outlook for the coming years suggests strong growth, as larger deals with enterprise customers are expected in addition to many smaller platform customers.

As a global innovation and development center with a focus on customer-oriented solutions, Köstendorf occupies a central position in the PALFINGER product development network. As a result of its expansion, around 100 jobs and 200 additional job opportunities will be created. PALFINGER is also investing in enlarging the test laboratory.

In 2021, PALFINGER incurred expenses for research and development of EUR 72.1 million (2020: EUR 58.5 million), which corresponds to 3.9 percent of total sales (2020:3.8 percent).

PALFINGER bundles its product development activities in the following product lines:

Product line	Innovation
Timber & Recycling Cranes	In 2021, the Timber & Recycling product line focused on the final development of the new crane generation III. This generation introduces the basis for intelligent crane control: Smart Control. Generation III also boasts additional new features.
Hook Lifts & Skip Loaders	The new “view following function for TEC5 models” controls 3 cameras that automatically provide drivers with the best camera perspective while loading. This automatic option offers the ideal solution in terms of safety and comfort for the driver. In addition, a new communication function was developed between truck and skip loader that makes it easier to operate the skip loader controller.
Aerial Work Platforms & Special Solutions	In LATAM, development of a new aerial work platform, a generation of platforms specific to this market, was started in 2020. The first prototype of this platform has already been implemented and has undergone several months of field testing since the end of the year. Another model will follow in 2022. The Railway Basic Line crane series was supplemented by two more models and successfully launched on the market.
Self-Propelled Lifting Solutions	A new Silent Pack was developed for truck-mounted forklifts. It significantly reduces noise emissions and thus meets the growing demand for ever quieter machines. This facilitates or enables delivery in residential areas and in the early morning.
Tail Lifts & Passenger Systems	A new two-arm lift providing people with reduced mobility access to long-distance trains in EMEA is aimed at particularly narrow entrances. The new heavy-duty vertical lift platform PTV with a variety of new features has been launched on the market in the NAM region. For key customers, a retractable lift has been developed for loading semitrailers from the side. In LATAM, two new models of bus lift, in series that have become established for the first time, were presented to the public.
Loader Cranes, Marine Cranes & Wind Cranes	The highlight of the year was the market launch of the Smart Control assistance system, which significantly simplifies crane operation and considerably reduces training times for new crane operators. In the Wind & Marine sectors, a completely new crane series for use in offshore wind farms was presented. This is the first-ever 100% electric crane, and it is designed as a plug & play solution for easy installation on wind turbine platforms.
Boats & Davits	A new modular lifeboat line has been developed in the Boats, Davits and Fenders product line. This features a multi-stage body structure that allows higher capacity without increasing overall size, which improves the use of space on board ships.
Marine Handling Solutions	PALFINGER has developed a new generation of slipways/rear-entry systems for starting and recovering USVs (Unmanned Surface Vehicles). The innovation was carried out in close cooperation with one of the world's largest providers of USVs, Atlas Elektronik UK. This invention will put PALFINGER at the forefront of future navy ship developments where the use of USVs has increased significantly. PALFINGER also equipped the world’s most modern cable-laying vessel with a comprehensive set of equipment. PALFINGER equipment allows cables to be laid at depths of 2,000 meters and more.

Important partnerships with business partners, research institutes, and universities

PALFINGER successfully maintains business and cooperation partnerships with universities, research institutes, and partners from industry with the aim of developing new technologies, innovations, and integrated solutions. This networking is essential for enabling PALFINGER to offer its customers the most efficient, innovative, and best product solution. The exchange of knowledge and experience, use of existing technologies from other branches of industry, and participation in research and development initiatives are important factors in the organization’s success for PALFINGER product development.

As part of the general partnership between Graz University of Technology and PALFINGER, a project focusing on new drive technologies for tail lifts was successfully completed in spring 2021.

In cooperation with the firm EcoLOG, the forwarder crane integrated into the forestry machine was fitted with the new Smart Control technology and aligned with it.

Together with the Austrian Institute of Technology, PALFINGER is working on a future-oriented crane operation system. Other projects focus on energy efficiency.

In addition to further developing the newly acquired solutions for offshore passenger transfer systems, PALFINGER is supporting a doctorate (PhD) at the Western Norway University of Applied Science in Bergen, Norway.

Outlook

PALFINGER will maintain its course and continue to energetically drive forward the development of autonomous, integrated, and environmentally friendly solutions. The aim is also to simplify research and development structures within the organization and to be better positioned globally in the network, especially in America and China.

Other significant changes within the PALFINGER Group

PALFINGER and SANY finalize dissolution of cross-holding

On December 15, 2021, PALFINGER and SANY HEAVY INDUSTRIES signed an agreement on the dissolution of the cross-holding. Thereby it was stipulated that if the PALFINGER share reaches a closing price of at least EUR 34.68 until December 31, 2023, the shares in Sany Automobile Hoisting Machinery and the PALFINGER shares will be exchanged. In addition, PALFINGER will receive a payout of around EUR 15 million. The conditions were met on December 16, 2021. With the closing of the transaction, all opportunities and risks were transferred. The implementation of the dissolution and thus the completion of the acquisition of the own shares by PALFINGER is expected in the first half of 2022. This significantly increases PALFINGER's scope of action for acquisitions and investments in the future and ensures further growth.

In accordance with IFRS, as adopted by the EU these shares must be disclosed as own shares in the consolidated balance sheet as of December 31, 2021.

In December 2021, PALFINGER and SANY HEAVY INDUSTRIES also negotiated a restructuring of their cooperation on the operative joint ventures. While the cooperation in China and the former CIS states continues, the takeover by the SANY Group of the Austria-based operative joint venture company Palfinger Sany Mobile Crane Sales GmbH, which deals with sales and service of Sany mobile cranes in the EMEA region, is planned.

Acquisition of EQUIPDRAULIC and TSK

In 2021, PALFINGER signed contracts to take over the companies EQUIPDRAULIC, S.L.U. in Spain, and TSK Kran und Wechselsysteme GmbH and TSR Lacktechnik GmbH in Germany. The acquisition strengthens PALFINGER's position, especially in the major industrial region of Catalonia, as well as in northwest Germany and the border triangle where Germany, Belgium and the Netherlands meet.

Acquisition of the Bergheim Headquarters

In 2021, the Group headquarters in Bergheim (Austria) were acquired with an investment volume of around EUR 28.4 million.

Supervisory Board

Heinrich Dieter Kiener resigned as a member of the Supervisory Board at the Annual General Meeting on April 7, 2021, and Ms. Sita Mazumder was elected to the Supervisory Board by the Annual General Meeting as the succeeding new member.

Further changes in the PALFINGER Group under company law

On January 4, 2021, the Austrian company Palfinger EMEA GmbH concluded a contract for the purchase of 100 percent of the shares in the Swedish company Hinz Försäljnings AB and its subsidiaries Hinz Fastighets AB and Handelsbolaget Bunsön 7:1.

In January 2021, the establishment of the Chinese joint venture between Palfinger Marine Netherlands BV (NL) and Jiangyin Neptune Marine Appliance Co. Ltd. (CN) was finalized by the transfer of 50 percent of the shares in Palfinger Marine Shanghai Co. Ltd. (CN) from Palfinger Marine Safety AS (NOR) to each of the above-mentioned stockholders. In July 2021, the joint venture company was renamed Palfinger Neptune Marine Equipment Technology (Shanghai) Co., Ltd. (CN).

In February 2021, PALFINGER EMEA GmbH (AT) acquired 100 percent of the shares in the Spanish company Equipdraulic, S.L.

In March 2021, Palfinger AG (AT) increased its stake in Palfinger Structural Inspection GmbH (AT) to 65.28 percent.

The acquisition of 33.3 percent of the shares in Jetfly GmbH (AT) by Palfinger AG (AT) was completed in April 2021.

In June 2021, the US-based Palfinger USA Operations, LLC was founded as a 100-percent subsidiary of Palfinger US Holdings, LLC (US).

In July 2021, a call option was exercised on the acquisition of 100 percent of the shares in OYT Mulder Holding S.L. (ES). The sole asset of this holding company is, in turn, 25 per cent of the shares in the Spanish PALFINGER Ibérica Maquinaria, S.L. The company is now wholly owned indirectly by PALFINGER EMEA GmbH (AT).

Effective as of August 5, 2021, the Brazilian PALFINGER company Tercek Industria de Elevadores Veiculares Ltda. was merged into Madal PALFINGER S.A. (BR).

In October 2021, the holding company Podyomnie Maschini AO was merged into the Podyomnie Maschini AO in Russia.

In September 2021, a demerging spin-off was carried out with no concession of shares in Palfinger CIS GmbH from Palfinger Area Units GmbH into Palfinger EMEA GmbH. At the same time, a non-proportionate spin-off of 75.03% of the shares in AO Podyomnie Maschini (RU) from Palfinger PM Holding GmbH into the newly founded PM accipere GmbH took place. As a result, a share exchange was carried out between shareholders of Palfinger PM Holding GmbH and PM accipere GmbH. In the next step in October 2021, PM accipere GmbH was first merged into Palfinger CIS GmbH as a transferring company by way of universal succession, and the latter was then merged as a transferring company into its parent company Palfinger EMEA GmbH by way of universal succession.

In November 2021, PALFINGER GmbH (DE) acquired a German shelf company, which was then renamed Palfinger Duisburg GmbH. Palfinger Duisburg GmbH is the buyer of the assets of TSK Kran und Wechselsysteme GmbH and TSR Lacktechnik GmbH. This transaction is expected to close in January 2022.

With effect from December 31, 2021, Palfinger Liftgates, LLC (USA) was merged into Palfinger USA, LLC.

FINANCIAL PERFORMANCE INDICATORS REPORT

Business Performance 2021

In 2021 , the PALFINGER Group was able to make good use of the economic recovery following the health and economic crisis in 2020. Despite the temporary shutdown of production in numerous plants as a result of the cyberattack and increasing material availability problems during the course of the year, revenues of EUR 1,841.5 million were achieved. Compared to revenue in 2020 , which amounted to EUR 1,533.9 million, this represents an increase of 20.06 percent. Starting with the second half of the year, price increases on the international raw material markets also began to have a stronger impact on Palfinger.

Business volume increased in every region except Marine. Order intake was very strong throughout the year and resulted in an order level of well over EUR 1.2 billion by the year end.

The profitability of PALFINGER's operating business increased to EUR 155.0 million compared to the previous year, which was negatively impacted by the COVID-19 crisis. The EBITDA increased from EUR 188.7 million to EUR 243.7 million and the EBITDA margin was 13.2 8.42 percent compared to 12.30 percent in fiscal year 2020 .

Development of Revenue and EBIT

Net assets

CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	12/31/2019	12/31/2020	12/31/2021
Assets			
Non-current assets	914.6	757.1	826.5
Current assets	727.0	799.8	866.2
	1,641.6	**1,556.9**	**1,692.6**
Equity and liabilities			
Equity	629.1	616.4	613.8
Non-current liabilities	609.0	536.1	442.8
Current liabilities	403.5	404.4	636.0
	1,641.6	**1,556.9**	**1,692.6**

Consolidated financial statements, consolidated balance sheet, p. 83, Notes on the consolidated balance sheet, p. 110

Total assets increased from EUR 1,556.9 million as at December 31, 2020 to EUR 1,692.6 million as at balance sheet date December 31, 2021 . Non-current assets increased from EUR 757.1 million to EUR 826.5 million. The main reasons for this were the extensive investment programs. Current assets also increased due to the increase in working capital from EUR 799.8 million in 2020 to EUR 866.2 million in fiscal year 2021 .

Equity decreased slightly from EUR 616.4 million to EUR 613.8 million - as at December 31, 2021 . The equity ratio also dropped from 39.60 percent to 36.27 percent as at the balance sheet date due to the reversal of the cross-holding.

Non-current liabilities decreased from EUR 536.1 million in the previous year to EUR 442.8 million at the end of 2021 . In return, current liabilities increased sharply from EUR 404.4 million to EUR 636.0 million. As at the balance sheet date of December 31, 2021 , 88.2 percent of total capital employed of was secured on a long-term basis. At EUR 476.6 million, net debt increased significantly compared to the previous year due to increased capital demand.

The gearing ratio (net debt in relation to equity) was 77.64 percent as at December 31, 2021 , compared to 64.42 percent on the reporting date of the previous year. Net investments in the reporting period amounted to EUR 121.8 million and were thus significantly higher than the previous year's figure of EUR 68.2 million.

Financial position

EUR million	**Jan–Dec 2019**	**Jan–Dec 2020**	**Jan–Dec 2021**
Cash flows from operating activities	156.0	224.7	87.4
Cash flows from investing activities	(54.0)	(60.5)	(137.4)
	102.1	**164.2**	**(50.0)**
Adjusted interest on borrowings after tax	10.3	9.1	7.9
Free cash flow	**112.4**	**173.3**	**(42.1)**

Consolidated financial statements, consolidated statement of cash flows, p. 86

Cash flows from operating activities reached EUR 87.4 million in 2021 compared to EUR 224.7 million in 2020 . Despite a significantly improved earnings situation, the significant increase in working capital had a negative impact. Cash flows from investment activities amounted to EUR -137.4 million in 2021 compared to EUR -60.5 million in the previous year's reporting period. The negative change was primarily due to the largest investment program in the company's history, as well as the exceptionally low level in the previous year due to the COVID-19 pandemic. Free cash flow decreased to EUR -42.1 million as at the reporting date compared to EUR 173.3 million in 2020 .

The cash flow from the financing sector was EUR -16.0 million in 2021 compared to EUR -98.2 million in the same period of the previous year and increased primarily due to the commencement of short-term financing. The return on equity increased from 10.1 percent at year-end 2020 to 17.6 percent as at December 31, 2021 . The return on capital employed was well above the previous year's figure of 6.9 percent at 11.2 percent. The weighted average cost of capital (WACC) increased to 6.3 percent in 2021 due to the increase in market capitalization and despite the drop in interest on borrowings, compared to the previous year's level (2020 : 5.9 percent). These developments resulted in a sharp increase in economic value added from EUR 10.8 million to EUR 51.6 million in reporting year 2021 .

EUR million	Jan–Dec 2019	Jan–Dec 2020	Jan–Dec 2021
NOPLAT			
EBIT	149.0	100.3	155.0
Adjusted income tax	(39.3)	(25.9)	(37.6)
	109.7	**74.4**	**117.4**
Capital employed[1)]			
Inventories	339.4	331.6	378.4
Trade receivables	276.2	252.3	260.3
Trade payables	(165.9)	(154.2)	(181.3)
Payments received on account of orders	(25.5)	(29.7)	(36.3)
Current capital	**424.3**	**400.0**	**421.0**
Other current receivables and assets	54.3	93.4	112.5
Income tax receivables	8.6	5.9	2.2
Current provisions	(22.3)	(28.5)	(33.2)
Current liabilities	(102.7)	(114.6)	(129.3)
Income tax liabilities	(9.5)	(7.9)	(11.1)
Net working capital[1)]	**352.7**	**348.3**	**362.0**
Non-current operating assets	840.9	819.0	777.4
Non-current provisions	(55.2)	(64.8)	(69.8)
Deferred tax liabilities	(11.5)	(9.7)	(7.6)
Liabilities from puttable non-controlling interests	0.0	-	(0.2)
Other non-current liabilities	(13.8)	(8.8)	(9.9)
	1,113.1	**1,084.1**	**1,052.0**
ROCE	**9.9%**	**6.9%**	**11.2%**

1) Annual average.

Cash and liquidity management

Treasury adheres to the principle of ensuring sufficient liquidity at all times, both for payment obligations and for further corporate growth. Cash inflows from operating activities are the most important source of financing for PALFINGER. Liquidity planning has been a central steering tool for PALFINGER since 2020.

Liquidity as well as currency and interest rate risks of the PALFINGER Group are centrally managed by Corp. Treasury. Financial management is based on uniform principles applied globally across the Group. At the level of the subsidiaries, the local finance business partners are responsible for compliance with these Treasury guidelines.

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

In day-to-day liquidity management, PALFINGER uses cash management systems to assign liquidity surpluses of individual Group companies (cash pooling) to cover the funding needs of other Group companies.

PALFINGER has access to extensive approved credit lines made available by the core banks currently providing financing. This further reinforces the solvency of the PALFINGER Group at all times. The financing lines, which were temporarily increased by EUR 100 million during the COVID-19 crisis in 2020, were not used and were withdrawn early or no longer extended at the beginning of 2021.

Factoring programs exist in Europe and the USA. As at the balance sheet date December 31, 2021, receivables sold in this way totaled EUR 48.0 million (2020: EUR 39.2 million). The receivables were not derecognized in full, as all opportunities and risks associated with the receivables sold were neither transferred nor retained. The assessment of the risks arising from the receivables sold is fundamentally based on the default risk and the late payment risk.

In 2021, additional suppliers were integrated into the existing reverse factoring structure. As of December 31, 2021, this concerned trade payables totaling EUR 53.4 million (53,4: EUR 41.9 million).

The promissory note loans due to maturity in March 2022 will be refinanced using bilateral sustainable loans. The interest rate conditions for these green loans will be linked to the achievement of non-financial targets.

Results of Operations

Sales revenues increased by 20.1 percent to EUR 1,841.5 million in fiscal year 2021 (2020 : EUR 1,533.9 million). The EMEA region was the most important market in 2021 , accounting for 62.4 percent of revenue, followed by NAM at 20.3 percent and CIS at 5.5 percent. Exchange rate changes (especially the American dollar, the Argentine peso and the Brazilian real) had a negative impact of EUR 21.3 million on revenue development.

RESULT OVERVIEW

EUR million	Jan–Dec 2019	Jan–Dec 2020	Jan–Dec 2021
Revenue	1,753.8	1,533.9	1,841.5
EBITDA	223.6	188.7	243.7
EBITDA margin	12.8%	12.3%	13.2%
EBIT	149.0	100.3	155.0
EBIT margin	8.5%	6.5%	8.4%
Consolidated net result	80.0	49.8	86.6
Earnings per share (EUR)	2.13	1.32	2.31
Dividend per share (EUR)	0.35	0.45	0.77[1]

1) Proposal to the Annual General Meeting.

Consolidated financial statements, Consolidated income statement, p. 81,
Notes on the consolidated income statement, p. 101

As a result of revenue growth, the cost of sales increased from EUR -1,155.0 million to EUR -1,393.6 million, with the relative cost of materials just below the previous year's level. Variable personnel costs increased by EUR -159.6 million to EUR -202.5 million and were also above the level of 2020 in relation to revenue. Gross profit increased from EUR 378.9 million to EUR 447.9 million in comparison to the same period of the previous year. The gross profit margin was 24.3 percent as at the reporting date and was below the figure of 24.7 percent in 2020 .

Structural costs, which include costs for research and development, distribution and administration, increased from EUR -288.2 million to EUR -338.7 million. The increase in costs in 2021 was primarily due to the good utilization of production capacity and investments in group-wide future-oriented projects. In addition, costs in 2020 were significantly lower due to the crisis situation and short-time work. Compared to the same period of the previous year, structural costs as a percentage of revenue reduced from -18.8 percent to -18.4 percent.

EBITDA increased by 29.2 percent from EUR 188.7 million in 2020 to EUR 243.7 million in 2021. The increase is a direct effect of the higher revenue level combined with good revenue quality. The EBITDA margin was 13.2 percent compared to 12.3 percent in the previous year. The operating result (EBIT) was negatively impacted by brand depreciation and impairment of development cost capitalizations, but was also positively influenced by the reversal of the cross-holding with Sany and increased from EUR 100.3 million in 2020 to EUR 155.0 million in 2021. The EBIT margin increased from 6.5 percent in 2020 to 8.4 percent in 2021.

Compared to the previous year, the net financial result improved significantly by EUR 3.8 million from EUR -15.2 million to EUR --11.4 million. Due to full capacity utilization, the expansion of production capacities and the increase in safety stocks as a result of the increasing tension in the supply chain and the resulting increase in working capital, as well as the largest program of investment in the company's history, net debt increased from EUR 397.1 million by around 20.0 percent to EUR 476.6 million. Absolute expenses for income tax were above the previous year's figure and amounted to EUR -35.1 million in the reporting period compared to EUR -22.1 million in 2020 . The tax rate dropped to 24.4 percent. At EUR 86.6 million, the consolidated net result for 2021 was 73.9 percent above the previous year's figure of EUR 49.8 million. Earnings per share increased from EUR 1.32 in the previous year to EUR 2.31 in the reporting period. In line with PALFINGER's dividend policy, the Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of EUR 0.77 be distributed for fiscal year 2021 (2020 : EUR 0.45).

PERFORMANCE BY SEGMENT

- **Tailwind from the market leads to record revenue in the Sales & Service and Operations segments**
- **Strong rise in raw material prices and tension in the supply chain have a negative impact on the profitability of the Operations segment**
- **Due to GPO organization, targeted action can be taken in a volatile environment**

PALFINGER devides its business into the segments Sales & Service and Operations. Additionally, the HOLDING unit, acts as a cost pool for the Group's administration and strategic projects for the future.

EUR million	SALES & SERVICE	OPERATIONS	HOLDING	Consolidation	PALFINGER Group
Revenue	1,705.1	136.4	-	0.0	1,841.5
Revenue share	92.6%	7.4%	-	-	-
EBITDA	205.1	56.8	(18.2)	-	243.7
EBITDA margin	12.0%	41.6%	-	-	13.2%
EBIT	166.5	20.3	(31.8)	-	155.0
EBIT margin	9.8%	14.9%	-	-	8.4%

Segment Sales & Service

Segment Sales & Service comprises the sales and service units.

Business performance in 2021

Segment revenue increased from EUR 1,443.4 million in 2020 to EUR 1,705.1 million in fiscal year 2021. The biggest increase was in the regions LATAM and CIS where the economic environment could be positively utilized. Segment EBITDA rose from EUR 166.0 million to EUR 205.1 million. The EBIT margin of 9.8 percent in 2021 was well above the 2020 level of 8.2 percent.

EUR thousand	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenue	368,254	314,776	350,552	409,788	378,580	445,343	417,620	463,562
EBITDA	41,299	33,801	43,404	47,481	46,285	53,467	51,567	53,801
EBIT	32,600	17,334	29,854	38,850	39,437	43,101	42,295	41,633

Operational highlights

PALFINGER was able to make good use of the global economic upturn. The record order intake led to a record order backlog of over EUR 1.2 billion at the end of the year. Record revenues are driven by strong sales growth in the LATAM and CIS regions as well as the good development of the product lines Loader Cranes, Timber & Recycling Cranes, and Hook lifts. Due to tension in the supply chain, delivery times increased significantly during the year.

Income statement (EUR thousand)	2020	2021	in % of Group
External revenue	1,443,370	1,705,105	92.6%
EBITDA	165,985	205,121	84.2%
Depreciation, amortization and impairment	47,347	38,656	43.6%
EBIT	118,638	166,465	107.4%
EBIT margin	8.2%	9.8%	

Segment Operations

The Operations segment consists of the production sites and the respective production share of a company.

Business Performance 2021

At a record level of EUR 136.4 million, external segment revenue in 2021 was significantly higher than the previous year's figure of EUR 90.5 million. Segment EBITDA increased from EUR 39.0 million in the same period in 2020 to EUR 56.8 million in the reporting period. Segment EBIT reached EUR 20.3 million compared to EUR 4.2 million in fiscal year 2020 .

EUR thousand	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Revenue	24,976	21,838	21,880	21,800	27,318	32,882	35,890	40,337
EBITDA	15,107	4,878	14,798	4,177	19,140	25,609	6,296	5,711
EBIT	6,540	(4,345)	6,719	(4,722)	10,895	16,746	(2,741)	(4,569)

Operative Highlights

The clear focus was on processing the high order backlog at the beginning of the year, which increased further due to the shutdown of production as a consequence of the cyberattack. The availability of material and personnel were limiting factors that led to major challenges throughout the year. In addition, the sharp increase in raw material prices negatively impact the segment's profitability.

Income statement (EUR thousand)	2020	2021	in % of Group
External revenue	90,494	136,428	7.4%
EBITDA	38,960	56,756	23.3%
Depreciation, amortization and impairment	34,768	36,425	41.1%
EBIT	4,192	20,331	13.1%
EBIT margin	4.6%	14.9%	

Holding Unit

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

Business performance in 2021

EBITDA in the HOLDING unit amounted to EUR – -18.2 million in 2021 after EUR – 16.3 million in fiscal year 2020, while EBIT for the unit was EUR – 31.8 million after EUR – 22.5 million in the previous year. Following a year marked by crisis in 2020, with project interruptions and short-time work, expenses increased in 2021, primarily due to future-oriented group-wide initiatives in the area of digitization and innovation, as well as the organization's orientation for continued growth.

EUR thousand	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
EBITDA	(6,139)	(4,081)	(3,025)	(3,036)	(6,948)	(4,340)	(2,648)	(4,240)
EBIT	(7,752)	(5,637)	(4,729)	(4,424)	(10,296)	(7,676)	(6,298)	(7,505)

Income statement (EUR thousand)	2019	2020	in % of Group
EBITDA	(16,281)	(18,175)	(7.5%)
EBIT	(22,542)	(31,773)	(20.5%)

RISK REPORT

Risk Management System

- **Increased focus on strategic risks as well as environmental, social, and governance risks**
- **Risk position remains strongly influenced by COVID-19**
- **Crisis management during the cyberattack, the ongoing COVID-19 pandemic, and the stressed resource and supply chain situation through steering taken by the task force**

PALFINGER risk management is used to identify, assess, and monitor risks within the PALFINGER Group early and comprehensively, and to assure the definition and implementation of appropriate mitigation measures. Risk management supports the achievement of operational and strategic goals. Corporate Risk Management manages and coordinates the risk management process and reports directly to the Executive Board. The risk management process is documented in a Group policy that applies throughout the Group.

Risk identification: PALFINGER defines risk as the possibility of a positive or negative deviation from targets, which may occur due to unforeseeable future events. Strategic and operating risks are identified in discussions with the responsible executives and experts and documented in a standardized risk catalog .

Risk assessment: The long-term and short-term risks are assessed in consultation with the global and corporate functions and experts from the areas in question. The assessment dimensions include the probability of occurrence and the financial impact on the consolidated net result. On the basis of this, the relevance and materiality of the individual risks for the PALFINGER Group are also determined.

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

Risk management and monitoring: The decision on whether to mitigate or accept a risk is based on monetary considerations, taking into account the overall risk acceptable to PALFINGER and the effects on the long-term market position. The responsible management, together with Corporate Risk Management, defines mitigation measures.

Central monitoring by Corporate Risk Management ensures the implementation of risk mitigation measures by the management responsible and thus the management of risks. The relevant reports are submitted to the Executive Board. In addition, the Supervisory Board is regularly presented with reports on the overall risk position to enable it to monitor the risk management process.

An external auditor performs an annual review and assessment of the Group-wide risk management process and its design and fitness for purpose, in accordance with rule 83 of the Austrian Code of Corporate Governance (ÖCGK).

For strict and effective management of risks that lead to crises, crisis management is performed by Corporate Risk Management through dedicated task forces. Corporate Risk Management thus combines proactive risk and crisis management in one function. PALFINGER defines a crisis as a serious incident with a potentially far-reaching impact. A Group policy defines the crisis situation and procedures for crisis management. In 2021, the cyberattack, the ongoing COVID-19 pandemic, and the stressed resource and supply chain situation were managed by crisis task forces.

Risk exposure

The current risk position is strongly influenced by the events of recent months. On the one hand, the COVID-19 pandemic and its aftermath continue to exert an influence internationally; on the other hand, the stressed resource and supply chain situation and its consequences are affecting everyday operations. The potential effects of COVID-19 and the associated stressed resource and supply chain situation could be far-reaching and were taken into account in the risk assessment. The material consequences are described below.

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

Risk category	Risk description	Risk mitigation measures
Strategy & Organization		
Dependence on JV partners PALFINGER has relies on strategic partnerships in selected areas.	• The resulting dependence with respect to partners' performance, integrity, and loyalty constitutes a significant risk.	• Due diligence when choosing a partner • Continuous control through coordination in the regular steering committee meetings
Fraud and gaps in the ICS An established internal control system is needed to safeguard PALFINGER's assets and business operations, minimize operating risks and process risks, and support governance.	• Gaps in the ICS can lead to financial losses. • The ongoing COVID-19 pandemic has further increased the risk of fraud (such as CEO fraud or manipulation).	• Support of the organization of governance and compliance organization at corporate level • Further development of the Product Development Process, Group-wide rollout started in 2021 • Addressing process-integrated controls in process design and further strengthening them • The Group-wide Group Policy System forms the basis of the internal control system • Standardization of processes and systems is constantly increasing, for example through the rollout of S4/HANA, ongoing process improvements are driven by process organization • Internal audits and ad hoc case reviews address risk and strengthen governance and process compliance
Product development & innovation		
Technological leadership PALFINGER intends to secure its position as a market and innovation leader in the long term.	• Product development projects could be cost-intensive and complex or require higher upfront costs and/or longer development times. • Changes in legal and regulatory requirements, including those concerning climate change, could delay product development or cause additional development costs. • Changed priorities and resource bottlenecks as a result of COVID-19 could lead to postponement of innovation projects.	• Group-wide implementation of a standardized development process for continuous development work and innovation projects started • Expansion of the development site in Köstendorf started in 2021, creating new research and development capabilities • Close project controlling for cost and project management • Requirements management implemented to ensure that legal and regulatory requirements are met • Project prioritization to maintain technology leadership in the medium and long term • Investments in research and development • Product development aiming for eco-efficient products
Disruptive technologies Disruptive technologies and current digitalization trends influence PALFINGER's markets.	• Disruptive technologies and current digitalization trends not only offer opportunities but also risks for PALFINGER, such as loss of existing markets. • Sustainability requirements, e.g., eco-efficient solutions, could lead to a change in customer behavior	• Establishment of a Digital Transformation Officer as a Corp. Function • P21st as a incubator of innovation for new business models and to drive digital transformation • Focus on developing digital solutions that cover the customer's entire value chain • Focus on developing sustainable products

Risk category	Risk description	Risk mitigation measures
Sales & Service		
Sales market development Macroeconomic, political, and economic developments influence the size, stability, and growth of markets.	• Negative market developments could lead to a decline in sales. • Further consequences of the pandemic could negatively impact sales markets and therefore revenue. • Geopolitical developments could reduce the potential of markets.	• Established reporting system and coordination in regular management meetings enable prompt steering measures as in the sales and operations planning cycle • Concept for measures to be taken if revenue declines
Revenue through truck availability Truck availability is volatile and changes the demand capacities of customers and dealers	• The raw material shortage has greatly influenced truck availability and thus severely limited the ability to plan. • Unconfirmed delivery dates and delays in deliveries of trucks affect demand and can delay customer orders and possible delivery dates, increase stock levels, and consequently impact revenue.	• Establishment of a task force in 2021; close monitoring by management and the “Supply & Operations Resilience” task force • Raising awareness in the entire network (dealerships/sub-dealerships) • Close contact with end customers to make customers aware of extended truck delivery times
Market consolidation Mergers of competitors and customers are changing the sales market.	• Mergers of competitors or customers could lead to progressive consolidation of the market and strengthen the market power of competitors or the bargaining power of customers.	• Establishment of strategic partnerships • M&A activities to secure strategically important markets
Dependence on external partners Markets are worked through the sales and service network, generally with external dealerships.	• Dependence on external dealerships.	• Strategic partnerships with dealerships • Establishment of dealer standards for long-term quality improvement
Loss of receivables PALFINGER grants customers credit periods.	• Customer-specific macroeconomic developments or political circumstances may lead to insolvency, illiquidity or other defaults by creditors. • Due to the impact of the health crisis on the economy and the loss of government support, there is an increased risk of customer and dealer insolvency.	• Establishment of increased and close receivables monitoring in 2021 • Establishment of a uniform process and reporting system for the preventive reduction of credit risks by managing payment targets and defining credit limits • Credit insurance in particular areas
Export and customs regulations PALFINGER operates as an international company and is subject to export regulations.	• Economic sanctions and import and export restrictions could minimize existing market potential. • Changes in customs regulations could lead to additional fees and higher costs and thus to lower demand in export markets.	• Implement processes to identify and avoid economic sanctions • Strategic direction: cultivation of markets as a global player with local production

Risk category	Risk description	Risk mitigation measures
Procurement & supply chain		
Price fluctuations Cost structure greatly depends on material prices.	• Costs of raw materials and components are volatile; they depend on supply and demand, market conditions, seasonality, purchase quantities, CO_2 taxes, etc. and fluctuate. • Developments in recent months have been largely determined by the global economic upswing and the consequent increase in demand for raw materials. This leads to sharply rising costs for PALFINGER.	• Establishment of a pricing committee and an analysis tool • Longer-term supply contracts • Close cooperation with strategic suppliers and rolling demand planning
Material availability, delivery failures, and capacity bottlenecks PALFINGER's output is influenced by the supply and raw materials situation as well as capacity bottlenecks in production.	• The loss of strategic suppliers could crucially impact the supply chain. • Interruption of international supply chains could be caused by stricter border controls or border closures, or by natural disasters caused by climate change. • The shortage of raw materials and the COVID-19 pandemic have an impact on the availability of bought-in components and raw materials, resulting in possible delays and interruptions in national and international supply chains, which could crucially impact output. • COVID-19 could lead to capacity bottlenecks. This could lead to additional costs and reduced output.	• Close monitoring by management, the Supply & Operations Resilience task force and the COVID-19 Task Force in 2021 • Implementation of multiple procurement options • “local for local” procurement strategy • Performance monitoring of suppliers is carried out with the help of selection, risk, and supplier management systems
Import and customs regulations PALFINGER operates as an international company and is subject to import regulations.	• Changes in import and customs regulations could lead to delays in cross-border shipments or higher costs.	• Optimization of the supply chain and ongoing development of the sourcing strategy (“local for local” procurement strategy)

Risk category	Risk description	Risk mitigation measures
Production		
Product quality and liability PALFINGER focuses on high product quality and has a quality management system in accordance with ISO 9001.	• High-capacity utilization in assembly and production sites could increase the error rate and thus lead to additional costs through rework. • Defective products could cause injury to people and environmental damage and result in additional costs and damage to reputation.	• In 2021, a new quality management structure was implemented, and new responsibilities were defined • Improvement of the central quality management system and further establishment of Group-wide standards
Machine failures PALFINGER's main stages in the value chain are manufacturing and assembly.	• Machinery and production tools could be out of service at short notice and lead to local interruptions in production processes and additional costs. • Long-term machine breakdowns could lead to considerable delays in the entire production chain and thus increase costs, especially at strategically important sites.	• Implementation of measures such as continuous renewal of machinery and optimization of production systems.
Natural disasters caused by climate change Climate change has led to an increasing number of natural disasters. As a global player, PALFINGER is inevitably affected by this	• Natural disasters such as earthquakes, floods, etc. can cause major damage to strategic PALFINGER sites.	• HSE checks when constructing or purchasing new sites • Site analysis in due diligence processes
Lack of infrastructure, pandemics, hazards and strikes PALFINGER's main stages in the value chain are manufacturing and assembly.	• The natural disaster COVID-19 could continue to cause interruptions of operations and additional costs. • Insufficient supplies of electricity, gas, and water as well as IT system failures could lead to interruptions of operations and cause additional costs. • Climate change results in periods of more intense heat and cold which can lead to high fluctuations in energy demand and high costs. • Political dissatisfaction in general, with our industry, or with PALFINGER in particular could lead to strikes and thus to production outages and loss of efficiency.	• Close monitoring within the COVID-19 Task Force since the beginning of the pandemic; continuation of the Task Force in 2021 and ongoing definition and implementation of measures • Implementation of a tool for monitoring legal requirements at sites, e.g. fire protection regulations • Comprehensive central insurance program established • Fair remuneration and creation of an attractive work environment

Risk category	Risk description	Risk mitigation measures
IT & Communication Management		
System failure and data availability Operational and strategic management decisions depend on information generated by IT systems.	• Failure of systems and processes could lead to operational downtime • Temporarily limited availability of data and data loss could adversely affect information needed for operational and strategic management decisions. • Physical intrusion into production facilities, headquarters or data centers could result in the theft of or damage to hardware, thus causing data loss and increased costs. • Risk of system failures is greater due to the increase in remote working.	• In 2021, additional technical security and protection measures were implemented to minimize the risks of data loss • Ongoing maintenance of ICT infrastructure
Cybercrime Internationally operating companies are the targets of cybercrime.	• Cybercrime and attacks targeting companies' IT systems are on the rise worldwide. • In 2021, the risk became reality at PALFINGER, and the risk remains	• When the 2021 incident occurred, a cyber task force was set up; actions were defined and implemented to actively manage the crisis • Investments to further improve cybersecurity in 2021 • Central entity for data security • Implementation of awareness initiatives such as training, newsletters • Continuous development of the internal control system
Legal & Compliance		
Compliance As an internationally operating company, PALFINGER is subject to a large number of local laws, international standards, and jurisdictions. Important compliance topics for PALFINGER include • Fraud and corruption • Sanctions and export control • Antitrust • Data protection • Issuer compliance • Human rights • Environmental standards	• Violations of laws and international standards, fraud and corruption could lead to severe fines and significant damage to the company's reputation.	• Establishment of an annual comprehensive report on anti-corruption measures to the Executive Board and Supervisory Board • Organizational measures in 2021: local data protection officers; process implementation regarding sanctions and export controls • Binding Code of Conduct forms the basis for employees and PALFINGER partners • Group policies for implementing compliance-related topics, e.g., anti-corruption • Group-wide training program on compliance topics to raise employee awareness • Internal audits that address the risk
Legal proceedings and litigation The outcome of ongoing legal proceedings is forecast as accurately as possible and anticipated negative effects are taken into account in the balance sheet.	• Legal proceedings and litigation could unexpectedly prove disadvantageous for PALFINGER and lead to higher-than-expected penalties and costs.	• Ongoing legal proceedings are managed centrally by corporate counsels

Risk category	Risk description	Risk mitigation measures
Human Resources		
Shortage of qualified personnel PALFINGER regards its employees as a key factor for long-term success.	• Demographic and geographic developments may limit the availability of qualified personnel and lead to a shortage of specialists and managers. • Attractive offers from competitors or trends toward climate-neutral companies could lead to loss of employees.	• Creation of new future-oriented jobs through expansion of the Köstendorf development site, which started in 2021 • Positioning as an attractive employer through healthcare services, flexible working time models, etc. • Establishment of additional staff training measures, e.g. training centers for apprentices, courses for executives. • Attractive and fair remuneration as a significant contribution to employee satisfaction (collective agreements, voluntary social benefits, etc.) • PALFINGER offers attractive packages to recruit and retain specialists and executives on a long-term basis. • Rollout of comprehensive talent management in 2022. • Implementation of a standardized process for assessing performance and increasing employees' qualifications. • Establishment of a standardized process and centralized management of wage and salary increases for the entire Group
Personnel costs PALFINGER employs people worldwide. Personnel costs represent a significant proportion of total costs.	• Collective bargaining or the local need to increase wages and salaries could increase personnel costs more than planned.	• Continuous monitoring of personnel costs and the work environment
Occupational health and safety PALFINGER sees its employees as a key factor for success and assumes social responsibility for the health of its employees.	• Accidents at work could result in damage to PALFINGER's reputation and financial costs. • Employees who test positive for COVID-19 could reduce productivity through above-average absenteeism and increase the risk of the virus spreading within the company.	• Implementation of a comprehensive and Group-wide package of measures in the context of the COVID-19 Task Force to ensure best-possible protection of employees' health and safety • Continual adaptation of the actions, information campaigns, and monitoring of actions by the COVID-19 Task Force • Offer PALFINGER employees and family members vaccination opportunities • Rollout of Group-wide standards for occupational safety • Continual development of the PALfit company health management system • Strict monitoring of compliance by line managers and HR with employee protection regulations, such as maximum working hours and rest periods

Risk category	Risk description	Risk mitigation measures
Finance & Taxes		
Foreign currency risks PALFINGER's international activities give rise to receivables and liabilities in foreign currencies.	• Changes in exchange rates can lead to losses. Natural hedges, i.e., offsetting payment obligations and incoming payments from operating activities in the same currency, reduce the foreign currency risk.	• Risk positions are analyzed, monitored, and limited by implementing appropriate hedging strategies • Regular meetings with the Executive Board; adjustment of the hedging strategy if necessary
Liquidity risk PALFINGER relies on Group-wide cash reporting to control the efficient use of funds.	• Liquidity bottlenecks could lead to increased refinancing costs and outstanding liabilities not being settled on time. • The market situation and the increased risk of loss of receivables mean that liquidity remains a primary consideration.	• Early coordination of liquidity requirements by means of medium- to long-term planning • Centralized control by the company's internal Treasury department: distribution of funds throughout the Group is carried out via cash pooling and a centralized clearing system
Interest rate risk Group-wide financing requirements are covered by short-term and long-term financing instruments.	• There is a risk of changes in variable interest rates.	• Centralized management of interest rate risk for the entire Group by the internal Treasury department • Hedging of variable interest rates through the use of derivative financial instruments
Tax risks Due to its international activities, PALFINGER is not only subject to Austrian tax laws but also to local tax laws in other countries.	• Tax regulations in an international context are not always clear; tax legislation changes over time, especially in less developed countries. Tax audits by local tax authorities could result in subsequent tax payments from previous years.	• Tax compliance ensured by Group-wide and local managers
Risks relating to balance sheet preparation		
Disclosure and estimates The necessary use of estimates and judgments in connection with non-financial assets, deferred tax assets, evaluation of inventories and receivables, provisions for pensions, severance payments and anniversary bonuses, and provisions for guarantees and warranty expenses directly affects the presentation of the Group's assets and results of operations. The constantly increasing requirements imposed by regulators have made financial reporting more complex.	• Changes in accounting regulations in the national or international context may lead to errors in the consolidated financial statements or corrections of previously reported figures. • Estimation risks may arise due to the accounting recognition of acquisitions and the related evaluation of facts necessary for this purpose. The consolidation of entries posted according to different types of logic entails a certain reporting risk.	• The corporate manual, which defines the material accounting treatments used by PALFINGER, ensures a standardized process and thus minimizes the risk of different approaches being used within the Group • An internal control system tailored to the company is integrated into the accounting process • The separation of functions and the dual control principle are essential elements of this system
Impairments When evaluating assets and allocating purchase prices in connection with business acquisitions, assumptions are made. Consequently, the recoverability of particular assets (especially goodwill, investments) and purchase price allocations can be influenced by external developments.	• If the market situation deteriorates, there is the risk that particular assets will have to be adjusted to the revised evaluation or that investments may not amortize as planned.	• Monitoring and identification of indications of impairments

FURTHER LEGAL INFORMATION

Disclosures pursuant to § 243a UGB

As of December 31, 2021, the share capital of PALFINGER AG was EUR 37,593,258 divided into 37,593,258 no-par value bearer shares. Each PALFINGER share entitles the holder to one vote at the Annual General Meeting.

As of December 31, 2021, PALFINGER AG did not hold any treasury shares. At the end of 2021, the 7.5 percent PALFINGER shares owned by SANY have not yet been transferred to PALFINGER. In accordance with IFRS, as applicable in the EU, these shares must already be reported as treasury shares in the consolidated balance sheet as of December 31, 2021.

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

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

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

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

In the event of a change of control, the members of the Executive Board also have the right to resign and terminate their employment contracts. In this case, the Executive Board member is entitled to a severance payment of up to two years' total compensation, up to a maximum of the outstanding term of the employment contract.

EXPECTED DEVELOPMENT OF THE COMPANY

- **Record order situation offers good visibility until Q3 2022**
- **Material costs at a historic peak in the first half of the year**
- **Uncertainty due to COVID-19 remains**
- **Stressed situation regarding material availability/chassis**
- **Growth planned with high CAPEX**

PALFINGER is starting 2022 with confidence. The record order situation at the end of 2021 offers good visibility beyond the first half of 2022. The company expects continued growth across regions in all markets and an ongoing high level of demand.

On the other hand, the exploding costs for raw materials and components challenge PALFINGER, especially in the first half of the year. Due to the contract terms, an improved procurement cost situation would only have a positive effect on PALFINGER in the second half of the year at the earliest.

The economic impact of the COVID-19 pandemic will continue to influence developments in 2022, and uncertainties in connection with the pandemic remain. Regional lockdowns and greatly increased absence rates due to increasing infection rates along the PALFINGER value chain cannot be ruled out.

Material and chassis availability remains a challenge. The bottlenecks of 2021 will continue, particularly in the first half of 2022. Market conditions are expected to improve in the second half of the year.

To achieve its growth targets, PALFINGER is planning a further significant increase in CAPEX in 2022, especially at its production sites. By 2024, revenue is expected to reach EUR 2.3 billion with an EBIT margin of 10 percent. The optimal use of non-current assets and current assets will help to achieve a planned return on capital employed of 12 percent by 2024.

Consolidated Non-financial Statement

CONSOLIDATED NON-FINANCIAL REPORT

PALFINGER has published its non-financial key figures annually since 2013. For the current reporting year, in preparation for the Corporate Sustainability Reporting Directive (CSRD), it has replaced the integrated report with a non-financial statement as part of the management report. This will shift the focus more on to key topics and increase ease of understanding, thus ensuring greater clarity in the reports submitted to PALFINGER stakeholders. In addition, the environmental, social, and governance aspects are presented as a whole for the fiscal year January 1 to December 31, 2021. The non-financial statement was prepared in accordance with the GRI standards: "Core" option and the Austrian Sustainability and Diversity Improvement Act (NaDiVeG, section 267a of the Austrian Business Code).

The GRI content index provides an overview of the sustainability topics, contains references to the relevant pages in the report, and is appended at the end of this non-financial statement.

The non-financial statement includes all consolidated companies in the PALFINGER Group, as shown in the list of shareholdings.

PALFINGER has been supporting the UN Global Compact since 2013 and is committed to its ten principles on human rights, working conditions, the environment, and anti-corruption measures. Instead of disclosing a Communication on Progress report, PALFINGER once again combined the sustainability topics with the UN Principles in 2021.

Within the framework of its membership of the Austrian sustainability network respACT, PALFINGER took on the role of respACT coordinator for the province of Salzburg in August 2019.

PALFINGER is committed to the OECD Guidelines for Multinational Enterprises. The United Nations' 2030 Agenda for Sustainable Development contains 17 global Sustainable Development Goals (SDGs), PALFINGER incorporates the SDGs into all aspects of its business operations. The direct and indirect impacts of PALFINGER's operations on the 17 SDGs were discussed in a multi-stage process. PALFINGER has identified four development goals as being most relevant to its activities: SDG 5 – Gender equality, SDG 8 – Decent work and economic growth, SDG 12 – Sustainable consumption and production, SDG 13 – Climate action. The impacts on these SDGs influence the strategic direction of PALFINGER's sustainability management.

Organizational Integration of Sustainability and Due Diligence Process

Sustainability is part of PALFINGER's corporate strategy. To coordinate the topic across the various business units, a Sustainability Council was established as a cross-divisional steering committee. Committee members include the heads of global and corporate functions such as Global Operations, Global Human Resources, Global Product Line Management & Engineering, Corporate Marketing and Corporate Governance, Risk Management & Compliance. Project management, monitoring of measures, meeting reporting requirements, and conducting the materiality analysis is supported by Corporate Governance, Risk Management & Compliance, while ideas for content and marketing activities are provided by Corporate Marketing. Coordination of the activities and data collection for reporting key figures are part of existing controlling processes. This ensures that sustainability issues are driven forward with clear objectives and that non-financial goals are given equal weight in the management processes.

The core task of the Sustainability Council is to formulate the sustainability strategy, define key figures and targets, determine measures, and continuously monitor the goals and measures. The respective global and corporate functions are responsible for implementing the defined measures.

The revision of the control parameters for full operationalization of this new sustainability strategy was started in 2021 and will be developed further in 2022 by the Sustainability Council in close consultation with the respective global and corporate functions.

The Sustainability Council reports directly to the Executive Board. Besides financial, operational, and strategic topics, the Executive Board regularly informs the Supervisory Board about current sustainability issues and the progress of sustainability activities so that the latter can fulfill its supervisory obligations.

The risks and opportunities arising from sustainability are integrated into the company's operations as well as the existing risk management processes and structures. Information on risk management systems and processes is described in the management report.

Stakeholdermanagement

PALFINGER takes into account the consequences of its operations along the entire value chain, not just for the company but also for the environment and society. To achieve this, PALFINGER proactively engages its stakeholders.

Stakeholders are legal entities or natural persons affected by the company’s activities or whose activities influence PALFINGER. Their individual interests and needs are taken into account in a way that is as balanced as possible. In order to take their interests into account in the best possible way, PALFINGER conducts an ongoing dialog with stakeholders. The interests of senior management and employees at PALFINGER are identified in the course of employee interviews and surveys, performance & development reviews, regular meetings with line managers, etc. Continuous and transparent communication is maintained with shareholders and lenders at events and in discussions with customers and dealers at international dealer conferences and trade fairs, as well as through surveys and direct dialog. Additionally, they are kept up to date via newsletters and involved in the continuous improvement process. Dialog with suppliers, OEMs, and strategic cooperation partners is conducted at conferences and in direct contacts, delivery and quality management agreements are concluded, visits to stakeholders’ sites take place and they are also invited to visit PALFINGER’s sites. PALFINGER maintains a lively exchange with the local community through local media activities as well as through events, plant tours, and other forms of direct contact.

Materiality analysis

In 2021, a comprehensive materiality analysis was carried out and material environmental, social and governance issues were identified in a multi-stage process. Employee concerns, respect for human rights, prevention of corruption and bribery, and diversity issues were also taken into account. The various relevant topics were identified along the entire value chain, taking into account global trends as well as requirements regarding current issues and legislation. In addition to the ongoing stakeholder dialog, qualitative interviews were conducted with internal and external stakeholders as well as stakeholder representatives to ascertain the significance of the topics from their point of view. The Management Board, Supervisory Board, top management and employees, shareholders and debt investors, customers and dealers, suppliers, OEMs, and strategic cooperation partners were surveyed. The interviews were weighted according to the influence on PALFINGER and the interest in PALFINGER of the respective stakeholders, with all stakeholder groups giving extremely homogeneous answers.

In the course of the materiality analysis, eleven relevant aspects were identified with the stakeholders, which were then assigned to six key topic areas. The internal validation of these topics and their integration into the sustainability strategy were performed by the Sustainability Council and approved by the Executive Board. The measures defined from the previous strategy were terminated or, if still in line with the outcome of the materiality analysis, continued. The following topics were identified as material:

Area	Material topics with relevant aspects from the stakeholder analysis	Topics according to NaDiVeG	Sustainable Development Goals
For the living planet we all depend on (Environment)	**Fewer emissions, for a positive impact** o Energy consumption and emissions in production and at PALFINGER sites	Environmental concerns	SDG 13
	Positive impact on the value chain o Emissions from product use o Environmental impact in the value chain	Environmental concerns	SDG 13
For all the people we touch (Social)	**Safe & healthy on every level** o Safety of PALFINGER products and applications o Employee health and safety	Social issues Employee concerns	SDG 8, SDG 13
	A qualified and diverse workforce o Attracting and retaining experts/talents as well as employee development including training and continuing education o Diversity and equal opportunities	Employee concerns Social issues Diversity Plan	SDG 5, SDG 8
For a future-oriented way of doing business (Governance)	**Aligned with our values** o Compliance with and leadership commitment to values, legal, and ethical standards	Prevention of corruption and bribery Human rights	SDG 8
	Focus on governance and transparency o Clear internal guidelines and standardized processes o Transparency and accurate reporting o Dealing with megatrends	Prevention of corruption and bribery Human rights	SDG 8, SDG 12

Sustainability Strategy

Sustainability is of particular importance in the vision and strategy for 2030. The Sustainability Council, created in 2021, ensures that PALFINGER takes account of environmental, social, and governance issues in addition to economic aspects in all business processes. This means that sustainability is not just a challenge or a risk for PALFINGER. In fact, responsible, sustainable business is an opportunity and a value driver, and opens doors to new business segments, growth, and greater differentiation. The most important basis for defining the sustainability strategy is the analysis of the value chain and the material topics identified in the materiality analysis with regard to their influence on people, the environment, and the economy.

PALFINGER's Sustainability Mission Statement, which was reformulated in 2021, states:

Driving Positive Impact

Responsibility for **people**, **planet** and **profit** is a major part of the **way we work**. We continue to break new ground of **business opportunities with positive impact** together with our customers, partners, and investors.

Our **employees are the backbone** and driving

force to transform and overcome future challenges.

Proactively contributing to minimize and manage the impact of climate change hand in hand will guarantee lasting success.

Because we care!

The eleven relevant aspects of the stakeholder analysis were assigned to six key topic areas, with two each falling into the areas of environment, social affairs, and governance. The six strategic topic areas are described here.

For the living planet we all depend on.

LESS EMISSIONS FOR POSITIVE IMPACT
As part of the global movement in industry, **we make lower CO_2 emissions one of our priorities**. That's why our operations are increasingly powered by renewable energy and characterized by efficient material use - to deliver positive impact.

POSITIVE IMPACT ON THE VALUE CHAIN
To effect change in our value chain, we are **engineering our entire range of product solutions to reduce emissions and enable low-carbon innovation**. We're also working to become an integrated solutions provider for partners across the network.

For all the people we touch.

SAFE & HEALTHY AT ALL LEVELS
Safety in our operations, a healthy work culture as well as safety of our products are critical priorities. The well-being of our employees and customers are crucial to our success.

A QUALIFIED & DIVERSE WORKFORCE
To innovate in a global economy, we need to attract and retain the best people - in our leadership and throughout the organization. This includes continuous training and personal development. At PALFINGER, we see diversity as a source of excellence and strength - and of business success.

For a future-oriented way of doing business.

COMMITTED TO OUR VALUES
To change our direction towards the sustainable, we must go beyond the baseline and **strive for the highest human, ethical, and legal standards.**

FOCUS ON GOVERNANCE AND TRANSPARENCY
For the change to last, **we must evolve our business to meet the demands of a sustainable economy**. This calls for the highest standards of governance and transparency for a better way of doing business.

The development of the new sustainability strategy was followed in 2021 by the derivation of non-financial targets for the three areas of environment, social affairs, and governance (ESG). These cover all NaDiVeG (Austrian Sustainability and Diversity

Improvement Act) concerns (environmental, social and employee concerns, as well as respect for human rights, the fight against corruption and bribery, and the diversity concept).

In the area of the environment, PALFINGER has set itself the goal of generating fewer emissions in order to have a positive impact. The focus is on reducing energy consumption and emissions in production and at PALFINGER sites. The second aspect defined is the positive impact along the entire value chain. This will be achieved by reducing emissions in product application and, among other things, by increasing the use of renewable sources of electricity in terms of environmental impact along the entire value chain.

Safety in the use of PALFINGER products as well as the health and safety of employees are key issues in the social area. Health and safety are measured by the TRIR (Total Recordable Injury Rate). A second focus in this area is the promotion of qualified and diverse employees. Attracting and retaining experts and talents as well as employee development, including training and continuing education, taking into account equal opportunities, and increasing diversity are key cornerstones here.

Governance includes compliance with PALFINGER's values. In this context, the focus is on compliance with and leadership commitment to our values as well as legal and ethical standards. PALFINGER's approach to megatrends as well as the creation of clear internal guidelines and standardized processes are in the area of focus on governance and transparency. This also includes the central aspect of transparent and correct reporting, which underlies all of PALFINGER's activities.

At PALFINGER, targets are defined on a Group-wide basis by the respective specialist department and the Sustainability Council, while the respective corporate/global function is responsible for implementing the measures. The effectiveness of the measures taken is monitored on an ongoing basis in order to ensure that the targets are achieved at the Group level

For the living planet on which we all depend

Less emissions, for positive impact

PALFINGER strives to work as efficiently as possible in production, both ecologically and economically, attaches great importance to climate protection and therefore intensively addresses the issue of emissions arising from its own energy consumption that may have an effect on the climate. The focus here is therefore on emissions in production and at PALFINGER sites as well as on energy consumption.

The Health, Safety & Environment (HSE) department manages eco-efficient production within the Global Function Operations. The group policy package on HSE topics was developed or updated in 2021. The update of PALFINGER's environmental protection guideline will be finalized in 2022.

PALFINGER is pursuing the long-term goal of reducing production-related CO2 emissions across the Group. Formulation of a climate strategy was started in the reporting year and will be completed in 2022. The climate strategy is being developed on the basis of the science-based target initiative for a 1.5-degree economy.

From a process perspective, production consumes the most energy across the PALFINGER Group, with paint shops and electroplating facilities the most energy-intensive. All other production processes consume comparatively moderate amounts of energy, primarily for heating and ventilating the production halls. The centrally recorded fuel consumption is included in the presentation of energy efficiency. A large percentage of transport is not performed by PALFINGER itself but outsourced to logistics companies. The transport mix at PALFINGER consists mainly of trucks and ships (which means that these transport emissions do not fall under Scope 1).

In order to continuously drive the reduction of emissions at PALFINGER’s sites, energy consumption was identified as one of the relevant control variables in addition to the survey of Scope 1 and Scope 2 emissions. Following the Covid-19 induced decrease in 2020, absolute energy consumption increased to 222 million kWh in 2021 (2020: 195 million kWh). Most of the energy consumption was generated in the EMEA region.

PALFINGER reports internal production-related CO2 emissions (Scope 1 and 2) in two categories: direct emissions from fuels and indirect emissions from electricity and district heating. In 2021, PALFINGER caused 20,160 tonnes of CO2 equivalents (2020: 18,420 tonnes of CO2 equivalents) in direct emissions from fuels - natural gas, diesel, gasoline, LPG, butane, propane, and heating oil. The increased absolute CO2 emissions reflect the higher production-related heat consumption. In terms of indirect emissions (Scope 2 "market-based") from electricity and district heating, PALFINGER caused 11,044 tonnes of CO2 equivalents in 2021 (2020: 12,376 tonnes).

The Group-wide target of increasing the share of renewable electricity to 75 percent by 2022 was achieved in 2021. The switch of all German sites and one site in Brazil to energy from renewable sources increased the share of green electricity Group-wide to 76.4 percent (2020: 73.5 percent). As a result of the sharp decline in the previous year due to Covid-19, absolute emissions increased slightly again in 2021 to 31,204 tonnes of CO2 equivalents (2020: 30,796 tonnes).

in MWh	2019	2020	2021
Electricity			
Electricity from renewable sources	79,124	77,953	95,489
Electricity from non-renewable sources	36,724	28,098	29,488
	115,848	**106,051**	**124,977**
Heating			
Natural gas	67,380	61,940	68,216
Propane	3,372	3,214	3,201
Butane	873	895	905
LPG	3,765	4,203	5,190
Heating oil	468	408	1,434
District heating	5,328	4,980	4,883
	81,186	**75,640**	**83,829**
Fuels			
Diesel	14,639	12,376	12,302
Petrol	1,723	1,304	1,206
Kerosene	0	0	0
	16,362	**13,679**	**13,508**
Energy consumption broken down by energy source	**213,397**	**195.371**	**222,315**

in t CO_2 equivalents[1)]	2019	2020	2021
Direct emissions from fuels (Scope 1)	**20,168**	**18,420**	**20,160**
Indirect emissions from electricity and purchased energy sources (Scope 2, market-based)	**16,421**	**12,376**	**11,044**
Production-dependent CO_2 emissions (Scope 1 and Scope 2)	**36,588**	**30,796**	**31,204**

1) The conversion of direct and indirect CO2 equivalents is largely based on the IEA 2018 database, reference year 2016. Emissions data include carbon dioxide (CO2), methane (CH4), and nitrous oxide (N2O), as well as the correction value for import and export. The remaining Kyoto gases are not produced during direct combustion, so the figures can be considered complete. The direct emission factors (Scope 1) of gasoline, diesel, liquefied petroleum gas and heating oil are from the Federal Environment Agency Austria. The conversion for coal as an energy source is based on the specific carbon content (Scope 1). The district heating conversion factors are country-specific and come directly from the supplier.

With regard to data collection, it should be noted that companies or sites acquired or established during the reporting year are not required to report environmental data until the beginning of the following year. Due to their materiality, environmental indicators are reported by production and assembly sites. Due to their size, the Bergheim (AT) and Ainring (DE) sites were included in the reporting as company headquarters and assembly sites, respectively. The definitions of the key figures are given in the section on key figure definitions

Positive impact on the value chain

As part of the global trend in the industry, reducing greenhouse gas emissions is a top priority for PALFINGER. In its product development, PALFINGER therefore aims to reduce emissions and enable low-carbon innovation.

When ascertaining emissions along the entire value chain, PALFINGER found that the most significant share of CO2 emissions originates in the deployment phase of PALFINGER products, which means that it is here that PALFINGER has the greatest potential to contribute to achieving the 1.5-degree target. Consequently, PALFINGER has set itself the goal of reducing emissions along the entire value chain, especially when using PALFINGER products and solutions. In future, PALFINGER's efforts will therefore focus increasingly on “external” emissions, in particular from product use. The development of the new comprehensive climate strategy, to be completed in 2022, will also take into account emissions and CO2 savings potential along the upstream and downstream value chain. The development of the climate strategy is based on the Science-Based Target initiative towards a 1.5-degree economy.

In order to reduce emissions, PALFINGER invests in product research and development and offers state-of-the-art technologies. Research and development as well as innovations and digital solutions are aimed at increasing the efficiency of PALFINGER's products. In this context, cooperations support new approaches. In order to bundle all activities in the field of new mechatronic and digital products and product functions, a separate work program was set up. For further details, please refer to the chapter on research & development in the Management Report.

PALFINGER can also influence the environmental impact in the value chain by committing suppliers to comply with the criteria set out in the Code of Conduct, which also describe minimum standards in the environmental sector.

In 2021, PALFINGER started to revise the process for collecting emissions in the upstream or downstream value chain (Scope 3 emissions). The revision will be further processed in 2022, taking into account the expected new regulatory requirements resulting from the publication of the EU Sustainability Reporting Standards. Due to the expected new change regarding the collection and presentation of scope 3 emissions in 2022 and the resulting lack of comparability, no scope 3 emissions were published in the reporting year.

For all the people we touch

Safe and healthy on every level

Safety of PALFINGER products and applications

At PALFINGER, product safety comes first.

PALFINGER products combine ease of use with utmost safety. They are sold on the international market in accordance with the relevant standards applicable in each country. It is vital that PALFINGER implements these safety standards in a user-friendly manner.

PALFINGER has set itself the goal of “zero accidents with PALFINGER products”.

There were 9 reported accidents in the field with PALFINGER products in the reporting year (2020: 14). Use of PALFINGER products led to 7 injuries of varying degrees (2020: 12) and, regrettably, to 3 fatal accidents (2020: 3). In the reporting year, PALFINGER initiated product recalls in 20 instances (2020: 14) as internal testing and ongoing quality assurance revealed a need for improvement in each case.

Accidents with PALFINGER products	2019	2020	2021
Reported accidents	18	14	9
Fatalities[1)]	10	3	3
Injuries of varying severity[1)]	21	12	7
Penalties imposed by court due to accidents	0	0	0
Pending complaints (in negotiation) on grounds of accidents with products (as at December 13)	7	7	5
Convictions	0	0	0

1) Irrespective of fault.

In reporting year 2021 there were no convictions of PALFINGER for non-compliance with safety regulations. Irrespective of the question of fault, PALFINGER nevertheless examines all incidents involving PALFINGER products in which persons are injured. The majority of these incidents stem from errors in operation, as a result of which no legal claims can be brought against PALFINGER. In these cases, a good network, and an understanding of safety awareness in the countries concerned are a prerequisite for PALFINGER's being notified of these incidents. All accident-related information is then evaluated internally. All PALFINGER products are assessed with regard to their effects on the health and safety of the operators, and any opportunities for further development identified in the course of these assessments are continuously implemented.

Employee health and safety

PALFINGER attaches the utmost importance to the health and safety of its employees.

In the GLOBAL PALFINGER ORGANIZATION, the global health program PALfit has been placed under the umbrella of the global function Human Resources, while the other safety issues relating to HSE are incorporated in the global function Operations. The management of occupational health and safety aspects at PALFINGER is governed by ISO 45001 (OHSAS 18001) and the corresponding certifications. In 2021, 43 percent (2020: 40 percent) of the employees worked at sites with this certification. From 2022 onwards, cross-site certifications will be aimed at, which means that the corresponding control will also be evaluated in the area of safety and adjusted, if necessary.

In the area of safety, PALFINGER has set itself the goal of reducing work-related accidents with injuries to a minimum. This is controlled on the basis of the Total Recordable Injury Rate (TRIR), which measures work-related accidents with injuries per 1 million working hours. Through a targeted program of measures, the TRIR was significantly reduced to 11.74 in 2021 (2020: 14.23). There were no fatalities caused by occupational accidents in the reporting year (2020: 0 fatalities). In 2022, accident reporting will be relaunched to further improve data quality.

When starting work, employees receive a documented safety briefing on workplace hazards and risks as part of their general induction training. These safety briefings are repeated at regular intervals, when procedures and workplaces are changed, and on an ad hoc basis, e.g., in the event of accidents. The project to introduce a learning management system (LMS), which was started in 2020, was successfully completed in 2021. In the future, workplace and activity-related safety training will also be organized and made available online via this LMS. PALFINGER strives to continuously improve safety training. To this end, employees are represented at regular occupational safety committee meetings, at which, in addition to safety experts and occupational physicians, safety officers and the works council represent the interests of employees and ensure their participation.

In 2021, a Group-wide standard was drawn up that regulates a defined catalog of services as well as time specifications for the scope of occupational medical care depending on the number of employees at the sites. This ensures that occupational health care is available to every PALFINGER employee worldwide, irrespective of legal requirements.

The COVID-19 pandemic also showed that PALFINGER focuses on health and safety. A COVID-19 task force was set up for COVID-19 pandemic management, a stage plan was developed with safety levels for the operating sites, depending on the current pandemic situation, and a group guideline with the corresponding measures was drawn up. The central COVID-19 task force proactively manages the topic globally, initiates ongoing improvements to packages of measures and works in close coordination with the local task forces. These take into account the local legal framework in their decisions within the framework of the global requirements. Global contacts and initiatives have been defined within the framework of the program (e.g., in Austria: vaccination offers, temperature measurements and access controls in the operating sites).

A Qualified & Diverse Workforce

Attracting and retaining experts/talent as well as training and further education are important aspects for PALFINGER. The availability of qualified staff, especially in technical professions such as welders, is a challenge worldwide.

As retaining experts and attracting talent is of central importance to PALFINGER, fluctuation as well as employment structure play a major role.

Fluctuation in the reporting year 2021 was influenced by different and, in part, opposing effects. As a matter of principle, PALFINGER has set itself the Group-wide target of keeping staff turnover at around 15 percent on a rolling average of 3 years. In addition to this benchmark, voluntary fluctuation with a target value of 8 percent, also on a rolling average of 3 years, will be used as a control parameter as of 2021. In order to better understand the background and motivation of employees who have decided to leave PALFINGER, exit interviews will be held with them.

The rolling average of employee turnover increased slightly from 14.7 to 17.5 percent in 2021. During the reporting period, more than 2,000 employees were employed following the positive business development. Voluntary fluctuation was surveyed from 2021 and amounts to 5.5 percent of the total number of employees in the financial year.

Number and percent	2019	2020	2021	%[1]
Gender				
Female	206	229	286	15.7%
Male	1,573	1,382	1,533	84.3%
Age				
0–29	527	473	505	27.8%
30–50	936	845	906	49.8%
50+	316	293	408	22.4%
Voluntary fluctuation[2]				
PALFINGER Group	N/A	0	550	30.2%
Regions				
EMEA	1,003	805	814	44.7%
NAM	48	63	383	21.1%
LATAM	262	258	122	6.7%
APAC	95	86	15	0.8%
CIS	135	143	216	11.9%
MARINE	171	220	221	12.1%
HOLDING	65	36	48	2.6%
Employee exits[3]	**1,779**	**1,611**	**1,819**	**17.1%**

1) The key figure is related to the total number of employee exits in 2021.
2) For integrated SuccessFactors companies only. Includes self-termination, self-termination during probationary period, unauthorized self-termination, voluntary termination.
3) The employee exits, and the following tables represent the key employee figures of the PALFINGER Group. With regard to the collection of the key figures, it should be noted that companies or sites acquired or established in the course of the reporting year are not required to report specific employee figures until the beginning of the following year.

Number and percent	2019	2020	2021	%[1]
Gender				
Female	279	179	335	14.1%
Male	2,067	969	2,035	85.9%
Age				
0–29	907	452	848	35.8%
30–50	1,216	597	1,282	54.1%
50+	223	99	240	10.1%
Regions				
EMEA	1,144	592	1,179	49.7%
NAM	404	108	401	16.9%
LATAM	143	168	251	10.6%
APAC	33	8	9	0.4%
CIS	191	136	308	13.0%
MARINE	406	108	166	7.0%
HOLDING	25	28	56	2.4%
Employee entries	**2,346**	**1,148**	**2,370**	**22.3%**

1) The ratio is based on the total number of employees entering the company in 2021.

In order to find and retain experts in the long term, PALFINGER focuses on staff development and comprehensive training and further education measures. In 2021, the following measures were implemented: Global introduction of the Performance & Development Review process in a uniform tool, expansion of e-learning for all employees, go-live of the global learning management system as a technical basis bundling all future learning, development activities and measures in one system environment, as well as management development programs, the group policy on mobile working and thus the promotion of flexibility and a better life balance. Furthermore, PALFINGER attaches great importance to apprenticeship training, primarily in but also outside Austria, and invested in a new PALFINGER Campus in 2021 in order to significantly increase the number of apprentices and to continue the success story of PALFINGER apprenticeship training. The training program in China was also successfully completed once again, in which Chinese apprentices completed dual apprenticeship training based on the Austrian model.

PALFINGER is an important employer in various regions. As at year-end 2021, 11,733 persons (2020: 10,824) were employed by PALFINGER. In addition, 612 (2020: 383) temporary workers were employed as at year-end 2021

Number	2019	2020	2021	%[1]
Permanent employment contract				
Gender				
Female	1,446	1,414	1,508	13.3%
Male	9,279	9,051	9,771	84.9%
Regions				
EMEA	5,742	5,744	6,305	55.9%
NAM	1,079	998	1,026	9.1%
LATAM	497	600	747	6.6%
APAC	271	268	256	2.3%
CIS	1,544	1,397	1,494	13.2%
MARINE	1,236	1,076	1,032	9.1%
HOLDING	356	382	419	3.7%
	10,725	**10,465**	**11,279**	**98.0%**
Temporary employment contract				
Gender				
Female	13	14	20	8.8%
Male	200	136	206	91.2%
Regions				
EMEA	172	100	150	66.4%
NAM	1	1	0	0.0%
LATAM	0	0	0	0.0%
APAC	1	0	2	0.9%
CIS	23	32	49	21.7%
MARINE	14	14	21	9.3%
HOLDING	2	3	4	1.8%
	213	**150**	**226**	**2.0%**
Core workforce	**10,938**	**10,615**	**11,505**	**100.0%**
Apprentices and interns	**188**	**209**	**228**	
Total workforce PALFINGER group	**11,126**	**10,824**	**11,733**	
Contingent workers	**571**	**383**	**612**	
PALFINGER Group	**11,697**	**11,207**	**12,345**	

1) The ratio is in relation to the total number of employees in 2021.

PALFINGER generally has permanent staff members, with the headcount not being subject to seasonal fluctuations. Fixed-term employment contracts (beyond a locally defined probationary period) are not common apart from some project work, professional internships, and in interim management. In fiscal 2021, 97.1 percent of employees were full-time, while around 2.9 percent (2020: 3.3 percent) of employees were part-time.

Number	2019	2020	2021	%[1]
Full-time employment				
Gender				
Female	1,268	1,251	1,362	12.2%
Male	9,301	9,016	9,807	87.8%
	10,569	**10,267**	**11,169**	**97.1%**
Part-time employment				
Gender				
Female	191	177	166	49.4%
Male	178	171	170	50.6%
	369	**348**	**336**	**2.9%**
Core workforce	**10,938**	**10,615**	**11,505**	**100.0%**

1) The ratio is in relation to the total number of employees in 2021.

PALFINGER aims to find the best person for each position. Diversity and equal opportunities play a key role in this.

PALFINGER is committed to measurable diversity targets and abides by the relevant indicators. The objectives are to increase the proportion of non-Austrians at headquarters in Bergheim to 20 percent, and to align the percentage of women in senior management with the percentage of women in the PALFINGER Group overall.

At the end of 2021, 30 percent of the members of PALFINGER AG's Supervisory Board were women (2020: 20.0 percent) and no women were members of the Management Board. At year-end 2021, 7.2 percent (2020: 8.1 percent) of the positions in the Global Management Team were held by women. The general proportion of women at PALFINGER was 13.3 percent in 2021 (2020: 13.7 percent). The share of international staff at headquarters was 20.7 percent (2020: 18.7 percent).

The Recruiting Group policy ensures a standardized Group-wide state-of-the-art recruiting process. The quality of the process is based on the principles of transparency, clear communication, fair play, fair remuneration, diversity, quality, and confidentiality. The use of a potential analysis is being implemented successively throughout the Group for management functions.

2022, the previous diversity strategy within the Group will be redefined. The currently valid diversity concept is included in the Corporate Governance section of the report.

For a future-oriented way of doing business

Aligned to our Values

PALFINGER's employees live the company values of entrepreneurship, respect and learning every day. That is why PALFINGER supports and encourages its employees in accordance with the tagline: "We value people. People create value." At PALFINGER, the following leadership principles apply to the Executive Board as well as to all executives: DRIVE. FOCUS. INSPIRE. EMPOWER. DEVELOP. DELIVER.

The current version of the Code of Conduct came into effect in 2021 and defines the essential principles for doing business. Integrity is paramount in all of PALFINGER's business activities, and PALFINGER's values of entrepreneurship, respect, and learning are essential. Proactive implementation of standards, and compliance with them, is important to PALFINGER and is also expected of all employees and business partners, such as suppliers and dealers. Agreements with employees, dealerships, suppliers, and cooperation partners include binding references to the PALFINGER Code of Conduct. This Code of Conduct is published on PALFINGER's website. The "Integrity Line" makes it possible to report, anonymously, if need be, possible violations of laws and internal policies or misconduct.

PALFINGER considers human rights violations and corruption to be unacceptable. They contradict the organization's corporate values and are harmful to the economy – and consequently also to PALFINGER. PALFINGER takes immediate action whenever any irregularities are suspected. PALFINGER has defined a catalog of multi-stage actions to prevent or, if need be, investigate any violations. Since 2021, an annual report on anti-corruption measures has been submitted to the Supervisory Board, enabling it to fulfill its supervisory obligations.

No instances of child labor or forced or compulsory labor were identified at any of PALFINGER's sites in 2021, nor were any young employees subjected to dangerous work. Suspected violations of the Code of Conduct or other Group guidelines are evaluated and, if substantiated, they are investigated by Corporate Internal Audit and appropriate improvement measures are defined with the responsible management. Likewise, PALFINGER did not have to pay any fines for violations of legal provisions. Moreover, there are no lawsuits pending against PALFINGER for anti-competitive behavior.

Focus on Governance & Transparency

To meet the transformation requirements, the principles of sustainable business must be applied. To this end, PALFINGER applies the highest reporting standards and a transparent approach to business practice.

For a description of the organizational structure and process organization as well as corporate governance & compliance, please refer to the relevant sections of the Corporate Management chapter in the management report and to the corporate governance report.

Currently, the chief megatrends facing PALFINGER are as follows: Sustainability, digitalization, and social change, which have a significant impact on PALFINGER's business operations and entail many challenges. The vision and strategy for 2030 formulated in 2021 addresses the megatrends that have been identified and describes how to deal with these challenges and make them part of PALFINGER's success through 2030. These megatrends lead to both risks and opportunities for PALFINGER. PALFINGER proactively addresses risks and seizes opportunities. Further details can be found in the risk report of the Management Report.

There are no indications that violations of environmental laws and regulations, laws, and regulations in the social and economic area, in connection with health and safety impacts of products and services, with product and service information or labeling occurred, nor are there any indications that regulatory violations in connection with marketing and communication measures occurred on the part of PALFINGER in the 2021 financial year.

Disclosure pursuant to Article 8 Taxonomy Regulation

With the EU taxonomy, the EU has established a classification system for defining "environmentally sustainable" business activities. Taxonomy-eligible revenues, investments (CapEx), and operational expenses (OpEx) must be identified for fiscal year 2021. For this purpose, PALFINGER conducted an analysis of the business activities and compared them with the descriptions in the Taxonomy Regulation (TaxonomieVO).

Based on the specifications of the TaxonomieVO, the revenue ratio is the revenue from taxonomy-eligible business activities shown in proportion to the Group's total revenue in accordance with IAS 1.82a. To calculate the CapEx ratio, the total additions (before depreciation, amortization and impairment, impairment losses, and revaluations) of intangible assets and property, plant, and equipment, including additions from right-of-use in accordance with IFRS 16, are included in the denominator. Additions resulting from business combinations are included in the CapEx. In addition to capitalized expenses for assets from taxonomy-eligible revenue, the numerator also includes expenses for the purchase of products from taxonomy-compliant business activities and individual measures to reduce greenhouse gas emissions which were implemented and put into operation within 18 months. To determine the CapEx numerator, the existing Group-wide reporting system was expanded. Both the revenue key figure and the CAPEX key figure can be found in the tables below.

Taxonomy-eligible business activities	NACE Code	Absolute revenue EUR	Relative revenue (%)
Revenue from the sale of wind cranes (excluding service & after-sales revenues)	C 28.22	9,640,930	0.5%
Revenue from suitable business activities	**-**	**9,640,930**	**0.5%**
Revenue from non-suitable business activities	**-**	**1,831,891,618**	**99.5%**
Total revenue from suitable and non-suitable business activities	**-**	**1,841,532,548**	**100.0%**

During the analysis, PALFINGER identified the revenue from the sale of wind cranes as a business activity suitable for taxonomy. The business activities classed in the analysis as having only limited taxonomy capacity in the course of the analysis of business activities were not included. This resulted in taxonomy suitable revenue of EUR 9.641 million in the reporting year, which corresponds to a share of 0.52 percent of the Group's total revenues.

Due to the first-time application of disclosure in accordance with Article 8 of the TaxonomieVO and the currently evolving legal situation in this respect, PALFINGER chose a conservative approach in identifying taxonomy-suitable business activities. In the course of further regulatory developments regarding the EU taxonomy, there may be changes in revenue-related disclosure in 2022.

Taxonomy-suitable investments	Absolute investments EUR	Relative investments (%)
Investments from individual measures suitable for taxonomy	3,485,640	2.5%
Total amount of suitable investments	**3,485,640**	**2.5%**
Total amount of non-suitable investments	**138,363,393**	**97.5%**
Total amount of suitable and non-suitable investments	**141,849,033**	**100.0%**

In the run-up to this, an input screen was added to the existing Group-wide reporting system with individual measures for taxonomy-suitable investments that can be assigned to the framework, in order to enable the corresponding data collection.

In the reporting year, this resulted in suitable investments from individual measures in the amount of EUR 3.4856 million, which corresponds to a share of 2.46 percent of the Group's total accessions.

When determining the OpEx key indicator, the non-capitalized direct expenditure on research and development, building renovations, current leases, maintenance, and repair work as well as all other direct expenses relating to the daily maintenance of property, plant and equipment assets must be taken into account in the denominator. The counter is to be determined in the same way as the CapEx for non-capitalized expenditure. The OpEx key indicator will not be included in the reporting for 2021 due to a lack of granularity and immateriality in the reporting systems. An integration of the reporting will be evaluated after all requirements of the TaxonomieVO have been met in the 2022 reporting.

GRI CONTENT INDEX

GRI Standard	GRI Disclosure UN Global Compact	page	omission
General Disclosures			
Organizational profile			
GRI 102: General Disclosures 2016	**102-1:** Name of the organization	173	
	102-2: Activities, brands, products, and services	5, 12, 20	
	102-3: Location of headquarters	173	
	102-4: Location of operations	158-159	
	102-5: Ownership and legal form	10, 174,175	
	102-6: Markets served	22-24	
	102-7: Scale of the organization	3-5	
	102-8: Information on employees and other workers UNGC 3-6	60-63	
	102-9: Supply chain	20	
	102-10: Significant changes to the organization and its supply chain	6	
	102-11: Precautionary Principle or approach UNGC 7-9	56, 59	
	102-12: External initiatives	52	
	102-13: Membership of associations	52	
Strategy			
GRI 102: General Disclosures 2016	**102-14:** Statement from senior decision-maker	7	
	102-15: Key impacts, risks, and opportunities	40-48	
Ethics and integrity			
GRI 102: General Disclosures 2016	**102-16:** Values, principles, standards, and norms of behavior UNGC 10	63-64	
Governance			
GRI 102: General Disclosures 2016	**102-18:** Governance structure	15-19, 52, 72	
Einbindung von Stakeholdern			
GRI 102: General Disclosures 2016	**102-40:** List of stakeholder groups	53	
	102-42: Identifying and selecting stakeholders	53	
	102-43: Approach to stakeholder engagement	53	
	102-44: Key topics and concerns raised	53-54	
Reporting practice			
GRI 102: General Disclosures 2016	**102-45:** Entities included in the consolidated financial statements	158-159	
	102-46: Defining report content and topic Boundaries	52-53	
	102-47: List of material topics	54	
	102-48: Restatements of information	none	
	102-49: Changes in reporting	53-54	
	102-50: Reporting period	1.1.2021 bis 31.12.2021	
	102-51: Date of most recent report	25.02.2021	
	102-52: Reporting cycle	annual	
	102-53: Contact point for questions regarding the report	173	

GRI Standard	GRI Disclosure UN Global Compact	page	omission
	102-54: Claims of reporting in accordance with the GRI Standards	52	
	102-55: GRI content index	66	
	102-56: External assurance	163	

Topic-specific disclosures

GRI Standard	GRI Disclosure UN Global Compact	page	omission
ENVIRONMENT			
Material aspect: **Energy consumption and emissions in production and premises of PALFINGER**			
GRI 103: Management Approach 2016	**103-1:** Explanation of the material topic and its Boundary	52-54	
	103-2: The management approach and its components	54-56	
	103-3: Evaluation of the management approach	52-56	
GRI 302: Energy 2016	**302-1:** Energy consumption within the organization UNGC 7-9	57	Not applicable: PALFINGER has no cooling energy or steam consumption and does not sell energy.
GRI 305: Emissions 2016	**305-1:** Direct (Scope 1) GHG emissions UNGC 7-9	56-57	Not applicable: PALFINGER does not produce any biogenic CO_2 emissions.
	305-2: Energy indirect (Scope 2) GHG emissions UNGC 7-9	56-57	Location-based Scope 2 emissions are not relevant to control: For PALFINGER, the practical application of the market-based approach makes more sense.
Material aspect: **Emissions in product use and Environmental impacts in supply chain**			
GRI 103: Management Approach 2016	**103-1:** Explanation of the material topic and its Boundary	52-54	
	103-2: The management approach and its components	54-56	
	103-3: Evaluation of the management approach	52-56	

SOCIAL				
Material aspect: **Safety of products & solutions**				
GRI 103: Management Approach 2016	**103-1:** Explanation of the material topic and its Boundary	52-54		
	103-2: The management approach and its components	54-56		
	103-3: Evaluation of the management approach	52-56		
GRI 416: Customer Health and Safety 2016	**416-2:** Incidents of non-compliance concerning the healthand safety impacts of products and services	59		Not applicable: Regardless of fault, every incident is documented and investigated. Due to PALFINGER's business model, service incidents are not recorded separately.
Self-defined	**Accidents in connection with PALFINGER products**	59		
Material aspect: **Gesundheit und Sicherheit der Mitarbeiter**				
GRI 103: Management Approach 2016	**103-1:** Explanation of the material topic and its Boundary	52-54		
	103-2: The management approach and its components	54-56		
	103-3: Evaluation of the management approach	52-56		
GRI 403: Occupational Health and Safety 2018	**403-1:** Occupational health and safety management system	58-60		
	403-2: Hazard identification, risk assessment, and incident investigation	58-60		
	403-3: Occupational health services	59		
	403-4: Worker participation, consultation, and communication on occupational health and safety	59-61		
	403-5: Worker training on occupational health and safety	59		
	403-6: Promotion of worker health	58-60		
	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	47, 58-60		
	403-8: Workers covered by an occupational health and safety management system	59		
Material aspect: **Training & development, attract and retain experts/talents & knowledge management**				
GRI 103: Management Approach 2016	**103-1:** Explanation of the material topic and its Boundary	52-54		
	103-2: The management approach and its components	54-56		
	103-3: Evaluation of the management approach	52-56		

GRI 401: Employment 2016	**401-1:** New employee hires and employee turnover UNGC 3-6	60	
GRI 404: Training and Education 2016	**GRI 404-3:** Percentage of employees receiving regular performance and career development reviews	Regular appraisal interviews are held with all employees at PALFINGER	
Material aspect: **Diversity & equal opportunities**			
GRI 103: Management Approach 2016	**103-1:** Explanation of the material topic and its Boundary	52-54	
	103-2: The management approach and its components	54-56	
	103-3: Evaluation of the management approach	52-56	
GRI 405: Diversity and Equal Opportunity 2016	**405-1:** Diversity of governance bodies and employees UNGC 3-6	63, 73	In 2022, the diversity strategy will be revised and new goals defined, and thus the disclosure of the diversity categories will be re-evaluated for steering relevance.
GOVERNANCE			
Material aspect: **Compliance with and Leadership commitment to values, legal & ethical standards**			
GRI 103: Management Approach 2016	**103-1:** Explanation of the material topic and its Boundary	52-54	
	103-2: The management approach and its components	54-56	
	103-3: Evaluation of the management approach	52-56	
GRI 205: Anti-corruption 2016	**205-3:** Confirmed incidents of corruption and actions taken UNGC 10	18	
Material aspect: **Clear internal policies, standardized processes**			
	103-1: Explanation of the material topic and its Boundary	52-54	
	103-2: The management approach and its components	54-56	
	103-3: Evaluation of the management approach	52-56	
Material aspect: **Transparency & correct reporting**			
	103-1: Explanation of the material topic and its Boundary	52-54	
	103-2: The management approach and its components	54-56	
	103-3: Evaluation of the management approach	52-56	
GRI 419: Socioeconomic Compliance 2016	**419-1:** Non-compliance with laws and regulations in the social and economic area UNGC 1	64	
Material aspect: **Deal with megatrends**			
	103-1: Explanation of the material topic and its Boundary	52-54	
	103-2: The management approach and its components	54-56	
	103-3: Evaluation of the management approach	52-56	

Consolidated Corporate Governance Report

PALFINGER
Annual Report 2021

CONSOLIDATED CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

Executive Board

The Executive Board of PALFINGER AG comprised three people over the entire fiscal year 2021

Name		Initial appointment	End of the term of office	Diversity factors[1]
Andreas Klauser	(CEO)	6/1/2018	5/31/2023	male; born in 1965; AT
Felix Strohbichler	(CFO)	10/1/2017	12/31/2027[2]	male; born in 1974; AT
Martin Zehnder	(COO)	1/1/2008	12/31/2023	male; born in 1967; CH

1) Diversity factors include gender, age, and nationality.
2) Appointment extended until December 31, 2027 by Supervisory Board resolution of January 27, 2022.

Andreas Klauser

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

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

Felix Strohbichler

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

Martin Zehnder

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

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

The Board of Management has overall responsibility for sustainability. The functions of Group Data Protection Officer and Issuer Compliance Officer also report to the full Board of Management.

Group Management Report, Remuneration of the Executive Board and Supervisory Board, p. 76

Supervisory Board

In 2021, the Supervisory Board of PALFINGER AG initially comprised seven members elected at the Annual General Meeting and three members delegated by the works council. Heinrich Dieter Kiener resigned at the Annual General Meeting on April 7, 2021, and Ms. Sita Mazumder was elected to the Supervisory Board by the Annual General Meeting as the new seventh member. Hubert Palfinger was the Chair. Gerhard Rauch and Hannes Palfinger were Deputy Chairs.

Five meetings of the Supervisory Board were held in 2021. The Supervisory Board focused on the following topics during its meetings in 2021: the current performance of the business, the effects of the challenging economic operating environment in light of COVID-19 and the difficult situation of the procurement markets, the cyberattack of January 2021, actions to reduce costs and the capital employed, integration, restructuring and expansion projects, risk management and the internal control system and anti-corruption measures, key sustainability issues, and the strategic orientation of the PALFINGER Group for the next few years.

Group Management Report, Report of the Supervisory Board, p. 169

Name	Initial appointment	End of the term of office	Diversity factors[2)]
Hubert Palfinger (Chairman of the Supervisory Board since 12/10/2013)	4/13/2005	AGM 2025	male; born in 1969; AT
Gerhard Rauch (First Deputy Chairman since 6/6/2016)	3/9/2016	AGM 2021	male; born in 1963; AT
Hannes Palfinger (Second Deputy Chairman since 12/10/2013)	3/30/2011	AGM 2021	male; born in 1973; AT
Hannes Bogner	3/8/2017	AGM 2022	male; born in 1959; AT
Ellyn Shenglin Cai	3/7/2018	AGM 2023	female; born in 1986; CN
Heinrich Dieter Kiener	3/30/2011	April 7, 2021[3)]	male; born in 1956; AT
Isabel Diaz Rohr	8/5/2020	AGM 2025	female; born in 1967; ESP/GER
Sita Mazumder	04/07/2021	AGM 2026	female; born in 1970; CH
Johannes Kücher[1)]	2/6/2015	[1)]	male; born in 1963; AT
Alois Weiss[1)]	2/13/2006	[1)]	male; born in 1962; AT
Erwin Asen[1)]	12/20/2017	[1)]	male; born in 1971; AT

1) Delegated by the works council.
2) Diversity factors include gender, age, and nationality.
3) Resigned at the end of the AGM 2021 on April 7, 2021

Hubert Palfinger

Chairman of the Supervisory Board

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

Gerhard Rauch

First Deputy Chairman

As a managing partner of the Walser Group, Gerhard Rauch has wide-ranging experience in truck body manufacturing and vehicle construction and has worked with the PALFINGER Group in this business area for decades. Mr. Rauch is managing partner of Walser GmbH and chairman of the board of Walser Schweiz AG (general agency Palfinger). He is also Chairman of the Board of Directors of Walser Zizers AG, Managing Partner of Kulhay Yachtwerft GmbH and managing partner of G.R. Property Ltd. Mr. Rauch is also Co-owner of Rauch Fruchtsäfte GmbH & Co OG. Furthermore, Mr. Rauch is the economic co-owner of Rauch Private foundation and beneficial owner of E.R. private foundation. He has been a member of the supervisory board since 2016 PALFINGER AG and 1st Deputy Chairman.

Hannes Palfinger

Second Deputy Chairman

After studying business administration and pursuing a career as an athlete, Hannes Palfinger spent three years working for PricewaterhouseCoopers in Vienna as an assistant auditor. From 2007 to 2010, he held an executive position at Palfinger Systems GmbH. Hannes Palfinger is currently managing director of Clear Holding GmbH, HP Immobilien GmbH, Industrieholding GmbH, and Audiodata Lautsprecher GmbH. He has been a member of the Supervisory Board of PALFINGER AG since 2011 and Second Deputy Chairman since 2013.

Other positions held by members of the Supervisory Board

HANNES BOGNER

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

ELLYN SHENGLIN CAI

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

HEINRICH DIETER KIENER
In addition to being a member of the Supervisory Board of PALFINGER AG, Heinrich Dieter Kiener is managing director of the Stiegl brewery in Salzburg and a member of the supervisory board of Schoellerbank AG. He is a member of the executive council of the Federation of Austrian Industries (Industriellenvereinigung) and its Salzburg branch. He is also a member of the steering committee of the Austrian Brewers' Association (Verband der Brauereien Österreichs). Kiener stepped down from the Supervisory Board at the end of the Annual General Meeting on April 7, 2021.

ISABEL DIAZ ROHR

In addition to her function as a member of the Supervisory Board of PALFINGER AG, Isabel Diaz Rohr has also been a member of the Shareholders' Committee of Voith Management GmbH since 1 October 2021 and a member of the Supervisory Board of Voith GmbH & Co. KGaA.

SITA MAZUMDER
Sita Mazumder was elected to the Supervisory Board of PALFINGER AG on 7 April 2021. In addition to her function as a member of the Supervisory Board of PALFINGER AG, Ms. Mazumder is a member of the Supervisory Board of Josef Manner & Comp AG (Vienna), where she chairs the Digitization Committee and a member of the Federal Electricity Commission ElCom (Berne), where she chairs the Market Surveillance Committee. Furthermore, Ms. Mazumder is a member of the Board of Directors and the Nomination and Compensation Committee of Clientis AG (Bern), a member of the Board of Directors of Hiltl AG (Zurich), and Chairwoman of the Board of aeB (Bern).

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

Pursuant to rule 58 of the Austrian Code of Corporate Governance it is hereby noted that Ms Cai was unable to attend five (of a total of five) Supervisory Board meetings in 2021 due to scheduling conflicts.

www.palfinger.ag/en/company/management
Remuneration of the Executive Board and Supervisory Board, p. 76

Supervisory Board committees

Audit Committee
The decision-making authority of the Audit Committee of PALFINGER AG complies with the provisions of the AktG. In 2021, the Audit Committee held three meetings dealing with the 2020 financial statements, the internal control system, risk management, IFRS/accounting topics, internal audits, and cooperation with the independent auditor.

The following were members of the Audit Committee in 2021: Hannes Bogner (Chairman, financial expert), Hubert Palfinger, Gerhard Rauch, Hannes Palfinger, and Johannes Kücher.

Nomination Committee
The Nomination Committee held two meetings in 2021. The following topics were discussed in particular: the cooperation and working methods of the Executive Board, the extension of Mr. Strohbichler's Executive Board mandate beyond December 31, 2022, and the preparation of proposals for filling a vacant Supervisory Board mandate in the course of the 2021 Annual General Meeting.

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

Remuneration Committee

At its two meetings in 2021, the Remuneration Committee dealt with the remuneration of Executive Board members and held feedback discussions with each member of that Board. Furthermore, the Remuneration Committee 2021 was involved in the preparation of the remuneration report for the Annual General Meeting 2021. The following were members of the Remuneration Committee in 2021: Hubert Palfinger (Chairman), Gerhard Rauch, and Hannes Palfinger.

Remuneration of the Executive Board and Supervisory Board, p. 76

Project Committee

The Project Committee was constituted on June 07, 2021. It is entrusted with the in-depth examination of research and development projects and the preparation of related reporting and resolution items for the Supervisory Board. In its two meetings in 2021, the Project Committee dealt in particular with the organization of Product Line Management & Engineering and the current projects in both the product lines and the Centers of Excellence.

Members of the project committee in 2021 were: Hubert Palfinger (Chairman), Hannes Palfinger, Isabel Diaz-Rohr, Johannes Kücher.

Digital Comittee

At the meeting of the Supervisory Board on April 7, 2021, a resolution was passed to set up a permanent Digital Committee. The Digital Committee was constituted on June 23, 2021. It focuses in detail on digital technologies and the preparation of items for reports and resolutions on this issue for the Supervisory Board. In its two meetings in 2021, the Digital Committee gained an overview of the ongoing digitalization initiatives in the individual functions, and a digitization cockpit was established for continuous monitoring of existing projects.

Members of the Digital Committee in 2021: Sita Mazumder (Chair), Isabel Diaz-Rohr, Hannes Palfinger, Johannes Kücher.

Auditor

PwC Wirtschaftsprüfung GmbH, Vienna, was proposed by the Supervisory Board as the auditor of the 2021 financial statements and consolidated financial statements of PALFINGER AG and elected by the Annual General Meeting on April 7, 2021.

Auditor’s reports, p. 162

DIVERSITY PLAN

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

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

In 2021, PALFINGER defined global “mobile working principles” and thus a new standard for mobile and more flexible working at PALFINGER. This flexibility as an integral part of day-to-day corporate practice allows rapid responses to achieve a better balance between professional, private, and family issues. At PALFINGER, mobile working is possible for up to ten days a month, provided it makes sense in the context of the task. The mobile working principles should be seen as a guide framework that has to be adapted according to the circumstances in a given country.

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

In 2022, the previous diversity strategy within the Group will be redefined. The changes caused by COVID-19 and the higher number of employees working from home mean that new targets for increasing diversity are being prepared.

Promotion of women on the Executive Board, Supervisory Board and in Management positions

There are currently no women on PALFINGER's Management Board. Three women are involved in the Supervisory Board and five top management positions in the Global Management Team were held by women in the 2021 fiscal year. In 2021, the share of women in the Group was 13.3 per cent, compared to a share of women in top management of 7.2 per cent. At the levels below, the share of female managers roughly corresponds to the gender ratio of the Group as a whole. PALFINGER specifically addresses female high potentials at job fairs, is involved in women's networks on a selective basis and supports, for example, the "Mini Girls Day" and "Neugierig ins Leben" (Curious about Life) organized by the province of Salzburg. PALFINGER is increasingly trying to recruit women for new and follow-up management positions.

GRI 405-1

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

REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

At the Annual General Meeting on August 5, 2020, a resolution was passed regarding the remuneration policy of Palfinger AG. Further, remuneration of the Supervisory Board in fiscal year 2020 and the ensuing years was revised. A further adjustment to Supervisory Board compensation was made at the Annual General Meeting on April 7, 2021. The compensation policy and the compensation report in accordance with § 78c and § 98a AktG will be available to all interested parties after the Annual General Meeting on the company website www.palfinger.ag).

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

CORPORATE GOVERNANCE CODE

According to C-rule 62 of the Austrian Corporate Governance Code (ÖCGK), the company must regularly, but at least every three years, appoint an external institution to assess the company's compliance with the Code's C-rules. PALFINGER has appointed PWC Wirtschaftsprüfung GmbH to assess the 2021 Corporate Governance Report with the exception of rules 77 through 83. Compliance with rules 77 through 83, providing these are C-rules, was assessed by Schönherr Rechtsanwälte GmbH.

The assessment came to the conclusion that PALFINGER satisfies the requirements of the binding L-rules (legal requirements) and adheres to nearly all C-rules (comply or explain) of the Austrian Code of Corporate Governance as amended in January 2021.

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

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

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

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

The reports on the external evaluation in accordance with Rule 62 ÖCGK are also available on the company website (www.palfinger.at).

Bergheim, February 23, 2022

Andreas Klauser e.h.	Felix Strohbichler e.h.	Martin Zehnder e.h.
Chief Executive Officer	Chief Financial Officer	Chief Operating Officer

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

DEFINITION OF METRICS AND KEY PERFORMANCE INDICATORS

FINANCES

Capital employed	Reflects capital investment and is calculated as: • intangible assets • plus property, plant and equipment, equity interests, and net working capital
Current capital	Current capital is composed of inventories and trade receivables on the assets side and trade payables and advances received on the liabilities side.
EBT	(Earnings before taxes) are the company's earnings before deduction of income tax.
EBIT	(Earnings before interest and taxes) is the company's operating result.
EBITDA	(Earnings before interest, taxes, depreciation, and amortization) is the operating result before amortization of intangible assets and depreciation of property, plant and equipment.
Earnings per share	The ratio of consolidated profit or loss for the period to the weighted average number of shares in circulation.
EVA	(Economic value added) indicates the increase in the value of the company: • ROCE minus WACC • Multiplied by average capital employed
Free cash flow	Indicates the amount of cash available, for example to distribute to shareholders or to service debt: • cash flows generated from operating and investing activities • plus interest on borrowings • minus tax-deductible interest expenses
Gearing ratio	The indicator of the company's debt: • the ratio of net financial debt to equity in percent
Net financial debt	Calculated as: • noncurrent and current financial liabilities less • long-term and short-term securities • long-term loans • cash and cash equivalents
Net Capex	capital expenditures in intangible assets, property, plant and equipment, investment property and share holdings, minus disposals
Net working capital	The absolute surplus of current assets over current liabilities.
NOPLAT	(Net operating profit less adjusted taxes) is calculated as: • EBIT • minus taxes on EBIT
ROCE	(Return on capital employed) indicates the rate of return generated on capital invested in the company:

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

EMPLOYEES

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

ENVIRONMENT

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

Consolidated Financial Statement

as at December 31, 2021

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	Jan-Dec 2020	Jan-Dec 2021
Revenue	16	1,533,864	1,841,533
Cost of sales	18, 24, 25, 26	(1,154,996)	(1,393,591)
Gross profit		**378,868**	**447,942**
Other operating income	17	26,518	36,859
Research and development costs	19, 25, 26	(46,197)	(56,049)
Distribution costs	20, 25, 26	(131,358)	(147,623)
Administrative costs	21, 25, 26	(110,671)	(135,049)
Other operating expenses	22	(26,055)	(19,011)
Income from companies reported at equity	23	9,183	27,954
Earnings before interest and taxes - EBIT		**100,288**	**155,023**
Interest income	27	1,549	2,923
Interest expenses from financial liabilities	27	(10,346)	(9,002)
Other interest expenses	27	(3,078)	(1,695)
Exchange rate differences	27	(3,117)	(2,430)
Other financial result	27	(201)	(1,218)
Financial result		**(15,193)**	**(11,421)**
Earnings before income tax		**85,095**	**143,602**
Income tax	28, 68	(22,149)	(35,082)
Result after income tax		**62,946**	**108,520**
attributable to shareholders of PALFINGER AG (consolidated net profit or loss for the period)		**49,789**	**86,563**
attributable to non–controlling interests		**13,157**	**21,955**

EUR			
Earnings per share (undiluted and diluted)	45	1.32	2.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan-Dec 2020	Jan-Dec 2021
Result after income tax		**62,946**	**108,520**
Amounts that will not be reclassified to the income statement in future periods			
Remeasurement according to IAS 19	51	(799)	2,420
Deferred taxes thereon		223	(666)
		(576)	**1,754**
Amounts that may be reclassified to the income statement in future periods			
Unrealized gains (+) / losses (-) from foreign currency translation of foreign subsidiaries		(38,075)	13,545
Unrealized gains (+) / losses (–) from foreign currency translation of entities reported at equity/non-current assets held for sale	32	(4,221)	3,543
Realized gains (+) / losses (–) from foreign currency translation of entities reported at equity/non-current assets held for sale		-	(4,229)
Unrealized gains (+) / losses (–) from foreign currency translation of long-term loans to foreign subsidiaries (pursuant to IAS 21.15)		(12,084)	6,581
Deferred taxes thereon		1,529	(1,315)
Effective taxes thereon		1,492	(331)
Gains + (losses -) on cash flow hedges, before tax	47		
Changes in unrealized profits (+) / losses (–)		(1,094)	322
Deferred taxes thereon		91	(334)
Effective taxes thereon		264	208
Realized gains (–) / losses (+)		2,090	855
Deferred taxes thereon		115	78
Effective taxes thereon		(620)	(320)
		(50,513)	**18,604**
Other comprehensive income after income tax		**(51,089)**	**20,358**
Total comprehensive income		**11,857**	**128,878**
attributable to shareholders of PALFINGER AG		**1,609**	**106,245**
attributable to non–controlling interests		**10,248**	**22,633**

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	12/31/2020	12/31/2021
Non-current assets			
Intangible assets	1, 2, 3, 29, 60	248,675	256,694
Property, plant and equipment	2, 30, 61	410,477	459,584
Interest in entities reported at equity	5, 23, 32	49,944	64,596
Other non-current assets	35	3,360	6,145
Deferred tax assets	9, 33, 68	30,045	25,223
Non-current financial assets	34, 56, 65	14,608	14,232
		757,109	**826,474**
Current assets			
Inventories	8, 36, 62	311,755	444,962
Trade and receivables	6, 37, 56, 64, 65	191,508	264,255
Contract assets from customer contracts	37, 64	37,588	27,153
Other current receivables and assets	39	39,535	77,427
Income tax receivables	28, 68	1,386	2,985
Current financial assets	13, 38, 56, 65	8,931	6,420
Cash and cash equivalents	40, 56, 65	104,198	39,834
		694,901	**863,036**
Non-current assets held for sale	30, 32	104,866	3,128
		799,767	**866,164**
Assets		**1,556,876**	**1,692,638**
Equity			
Share capital	41	37,593	34,767
Share premium	42	86,844	86,844
Treasury stock	43	-	(96,667)
Retained earnings	45, 46, 47	533,034	604,801
Currency translation reserve	44	(93,228)	(71,513)
Foreign currency translation reserve from assets held for sale		4,429	-
Total equity attributable to shareholders of PALFINGER AG		**568,672**	**558,232**
Non-controlling interests	48	47,777	55,625
		616,449	**613,857**
Non-current liabilities			
		-	300
Non-current financial liabilities	4, 49, 56, 65	456,071	347,580
Non-current purchase price liabilities from acquisitions	12, 50, 56, 65	24	12,864
Non-current provisions	10, 51, 66, 67	68,197	71,429
Deferred tax liabilities	33, 68	8,336	6,911
Non-current contract liabilities from customer contracts	55	3,326	3,608
Other non-current liabilities	52	101	88
		536,055	**442,780**
Current liabilities			
Current financial liabilities	4, 56, 65	68,682	189,398
Current purchase price liabilities from acquisitions	12, 50, 56, 65	12,088	300
Current provisions	11, 53, 67	23,153	30,858
Income tax liabilities	28, 68	6,843	15,390
Trade payables and other current liabilities	54, 56, 65	259,238	355,412
Current contract liabilities from customer contracts	55	34,368	44,642
		404,372	**636,000**
Equity and liabilities		**1,556,876**	**1,692,638**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Equity attributable to the shareholders of PALFINGER AG	
EUR thousand	Note	Share capital	Share premium
As at 1/1/2020		**37,593**	**86,844**
Total comprehensive income			
Result after income tax		-	-
Other comprehensive income after income tax			
Unrealized gains (+)/losses (–) from foreign currency translation	44	-	-
Remeasurement according to IAS 19	51	-	-
Gains (+)/losses (–) from cash flow hedge	47	-	-
		-	**-**
		-	**-**
Transactions with shareholders			
Dividends	46	-	-
Addition of non-controlling interests		-	-
Other changes	41, 43	-	-
		-	**-**
As at 12/31/2020		**37,593**	**86,844**
As at 1/1/ 2021		**37,593**	**86,844**
Total comprehensive income			
Result after income tax		-	-
Other comprehensive income after income tax			
Unrealized gains (+)/losses (–) from foreign currency translation	44	-	-
Remeasurement according to IAS 19	51	-	-
Gains (+)/losses (–) from cash flow hedge	47	-	-
		-	**-**
		-	**-**
Transactions with shareholders			
Dividends	46	-	-
Addition of non-controlling interests		-	-
Disposal of non-controlling interests		-	-
Other changes	41, 43	(2,827)	-
Other changes		-	-
		(2,827)	**-**
As at 12/31/2021		**34,767**	**86,844**

Equity attributable to the shareholders of PALFINGER AG							
Retained earnings					Total		Equity
Treasury Stock	Other retained earnings	Remeasurement according to IAS 19	Valuation reserve according to IFRS 9	Currency translation adjustments		Non-controlling interests	
-	**513,184**	**(14,797)**	**(2,238)**	**(40,363)**	**580,223**	**48,869**	**629,092**
-	49,789	-	-	-	**49,789**	13,157	62,946
-	-	-	-	(48,435)	(48,435)	(2,924)	(51,359)
-	-	(591)	-	-	(591)	15	(576)
-	-	-	846	-	846	-	846
-	**-**	**(591)**	**846**	**(48,435)**	**(48,180)**	**(2,909)**	**(51,089)**
-	**49,789**	**(591)**	**846**	**(48,435)**	**1,609**	**10,248**	**11,857**
-	(13,158)	-	-	-	(13,158)	(11,870)	(25,028)
-	-	-	-	-	-	528	528
-	(1)	-	-	(1)	(2)	2	-
-	**(13,159)**	**-**	**-**	**(1)**	**(13,160)**	**(11,340)**	**(24,500)**
-	**549,814**	**(15,388)**	**(1,392)**	**(88,799)**	**568,672**	**47,777**	**616,449**
-	**549,814**	**(15,388)**	**(1,392)**	**(88,799)**	**568,672**	**47,777**	**616,449**
-	86,563	-	-	-	86,563	21,956	108,519
-	-	-	-	17,286	17,286	509	17,795
-	-	1,585	-	-	1,585	169	1,754
-	-	-	808	-	808	-	808
-	**-**	**1,585**	**808**	**17,286**	**19,679**	**677**	**20,356**
-	**86,563**	**1,585**	**808**	**17,286**	**106,243**	**22,633**	**128,876**
-	(16,917)	-	-	-	(16,917)	(9,140)	(26,057)
-	-	-	-	-	-	500	500
-	(274)	-	-	-	(274)	(6,147)	(6,421)
(96,667)	-	-	-	-	(99,494)	-	(99,494)
-	3	(1)	-	-	2	2	4
(96,667)	**(17,188)**	**(1)**	**-**	**-**	**(116,682)**	**(14,785)**	**(131,467)**
(96,667)	**619,189**	**(13,804)**	**(584)**	**(71,513)**	**558,232**	**55,625**	**613,857**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand		Jan-Dec 2020	Jan-Dec 2021
Cash flows from operating activities			
Result before income tax		85,095	143,602
Depreciation, amortization and impairment losses (+)/ reversal of impairment losses (-) on non-current assets		88,373	89,897
Gains (—)/losses (+) on the disposal of non-current assets	17, 22	375	(1,965)
Interest income (-)/interest expenses (+)	27	11,875	7,774
Income from companies reported at equity	23, 32	(9,183)	(27,954)
Non-cash change in purchase price liabilities	50	325	1,661
Other adjustments for non-cash items		8,945	(1,557)
Increase (-)/decrease (+) in assets		48,872	(188,900)
Increase (-)/decrease (+) in provisions		8,590	11,959
Increase (+)/decrease(-) in liabilities		843	94,034
Net cash flow from operating activities		**244,110**	**128,551**
Interest received		1,308	2,129
Interest paid		(10,199)	(8,501)
Dividends received from companies using equity method	32	5,233	4,065
Cash payments for the acquisition of subsidiaries in prior years		-	(7,278)
Income taxes refund (paid)		(15,783)	(31,558)
		224,669	**87,408**
Cash flows from investing activities			
Proceeds from sales of intangible assets and property, plant and equipment		3,636	3,617
Purchase for the acquisition of intangible assets and property, plant and equipment		(65,093)	(128,795)
Cash receipt from the sale of subsidiaries		-	223
Cash payments for the acquisition of subsidiaries net of cash acquired[1)]		-	(10,221)
Cash payments for the acquisition of subsidiaries in prior years		-	(5,534)
Cash payments for the acquisition of entities reported at equity	32	-	(854)
Cash receipts from the sale of securities		17	-
Cash payments for the acquisition of securities		(4)	-
Cash receipts for other assets		928	4,136
		(60,516)	**(137,428)**
Cash flows from financing activities			
Dividends to shareholders of PALFINGER AG	46	(13,158)	(16,917)
Dividends to non-controlling shareholders	48	(11,870)	(9,139)
Cash payments for the acquisition of non-controlling interests[1)]	48	-	(6,122)
Repayment of financing for the acquisition of investments		(3,000)	(23,783)
Capital increase minority shares		-	500
Repayment of maturing/terminated loans		(30,000)	-
Repayment of maturing/terminated promissory note loans		(21,353)	(35,000)
Repayment of current financing		(8,905)	-
Raising of short-term financing		-	89,883
Repayment of lease liabilities		(11,982)	(12,628)
Cash payments for/cash receipts from other financial liabilities	49	2,047	(2,781)
		(98,221)	**(15,987)**
Total cash flows		**65,932**	**(66,007)**
Free cash flow[2)]		**173,319**	**(42,097)**

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

EUR thousand	Notes	2020	2021
Funds as at 1/1	40	42,037	104,198
Effects of changes in exchange rates		(3,771)	1,643
Total cash flows		65,932	(66,007)
Funds as at 12/31	**40**	**104,198**	**39,834**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

GENERAL INFORMATION

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

The consolidated financial statements of PALFINGER AG as at December 31, 2021 have been compiled in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU). In accordance with sec. 245a of the Business Code, these consolidated financial statements have an exempting effect under Austrian law; all additional requirements of sec. 245a (1) of the Business Code have been met.

The consolidated financial statements are prepared as at the reporting date of the parent company, PALFINGER AG. The financial year corresponds to the calendar year. The financial statements of the individual Austrian and foreign companies included in the consolidated financial statements were prepared as at the reporting date of the consolidated financial statements

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

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

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

The consolidated financial statements and the separate financial statements of the entities included in the consolidated financial statements are published in accordance with statutory requirements. The consolidated financial statements of PALFINGER AG as at December 31, 2021 were audited by PwC Wirtschaftsprüfung GmbH, Wien, Austria. On February 23, 2022, the Executive Board of PALFINGER AG approved the consolidated financial statements as at December 31, 2021 for submission to the supervisory board. The supervisory board has the task of reviewing the consolidated financial statements and communicating whether it approves the consolidated financial statements as at December 31, 2021 .

CONSOLIDATION POLICIES

Scope of consolidation

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

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

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

REORGANIZATIONS

The following reorganizations did not have any effect on the scope of consolidation:

With effect from August 5, 2021 the brazil company Palfinger Tercek Industria de Elevadores Veiculares Ltda. was merged into Madal Palfinger S.A. (BRA).

Effective as at September 25, 2021, a demerging spin-off was carried out with no concession of shares in Palfinger CIS GmbH from Palfinger Area Units into Palfinger EMEA GmbH. At the same time, 75.03% of the total shares in AO Podyomnie Maschini were split off non-proportionally from Palfinger PM Holding to the newly founded PM accipere GmbH, which resulted in a share exchange at the level of the shareholders of Palfinger PM Holding. In the next step, PM accipere GmbH was merged into Palfinger CIS GmbH as a transferring company by way of universal succession with effect from October 14, 2021. Palfinger CIS GmbH was then merged as a transferring company, effective October 14, 2021, to its parent company, Palfinger EMEA GmbH, as an acquiring company, by way of universal succession.

In October 2021, the holding company Podyomnie Maschini AO was merged into the Podyomnia Maschini AO in Russia.

With effect from December 31, 2021, Palfinger Liftgates, LLC (USA) was merged into Palfinger USA, LLC.

NEWLY FOUNDED ENTITIES

In June 2021, the US-based Palfinger USA Operations, LLC was founded as a 100-percent subsidiary of Palfinger US Holdings, LLC (US).

ACQUISITIONS 2021/2022

Non-controlling interests

In July 2021, a call option for the acquisition of 100 percent of the shares in OYT Mulder Holding S.L. was exercised. The sole asset of this holding company is, in turn, 25 percent of the shares in the Spanish PALFINGER Ibérica Maquinaria, S.L. The company is now wholly owned indirectly by PALFINGER EMEA GmbH. As a consequence, the minority share in Palfinger comércio e aluguer de máquinas, S.A., Portugal, changes to 40 percent (previous year: 55 percent).

A capital increase was agreed with Palfinger Structural Inspection GmbH on December 4, 2020. The capital increase of EUR 143 thousand was carried out on January 15, 2021. In the course of the capital increase, PALFINGER AG takes over a share that corresponds to a fully paid-in capital contribution of EUR 122 thousand. The amount plus a premium of EUR 1,378 thousand, totaling EUR 1,500 thousand, was paid in January 2021. The shares increase from 51.0 percent to 65.3 percent. A further financing option for PALFINGER from the third quarter of 2021 and a put option for the minority shareholders for the 2022 financial year were also agreed.

In addition, a further financing option of PALFINGER was agreed upon as of the third quarter of 2021, as well as a put option for the minority shareholders for the financial year 2022.The non-repayable shareholder grant of EUR 1,700 thousand, agreed with Palfinger Structural Inspection GmbH, was paid in on July 1, 2021, and is recognized in the free capital reserve. PALFINGER AG's share of the shareholder contribution is EUR 1,500 thousand. This transaction did not lead to any further change in minority interests.

Hinz Försäljnings AB

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

The recognized goodwill consists essentially of the excellent sales and service structure, and contacts with truck manufacturers and original equipment manufacturers in Sweden.

The transaction closed, and control was transferred, on January 4, 2021.

EQUIPDRAULIC

On February 10, 2021, the signing and closing took place for the acquisition of 100 percent in EQUIPDRAULIC, S.L.U. by PALFINGER EMEA GmbH. Transfer of control took place on the same date. In 2020, EQUIPDRAULIC and its 18-strong workforce generated revenue of just under EUR 5 million. The company will be integrated into PALFINGER Iberica. With this takeover, PALFINGER expands its presence in the economically important region of Catalonia.

With this acquisition, PALFINGER ensures the continuation of the excellent service and distribution network in Spain's economic powerhouse and improves customer proximity. The synergies generated are reflected in the capitalized goodwill.

The purchase price allocation based on the calculated fair values was as follows at the time of acquisition:

EUR thousand	Hinz	Equipdraulic
Purchase price paid in cash	18,393	1,247
Purchase price not yet paid	-	300
Conditional consideration	10,430	422
Subtotal	**28,823**	**1,969**
Net Assets	(25,067)	(1,745)
Goodwill	3,756	224

EUR thousand	Hinz	Equipdraulic
Non-current assets		
Intangible assets and other than goodwill	8,661	310
Property, plant and equipment	6,134	60
Other non-current financial assets	-	15
	14,795	**385**
Current assets		
Inventories	4,164	844
Trade and other current receivables	7,311	718
Other current receivables and assets	259	7
Income tax receivables	20	-
Cash and cash equivalents	8,370	1,049
	20,124	**2,618**
Non-current liabilities		
Deferred tax liabilities	2,484	100
Other non-current liabilities	-	105
	2,484	**205**
Current liabilities		
Current financial liabilities	-	-
Current provisions	504	-
Income tax liabilities	1,774	95
Trade payables and other current liabilities	5,090	958
	7,368	**1,053**
Net Assets	**25,067**	**1,745**

EUR thousand	Hinz	Equipdraulic
Net cash flow from operating activities		
Transaction expenses	(34)	(18)
Cash flows from investing activities		
Purchase price paid in cash	(18,393)	(1,247)
Cash and cash equivalents	8,370	1,049
Net cash flow from acquisition	**(10,057)**	**(216)**

Since the date of initial consolidation, the acquisitions with revenue amounting to EUR 55,448 thousand have been part of consolidated revenue and contributed EUR 3,645 thousand to the consolidated net result. Had the acquisition taken place on January 1 of the fiscal year, revenue of EUR 55,985 thousand and a consolidated net result of EUR 3,710 thousand would have been recognized.

TSK

On 17 November 2021, PALFINGER acquired the shelf company Diamond 201. GmbH, which was renamed Palfinger Duisburg GmbH. On 19 November 2021, PALFINGER signed the contract for the acquisition of the operations of TSK Kran und Wechselsysteme GmbH and TSR Lacktechnik GmbH by Palfinger Duisburg GmbH. The closing took place at the beginning of January 2022.

JOINT VENTURE

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

EUR thousand	**Palfinger Neptune**
Proceeds of sale	422
Fair value remaining shares (50%)	422
Proceeds from sale for 100%	**844**
Net assets of the retired company	(789)
Profit/loss from disposal	**55**

INTERESTS IN ENTITIES REPORTED AT EQUITY

On December 23, 2020, PALFINGER AG, Austria, signed a purchase agreement for the acquisition of a 33 percent stake in Jetfly Airline GmbH, Austria, a charter flight company. The closing took place on April 12, 2021, after the merger-related approval by the EU Commission.

PALFINGER and SANY HEAVY INDUSTRIES have entered into a Share Sale and Purchase Agreement ("SPA") regarding the 7.5% shareholding in Sany Automobile Hoisting Machinery ("SAHM") on December 15, 2021. The transfer is for a consideration consisting of 2,826,516 Palfinger shares and a cash payment of EUR 15 million. The closing condition, i.e., the achievement of a closing price of the PALFINGER share listed on the Vienna Stock Exchange of at least EUR 34.68, was met on 16 December 2021. Upon reaching the target price, all opportunities and risks were transferred, and the investment was disposed of. The actual transfer of treasury shares is expected to take place in Q2 2022.

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

Consolidation method

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

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

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

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

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

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

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

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

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

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

Foreign currency translation within the Group

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

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

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

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

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

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

	Reporting date rate		Average exchange rate	
1 euro equals	12/31/2020	12/31/2021	Jan-Dec 2020	Jan-Dec 2021
BRL	6.3753	6.3101	5.8847	6.3782
CAD	1.5633	1.4393	1.5320	1.4868
GBP	0.8990	0.8403	0.8864	0.8615
NOK	10.4703	9.9888	10.7115	10.1874
RMB	8.0225	7.1947	7.8916	7.6388
RUB	91.4671	85.3004	83.1271	87.6479
USD	1.2271	1.1326	1.1452	1.1851

SEGMENTS

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

PALFINGER divids its business into the segment Sales & Service and segment Operations. The HOLDING unit comprises the Group's administrative expenses and strategic projects for the future.

Group management report, Performance by segment, p. 33

SEGMENT SALES & SERVICE

Segment Sales & Service comprises the sales and service units.

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

SEGMENT OPERATIONS

The segment Operations comprises the production sites and the respective production share of a company.

HOLDING UNIT

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

Carrying amounts

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

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

Group management report, financial position, cash flows, and results of operations, p.101

Transfer pricing

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

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

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

Jan–Dec 2020[1)]

EUR thousand	SALES & SERVICE	OPERATIONS	HOLDING	Consolidation	Total
External revenue	1,443,370	90,494	-	-	1,533,864
Intra-group revenue	-	760,668	-	(760,668)	-
Total revenue	**1,443,370**	**851,162**	**-**	**(760,668)**	**1,533,864**
Depreciation, amortization and impairment	(47,347)	(34,768)	(6,261)	-	(88,376)
thereof impairment	(14,365)	(70)	-	-	(14,435)
Income from companies reported at equity	7,530	1,653	-	-	9,183
EBIT	118,638	4,192	(22,542)	-	100,288
Segment assets	898,325	730,985	872,650	(945,084)	1,556,876
thereof shares from companies reported at equity	24,586	25,358	-	-	49,944
Segment liabilities	558,855	376,186	951,312	(945,926)	940,427

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

Jan–Dec 2021

EUR thousand	SALES & SERVICE	OPERATIONS	HOLDING	Consolidation	Total
External revenue	1,705,105	136,428	-	-	1,841,533
Intra-group revenue	27,208	1,064,069	-	(1,091,277)	-
Total revenue	**1,732,313**	**1,200,497**	**-**	**(1,091,277)**	**1,841,533**
Depreciation, amortization and impairment	(38,656)	(36,425)	(13,598)	-	(88,679)
thereof impairment	(5,727)	(6,511)	-	-	(12,238)
Income from companies reported at equity	16,825	11,129	-	-	27,954
EBIT	166,465	20,331	(31,773)	-	155,023
Segment assets	1,106,248	844,316	909,527	(1,167,453)	1,692,638
thereof shares from companies reported at equity	31,926	32,670	-	-	64,596
Segment liabilities	625,503	636,577	912,074	(1,095,373)	1,078,780

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

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

Notes to the consolidated income statement, (16) Revenue, p. 101

INFORMATION ON GEOGRAPHICAL AREAS

Non-current assets are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Intangible assets		
Germany	29,928	30,030
France	16,295	16,291
Austria	88,261	91,167
Netherlands	3,323	4,849
Norway	53,252	48,788
Remaining foreign countries	7,920	7,671
Romania	5,889	5,689
Russia	16,880	14,413
Sweden	-	9,530
Spain	4,985	4,993
USA	7,341	7,945
United Arab Emirates	14,601	15,327
	248,675	**256,694**
Property, plant and equipment		
Brazil	5,205	6,405
Bulgaria	55,923	62,338
Germany	31,908	32,108
France	5,793	5,944
Austria	120,794	145,628
Italy	5,007	5,221
Canada	3,963	3,969
Korea	4,136	151
Norway	6,750	3,980
Poland	14,326	13,562
Remaining foreign countries	20,150	21,892
Romania	29,577	32,220
Russia	27,115	38,313
Sweden	-	6,595
Slovenia	30,442	30,316
Spain	5,008	4,155
USA	44,380	46,787
	410,477	**459,584**
Other non-current assets		
Brazil	1,872	4,423
Denmark	21	21
Germany	133	114
France	74	74
India	49	53
Austria	254	208
Remaining foreign countries	323	740
Russia	213	220
Spain	258	240
USA	163	53
	3,360	**6,145**

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

The following new, revised and/or supplemented IASB Standards and IFRS IC Interpretations must be applied for the first time in the fiscal year 2021. The new regulations did not have any material impact on the consolidated financial statements.

Standards/Interpretations	Mandatory application in the EU	Endorsement Status
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (published in June 2020)	January 1, 2021	endorsed in January 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (published in August 2020)	January 1, 2021	endorsed in January 2021

Various new accounting standards and interpretations have been published but are not mandatory for the reporting period ending December 31, 2021 and have not been applied early. The effects of these new regulations on current or future reporting periods as well as foreseeable future transactions are not considered material in the Group.

They are therefore not relevant for these consolidated financial statements:

Standards/Interpretations	Mandatory application
IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (published in February 2021)	January 1, 2023
IAS 12 Incomce Taxes: Deffered Tax related to Assets and Liabilities arising from a Single Transaction (published in May 2021)	January 1, 2023
IFRS 17 Insurance Contracts (Veröffentlichung: Mai 2017), including Amendments to IFRS 17 (published in june: Juni 2020)	January 1, 2023
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (published in January 2020) and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (published in July 2020)	January 1, 2023
IAS 1, IFRS Practice Statement 2: Angabe von Rechnungslegungsmethoden	January 1, 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (published in February 2021)	January 1, 2023
Amendments to • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment; • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020 (published in May 2020)	January 1, 2022

USE OF ESTIMATES AND DISCRETIONARY DECISIONS

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

(1) Purchase price allocations

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

(2) Impairment of non-financial assets

The impairment tests performed by PALFINGER with respect to goodwill, intangible assets with indefinite useful lives and unfinished capitalized development projects are based on calculations of value in use, for the purpose of which a discounted cash flow method was applied. The recoverable amount depends highly on the discount rates used under the discounted cash flow model and the expected future cash inflows. Impairment losses on non-financial assets are reported in accordance with the cost of sales structure. More details on the impairment of non-financial assets are provided in Note (29) Intangible assets and Note (30) Property, plant and equipment.

(3) Development costs

Development costs are capitalized in accordance with the presented accounting policies. The initial capitalization of costs is based on the management's assessment that technical and economic feasibility has been demonstrated. As a rule, this is the case if a product development project has reached a certain milestone in an existing project management model. For the purpose of determining the amounts to be capitalized, the management makes assumptions regarding the volume of future cash flows expected from the project, the discount rates to be applied, and the period in which the flow of future benefits is expected. The capitalized development costs relate primarily to development activities in the areas of Cranes, Platforms, Tail Lifts, Services, Railway Systems, Offshore Cranes, Davits, and Boats. The impairment test is based on the use of the individual asset regardless of the profit expectations of the unit as a whole. Further details on capitalized development costs can be found under Note (29) Intangible assets.

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

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

Please refer to Note (31) Leases for details regarding potential future lease payments for periods occurring after the date on which the option to extend or terminate a lease is exercised that are not factored into the lease term.

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

(5) Interests in entities reported at equity

Assumptions and estimates are made with respect to the assessment of impairment in the case of interests in entities reported at equity. The recoverability of interest in entities held in connection with SANY (Sany Palfinger SPV Equipment, and Palfinger Sany International Mobile Cranes Sales) reported at equity depends on the development of the Chinese economy, the success of the internationalization strategy, and the economic development of the sales markets of Palfinger Sany International Mobile Cranes Sales. In China, the recoverability of these interests is influenced primarily by the development of the construction industry. Increasing urbanization, the resulting necessary infrastructure projects, the increase in wage costs, and the increased profitability of the automation of lifting, loading, and unloading operations will play a vital role in this regard. In the international markets, there are various political and macroeconomic risks that might have an impact on the recoverability of interest held in connection with the partnership with SANY (also see in this regard Scope of consolidation). The shares held in entities reported at equity in connection with SANY (Sany Palfinger SPV Equipment Co., Palfinger Sany International Mobile Cranes Sales GmbH) are joint ventures; management of the companies is exercised jointly and no property rights exist. The carrying amounts and further details regarding interests in entities reported at equity can be found in Note (32) Interests in entities reported at equity.

(6) Measurement of receivables
In addition to the standardized measurement of receivables based on an analysis of historical data and an assessment of future developments, taking into account the number of days overdue and country risk, the likelihood of receiving payment is assessed for the application of specific valuation allowances on receivables. Previous experience with specific customers, their creditworthiness, and any collateral provided are taken into account here. Impairment losses on receivables and contract assets are presented in Note (37) Trade receivables and contract assets from contracts with customers. Uncollectible receivables are de-recognized.

(7) Revenue recognition from contract manufacturing and rendering of services
Revenue from contract manufacturing and the rendering of services is reported based on the percentage of completion method. When applying this method, PALFINGER estimates the percentage of services already rendered by the balance sheet date in proportion to the overall scope of the orders and the order costs yet to be incurred. Further details on revenue recognition from contract manufacturing and the rendering of services can be found under Note (16) Revenue and Note (37) Trade receivables and contract assets from contracts with customers.

(8) Measurement of inventories
A standardized obsolescence measurement method has been implemented in order to account for the risk of obsolescence. In addition to actual and planned consumption, minimum inventories, and inventory range specifications, this method also takes into account alternative uses of materials. Furthermore, the economic benefit of inventories on hand is also reviewed on a case-by-case basis and, if necessary, additional allowances are recorded on the basis of long-term storage, limited distribution channels, or defects in quality. In addition, a systematic review of finished goods is carried out with a view to achieving loss-free measurement, which is basically characterized by the expected sales prices, currency developments, the date of sale, and the costs yet to be expected. Further details on allowances for inventories can be found under Note (36) Inventories.

(9) Deferred tax assets
Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is likely that taxable income will be available for this purpose so that the loss carry-forwards can in fact be used. In the case of loss carry-forwards not subject to expiration, their usability within the next five years is taken as the decisive factor. Important discretionary decisions must be made by the management with respect to the anticipated time of occurrence and the amount of future taxable income as well as future tax planning strategies when determining the amount of the deferred tax assets that can be capitalized. Further details regarding deferred taxes can be found in Note (33) Deferred tax assets and liabilities.

(10) Pensions, severance payments and anniversary bonuses
Expenses for defined benefit plans and statutory obligations upon the termination of employment as well as entitlements to anniversary bonuses are determined on the basis of actuarial calculations. The actuarial assessment is based on assumptions regarding discount rates, future increases in wages and salaries, mortality, and future increases in pension payments. All assumptions are reviewed at the end of every reporting period. PALFINGER management uses long-term market interest rates when determining an adequate discount rate. The mortality rate is based on publicly available mortality tables for the corresponding country. Future increases in wages and salaries as well as pensions are based on the future inflation rates expected for the country in question. Further details regarding the assumptions used are presented in Note (51) Non-current provisions.

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

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

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

(14) Changes in estimates
No material changes were made to estimates in fiscal year 2021.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

After the strong decline in revenue in 2020, the year 2021 provided an opportunity to return to the level prior to the COVID-19 crisis in almost all product lines and regions. From the middle of the year onwards, the overheated raw materials markets following the rapid overall economic recovery as well as the staff shortages, which were primarily caused by the COVID-19 crisis, turned out to be the limiting factors for PALFINGER's growth. Not only the shortage of microchips, but also a general rapid decline in delivery reliability triggered by resource and capacity bottlenecks at suppliers in all areas made it increasingly difficult to maintain supply chains and caused inefficiencies in production capacity utilization. The exceptionally high level of sick leave during the COVID-19 waves also led to further difficulties in production planning at the company's own plants and also placed a heavy burden on internal supply chains.

(16) Revenue

Jan–Dec 2020

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

Jan–Dec 2021

EUR thousand	Sales & Service	Operations	PALFINGER Group
EMEA	1,042,914	105,685	1,148,599
NAM	363,494	6,018	369,512
LATAM	76,317	8,392	84,709
CIS	121,200	11,091	132,292
APAC	95,891	5,243	101,134
Revenue from contracts with customers (IFRS 15)	**1,699,817**	**136,428**	**1,836,246**
Revenue other	5,287	-	5,287
Revenue total	**1,705,105**	**136,428**	**1,841,533**

The split up by geographical area is based on the location of customers' registered offices. Other revenue consists primarily of income from the rental business. Revenue was generated in the amount of EUR 89,268 thousand (previous year: EUR 73,653 thousand) in Austria, PALFINGER's country of origin.

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

EUR thousand	2020	2021
Within one year	34,101	20,424
More than one year	3,487	6,729
Expected future revenue	**37,588**	**27,153**

	Operations		Sales & Service	
EUR thousand	Jan–Dec 2020	Jan–Dec 2021	Jan–Dec 2020	Jan–Dec 2021
Revenue from the sale of products	90,494	136,428	1,354,925	1,634,471
Revenue from contract manufacturing and rendering of services	-	-	88,445	70,633
Revenue	**90,494**	**136,428**	**1,443,370**	**1,705,105**

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

(17) Other operating income

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Income from the disposal of intangible assets and property, plant and equipment	1,595	2,656
Income from charges for services	1,738	2,293
Exchange rate differences	9,851	13,357
Income from reimbursements under insurace policies	2,126	6,674
Rental income	227	311
Income from the sale of advertising material	131	7
Income from business transactions with employees	699	1,276
Income from other grants	5,192	4,714
Refund other taxes	1,493	1,472
Miscellaneous other operating income	3,466	4,101
Other operating income	**26,518**	**36,859**

For information on exchange rate differences, please refer to Note (56) Financial Instruments, item 3 Foreign currency risk. Other grants include COVID-19 support funding amounting to EUR 4.385 thousand (previous year: EUR 2.910 thousand).

(18) Cost of sales

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Changes in inventories and other work performed by entity and capitalized	(15,946)	(29,077)
Cost of materials and purchased services	(743,126)	(900,214)
Employee expenses	(262,918)	(308,356)
Depreciation, amortization and impairment expenses	(47,517)	(42,846)
Outgoing freight costs	(22,608)	(30,398)
Guarantees and warranties	(14,790)	(22,573)
Repair and maintenance expenses	(13,841)	(15,426)
Rentals and leases	(2,380)	(2,668)
Commission expenses	(4,227)	(2,993)
Contingent workers and other third-party services	(7,138)	(9,928)
Energy infrastructure	(6,892)	(12,873)
Travel expenses	(1,402)	(2,079)
Vehicles	(1,942)	(2,472)
Consultancy services	(2,339)	(3,573)
Administration expenses	(2,401)	(3,199)
Insurance expense	(1,490)	(1,532)
Taxes other than income tax expenses	(1,234)	(2,025)
Miscellaneous other operating expenses	(2,805)	(1,359)
Cost of sales	**(1,154,996)**	**(1,393,591)**

Cost of sales increased in the same proportion as revenue. Gross profit margin remained unchanged at 24 percent.

(19) Research and development costs

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Changes in inventories and other work performed by entity and capitalized	12,243	19,389
Cost of materials and purchased services	(2,056)	(2,071)
Employee expenses	(42,672)	(53,908)
Depreciation, amortization and impairment	(3,827)	(11,035)
Income from research grants	1,895	2,773
Consultancy services	(6,402)	(6,270)
Contingent workers and other third-party services	(2,165)	(2,678)
Travel expenses	(482)	(425)
Office and IT expenses	(1,920)	(807)
Miscellaneous other expenses	(811)	(1,018)
Research and development costs	**(46,197)**	**(56,049)**

Research and development costs include research costs, non-capitalizable development costs as well as product management.

The depreciation, amortization and impairment of the development costs in the amount of EUR 21,047 thousand (previous year: EUR 14,132 thousand) are reported in the cost of sales. The total research and development costs therefore amounted to EUR 77,096 thousand (previous year: EUR 60,329 thousand).

(20) Distribution costs

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Changes in inventories and other work performed by entity and capitalized	(41)	(2)
Cost of materials and purchased services	(950)	(2,095)
Employee expenses	(80,927)	(96,690)
Depreciation, amortization and impairment	(22,690)	(17,714)
Advertising, representation and market expenses	(7,180)	(8,429)
Travel expenses	(3,652)	(3,899)
Contingent workers and other third-party services	(2,348)	(2,283)
Vehicle fleet	(1,910)	(2,018)
Transport costs	(1,880)	(2,057)
Consultancy services	(3,539)	(4,223)
Commission expenses	(1,066)	(1,163)
Office and IT expenses	(1,625)	(2,021)
Rentals and leases	(885)	(1,088)
Repair and maintenance	(1,032)	(1,633)
Miscellaneous other operating expenses	(1,633)	(2,306)
Distribution costs	**(131,358)**	**(147,623)**

(21) Administrative costs

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Changes in inventories and own work capitalized	21	26
Cost of materials and purchased services	(497)	(658)
Personnel expenses	(56,738)	(67,200)
Depreciation, amortization and impairment	(14,342)	(17,084)
Consultancy services	(8,024)	(13,396)
Contingent workers and other third-party services	(7,947)	(9,510)
Office and IT expenses	(8,639)	(11,029)
Travel expenses	(1,308)	(1,144)
Vehicle fleet	(731)	(833)
Advertising, representation and market costs	(1,534)	(1,831)
Rentals and leases	(885)	(793)
Taxes other than on income	(2,741)	(1,658)
Insurance	(3,947)	(4,307)
Bank charges	(1,040)	(1,028)
Repair and maintenance	(2,120)	(2,842)
Miscellaneous other expenses	(199)	(1,762)
Administrative costs	**(110,671)**	**(135,049)**

FEES CHARGED BY THE AUDITOR

The following fees for the services provided in the fiscal year 2021 by the auditors of the consolidated financial statements, PwC Wirtschaftsprüfung GmbH and the companies of the global PwC network have been recorded as expenses:

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Audit of the consolidated financial statements and related certification services (including reviews)	(743)	(800)
thereof PwC Wirtschaftsprüfung GmbH	(389)	(402)
Tax advice	(26)	(53)
Other services	(75)	(69)
Auditors Remuneration	**(844)**	**(922)**

(22) Other operating expenses

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Losses on the disposal of intangible assets and property, plant and equipment	(1,983)	(691)
Losses on receivables and impairment allowances	(3,244)	(305)
Exchange rate differences	(11,575)	(10,052)
Expenses of claims	(444)	(333)
Expenses in connection with other income	(107)	(122)
Allocation provision purchase price liabilities	(325)	(1,822)
Expenses for legal proceedings	(1,450)	(916)
Contractual and other penalties	(6)	(86)
Allocation to provision for the recovery of a grant	(1,260)	(48)
Membership fees and subscriptions	(368)	(508)
Miscellaneous other operating expenses	(5,294)	(4,128)
Other operating expenses	**(26,055)**	**(19,011)**

(23) Income from companies reported at equity

The income from associated companies and joint ventures reported at equity is composed as follows:

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Share in the net result for the period	9,183	13,961
Income from disposal	-	9,764
Gain on exchange from the recycling of currency translation gains from OCI	-	4,229
Income from companies reported at equity	**9,183**	**27,954**

The income from disposal and gain on exchange rates from the recycling of currency translation gains from OCI relate to the disposal in Sany Automobile Hoisting Machinery.

(24) Cost of materials and purchased services

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Cost of materials	(691,307)	(827,435)
Cost of purchased services	(55,322)	(77,602)
Cost of materials and purchased services	**(746,629)**	**(905,037)**

Regarding impairment losses on inventories included in the cost of materials, please refer to Note (36) Inventories. The cost of materials mainly relates to metal components such as sheet, plate, piping and profile sections as well as bought-in components and electrical and hydraulic components.

(25) Personnel expenses

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Wages and salaries	(339,365)	(409,018)
Expenses for severance payments	(5,069)	(6,634)
Pension expenses	(3,533)	(3,014)
Expenses for statutory social security contributions, payroll-related levies and mandatory contributions	(74,948)	(85,191)
Other social expenses	(20,340)	(22,298)
Employee expenses	**(443,255)**	**(526,155)**

Expenses for severance payments include expenses from defined contribution plans amounting to EUR 1,634 thousand (previous year: EUR 1,518 thousand). This includes the cost of services to company employee pension funds in the amount of EUR 1,634 thousand (previous year: EUR 1,518 thousand).

Pension expenses include expenses from defined contribution plans amounting to EUR 2,726 thousand (previous year: EUR 2,960 thousand).

(26) Depreciation of property, plant and equipment, investment property, amortization of intangible assets and and impairment expenses

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Depreciation and amortization	(73,941)	(76,441)
Impairment losses	(14,435)	(12,237)
Depreciation of property, plant and equipment, investment property, amortization of intangible assets and impairment expenses	**(88,376)**	**(88,679)**

Regarding the development of depreciation, amortization and impairment, please refer to Notes (29) Intangible assets, (30) Property, plant and equipment and (31) Leases.

The impairments in 2021 relate to the brands INMAN and Velmash as well as capitalized development costs. In fiscal year 2021, it was decided to no longer use these brands and instead replace them with the uniform PALFINGER brand.

(27) Net interest income and other financial result

Net interest income and other financial result are composed as follows:

Jan–Dec 2020		Financial instruments according to IFRS 9	
EUR thousand	Total	Financial asset at amortized cost	Financial liabilities at amortized cost
Interest income	1,549	1,549	-
Interest expenses from financial liabilities	(10,346)	-	(9,060)
Other interest expenses	(3,078)	-	-
Net interest income	**(11,875)**	**1,549**	**(9,060)**
Income from the disposal of financial assets	16	-	-
Loss from the disposal of financial assets	(77)	-	-
Write-ups of financial assets	03	-	-
Impairment of financial assets	(143)	(143)	-
Exchange rate differences	(3,117)	(3,375)	901
Net profit or loss	**(3,318)**	**(3,518)**	**901**
Financial result	**(15,193)**	**(1,969)**	**(8,159)**

Jan–Dec 2020		Financial instruments according to IFRS 9	
EUR thousand	Total	Financial asset at amortized cost	Financial liabilities at amortized cost
Interest income	2,923	2,258	-
Interest expenses from financial liabilities	(9,002)	-	(7,943)
Other interest expenses	(1,695)	-	-
Net interest income	**(7,774)**	**2,258**	**(7,943)**
Write-ups of financial assets	968	934	-
Impairment of financial assets	(2,185)	(2,170)	-
Exchange rate differences	(2,430)	(1,623)	-
Net profit or loss	**(3,648)**	**(2,859)**	**-**
Financial result	**(11,422)**	**(601)**	**(7,943)**

For details on exchange rate differences in the net financial result, see p. 143

Financial instruments according to IFRS 9				
Fair Value through OCI	**Fair Value through P&L/ Other Derivatives**	**Purchase price allocation**	**Non-current provisions acc. to IAS 19**	**Leases pursuant to IFRS 16**
-	-	-	-	-
-	-	-	(16)	(1,271)
-	(643)	(1,225)	(1,209)	-
-	**(643)**	**(1,225)**	**(1,225)**	**(1,271)**
16	-	-	-	-
(77)	-	-	-	-
03	-	-	-	-
-	-	-	-	-
-	(643)	-	-	-
(58)	**(643)**	**-**	**-**	**-**
(58)	**(1,286)**	**(1,225)**	**(1,225)**	**(1,271)**

Financial instruments according to IFRS 9				
Fair Value through OCI	**Fair Value through P&L/ Other Derivatives**	**Purchase price allocation**	**Non-current provisions acc. to IAS 19**	**Leases pursuant to IFRS 16**
-	643	-	-	21
-	-	-	-	(1,059)
-	-	(1,060)	(635)	-
-	**643**	**(1,060)**	**(635)**	**(1,037)**
-	34	-	-	-
-	(15)	-	-	-
-	(807)	-	-	-
-	**(789)**	**-**	**-**	**-**
-	**(145)**	**(1,060)**	**(635)**	**(1,037)**

(28) Income tax

The tax rate applicable to the parent company PALFINGER AG remains unchanged at 25 percent compared to 2019.

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Effective tax expense (–) / income (+)	(25,186)	(35,926)
thereof from previous years	(470)	702
thereof from the use of previously unused tax loss carry forwards	542	1,121
Deferred income tax expense (–) / income (+)	3,037	844
thereof from previous years	(491)	(287)
thereof from the recognition of tax loss carry-forwards from previous years	-	-
thereof due to tax rate changes	150	(3)
thereof from the adjustment of tax loss carry-forwards	(48)	(2,310)
Income tax	**(22,149)**	**(35,082)**

The difference between the calculated tax expense and the effective tax expense for the fiscal year according to the consolidated income statement is calculated as follows:

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Earnings before income tax	85,095	143,602
Tax rate of the Group	25.0%	25.0%
Calculated tax expense	**21,274**	**35,900**
Adjustment to foreign tax rates	**(-382)**	**(-2,119)**
Tax reduction due to		
Research and education allowances	(-540)	(-750)
Investment grants and other government aid	(-136)	(-714)
Tax rate changes	(-232)	(-235)
Tax-free income from investments reported at equity	(-2,296)	(-6,988)
Reversal of non-taxable provisions	-	(-1,527)
Other tax-reducing factors	(-4,193)	(-761)
Recognition and use of loss carry-forwards from previous years	(-837)	(-1,868)
Taxes not related to an accounting period	(-824)	(-1,645)
Currency conversion	-	(-22)
Reversal of allowances on deferred taxes	(-192)	(-41)
Measurements of investments and intra-group measurements of receivables	(-7,381)	(-4,851)
	(-16,631)	**(-19,401)**
Tax increase due to		
Tax rate changes	157	145
Non-capitalized loss carry-forwards	7,817	13,661
Allowances on loss carry-forwards	48	-
Non-tax-deductible expenses	2,154	2,833
Allocation non-taxable provisions	40	415
Minimum taxes	2	110
Taxes not related to an accounting period	1,970	2,047
Non-deductible withholding taxes	1,090	796
Measurements of investments and intra-group measurements of receivables	3,992	-
Different tax rate	26	-
Other tax-increasing factors	170	59
Allowances for deferred taxes	422	635
	17,888	**20,701**
Income tax	**22,149**	**35,082**

NOTES TO THE CONSOLIDATED BALANCE SHEET

(29) Intangible assets

The development of intangible assets is shown below:

EUR thousand	Goodwill
Acquisition cost	
As at 1/1/2019	229,742
Additions	-
Disposals	-
Reclassifications	-
Foreign currency translation	(12,852)
As at 12/31/2019	**216,890**
As at1/1/2020	216,890
Change in scope of consolidation	3,998
Additions	-
Investment promotion	-
Disposals	-
Reclassifications	-
Foreign currency translation	7,682
As at 12/31/2020	**228,569**
Accumulated depreciation, amortization and impairment	
As at 1/1/2019	82,235
Amortization	-
Disposals	-
Foreign currency translation	-
Foreign currency translation	(4,764)
As at 12/31/2019	**77,471**
As at1/1/2020	77,471
Amortization	-
Impairment losses	-
Disposals	-
Foreign currency translation	3,736
As at 12/31/2020	**81,207**
Carrying amounts	
As at 12/31/2019	**139,419**
As at 12/31/2020	**147,363**

Intangible assets with indefinite useful lives	Development costs	Brands, customer base and order backlog	Other intangible assets	Prepayments	Total
28,234	125,194	84,444	34,092	29	501,735
-	12,420	-	2,881	40	15,341
-	(4,824)	-	(407)	-	(5,231)
-	-	-	116	(29)	87
(2,249)	(2,527)	(5,531)	(842)	-	(24,001)
25,985	**130,263**	**78,913**	**35,840**	**40**	**487,931**
25,985	130,263	78,913	35,840	40	487,931
-	-	8,961	11	-	12,969
-	19,441	-	4,434	63	23,938
-	-	-	(20)	-	-
-	(5,750)	(1,190)	(4,407)	-	(11,347)
-	-	-	387	(40)	347
1,171	1,908	3,235	425	-	14,421
27,156	**145,861**	**89,919**	**36,671**	**63**	**528,239**
					-
					-
7,830	46,661	59,895	24,719	-	221,340
-	11,193	4,849	3,136	-	19,178
11,426	2,939	-	-	-	14,365
-	(3,705)	-	(283)	-	(3,988)
(959)	(1,255)	(4,015)	(646)	-	(11,639)
18,297	**55,833**	**60,729**	**26,926**	**-**	**239,256**
18,297	55,833	60,729	26,926	-	239,256
3,285	12,109	3,683	3,332	-	22,410
-	8,938	3,285	-	-	12,223
-	(5,578)	(1,182)	(4,399)	-	(11,159)
1,034	991	2,757	298	-	8,815
22,616	**72,293**	**69,272**	**26,158**	**-**	**271,545**
7,688	**74,430**	**18,184**	**8,914**	**40**	**248,675**
4,540	**73,568**	**20,647**	**10,513**	**63**	**256,649**

GOODWILL

The goodwill resulting from business combinations relates to the following groups of cash-generating units:

EUR thousand	12/31/2020	12/31/2021
Sales & Service	105,624	112,602
Operations	33,795	34,761
Goodwill	**139,419**	**147,363**

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Intangibleassets with indefinite useful lives result from business combinations and are comprised as follows:

EUR thousand	12/31/2020	12/31/2021
Sales & Service		
INMAN brand	1,244	-
Velmash brand	1,829	-
	3,073	**-**
Operations		
Nimet brand	4,615	4,540
	4,615	**4,540**
Intangible assets with indefinite useful lives	**7,688**	**4,540**

As management intends the continued use of the brand Nimet resulting from business combinations to be indefinite and a useful life cannot therefore be determined, this intangible asset has been assigned an indefinite useful life.

In the 2021 financial year, it was decided to no longer use the INMAN and Velmash brands and to replace them with the uniform PALFINGER brand. These brands were therefore completely written off in the 2021 financial year. The depreciation amounts to EUR 1,330 thousand for INMAN and EUR 1,955 thousand for Velmash and is reported under selling expenses. The recoverability of the other recognized intangible assets with an indefinite useful life was confirmed when performing impairment tests.

The recoverable sum for the groups of cash-generating units is determined based on a value-in-use calculation using cash flow projections covering a five-year period. The cash flows are then extrapolated using a growth rate. The growth rates used for 2021 were 1.27 percent for Sales & Service (previous year: 1.06 percent) and 1.28 percent for Operations (previous year: 1.12 percent). A medium-term plan was drawn up in 2021.

Management determined the values attributable to each of the key assumptions as follows.

Assumption:	**Method used to determine value:**
Unit sales volumes	The unit figures are based on the Sales & Operations Planning process, which is well integrated in the organization. In this process, the sales and production plan is coordinated in monthly cycles on the basis of the available resources. In cycle 9 (September), the basis for the unit figures for the budget of the following year is established. These unit numbers are partly risk-adjusted on the basis of the delivery performance of the previous periods in order to move from motivated sales and production planning to stable budget values. Business models that are not driven by unit numbers (e.g., service) were taken into account based on past experience and management's expectations for the future.
Sales price	The growth rates per product line/sales region taken into account are already known at the time of planning, because price increases have a relatively long lead time. The price development can therefore be planned with relative accuracy.
Contribution margins	These are based on sales prices budgeted for 2022, expected cost increases for human resources and material price changes predicted by purchasing.
Structural costs	Limits for all GPO functions are defined on the basis of run rates, forecasts and known project plans.
CAPEX	The investment volume in relation to consolidated revenue increased significantly following the crisis year 2020 in order to process the backlog of orders and invest in the future.

The discount rates applied correspond to the weighted average cost of capital customary in the market and adjusted to the specific risks on the basis of capital market data available externally and - in comparison to the corresponding discount rates in the previous year are as follows:

	Pre-tax discount rate	
in percent	**2020**	**2021**
Operations	9.5	8.4
Sales & Service	9.4	8.8

A sensitivity analysis showed that if the discount factor were increased by two percentage points, the carrying amounts in all CGUs would still be covered and there would be no need for adjustment. In addition, the sensitivity analysis showed that if EBITs were reduced by 20 percent while all other parameters remained constant, the carrying amounts in all CGUs would still be covered and there would be no need for adjustment. In addition, the sensitivity analysis showed that if the growth rate in the perpetual annuity ceases to apply, the carrying amounts are still covered.

There was no need for impairment loss adjustment identified for cash-generating units that do not include goodwill or intangible assets with indefinite useful lives. There are estimation uncertainties in the assumptions on which the calculation of the value-in-use for the cash-generating units is based. The gross profit margins are determined using the values that are incorporated into the rolling planning based on the experience of the current year. Corporate planning is therefore based on past results as well as current assessments of future market developments.

DEVELOPMENT COSTS
In the fiscal year2021 , PALFINGER capitalized internally generated intangible assets in the form of development costs in the amount of EUR 19,441 thousand (previous year: EUR 12,420 thousand).

Due to a deterioration in the expected sales figures, impairment tests were carried out for capitalized development costs. The impairment losses resulting from this are EUR 9 thousand with the largest items relating to the product lines AWP (EUR 6,170 thousand), Boats & Davits (EUR 2,428 thousand) and Special Solutions (EUR 300 thousand).

(30) Property, plant and equipment

The development of property, plant and equipment is shown below:

EUR thousand	Land and buildings
Acquisition cost	
As at 1/1/2020	273,728
Additions	6,617
Disposals	(3,078)
Reclassifications	8,416
Foreign currency translation	(10,757)
As at 12/31/2020	**274,926**
As at 1/1/2021	274,926
Changes in scope of consolidation	6,069
Additions	37,709
Investment promotion	(16)
Disposals	(7,620)
Reclassifications	9,846
Foreign currency translation	3,907
As at 12/31/2021	**324,820**
Accumulated depreciation, amortization and impairment	
As at 1/1/2020	91,665
Depreciation	9,500
Impairment losses	70
Disposals	(1,638)
Reclassifications	48
Foreign currency translation	(3,454)
As at 12/31/2020	**96,191**
As at 1/1/2021	96,191
Changes in scope of consolidation	-
Depreciation	10,462
Impairment losses	14
Disposals	(6,738)
Write-ups	(14)
Reclassifications	(1,714)
Foreign currency translation	1,663
As at 12/31/2021	**99,865**
Carrying amounts	
As at 12/31/2020	**178,735**
As at 12/31/2021	**224,956**

Right-of-use assets	Undeveloped land	Plant and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
70,107	1,689	273,856	137,594	33,904	790,878
11,225	-	6,468	14,012	21,212	59,534
(3,283)	-	(3,313)	(9,030)	(430)	(19,134)
-	-	10,126	1,095	(19,724)	(87)
(1,681)	-	(12,797)	(4,939)	(1,878)	(32,052)
76,368	**1,689**	**274,340**	**138,732**	**33,084**	**799,139**
76,368	1,689	274,340	138,732	33,084	799,139
1,011	-	(172)	(113)	50	6,845
8,255	-	11,895	14,974	45,079	117,911
-	-	-	(617)	(2,083)	
(21,117)	-	(13,513)	(14,211)	(1)	(56,462)
-	-	16,389	3,433	(34,858)	(5,190)
1,275	-	4,324	3,172	434	13,112
65,793	**1,689**	**293,263**	**145,369**	**41,704**	**872,639**
					-
					-
10,964	84	173,942	85,254	1,296	363,205
11,384	-	17,881	15,998	-	54,763
-	-	-	-	-	70
(2,224)	-	(2,572)	(7,245)	-	(13,679)
-	-	1,104	(1,152)	-	-
(435)	-	(8,311)	(3,117)	(380)	(15,697)
19,689	**84**	**182,044**	**89,738**	**916**	**388,662**
19,689	84	182,044	89,738	916	388,662
-	-	(170)	(99)	-	(269)
11,743	-	15,886	15,939	-	54,031
-	-	-	-	-	14
(5,523)	-	(11,527)	(11,596)	-	(35,383)
-	-	(5)	(30)	-	(49)
-	-	(44)	44	-	(1,714)
508	-	3,595	1,988	10	7,764
26,418[0]	**84[0]**	**189,778[0]**	**95,985[0]**	**926**	**413,055**
56,679	**1,605**	**92,296**	**48,994**	**32,168**	**410,477**
39,375	**1,605**	**103,486**	**49,384**	**40,778**	**459,584**

The additions mainly relate to the expansion of production capacities in Austria, Bulgaria, Russia as well as replacement investments.

Land and buildings include land values of developed properties amounting to EUR 46,897 thousand (previous year: EUR 33,005 thousand). Prepayments and assets under construction as at balance sheet date include assets under construction with acquisition and manufacturing costs amounting to EUR 32,610 thousand (previous year: EUR 29,072 thousand).

In 2012, an option contract was signed that entitles PALFINGER to acquire five and ten years respectively after repurposing of the land (i.e. the first time was in October 2018) a further approx. 19,000 m^2 adjoining the site of the new Group headquarters. The price for exercising the option to acquire these additional plots of land amounts to EUR 4,353 thousand plus an inflation compensation fee up until the exercise date.

In the reporting period, as in the previous year no borrowing costs were capitalized on qualifying assets.

In the fiscal year 2021 , government grants amounting EUR 2.717 thousand were recognized in accordance with IAS 20 as a reduction of acquisition or production costs.

Non-current assets held for sale amounting to EUR 3,128 thousand relate to two properties in Korea and Russia, which will be sold in 2022 and affect the Operations segment. The property in Korea is valued at the agreed sales price less costs to sell. The resulting devaluation amounts to EUR 911 thousand. The property in Russia is valued at the carrying amount and no profit or loss is recorded.

As at December 31, 2021, no property, plant and equipment (previous year: none) has been pledged as collateral for debt.

(31) Leases

The right-of-use accounted for in accordance with IFRS 16 is shown in the balance sheet under property, plant and equipment. The leasing liabilities are shown in the balance sheet under non-current and current financial liabilities. The following changes are recorded for the right-of-use reported under property, plant and equipment:

Rights of use 2020

in TEUR	Land and buildings	Equipment and machinery	Operating and office equipment	Vehicles	Total
As at 1/1/2020	53,643	1,091	171	4,238	59,143
Additions	8,062	96	104	2,963	11,225
Depreciation, amortization and impairment	(8,403)	(468)	(175)	(2,338)	(11,384)
Disposals	(553)	(27)	-	(479)	(1,059)
Foreign currency translation	(1,222)	(4)	-	(20)	(1,246)
As at 12/31/2020	**51,527**	**688**	**100**	**4,364**	**56,679**

Rights of use 2021

in TEUR	Land and buildings	Equipment and machinery	Operating and office equipment	Vehicles	Total
As at 1/1/2021	51,527	688	100	4,364	56,679
Additions	5,258	95	735	3,179	9,267
Depreciation, amortization and impairment	(8,829)	(294)	(161)	(2,461)	(11,745)
Disposals	(15,318)	(47)	-	(229)	(15,594)
Foreign currency translation	758	3	-	7	768
As at 12/31/2021	**33,396**	**445**	**674**	**4,860**	**39,375**

The following changes are recorded for the current and non-current lease liabilities:

Leases

EUR thousand	2020	2021
As at 1/1	59,615	57,602
Exchange rate difference	(1,556)	971
Additions	11,225	9,267
Disposals	(918)	(15,732)
Interest expenses	1,218	1,060
Payments	(11,982)	(12,628)
As at 12/31	**57,602**	**40,540**
of which current	10,884	10,317
of which non-current	46,718	30,223

The consolidated income statement contains the following amounts from leases.

EUR thousand	2020	2021
Depreciation on right-of-use assets	(11,384)	(11,744)
Interest expenses for lease liabilities	(1,218)	(1,060)
Expense for leases for which the underlying asset is of low value, accounted for according to IFRS 16.6	(417)	(578)
Expenses for current leases, accounted for according to IFRS 16.6	(1,152)	(1,131)
Income from the subleasing of right-of-use assets	119	138
Recognized in profit or loss	**(14,052)**	**(14,375)**

The total cash outflows for leases in the fiscal year 2021 were EUR 14,337 thousand (previous year: EUR 13,552 thousand).

The right-of-use reported for leasing activities mainly relate to rents for various office, production and warehouse buildings, land and company vehicles. The contract terms depend on the underlying right-of-use and include renewal and termination options. The lease payments for such options are included in the lease liability if renewal is reasonably certain or it is unlikely that the right to terminate the contract will be exercised.

The potential future cash outflows from non-exercised renewal options in the next five and ten years relate to options on land and building leases.

Lease payments from non exercised option

	12/31/2020	12/31/2021
Up to 5 years	3,300	4,573
Up to 10 years	7,739	7,572

As at December 31, 2020, the exercise of the renewal options is not reasonably certain.

There are no significant residual value guarantees or restrictions on right-of-use assets.

(32) Interests in entities reported at equity

The group of companies included in the consolidated financial statements reported at equity is shown in the overview of shareholdings.

EUR thousand	2020	2021
As at 1/1	155,112	49,944
Additions	0	917
Increase in capital	-	366
Share in the net result for the period	9,183	13,961
Dividends	(5,264)	(4,135)
Foreign currency translation	(4,221)	3,543
Reclassification	(104,866)	0
As at 12/31	**49,944**	**64,596**

The reclassification in 2020 relates to the 7.5 percent interest in SANY Automobile Hoisting Machinery in the segment Operations and Sales & Service, which is classified as held for sale in accordance with IFRS 5. See also the Note on page 123. The reclassified shares were measured at their carrying amount of EUR 104,866 thousand and no profit or loss was recorded. The income from disposal of the shares in SANY Automobile Hoisting Machinery in 2021 in the amount of EUR 9,727 thousand and the gain on exchange from the recycling of currency translation grains from OCI in amount of EUR 4,228 thousand were recognized in the income from companies reported at equity.

The additions relate to the newly founded joint venture Palfinger Neptune Co. Ltd., China and Jetfly Airline GmbH, Austria.

The following tables contain summarized financial information on associated companies and joint ventures reported at equity that are material for the Group; in each case, the figures refer to 100 percent and not to PALFINGER's share in the companies.

	Palfinger France S.A.S.		**Sany Palfinger SPV Equipment Co., Ltd.**[1)]	
EUR thousand	**Jan–Dec 2020**	**Jan–Dec 2021**	**Jan–Dec 2020**	**Jan–Dec 2021**
Revenue	187,146	211,748	63,986	79,260
Total comprehensive income				
Profit (loss)	13,107	10,759	3,824	8,266
Other comprehensive income after income tax	-	-	(1,276)	6,356
	13,107	**10,759**	**2,548**	**14,622**

	Palfinger France S.A.S.		**Sany Palfinger SPV Equipment Co., Ltd.**[1)]	
EUR thousand	**12/31/2020**	**12/31/2021**	**12/31/2020**	**12/31/2021**
Non-current assets	5,976	7,415	8,080	10,277
Current assets	98,194	104,663	79,849	105,639
Non-current liabilities	2,159	15,870	(34)	(37)
Current liabilities	54,739	43,416	37,199	50,485
Net assets	**47,272**	**52,792**	**50,763**	**65,468**

EUR thousand	Palfinger France S.A.S. 2020	Palfinger France S.A.S. 2021	Sany Palfinger SPV Equipment Co., Ltd.[1)] 2020	Sany Palfinger SPV Equipment Co., Ltd.[1)] 2021
Shares/voting rights	49%	49%	50%	50%
Carrying amount as of 1/1	**19,093**	**21,498**	**24,085**	**25,359**
Impairment loss	-	-	-	-
Share in the net result for the period	6,422	5,272	1,912	4,133
Foreign currency translation	-	-	(638)	3,178
Dividends	(4,017)	(3,390)	-	-
Reclassification	-	-	-	-
Carrying amount as at 12/31	**21,498**	**23,380**	**25,359**	**32,670**
thereof goodwill	-	-	-	-
thereof downstream sales	(1,440)	(2,202)	(22)	(65)
thereof pro–rata net assets	22,938	25,581	25,381	32,715

1) As at the balance sheet date, the company had cash and cash equivalents of EUR 1,922 thousand (previous year: EUR 279 thousand) and no financial liabilities, as well as depreciation and amortization of EUR 406 thousand (previous year: EUR 471 thousand), interest income of EUR 183 thousand (previous year: EUR 153 thousand) and a tax expense of EUR – 406 thousand (previous year: EUR – 1,911 thousand).

Palfinger France S.A.S. is a dealership for PALFINGER products in France. Sany Palfinger SPV Equipment Co., Ltd. is a manufacturing and distribution company in China.

The following table contains summarized financial information on associated companies and joint ventures reported at equity that are not material for the Group; the figures refer to PALFINGER's share in the companies.

EUR thousand	Associated companies 2020	Associated companies 2021	Joint ventures 2020	Joint ventures 2021
Carrying amounts of shares	3,087	6,367	-	2,179
Total comprehensive income				
Result after income tax	1,748	2,513	-1,455	2,043
Other comprehensive income after income tax	-537	228	-362	136
	1,211	**2,741**	**-1,817**	**2,179**

(33) Deferred tax assets and liabilities

EUR thousand	12/31/2020	12/31/2021
Non-current assets		
Intangible assets – different useful lives	288	2,500
Intangible assets – tax-deductible goodwill	164	203
Property, plant and equipment – different useful lives	808	797
Property, plant and equipment - IFRS 16 effect	109	155
Non-current financial assets – impairment losses on untaxed financial assets	27,122	24,763
Other non-current assets	(308)	3
	28,183	**28,422**
Current assets		
Inventories – elimination of intercompany profits, tax-related measurement differences in manufacturing costs	7,372	8,907
Trade receivables – tax-related measurement differences in impairment allowances	1,457	2,263
Other current assets – untaxed severance payments	444	475
	9,273	**11,645**
Non-current liabilities		
Non-current financial liabilities — Lease liabilities	4,476	4,738
Non-current provisions - different approaches provisions for employee IAS 19	10,543	9,755
Other non-current liabilities	205	335
	15,224	**14,829**
Current liabilities		
Current financial liabilities – essentially lease financing	9,633	4,914
Current provisions – essentially Warranty provisions recognized at different rates	2,647	3,057
Trade payables and other current liabilities	1,376	4,472
	13,655	**12,443**
Deferred tax assets	**66,335**	**67,339**

EUR thousand	12/31/2020	12/31/2021
Non-current assets		
Intangible assets – acquisitions, development costs	(25,330)	(27,953)
Property, plant and equipment – different useful lives	(5,547)	(6,910)
Property, plant and equipment - IFRS 16 effect	(13,426)	(9,355)
Non-current financial assets	(1,384)	(3,974)
	(45,687)	**(48,192)**
Current assets		
Inventories – tax-related measurement differences in manufacturing costs	(256)	(445)
Trade receivables – Contract manufacturing (POC)	(1,804)	(1,638)
Other current assets – tax-related measurement differences	(1,822)	(1,161)
	(3,882)	**(3,244)**
Non-current liabilities		
Non-current financial liabilities — Tax-related measurement differences	(78)	(96)
Non-current provisions	(145)	(230)
	(223)	**(327)**
Current liabilities		
Current financial liabilities	-	(46)
Current provisions – essentially Warranty provisions recognized at different rates	(345)	(288)
Trade payables and other current liabilities	(707)	(294)
	(1,052)	**(628)**
Deferred tax liabilities	**(50,844)**	**(52,391)**

EUR thousand	12/31/2020	12/31/2021
Deferred tax assets	66,335	67,339
Deferred tax liabilities	(50,844)	(52,391)
Deferred tax assets on loss carry forwards	6,218	3,364
Deferred taxes	**21,709**	**18,312**
thereof deferred tax assets accounted for	30,045	25,223
thereof deferred tax liabilities accounted for	(8,336)	(6,911)

The deferred tax expense and income reported in the consolidated statement of comprehensive income (income statement or statement of comprehensive income) in accordance with IAS 12.81 g) ii) is calculated as follows:

EUR thousand	2020	2021
As at 1/1	17,322	21,708
Charged/Credited		
due to profit or loss	3,037	844
due to other result	1,350	(1,657)
directly in equity	-	-
Acquisition of subsidy	(1)	(2,583)
As at 12/31	**21,708**	**18,312**

The tax loss carry-forwards are composed as follows:

	Non-capitalized loss carry-forwards		Capitalized loss carry-forwards	
EUR thousand	12/31/2020	12/31/2021	12/31/2020	12/31/2021
One year	1,975	1,209	-	48
Two years	2,412	5,795	234	449
Three years	2,428	3,789	1,158	1,006
Four years	3,921	7,380	608	593
Five years	6,075	6,857	801	263
More than five years	61,280	71,893	16,312	99
Loss carry-forwards subject to expiry	**78,091**	**96,922**	**19,113**	**2,458**
Loss carry-forwards not subject to expiry	**75,839**	**108,929**	**5,598**	**9,026**
	153,930	**205,851**	**24,711**	**11,484**

Within the Group, no related deferred tax assets of EUR 49,456 thousand (previous year: EUR 37,235 thousand) are recognized for tax loss carryforwards of EUR 205,851 thousand (previous year: EUR 153,930 thousand) because their effectiveness as a final tax relief in the context of medium-term planning is not yet sufficiently assured is. Of this, non-capitalized deferred taxes essentially relate to the tax group in the USA at EUR 20,150 thousand (previous year: EUR 11,526 thousand) and the companies included in the tax consolidation in Norway at EUR 12,417 thousand (previous year: EUR 12,123 thousand). Substantial indications of sufficient taxable income as a result of losses in previous financial years cannot be proven with sufficient certainty as of the reporting date.

For temporary differences in the amount of EUR 554,324 thousand (previous year: EUR 431,623 thousand) from investments in subsidiaries and joint ventures, there are deferred tax liabilities as at December 31, 2021 amounting to EUR 79,913 thousand (previous year: EUR 61,345 thousand). In accordance with IAS 12.39, no deferred tax liabilities are recognized, because PALFINGER is able to control the timing and these temporary differences will not reverse in the foreseeable future.

The capitalization of deferred taxes amounting to EUR 129 thousand (previous year: EUR 503 thousand) on loss carry forwards and interest carry-forwards totaling EUR 586 thousand (previous year: EUR 2,023 thousand) is made in the amount of the taxable temporary differences that exist with respect to the same tax authority and the same taxable entity. The resulting future taxable income is expected to be offset against losses or interest carry-forwards. For all other capitalized deferred taxes on loss and interest carry-forwards, it is assumed based on the taxable results forecast by planning calculations that these loss and interest carry-forwards can be used before they expire.

For tax losses of EUR 11,484 thousand (previous year: EUR 24,712 thousand) and temporary differences, deferred taxes on temporary differences and tax loss carryforwards of EUR 3,235 thousand (previous year: EUR 5,715 thousand) are capitalized without these being offset by deferred tax liabilities in the corresponding amount. After losses in the current financial year or in the previous year, the companies concerned expect positive taxable income in the future. PALFINGER assumes that the companies' future taxable income will probably be sufficient to be able to realize these deferred tax assets. Of this amount, deferred taxes of EUR 2,280 thousand (previous year: EUR 728 thousand) are attributable to loss carryforwards in Brazil, as sufficient positive taxable income can be expected on the basis of planning calculations and taxable profits have already been achieved in previous taxation periods.

(34) Non-current financial assets

Non-current financial assets are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Loans	12,968	4,908
Financial receivables from related parties	-	7,697
Securities	1,407	1,409
Deposits at banks	160	141
Other shareholdings	74	76
Non-current financial assets	**14,608**	**14,232**

Securities consist of shares in investment funds and bonds for the legally obligatory security of provisions for personnel.

In the previous year, the loans included a receivable from the estate of Hubert Palfinger senior in the amount of EUR 18,000 thousand (of which EUR 10,629 thousand was non-current and EUR 7,371 thousand current). Due to the transfer of the claim to the default guarantors Hubert Palfinger and Hannes Palfinger, the claim as of December 31, 2021 in the amount of EUR 12,296 (of which EUR 7,697 thousand is non-current and EUR 4,599 thousand is current) is reported as a financial receivable from Related Parties (see also Note (57)) .

(35) Other non-current assets

The non-current assets are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Reimbursement rights and other receivables	2,985	5,399
Accrued expenses	375	746
Other non-current assets	**3,360**	**6,145**

Reimbursement rates relate, among other things, to surrender rights for life insurance policies that do not meet the requirements for offsetting against pension provisions in accordance with IAS 19.

(36) Inventories

The inventories are composed as follows:

EUR thousand	12/31/2020	12/31/2021
Raw materials, consumables and supplies	129,270	218,965
Work in progress	92,552	130,372
Finished goods and merchandise	87,751	88,510
Prepayments	2,182	7,115
Inventories	**311,755**	**444,962**

Inventories amounting to EUR 612 thousand (previous year: EUR 648 thousand) are measured at net realizable value.

In the fiscal year 2021 , impairment losses on inventories amounting to EUR 2,983 thousand (previous year: EUR 5,103 thousand) and reversals of impairment losses from inventories deemed obsolete amounting to EUR 2,585 thousand (previous year: EUR 975 thousand) were reported in cost of sales.

(37) Trade receivables and contract assets from customer contracts

The trade receivables are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Receivables from contract manufacturing and rendering of services	37,588	27,153
Invoiced receivables	191,508	264,255
Trade receivables and contract assets from customer contracts	**229,096**	**291,408**

Since 2014, PALFINGER AG and selected Austrian and German subsidiaries of the PALFINGER Group have had a factoring contract with an Austrian bank. This contract was extended in 2019 to include selected Spanish, Portuguese and Romanian subsidiaries. In 2020, a factoring program similar to the one implemented in Europe was introduced in the USA. Five companies are covered by the program. An Austrian banking group was appointed to implement the US program. Within the framework of the factoring contract, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 90,000 thousand (previous year: EUR 90,000 thousand), or USD 50,000 thousand (previous year: USD 50,000 thousand). Receivables sold in connection with the factoring contract as at balance sheet date December 31, 2021 amount to EUR 47,986 thousand (previous year: EUR 39,236 thousand). The receivables were not fully derecognized as all opportunities and risks associated with the receivables sold were neither transferred nor retained. The assessment of the risks resulting from the receivables sold is basically based on the default risk and the late payment risk. Up to a contractually defined amount, PALFINGER continues to bear a risk from credit risk-related defaults. As at the reporting date 31 December 2021, the resulting maximum risk of loss amounts to EUR 956 thousand (previous year: EUR 805 thousand) and corresponds to the maximum retention. The overall risk from the receivables portfolio is covered on the balance sheet by the allowances and the provision for the default reserve.

The recognition of the expected loss as an expense primarily reflects the effect on profit or loss for the reporting period.

Trade receivables include receivables in accordance with IFRS 15 amounting to EUR 262,985 thousand (previous year: EUR 190,462 thousand).

Trade receivables are normally due within 120 days, while contract assets from customer contracts usually have payment schedules with milestone payments. Receivables from contract manufacturing and rendering of services, which are subject to revenue recognition over time in accordance with IFRS 15, are reported separately in the balance sheet under the item "Contract assets from customer contracts" due to the provisions of IFRS 15.

The Group uses the simplified approach according to IFRS 9 to measure expected credit losses. As a result, the credit losses expected over the duration are used for all trade receivables and contract assets.

For the purpose of measuring expected credit losses, trade receivables were aggregated on the basis of common risk characteristics and days overdue. Contract assets relate to work in progress that has not yet been invoiced and have essentially the same risk parameters as trade receivables. The Group therefore assumes that the expected loss rates for trade receivables represent a reasonable approximation of the loss rates for contract assets.

The development of contract assets from customer contracts is shown below:

EUR thousand	2020	2021
As at 1/1	**35,693**	**37,808**
Addition due to PoC progress	82,235	75,078
Progress billings	(78,525)	(86,838)
Accumulated adjustment	206	(227)
Foreign currency translation	(1,801)	1,742
As at 12/31	**37,808**	**27,563**
Recorded impairment	(220)	(410)
Contract assets incl. impairments	**37,588**	**27,153**

The risk from expected loss rates is accounted for by an allowance amounting to EUR 12,294 thousand (previous year: EUR 13,569 thousand). The allowance relates primarily to trade receivables and contract assets from customer contracts. The development of the valuation allowance is shown below:

	Specific valuation allowances on receivables		**General specific valuation allowances on receivables**	
EUR thousand	**2020**	**2021**	**2020**	**2021**
As at 1/1	8,426	8,744	5,080	4,825
Change in Scope	-	268	-	(1)
Allocation	3,097	844	3,196	3,644
Use	(1,119)	(1,662)	(269)	(540)
Reversal	(530)	(1,506)	(2,739)	(2,942)
Reclassification	(12)	12	5	(12)
Foreign currency translation	(1,118)	418	(448)	202
As at 12/31	**8,744**	**7,118**	**4,825**	**5,176**

(38) Current financial assets

Current financial assets are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Derivative financial instruments	1,365	376
Receivables from associated companies	-	1,391
Receivables from related parties	-	4,599
Other financing receivables	7,566	54
Current financial assets	**8,931**	**6,420**

Financing to entities reported at equity includes a short-term loan to Jetfly Airline GmbH in the amount of EUR 1,360 thousand (previous year: EUR 0 thousand). The receivables from related parties exist against Hubert and Hannes Palfinger (see also note (57)).

(39) Other current receivables and assets

Other current receivables and assets are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Receivables relating to social security and other taxes	14,813	22,057
Other receivables	16,660	41,000
Accrued expenses and compensation payments	8,024	14,128
Receivables from entities reported at equity	38	242
Other current receivables and assets	**39,535**	**77,427**

Other receivables include receivables from the factor resulting from the sale of trade receivables (see also Note (37) for more information) as well as receivables from public authorities. Other receivables include EUR 15,143 thousand from SANY HEAVY INDUSTRIES from the sale of the shares in Sany Automobile Hoisting Machinery (see also the scope of consolidation, page 91).

(40) Cash and cash equivalents

Cash and cash equivalents are current financial resources and are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Cash on hand	124	150
Deposits at banks	104,074	39,684
Cash and cash equivalents	**104,198**	**39,834**

As at December 31, 2021, there are restrictions on the disposal of cash and cash equivalents amounting to EUR 6.0 million (previous year: EUR 6.2 million).

(41) Share capital

The share capital is divided into 37,593,258 no-par value shares (previous year: 37,593,258); all shares issued have been fully paid.

The development of the shares in circulation is as follows:

Shares	**2020**	**2021**
As at 1/1	37,593,258	37,593,258
Addition of own shares	-	(2,826,516)
As at 12/31	**37,593,258**	**34,766,742**

(42) Share premium

The share premium relates to appropriated and unappropriated additional paid-in capital.

(43) Treasury Shares

As at December 31, 2021, the number of treasury shares amounted to 2,826,516 shares (previous year: 0 units).

The actual transfer of treasury shares is expected to take place in Q2 2022.

The Executive Board was authorized by the Annual General Meeting on April 7, 2021 in accordance with Sec. 65 para. 1 sentence 8 as well as para. 1a and 1b of the Austrian Stock Corporation Act to acquire no-par value shares of the company representing up to 10 percent of the company's share capital for a period of 30 months from September 20, 2021, both through the stock exchange as well as off-exchange for a minimum consideration of EUR 10 per share and a maximum consideration of EUR 100 per share. The Executive Board of PALFINGER AG can decide to acquire shares on the stock exchange, but the Supervisory Board must be informed of this decision after it has been taken. Off-market acquisition of shares is subject to the prior approval of the Supervisory Board. In the case of an off-market acquisition of shares, this can also be executed with the exclusion of the right to sell on a pro rata basis. Trading in treasury shares is excluded as a purpose for acquiring shares. The authorization may be exercised in whole or in part or in several installments and in pursuit of several purposes by the company, by a subsidiary, or by third parties for the account of the company.

The Executive Board is authorized for a period of five years in accordance with Sec. 65 para. 1b of the Stock Corporation Act, with the consent of the Supervisory Board, to provide for the sale or use of treasury shares other than selling them on the stock exchange or by public offer, while applying the provisions relating to the exclusion of shareholders' subscription rights. The authorization may be exercised in whole or in part or in several installments and in pursuit of several purposes by the company, by a subsidiary, or by third parties for the account of the company.

(44) Currency translation reserve

The foreign currency translation of the consolidated companies as well as that of the companies reported at equity are included in the reserve. The change in currency conversion reserve is broken down below according to currency:

EUR thousand	2020	2021
AED	(1,026)	471
BRL	(5,570)	322
GBP	(97)	58
NOK	(3,104)	1,207
RMB	(3,449)	(642)
RUB	(18,510)	5,439
USD	(12,568)	10,530
Other	(4,110)	(99)
Currency translation reserve	**(48,434)**	**17,286**

(45) Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing consolidated net result by the weighted average number of shares outstanding. The weighted average number of shares outstanding in fiscal year 2021 amounted to 37,477,102 shares (previous year: 37,593,258 shares).

Based on the consolidated net result of EUR 86,563 thousand (previous year: EUR 49,789 thousand), undiluted earnings per share amount to EUR 2.31 (previous year: EUR 1.32). The diluted earnings per share are the same as the undiluted earnings per share.

(46) Retained earnings

The accumulated results fell by EUR -274 thousand (previous year: EUR 0 thousand) due to the exercise of the call option for a further 25 percent in the PALFINGER Iberica Group.

DIVIDEND PER SHARE

The following dividends were resolved and paid to PALFINGER AG's shareholders:

in TEUR	Total EUR thousand	Number of shares	Dividend per share
Dividend resolved for the fiscal year 2020 (Annual General Meeting of April 7, 2021)	16,917	37,593,258	0.45
Dividend resolved for the fiscal year 2019 (Annual General Meeting of August 5, 2020)	13,158	37,593,258	0.35

The net profit for 2021 reported in the annual financial statement of PALFINGER AG in accordance with the Austrian Commercial Code (UGB) is distributed as follows:

EUR thousand	
Net profit 2021 of PALFINGER AG	–934
Retained profits brought forward from 2020	250,817
Total net profit	**249,883**
Proposed dividend (EUR 0.77 per share)	28,947
Remaining accumulated profit	**220,936**

The dividend to be proposed by the Executive Board and Supervisory Board to the Annual General Meeting on March 24, 2022 will be EUR 0.77 per share.

(47) Valuation reserve according to IFRS 9

As in the previous year, the valuation reserve according to IFRS 9 only includes reserves from cash flow hedges and gains and losses from the effective portion of cash flow hedges. The accumulated gain or loss on a hedging instrument allocated to the reserve is not transferred to the income statement until the hedged transaction affects profit or loss. The development of the cash flow hedging reserve is shown below (after tax):

EUR thousand	2020	2021
As at 1/1	**(2,238)**	**(1,392)**
Changes in unrealized profits (+)/losses (–)		
Interest rate swap contracts	(569)	(334)
Currency forward contracts	(169)	529
	(738)	**195**
Changes in realized gains (+)/losses (–)		
Interest rate swap contracts	1,161	(180)
Currency forward contracts	423	793
	1,584	**613**
Change	**846**	**808**
As at 12/31	**(1,392)**	**(584)**

(48) Non-controlling interests

The table below shows summarized financial information before intra-group eliminations for each subsidiary with material non-controlling interests:

12/31/2020

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Net assets					
Non-current assets	1,640	13,120	11,172	35,468	6,300
Current assets	9,292	52,386	29,069	14,382	25,809
Non-current liabilities	248	1,070	4,279	813	1,978
Current liabilities	5,483	33,696	8,955	16,477	11,556
	5,201	**30,740**	**27,007**	**32,560**	**18,575**
Non-controlling interests					
Shares/voting rights	30%	35%	25%	40%	35%
Carrying amount	1,169	10,948	7,434	12,599	6,447

12/31/2021

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger comércio e aluguer de máquinas, S.A.	Nimet Srl	Guima Palfinger S.A.S.
Net assets					
Non-current assets	2,777	12,627	645	37,911	6,528
Current assets	14,798	72,372	7,688	32,211	33,534
Non-current liabilities	199	1,037	436	785	1,533
Current liabilities	9,645	46,284	2,647	22,646	16,168
	7,732	**37,677**	**5,249**	**46,691**	**22,360**
Non-controlling interests					
Shares/voting rights	30%	35%	40%	40%	35%
Carrying amount	1,941	13,878	2,099	18,257	7,772

Jan–Dec 2020

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Ibérica Group	Nimet Srl	Guima Palfinger S.A.S.
Cash flow					
Cash flows from operating activities	1,213	18,510	15,459	11,422	2,125
Cash flows from investing activities	(187)	1,466	(35)	(2,961)	2,059
Cash flows from financing activities	(51)	(19,977)	(15,097)	(8,506)	(4,237)
Non-controlling interests					
Profit/loss attributable	827	6,295	1,442	2,005	1,178
Share of other comprehensive income	(457)	(2)	-	(222)	17
Dividends	131	8,400	564	1,376	1,399

Jan–Dec 2021

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger comércio e aluguer de máquinas, S.A.	Nimet Srl	Guima Palfinger S.A.S.
Cash flow					
Cash flows from operating activities	2,356	31,757	357	18,027	5,326
Cash flows from investing activities	(1,314)	(12,844)	(70)	(7,425)	(1,997)
Cash flows from financing activities	(362)	(18,911)	(665)	(10,092)	(3,176)
Non-controlling interests					
Profit/loss attributable	1,237	9,215	1,022	6,555	2,220
Share of other comprehensive income	147	16	-	(225)	153
Dividends	613	6,802	150	672	1,049

The net assets of EPSILON Kran GmbH are restricted to the extent that a transfer of shares may only take place with the consent of the minority shareholder and that deviation from the existing agreement regarding a linear maximum distribution in relation to the equity ratio is subject to mutual agreement.

The net assets of Guima Palfinger S.A.S. are restricted to the extent that deviation from the existing agreement regarding a minimum distribution as a percentage of the annual profit is subject to mutual agreement.

In the case of the remaining immaterial non-controlling interests, distribution agreements also exist, or distributions can only be resolved with the mutual agreement of the minority shareholders.

The minorities in the Palfinger Iberica Group were acquired in the 2021 financial year and there is now a minority interest in the individual company Palfinger comércio e aluguer de máquinas, S.A. in Portugal of 40 percent (previous year: 55 percent).

(49) Financial liabilities

EUR thousand	12/31/2020	Durations
Promissory note loan	285,000	1 - 8 years
Equity financing and bilateral loans	122,567	1 - 5 years
Lease liabilities	46,718	1 - 22 years
Other non-current financial liabilities	1,786	-
Non-current financial liabilities	**456,071**	

EUR thousand	12/31/2021	Durations
Promissory note loan	203,000	1 - 7 years
Equity financing and bilateral loans	113,783	1 - 4 years
Lease liabilities	30,223	1 - 21 years
Other non-current financial liabilities	574	-
Non-current financial liabilities	**347,580**	

EUR thousand	12/31/2020	12/31/2021
Promissory note loans	24,000	73,543
Equity financing and bilateral loans	23,783	98,678
Lease liabilities	10,884	10,317
Other current financial liabilities	10,016	6,860
Current financial liabilities	**68,682**	**189,398**

Deferred interest expenses are included in the current financial liabilities.

The average interest rate represents the interest burden as at December 31, 2021 after taking into account interest rate hedges as a percentage in relation to the carrying amount of the financial liabilities as at December 31, 2021 and amounts to 1.13 percent (previous year: 1.33 percent).

(50) Purchase price liabilities from acquisitions

The development of purchase price liability from acquisitions is shown below:

EUR thousand	2020	2021
As at 1/1	11,090	12,112
Allocation	325	1,270
Interest effect	1,225	1,059
Redemption	(528)	(12,420)
Addition	-	11,143
As at 12/31	**12,112**	**13,164**

The contingent consideration from 2016 for the acquisition of the MYCSA Group (Palfinger Ibérica) was settled in the third quarter of 2021. The Amount is included in the redemption of the purchase price liabilities.

A purchase price liability for the acquisition of Palfinger Structural Inspection GmbH amounting to EUR 1,056 thousand was incurred in the fiscal year 2019. EUR 528 thousand of that was settled in 2019 and 2020 is included in the repayment of the purchase price liabilities in 2020.

The additions relate to new acquisitions in the fiscal year 2021. There are contingent considerations for Hinz and Equipdraulic, which depend on future earnings before interest and taxes of the units and will be due in 2023. The maximum amount of the payment for the contingent consideration for the acquisition of Hinz is unlimited.

The carrying amount at the reporting date was EUR 11,555 thousand for Hinz (previous year: 0 TEUR) and EUR 1,285 thousand for Equipdraulic (previous year: 0 TEUR).

For the Level 3 carrying amounts, the following valuation method and inputs were used to determine fair values:

Purchase price liabilities	Valuation method	Inputs
MYCSA Group	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in SEK
Equipdraulic	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in EUR

Sensitivity analysis for significant inputs in determining fair values as at December 31, 2021 and 2020:

Change in fair value

		In the event of an increase		In the event of a decrease	
EUR thousand	Change in assumption	2020	2021	2020	2021
Interest rate	+/– 1 %	(27)	(149)	27	137
Forecasted result	+/– 10%	0	1,155	0	(1,155)

(51) Non-current provisions

Non-current provisions are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Pension provisions	12,914	10,772
Provisions for severance payments	30,885	32,407
Anniversary bonus provisions	9,023	9,427
Other non-current provisions	15,375	18,824
Non-current provisions	**68,197**	**71,429**

PENSION PROVISIONS

On the basis of individual contractual provisions, PALFINGER is obligated to grant a retirement allowance to some employees from the date they retire. The amount of this pension is determined based on the length of service and the level of remuneration at the time of retirement.

The evaluation was based on the following parameters:

	Age of retirement		Interest rate (p.a.)		Pension increase (p.a.)	
	2020	2021	2020	2021	2020	2021
Germany	63-65 years	63-65 years	0.04% - 0.56%	0.46% - 0.98%	1.5%	1.5%
France	65 years	65 years	0.27%	0.84%	2.5%	2.5%
Austria	65 years	65 years	0.36% - 0.60%	0.76% - 1.00%	1.7%	1.7%

The change in the interest rate is based on reassessment due to the changed market conditions.

As at December 31, 2021, the average duration of the defined benefit obligations from pension commitments is 13.18 years (previous year: 14.19 years). For the fiscal year 2022, expected contributions to pension obligations amount to EUR 214 thousand (previous year: EUR 209 thousand).

The calculation of the pension provisions as at December 31, 2021 is based on actuarial principles in accordance with the calculation rules of IAS 19. The obligation is measured using the projected unit credit method.

The calculated retirement age in Austria is based on the earliest possible age for retirement according to the 2004 pension reform (Austrian Budget Accompanying Act 2003 - BBG 2003), taking into account the transitional regulations. In the case of female beneficiaries, the calculated retirement age is gradually increased in accordance with the "Federal Constitutional Law on Different Age Limits for Male and Female Social Security Recipients". The calculation is based on the calculation principles for pension insurance AVÖ-2018-P for salaried employees.

The mathematical retirement age in Germany is based on the earliest possible retirement age under German statutory pension insurance; the 2018 G mortality tables are applied.

Because the pension obligations are adjusted to the consumer price index, the pension plans are exposed to the risk of inflation. In addition, there are interest rate risks and risks due to changes in life expectancy for retirees. The pension obligations are partly covered by reinsurance policies, which means that there is a low counterparty risk for insurance companies.

PROVISIONS FOR SEVERANCE PAYMENTS

Severance payments are one-time settlements that must be paid to employees on termination of employment, or on a regular basis when employees retire. The amount depends on the number of years of service and the level of remuneration. Provisions for severance payments are calculated using actuarial principles.

The evaluation is based on the following parameters:

	Interest rate (p.a.)		expected rates of salary increases (p.a.)		Staff turnover allowance (p.a.)	
	2020	2021	2020	2021	2020	2021
Austria	0.32% - 0.56%	0.60% - 0.95%	3.0%	3.0%	based on length of service 0.23% bis 1.08%	based on length of service 0.41% bis 0.50%
Slovenia	0.53% - 0.56%	0.93%	3.0%	3.0%	2,0%	2.0%
Bulgaria	0.27%	0.71%	5.0%	5.0%	age-related 5% to 20%	age-related 5% to 20%
UAE and Qatar	1.5% - 2.0%	2.0% - 2.5%	3.0%	2.0% - 3.0%	based on length of service 5.0% to 10.0%	based on length of service 5.0% to 10.0%

The change in the interest rate is based on reassessment due to the changed market conditions.

As at December 31, 2021, the average duration of the defined benefit obligations from severance payments is 12.56 years (previous year: 13.29 years). For the fiscal year 2022, expected contributions to severance payments amount to EUR 1,581 thousand (previous year: EUR 1,537 thousand).

Employees whose employment status is governed by Austrian law and began before January 1, 2003 are entitled to a severance payment under the following conditions: if employment status has lasted for an uninterrupted period of three years, in the event of termination by the employer and in the event of early resignation for good cause; and in the event of termination of employment upon reaching the statutory retirement age, providing employment lasted for an uninterrupted period of at least ten years. The amount of the severance payment depends on the amount of the remuneration at the time of termination and the length of service.

For employees in Austria whose employment commenced on or after January 1, 2003, this obligation has been replaced by a contribution-based system. Payments are made to the external employee pension fund, are reported as expenses and amount to 1.53 per cent of remuneration.

The pension provisions and severance payments are shown below:

	Pensions		Severance payments	
EUR thousand	12/31/2020	12/31/2021	12/31/2020	12/31/2021
Net present value of the obligation	13,669	11,556	30,885	32,407
Fair value of plan assets	(755)	(784)	-	-
Provision	**12,914**	**10,772**	**30,885**	**32,407**

	Pensions		Severance payments	
EUR thousand	2020	2021	2020	2021
Net present value of the obligation as at 1/1	13,421	13,669	30,278	30,885
Service cost	217	205	1,818	3,934
Interest expenses	85	45	227	132
Gains (–)/losses (+) from re-measurements	433	(1,641)	386	(758)
Effective payments	(479)	(392)	(1,689)	(1,857)
Settlements	-	(334)	-	(13)
Foreign currency translation	(8)	4	(135)	84
Net present value of the obligation as at 12/31	**13,669**	**11,556**	**30,885**	**32,407**

Plan assets consist of a pension fund at a reputable insurance company.

EUR thousand	2020	2021
Fair value of plan assets as at 1/1	738	755
Expected return on plan assets	3	2
Gains (+)/losses (–) from re-measurements	22	22
Foreign currency translation	(8)	5
Fair value of plan assets as at 12/31	**755**	**784**

The actual sum amounted to EUR 24 thousand (previous year: EUR 25 thousand).

Net cost for pensions and severance payment commitments are broken down as follows:

		Pensions		Severance payments
EUR thousand	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021
Employee expenses				
Service cost	(217)	(205)	(1,818)	(3,934)
Interest expenses				
Interest expenses	(82)	(43)	(227)	(132)
Net expenses	**(299)**	**(248)**	**(2,045)**	**(4,066)**

Re-measurements are broken down as follows:

		Pensions		Severance payments
EUR thousand	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021
Experience adjustments	(202)	(547)	(678)	1,204
Changes in demographic assumptions	100	-	(342)	(568)
Changes in financial assumptions	535	(1,094)	1,406	(1,394)
Return on plan assets	(22)	(22)	-	-
Gains (–)/losses (+) from re-measurements	**411**	**(1,663)**	**386**	**(758)**

Realistic changes in the following actuarial parameters, which are deemed to be essential for calculating pension costs and the expected defined benefit claims as at the reporting date with all other parameters remaining constant, would give rise to the following change in the net present value of the obligation:

Change in the net present value of the obligation

				Pensions				Severance payments
		+1%		-1%		+1%		-1%
EUR thousand	2020	2021	2020	2021	2020	2021	2020	2021
Interest rate	(1,710)	(774)	2,038	1,067	(3,659)	(3,400)	4,412	4,070
Pension increase/salary increase	1,731	906	(1,523)	(694)	4,120	3,704	(3,507)	(3,179)

ANNIVERSARY BONUS PROVISIONS

Provisions for anniversary bonuses derived from collective bargaining arrangements and/or works agreements are calculated using the same parameters as for the provision for severance payments.

Changes in anniversary bonus provisions are shown below:

EUR thousand	2020	2021
As at 1/1	8,923	9,023
Allocation	381	554
Interest effect	63	33
Use	(344)	(183)
As at 12/31	**9,023**	**9,427**

OTHER NON-CURRENT PROVISIONS
The development of other non-current provisions is shown below:

EUR thousand	2020	2021
As at 1/1	9,453	15,375
Allocation	5,596	2,920
Interest effect	901	860
Usage	(275)	(325)
Reversal	(199)	(22)
Foreign currency translation	(101)	16
As at 12/31	**15,375**	**18,824**

Other non-current provisions include other non-current provisions for personnel amounting to EUR 18,237 thousand (previous year: EUR 15,037 thousand). A new long-term bonus agreement for managers and members of the executive board members has been in place since fiscal year 2018 that is expected to be paid out in 2023 upon achievement of agreed key performance indicators.

(52) Other non-current liabilities

Other non-current liabilities relate primarily to liabilities to employees and deferred income.

(53) Current provisions

The development of current provisions is shown below:

	Provision for guarantee and warranty expenses		**Other current provisions**	
EUR thousand	**2020**	**2021**	**2020**	**2021**
As at 1/1	13,971	13,669	7,215	9,484
Allocation	3,028	10,580	13,385	7,803
Usage.	(2,004)	(1,711)	(10,747)	(7,793)
Reversal	(1,112)	(1,221)	(42)	(364)
Reclassification	-	-	6	-
Foreign currency translation	(214)	255	(333)	156
As at 12/31	**13,669**	**21,572**	**9,484**	**9,286**

The other non-current provisions include provisions for personnel amounting to EUR 2,443 thousand (previous year: EUR 3,821 thousand). These mainly comprise obligations for medical care for employees in the USA and short-term severance claims.

In addition, other current provisions include provisions for anticipated losses from customer contracts in the amount of EUR 3,345 thousand (previous year: EUR 1,166 thousand).

(54) Trade payables and other current liabilities

The trade payables and other current liabilities are broken down as follows:

EUR thousand	12/31/2020	12/31/2021
Trade payables	146,491	214,065
Liabilities to entities reported at equity	840	1,935
Liabilities to employees	39,049	59,686
Liabilities relating to social security and other taxes	25,462	27,437
Other liabilities	47,395	52,289
Trade payables and other current liabilities	**259,237**	**355,412**

The liabilities to employees amounting to EUR 59,686 thousand (previous year: EUR 39,049 thousand) include accruals for unused vacation, performance bonuses and flexi-time credit as well as liabilities from wage and salary expenses.

Other liabilities amounting to EUR 52,289 thousand (previous year: EUR 47,395 thousand) relate to customers with credit balances, liabilities to the factor arising from incoming payments for trade receivables sold (see also Note (37)) and other miscellaneous liabilities.

At the end of 2017, PALFINGER launched a reverse factoring program with individual suppliers to finance their receivables from PALFINGER. Suppliers are permitted to instruct contract banks to pay receivables in advance. The program was expanded in 2020. In such agreements, PALFINGER is not released from its initial obligation and the terms of contract are not significantly modified as a result of quantitative and qualitative reviews. Therefore, the amount stated in the consolidated balance sheet has not been changed. The liability continues to be reported under trade payables as well as in cash flows from operating activities. As at December 31, 2021 the program was used for trade payables amounting to EUR 53,400 thousand (previous year: EUR 41,939 thousand).

(55) Contract liabilities from customer contracts

Contractual liabilities from customer contracts include payments received on account of orders and deferred revenue. The change in contract assets from customer contracts is shown below:

EUR thousand	2020	2021
As at 1/1	33,734	37,694
Addition	32,608	35,927
Change in the basis of consolidation	-	172
Recognized as revenue	(26,376)	(26,514)
Accumulated adjustment	-	-
Foreign currency translation	(2,272)	971
As at 12/31	**37,694**	**48,250**

(56) Financial instruments

The reconciliation of the carrying amounts for each category according to IFRS 9 is shown below:

EUR thousand	Carrying amount 12/31/2020	No financial instrument/ recognition according to IFRS 10	Measured according to IFRS 16
Non-current assets			
Non-current financial assets	14,608	-	-
thereof Level 1 fair value			
thereof Level 2 fair value			
Current assets			
Trade receivables	191,508	-	-
thereof Level 3 fair value			
Contract assets from customer contracts	37,588	37,588	-
Current financial assets	8,931	-	-
thereof Level 2 fair value			
Other current receivables and assets	39,535	23,034	-
Cash and cash equivalents	104,198	-	-
Assets	**396,368**	**60,622**	**-**
Non-current liabilities			
Non-current financial liabilities	409,353	-	-
thereof Level 2 fair value			
Non-current purchase price liabilities from acquisitions	24	-	-
Other non-current liabilities	101	101	-
Non-current leasing liabilities	46,718	-	46,718
Non-current contract liabilities from customer contracts	3,326	3,326	-
Current liabilities			
Current financial liabilities	57,798	-	-
thereof Level 2 fair value			
Current purchase price liabilities from acquisitions	12,088	-	-
thereof Level 3 fair value			
Trade payables and other current liabilities	259,238	64,511	-
Current lease liabilities	10,884	-	10,884
Current contract liabilities from customer contracts	34,368	34,368	-
Liabilities	**833,898**	**102,306**	**57,602**

			Measured according to IFRS 9	
At amortized cost		**At fair value**		
		Recognized in other comprehensive income	**Recognized in profit or loss**	
Financial asset at amortized cost	**Financial liabilities at amortized cost**	**Hedging Derivatives/ Fair value OCI**	**At fair value through profit or loss/ Other derivatives**	**Carrying amount of financial instruments 12/31/2020**
13,128	-	-	1,480	14,608
			1,406	
			74	
89,873	-	101,635	-	191,508
		101,635		
-	-	-	-	-
7,566	-	1,030	335	8,931
		1,030	335	
16,501	-	-	-	16,501
104,198	-	-	-	104,198
231,266	**-**	**102,665**	**1,815**	**335,746**
-	408,267	1,086	-	409,353
		1,086		
-	24	-	-	24
-	-	-	-	-
-	-	-	-	46,718
-	-	-	-	-
-	55,794	-	2,004	57,798
		-	2,004	
-	-	-	12,088	12,088
			12,088	
-	194,727	-	-	194,727
-	-	-	-	10,884
-	-	-	-	-
-	**658,812**	**1,086**	**14,092**	**731,592**

EUR thousand	**Carrying amount 12/31/2021**	**No financial instrument/ recognition according to IFRS 10**	**Measured according to IFRS 16**
Non-current assets			
Non-current financial assets	14,232	-	-
thereof Level 1 fair value			
thereof Level 2 fair value			
Current assets			
Trade receivables	264,255	-	-
thereof Level 3 fair value			-
Contract assets from customer contracts	27,153	27,153	-
Current financial assets	6,420	-	-
thereof Level 2 fair value			
Other current receivables and assets	77,427	36,490	-
Cash and cash equivalents	39,834	-	-
Assets	**429,320**	**63,643**	**-**
Non-current liabilities			
	300	**300**	**-**
Non-current financial liabilities	317,357	-	-
thereof Level 2 fair value			
Non-current purchase price liabilities from acquisitions	12,864	-	-
thereof Level 3 fair value	12,840	-	-
Other non-current liabilities	88	88	-
Non-current leasing liabilities	30,223	-	30,223
Non-current contract liabilities from customer contracts	3,608	3,608	-
Current liabilities			
Current financial liabilities	179,081	-	-
thereof Level 2 fair value			
Current purchase price liabilities from acquisitions	300	-	-
Trade payables and other current liabilities	355,412	87,123	-
Current lease liabilities	10,317	-	10,317
Current contract liabilities from customer contracts	44,642	44,642	-
Liabilities	**953,892**	**135,461**	**40,540**

The fair value of currency forwards is determined by calculating the present value of cash flows on the basis of current yield curves for the respective currencies from observable market data as well as on the current exchange rates on the valuation date. In the case of interest rate swaps, the fair value is determined by calculating the present value of the cash flows based on current yield curves of the respective currencies from observable market data. Securities are valued at the current exchange rate on the valuation date.

	Measured according to IFRS 9				
	At amortized cost		At fair value		
			Recognized in other comprehensive income	Recognized in profit or loss	
	Financial asset at amortized cost	**Financial liabilities at amortized cost**	**Hedging Derivatives/ Fair value OCI**	**At fair value through profit or loss/ Other derivatives**	**Carrying amount of financial instruments 12/31/2021**
	12,746	-	-	1,485	14,232
				1,409	
				76	
	127,128	-	137,127	-	264,255
	-	-	137,127		-
	-	-	-	-	-
	6,044	-	-	376	6,420
			-	-	
	40,937	-	-	-	40,937
	39,834	-	-	-	39,834
	226,688	**-**	**137,127**	**1,862**	**365,677**
	-	**-**	**-**	**-**	**-**
	-	317,338	19	-	317,357
			19		
	-	24	-	12,840	12,864
				12,840	12,840
	-	-	-	-	-
	-	-	-	-	30,223
	-	-	-	-	-
	-	176,020	854	2,208	179,081
			854	2,208	
	-	300	-	-	300
	-	268,289	-	-	268,289
	-	-	-	-	10,317
	-	-	-	-	-
	-	**761,971**	**873**	**15,048**	**818,431**

Material risks of non-performance relating to financial assets and liabilities are accounted for on the basis of ratings as a deduction from the calculated value. The carrying amount of current assets and liabilities corresponds to their market value, as they are either due in the short term or are subject to variable interest rates. Default risks are accounted for by means of appropriate valuation allowances. The carrying amounts of the non-current financial liabilities amounting to EUR 317,357 thousand (previous year: EUR 409,352 thousand) also roughly correspond to the market values (Level 2) amounting to EUR 322,162 thousand (previous year: EUR 417,799 thousand). The market values were calculated on the basis of observable current yield curves for the respective currencies using the discounted cash flow method. Interest rate swaps held for interest rate hedging purposes are accounted for at market value.

Income from the disposal of securities in the fiscal year 2021amounted to EUR 0 thousand (previous year: EUR 0 thousand) and is reported as other financial result (see Note (27) net interest income and other financial result).

The development of Level 3 fair values is shown below:

EUR thousand	2020	2021
As at 1/1	10,539	12,088
Additions	-	10,843
Accrued interest	1,225	1,059
Redemption	-	(12,420)
Increase through profit and loss	324	1,270
As at 12/31	**12,088**	**12,840**

Result in the income statement

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Other interest expenses	(1,225)	(1,059)
Other operating expenses/income	(324)	(1,270)
Unrealized gain/loss for financial instruments held on the balance sheet date	**(1,549)**	**(2,329)**

As at December 31, 2021, the Level 3 fair values consist of the liability related to the contingent purchase price liability from the acquisition of Hinz und Equipdraulic.

Capital management

The objective of PALFINGER's capital management is to ensure financial flexibility, scope for value-enhancing investments, and retention of sound balance sheet ratios. A strong equity structure secures the trust of investors, lenders and the market and provides a solid basis for positive business development.

PALFINGER's net debt is managed centrally in coordination with the Corporate Treasury department. The main tasks of the Corporate Treasury department include liquidity management and securing long-term liquidity in support of business operations, efficient use of banking and financial services, and limiting financial risks while at the same time optimizing income and costs.

PALFINGER manages its capital structure taking into account changes in the economic environment, fixed strategic projects and internal targets in terms of equity ratio and gearing ratio. For long-term guidance, an equity ratio of more than 40 percent and a gearing ratio (the ratio of net debt to equity) of less than 70 percent are regarded as benchmarks. At the end of 2021, the equity ratio was 36.27 percent (previous year: 39.60 percent) and the gearing ratio stood at 77.64 percent (previous year: 64.42 percent). The net debt amounting to EUR 476,569 thousand (previous year: EUR 397,088 thousand) comprises noncurrent and current financial assets and cash as well as non-current and current financial liabilities (including leases in accordance with IFRS 16). Equity corresponds to the equity reported in accordance with IFRS amounting to EUR 613,807 thousand (previous year: EUR 616,449 thousand).

In order to maintain capital structure, a steady dividend policy is pursued based on the consolidated net result of the previous year. In accordance with PALFINGER's long-term dividend policy of distributing around one third of net profit to its shareholders, a dividend of EUR 0.77 (previous year: EUR 0.45) per share was proposed for fiscal year 2021.

Financial risks

In accordance with PALFINGER's Corporate Treasury guidelines, the main focus is on limiting financial risks. Due to the increased internationalization of the PALFINGER Group, the concentration of risks within the Group has been reduced. All the relevant parameters are periodically monitored and actively managed. PALFINGER's operations involve interest rate and currency risks as well as financing risk. In addition to operational measures, derivative financial instruments such as currency forwards and interest rate and currency swaps are used to limit and manage these risks. No derivative financial instruments are employed for speculative purposes. Each of the risks is discussed in detail below.

1. LIQUIDITY RISK

Liquidity risk describes the necessity of having sufficient funds available at all times in order to meet payment obligations and to ensure further growth of the business. The objective therefore lies in analyzing exposure to liquidity risk as well as consistently safeguarding liquidity by means of liquidity planning, arranging sufficient lines of credit, and the sufficient diversification of lenders.

Managing liquidity risk is the core task of Corporate Treasury, which uses efficient cash management systems for this purpose. Company-wide cash reporting ensures the transparency necessary to facilitate the systematic management of financial resources. Medium-to-long-term planning allows PALFINGER to identify any financial need that may arise and coordinate this with its banking partners. Efficient management and distribution of the required liquidity are ensured thanks to the Group's internal financing structure and the use of cash pooling solutions in Europe, America, and Russia.

The existing promissory note loan contracts and credit arrangements contain contractual agreements stipulating the observance of financial covenants that provide for compliance with a consolidated equity ratio of at least 25 percent in accordance with IFRS. Noncompliance with this financial covenant entitles the lender to terminate the particular financing agreement. At the end of 2021, equity ratio was 36.27 percent (previous year: 39.60 percent) and therefore far above the externally stipulated threshold value.

An additional action to ensure liquidity is the maintenance of long-term undrawn credit lines at banking partners. The existing financing agreements are distributed across several core banking partners and currently have terms of up to one year.

The contractual remaining term to maturity of undiscounted cash flows are as follows:

2020

EUR thousand	< 1 year	1–5 years	> 5 years	12/31/ 2020
Trade payables and other liabilities				
Trade payables	147,129	-	-	147,129
Other liabilities for financial instruments	47,597	-	-	47,597
	194,726	**-**	**-**	**194,726**
Financial liabilities	61,601	373,481	49,114	484,196
Lease liabilities	10,990	32,406	19,134	62,530
Liabilities from cash flow hedges	1,963	956	239	3,158
Liabilities from derivatives held for trading	1,485	-	-	1,485
Purchase price liabilities from acquisitions	12,088	24	-	12,112
Undiscounted cash flows	**282,853**	**406,867**	**68,487**	**758,207**

2021

EUR thousand	< 1 year	1–5 years	> 5 years	12/31/ 2021
Trade payables and other liabilities				
Trade payables	215,548	-	-	215,548
Other liabilities for financial instruments	52,741	-	-	52,741
	268,289	**-**	**-**	**268,289**
Financial liabilities	180,996	307,573	18,870	507,439
Lease liabilities	10,395	23,161	9,003	42,559
Liabilities from cash flow hedges	728	1,035	-	1,763
Liabilities from derivatives held for trading	2,388	-	-	2,388
Purchase price liabilities from acquisitions	300	13,855	-	14,155
Undiscounted cash flows	**463,096**	**345,624**	**27,873**	**836,593**

2. CREDIT RISK

Credit risk refers to the risk of default or non-payment by contractual partners. The Group counters this risk by establishing internal limits for contractual partners - determined through solvency analyses - and taking out adequate insurance. Credit risk is limited to the amounts of the uninsured receivables reported in the balance sheet.

All overdue receivables are written down using standardized flat rates for specific valuation allowances on receivables. For the purpose of measuring expected credit losses, trade receivables and contract assets were aggregated on the basis of common credit risk characteristics and days overdue.

Trade receivables are derecognized when they are no longer reasonably expected to be realized.

Under a factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 90,000 thousand (see comments in Note (38) for more information).

The values of trade receivables and contract assets are shown below:

EUR thousand	Carrying amount	Gross carrying amount	Allowance	12/31/2020 expected loss rates
Receivables not yet due	**173,699**	**175,125**	**1,426**	**1%**
Receivables due				
Overdue less than 30 days	30,830	31,446	616	2%
Overdue more than 30 days but less than 60 days	9,907	10,113	206	2%
Overdue more than 60 days but less than 90 days	3,619	3,902	283	7%
Overdue more than 90 days but less than 120 days	2,506	2,792	286	10%
Overdue more than 120 days	8,536	18,906	10,370	55%
	55,398	**67,159**	**11,761**	
Trade receivables and contract assets	**229,097**	**242,284**	**13,187**	

				12/31/2021
EUR thousand	Carrying amount	Gross carrying amount	Allowance	expected loss rates
Receivables not yet due	**222,006**	**223,715**	**1,709**	**1%**
Receivables due				
Overdue less than 30 days	31,200	31,484	284	1%
Overdue more than 30 days but less than 60 days	13,221	13,341	120	1%
Overdue more than 60 days but less than 90 days	8,437	8,560	123	1%
Overdue more than 90 days but less than 120 days	3,984	4,287	303	7%
Overdue more than 120 days	12,560	21,905	9,345	43%
	69,402	**79,577**	**10,175**	
Trade receivables and contract assets	**291,408**	**303,292**	**11,884**	

The remaining allowances relate to other receivables.

Close attention is paid to good credit ratings when investing financial resources at banks. Credit risk is limited in the amounts reported in the balance sheet.

3. FOREIGN CURRENCY RISK

Foreign currency risk arises as a result of exchange rate fluctuations. The value of a financial instrument may be affected by changes in the exchange rate.

Internationalization of the Group leads to payment transactions in various currencies. Surpluses in foreign exchange positions are minimized by adding value at local level (natural hedge). Any resulting material foreign exchange exposure is hedged by means of appropriate hedging instruments. Some foreign currency cash flows from ongoing operations are hedged using currency forwards (cash flow hedges).

The Group's internal supply of finished products and components in countries with currencies other than the euro creates a risk that is not covered by natural hedges. This aspect is continuously analyzed to provide a basis for establishing a hedging strategy that is evaluated in regular meetings.

Financial transactions may only be entered into if they are based on appropriate underlying transactions. Speculative transactions (i.e. transactions unrelated to cash flows from operations) are prohibited.

Foreign exchange differences at financial statement level are reported in EBIT and/or the net financial result, depending on their origin.

Foreign exchange differences have the following effects on the income statement:

EUR thousand	Jan–Dec 2020	Jan–Dec 2021
Foreign currency gains	9,851	13,357
Foreign currency losses	(11,575)	(10,052)
Exchange rate differences in the result from entities reported at equity	(316)	(174)
Profit (loss) from operating activities	**(2,040)**	**3,130**
Exchange rate differences in the net financial result	(3,117)	(2,430)
Fair value of plan assets as at 12/31	**(5,157)**	**700**

Sensitivity analysis currency risk:

Transactions that are carried out in a currency other than the respective functional currency may have an effect on foreign currency risks. In the case of fair value and cash flow hedges, changes in the value of the underlying transaction and hedging transaction caused by changes in the exchange rate are nearly entirely balanced out in the same period in the income statement. Accordingly, these financial instruments are not associated with currency risks having the potential to affect net income or equity.

The effects of a hypothetical foreign exchange movement on net income or equity are described within the framework of a sensitivity analysis. This analysis assumes that the major exchange rates increase or decrease by 10 percent against the euro on the balance sheet date with all other variables remaining constant. The table below shows the effects of a 10 percent appreciation or depreciation of the most important currencies against the euro:

12/31/2020		**+10%**			**(10%)**	
EUR thousand	**recognized in profit or loss**	**recognized directly in equity**	**Total effect**	**recognized in profit or loss**	**recognized directly in equity**	**Total effect**
AED	(41)	-	(41)	50	-	50
ARS	-	-	-	-	-	-
AUD	-	-	-	-	-	-
BRL	(120)	(713)	(833)	147	872	1,018
CAD	(234)	43	(191)	286	(53)	233
CNY	(55)	-	(55)	67	-	67
CZK	37	-	37	(45)	-	(45)
DKK	60	-	60	(74)	-	(74)
GBP	(24)	(189)	(213)	30	231	260
HKD	(22)	-	(22)	27	-	27
HRK	(158)	-	(158)	193	-	193
INR	(477)	-	(477)	583	-	583
JPY	(75)	-	(75)	92	-	92
KRW	(480)	(320)	(800)	587	391	977
VND	50	-	50	(61)	-	(61)
NOK	50	(5,611)	(5,561)	(61)	6,858	6,797
PLN	143	-	143	(175)	-	(175)
RON	(504)	-	(504)	616	-	616
RUB	(383)	(596)	(979)	468	729	1,198
SEK	-	(1,507)	(1,507)	-	1,841	1,841
SGD	(131)	-	(131)	161	-	161
USD	(2,813)	(3,109)	(5,923)	3,438	3,800	7,239
Foreign currency sensitivities	**(5,177)**	**(12,002)**	**(17,180)**	**6,329**	**14,670**	**20,998**

12/31/2021		+10%			(10%)	
EUR thousand	recognized in profit or loss	recognized directly in equity	Total effect	recognized in profit or loss	recognized directly in equity	Total effect
AED	–16	-	–16	20	-	20
ARS	–2	-	–2	2	-	2
AUD	-	-	-	-	-	-
BRL	–411	–720	–1,132	503	880	1,383
CAD	–524	247	–277	640	–302	338
CNY	509	-	509	–622	-	–622
CZK	16	-	16	–20	-	–20
DKK	–135	-	–135	165	-	165
GBP	–152	–216	–368	186	264	450
HKD	–36	-	–36	44	-	44
HRK	69	-	69	–85	-	–85
INR	–645	-	–645	788	-	788
JPY	43	-	43	–52	-	–52
KRW	–300	–317	–617	367	388	755
VND	63	-	63	–77	-	–77
NOK	716	–1,455	–739	–876	1,778	903
PLN	33	-	33	–40	-	–40
RON	130	-	130	–159	-	–159
RUB	–397	–639	–1,037	485	782	1,267
SEK	–42	-	–42	51	-	51
SGD	–104	-	–104	127	-	127
USD	–4,612	–3,541	–8,152	5,636	4,328	9,964
Foreign currency sensitivities	**(5,795)**	**(6,642)**	**(12,438)**	**7,083**	**8,118**	**15,202**

The calculation is made on the basis of the primary and derivative financial instruments denominated in non-functional foreign currencies on the balance sheet date before taxes. Foreign currency effects from intra-group accounts receivable and payable are reported in profit or loss, while any effects from non-current intra-group receivables that are a part of the net investment in foreign operations (IAS 21.15) as well as any changes in the cash flow hedging reserve are recognized directly in equity. Foreign currency translation effects caused by the translation of the financial statements of international subsidiaries into the Group currency, i.e. the euro, are not taken into account.

4. INTEREST RATE RISK

Fluctuating interest rates have an influence on the value of financial instruments (in particular when interest rates are locked in for a longer term) as well as on net interest (income or expenses) resulting from these financial instruments. This influence describes interest rate risk in its two forms: fair value risk and net interest risk.

Fair value risk has the effect of a devaluation financial assets or an appreciation of financial liabilities. Changes in value have a more pronounced effect when interest rates are locked in for long periods of time than with variable interest.

Net interest risk has the effect of higher interest expenses for financial liabilities and lower interest income on financial assets. This risk mainly relates to financial instruments for which variable (short-term) interest rates have been agreed.

Variable-rate financing is hedged with interest rate swaps amounting to EUR 20.0 million (previous year: EUR 70.0 million).

The sensitivity analysis is carried out based on PALFINGER's financial liabilities bearing interest at variable rates. A hypothetical change in variable interest rates of 100 basis points or one percentage point per year would lead to a change in PALFINGER's interest expenses of EUR 1.4 million (previous year: EUR 70.0 million). A hypothetical increase in interest rates of 100 basis points would lead to an increase in other comprehensive income of EUR 310 thousand (previous year: EUR 397 thousand), whereas a decrease of 100 basis points would lead to a decrease in other comprehensive income of EUR 1,631 thousand (previous year: EUR 3,605 thousand).

Protective actions

HEDGING OF FUTURE CASH FLOWS

PALFINGER AG's currency risks result primarily from accounts receivable from Group companies and accounts payable to Group companies denominated in foreign currencies as well as from the international project business. Most of this exposure is reduced by means of intra-group foreign currency netting or is hedged with currency forwards and currency swaps. PALFINGER's hedging activities are guided exclusively by the underlying transaction. The credit risk with respect to both PALFINGER as well as the counter-parties has no impact on the fair value of currency forwards or currency swaps and therefore is likewise not a source of hedge ineffectiveness.

The supply of finished products and components primarily from EMEA to NAM, LATAM, APAC, and CIS exposes PALFINGER to risk – in particular in USD, BRL and RUB – that is not hedged by natural hedges. These risk positions are analyzed, monitored and limited by implementing an appropriate hedging strategy. These hedging strategies are discussed at regular meetings with the CFO and adjusted as necessary.

Project-related currency risk, in particular in the Marine and Offshore sector, is transferred to the central treasury department and hedged on a project-to-project basis if invoicing in the local currency is not an option.

The sale of foreign currencies using currency forwards constitutes a hedge of operating cash inflows in foreign currencies. The result of the underlying transaction is balanced out by the inverse result of the currency forward. Outstanding hedges are measured and analyzed with respect to their risk on an ongoing basis (mark-to-market valuation). The hedging of foreign currency risks relates in each case to cash flows that are expected within a maximum of twelve months or are aligned with the project term.

The existing interest rate swaps hedge against the risk of interest rate changes in the case of loans bearing interest at variable rates. Negative impacts on the financial result due to unforeseeable interest rate fluctuations are limited by such interest rate hedges.

Interest rate risk is managed for the entire PALFINGER Group by the Corporate Treasury department. In recent years, the need for more financing has increased the effect fluctuations in interest rates have on the PALFINGER Group's financial result. The risk of changes in variable interest rates is limited through the use of derivative financial instruments (interest rate swaps) and exchanged for financing with fixed interest rates. Due to the currently low level of interest rates and the increased conclusion of financing with fixed interest rates, hedging against interest rate risks has become less important in recent years.

Changes in the fair value of interest rate swaps classified as a cash flow hedge are recognized in other comprehensive income as revaluation reserve. When interest rate payments are made on the hedged underlying transaction, the revaluation reserve is reclassified from other comprehensive income and recognized in profit or loss as net interest income.

	Notional value in contract currency		Mark-to-market valuation (EUR)		Maximum duration/maturity
in thousands	**12/31/2020**	**12/31/2021**	**12/31/2020**	**12/31/2021**	
Currency forwards					
sell CAD/buy NOK	CAD 740	CAD 0	25	-	
sell CAD/buy USD	CAD 0	CAD 3.910		46	16.09.2022
sell EUR/buy NOK	EUR 52.172	EUR 2.003	(51)	62	21.07.2023
sell EUR/buy SEK	EUR 16.337	EUR 0	237	-	
sell GBP/buy NOK	GBP 135	GBP 0	1	-	
sell USD/buy EUR	USD 31.950	USD 30.751	730	–332	21.07.2023
sell USD/buy NOK	USD 6.080	USD 5.135	317	59	20.05.2022
			1,259	**(164)**	
Interest rate swaps	EUR 20.000	EUR 20.000	(1,315)	–630	31.12.2026
Cash flow hedge			**(56)**	**(794)**	

The fair value of the hedges is reported as a cash flow hedge in accordance with IFRS 9. Valuation gains or losses as of the balance sheet date are to be reported accordingly in equity. As soon as the underlying transactions have been realized, the cumulative gains or losses are reversed from other comprehensive income and recognized in the income statement under exchange losses or gains in other income and expenses.

Amounts recorded in other comprehensive income as well as amounts that have been realized for cash flow hedges can be found in the consolidated statement of comprehensive income. Further details can be found in Note (47) Valuation reserve according to IFRS 9.

SAFEGUARDING OF FINANCIAL RESOURCES
Derivative financial instruments that the Group employs for the safeguarding of financial resources and the hedging of foreign currency risks that do not meet the requirements for hedge accounting in accordance with IFRS 9 in terms of documentation and effectiveness are classified as fair value recognized in profit or loss. Changes in the fair value of these financial instruments are recognized in profit or loss in the income statement.

	Notional value in contract currency		Mark-to-market valuation (EUR)		Maximum duration/maturity
in thousands	12/31/2020	12/31/2021	12/31/2020	12/31/2021	
sell AED/buy EUR	AED 47.500	AED 53.300	85	119	16.06.2022
sell CNY/buy EUR	CNY 8.000	CNY 22.700	–16	–166	10.03.2022
sell DKK/buy EUR	DKK 0	DKK 0	-	-	
sell GBP/buy EUR	GBP 700	GBP 450	–8	–28	10.03.2022
sell JPY/buy EUR	JPY 475.000	JPY 480000	6	60	16.06.2022
sell NOK/buy EUR	NOK 559.000	NOK 425.000	–1,332	–1,618	10.03.2022
sell PLN/buy EUR	PLN 38.000	PLN 39.000	240	–90	17.06.2022
sell RUB/buy EUR	RUB 0	RUB 550.000	-	–146	16.06.2022
sell SEK/buy EUR	SEK 0	SEK 74.500	-	32	16.06.2022
sell USD/buy EUR	USD 2.400	USD 34.875	–1	3	16.06.2022
			(1,026)	**(1,833)**	
Interest rate swap contracts	EUR 50.000	EUR 0	–643	-	
Currency swap contracts			**(1,669)**	**(1,833)**	

Changes in value from currency swaps amount to EUR -807 thousand (previous year: EUR -642 thousand) and are included in the net financial result under exchange rate differences in the amount of EUR -807 thousand (previous year: EUR -642 thousand).

Changes in value from interest rate swaps amount to EUR 643 thousand (previous year: EUR -643 thousand) and are included in the net financial result under interest expenses in the amount of EUR 643 thousand (previous year: EUR -643 thousand).

Other financial obligations

There are no contingent assets and contingent liabilities as at December 31, 2020. As of December 31, 2021, there is an obligation to cover losses of JETFLY Airline GmbH to the extent of the 33.33% stake. As of the reporting date, the proportionate obligation was EUR 21.8 thousand.

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

The indirect method is used for the presentation of cash flows from operating activities in the consolidated statement of cash flows. Cash and cash equivalents correspond to cash-in-hand and short-term financial resources.

The cash flow from the operating area reached EUR 87.4 million in 2021 after EUR 224.7 million in 2020. Despite a significantly improved earnings situation, the significant increase in working capital had a negative effect.

Other non-cash income and expenses includes exchange rate differences and measurement effects.

The payment of the conditional purchase price liability for the acquisition of the Mycsa Group from 2016 in the amount of EUR 12,812 thousand was shown in the amount of the original purchase price share at the time of initial consolidation in the amount of EUR 5,534 thousand in the cash flow from the investment area. The amount of EUR 7,278 thousand in excess of this is reported in the cash flow from operating activities.

The negative change in cash flow from the investment area was mainly due to the historically largest investment program and the extraordinarily low level in the previous year due to the Covid-19 pandemic.

Additions of intangible assets and property, plant and equipment include non-cash capital expenditures in the amount of EUR 6,294 thousand (previous year: EUR 1,911 thousand).

The reconciliation of changes in cash flows from financing activities is shown below:

EUR thousand	Promissory note loans	Equity financing	Lease liabilities	Other financing	Total
As at 1/1/2020	**331,254**	**89,350**	**59,615**	**108,112**	**588,331**
New lease contracts	**-**	**-**	**11,225**	**-**	**11,225**
Lease contract disposals	**-**	**-**	**(918)**	**-**	**(918)**
Changes in cash flows from financing activities					
Issue of promissory note loans	-	-	-	-	-
Raising of loans for the acquisition of investments	-	-	-	-	-
Repayment of financing for the acquisition of investments	-	(3,000)	-	-	(3,000)
Non-current refinancing of redemptions and maturing current loans	-	-	-	-	-
Repayment of maturing/terminated loans	-	-	-	(30,000)	(30,000)
Repayment of current bridge financing loans for the acquisition of investments	-	-	-	-	-
Repayment of maturing/terminated promissory note loans	(21,353)	-	-	-	(21,353)
Repayment of maturing/terminated lease liabilities	-	-	(11,982)	-	(11,982)
Raising of short-term financing	-	-	-	-	-
Repayment of current financing	-	-	-	(8,905)	(8,905)
Cash payments for/cash receipts from other financial liabilities	-	-	-	2,047	2,047
	(21,353)	**(3,000)**	**(11,982)**	**(36,858)**	**(73,193)**
Acquisition/change in scope of consolidation	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**(657)**	**-**	**(1,556)**	**(2,523)**	**(4,736)**
Accrued interest	**(244)**	**-**	**1,218**	**(20)**	**954**
As at 12/31/2020	**309,000**	**86,350**	**57,602**	**68,711**	**521,663**

EUR thousand	Promissory note loans	Equity financing	Lease liabilities	Other financing	Total
As at 1/1/2021	**309,000**	**86,350**	**57,602**	**68,711**	**521,663**
New lease contracts	**-**	**-**	**9,267**	**-**	**9,267**
Lease contract disposals	**-**	**-**	**(15,732)**	**-**	**(15,732)**
Changes in cash flows from financing activities					
Issue of promissory note loans	-	-	-	-	-
Raising of loans for the acquisition of investments	-	-	-	-	-
Repayment of financing for the acquisition of investments	-	(23,783)	-	-	(23,783)
Non-current refinancing of redemptions and maturing current loans	-	-	-	-	-
Repayment of maturing/terminated loans	-	-	-	-	-
Repayment of current bridge financing loans for the acquisition of investments	-	-	-	-	-
Repayment of maturing/terminated promissory note loans	(35,000)	-	-	-	(35,000)
Repayment of maturing/terminated lease liabilities	-	-	(12,628)	-	(12,628)
Raising of short-term financing	-	-	-	89,883	89,883
Repayment of current financing	-	-	-	-	-
Cash payments for/cash receipts from other financial liabilities	-	-	-	(2,781)	(2,781)
	(35,000)	**(23,783)**	**(12,628)**	**87,102**	**15,691**
Acquisition/change in scope of consolidation	**-**	**-**	**-**	**-**	**-**
Foreign currency translation	**-**	**-**	**971**	**143**	**1,114**
Accrued interest	**2,543**	**6**	**1,060**	**(1,714)**	**1,895**
As at 12/31/2021	**276,543**	**62,573**	**40,540**	**154,242**	**533,898**

The total column in the table above corresponds to the sum of current and non-current financial liabilities, excluding derivative financial instruments.

OTHER DISCLOSURES

(57) Disclosures of business transactions with related parties

At PALFINGER, related parties are grouped into associated companies and joint ventures, key management, and other related parties. Associated companies and joint ventures can be found in the list of shareholdings. The Supervisory Board and Executive Board of PALFINGER AG are subsumed under the term "key management". Information on the remuneration of the Executive Board is included in Note (58) Disclosures regarding governing bodies and employees. Other related parties primarily include companies that are controlled by the key management.

The transactions with associates and joint ventures result from the normal exchange of goods and services. Transactions with the Supervisory Board result from remuneration for their activities as Supervisory Board members in accordance with the resolution of the Annual General Meeting on April 7, 2021. Transactions with other related parties mainly relate to the supply of goods and rent.

Transactions with related parties are carried out at typical arm's length terms and conditions.

The following table shows transactions with associated companies and joint ventures disclosed in full. Transactions with Executive Board members are not included in the table below; for more information, please refer to the Note entitled "Disclosures regarding governing bodies and employees".

	Associated companies		Joint ventures		Supervisory Board		Other	
EUR thousand	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021
Receivables	8,938	12,349	1,416	1,622	-	-	315	13,751
Liabilities	266	758	1,978	2,686	264	362	16,225	215
Revenue	99,314	128,397	2,507	129	-	-	2,205	8,960
Other operating income	64	96	121	240	-	-	54	52
Purchased services	(3)	-	(734)	(750)	(264)	(362)	(1,823)	(1,570)
Cost of materials	(2)	(20)	(2,490)	(3,312)	-	-	-	-
Interest income / expense	-	-	4	7	-	-	(327)	(199)
Allowances	-	(175)	-	-	-	-	-	-

Receivables from associated companies and joint ventures include trade receivables in the amount of EUR 12,014 thousand (previous year: EUR 9,964 thousand) as well as a short-term loan to Jetfly Airline GmbH in the amount of EUR 1,360 thousand (previous year: EUR 0 thousand).

As part of PALFINGER AG's 33.33% stake in JETFLY Airline GmbH, PALFINGER AG has undertaken to ensure that any losses of JETFLY Airline GmbH reported in the annual financial statements for the respective financial year are offset by the injection of equity and/or or by granting qualified subordinated shareholder loans by June 30 at the latest of the following financial year insofar as the minimum capitalization of at least EUR 300 thousand is not reached. For PALFINGER AG, this obligation to cover losses is proportional to 33.33%.

The loss for the period reported by JETFLY Airline GmbH as of November 30, 2021 is EUR 66 thousand. PALFINGER AG's pro rata capital injection obligation therefore amounts to EUR 22 thousand.

Of the liabilities to associated companies and joint ventures amounting to EUR 3,444 thousand (previous year: EUR 2,244 thousand), EUR 1,483 thousand (previous year: EUR 638 thousand) resulted from the provision of goods and services.

For a receivable from the estate of Hubert Palfinger Senior in the amount of EUR 18,143 thousand, collateral in the amount of EUR 18,000 thousand existed as of the balance sheet date December 31, 2020 through personal letters of indemnity from Hubert Palfinger and Hannes Palfinger (see also note (34)). The amount exceeding the collateral amounting to EUR 143 thousand was impaired in 2020.

In the course of bankruptcy proceedings over the assets of Hubert Palfinger Senior's estate, a claim including interest was filed in the amount of EUR 18,217 thousand. The claim was asserted in bankruptcy proceedings amounting to EUR 16,132 thousand. An amount of EUR 2,085 thousand was disputed. According to the recommendation in a statement by the company's legal representative, PALFINGER AG refused to initiate an audit claim and reached an agreement with the default guarantors Hubert Palfinger and Hannes Palfinger, as a consequence of which the default guarantors accept a 50% share of the difference between the identified part of the claim and the maximum amount of liability in accordance with the default guarantee declaration to reduce PAG's loss of receivables. Payments of a bankruptcy rate actually made to the company reduce the default guarantee. A payment plan has been set up for the total amount, which provides for redemption by 2023. The accounting for the receivable takes into account a standard market discount.

The corporate headquarters in Bergheim near Salzburg, Austria, which was leased from HP Immobilien GmbH in previous years, was acquired on September 30, 2021 at a purchase price of EUR 26,885 thousand based on a valuation commissioned by the company. The existing lease contract was terminated.

(58) Disclosures regarding governing bodies and employees

EMPLOYEES

The average number of company employees including apprentices and interns for the Group in fiscal year 2021is 11,321 people (previous year: 10,903 people). As at the balance sheet date, the number of employees in the PALFINGER Group is 11,733 people (previous year: 10,824 people).

SUPERVISORY BOARD

The following individuals were either appointed or delegated by the Works Council to serve as members of the Supervisory Board in fiscal year 2021:

- Hubert Palfinger, Chair[1)]
- Gerhard Rauch, 1st Deputy Chair[1)]
- Hannes Palfinger, 2nd Deputy Chair[1)]
- Heinrich Dieter Kiener (until April 7, 2021)
- Sita Monica Mazumder[3)] (from April 7, 2021)
- Hannes Bogner[2)]
- Ellyn Shenglin Cai
- Isabel Diaz Rohr
- Johannes Kücher (Works Council)[2)]
- Alois Weiss (Works Council)
- Erwin Asen (Works Council)

1) Member of the Audit, Nomination and Remuneration Committees.
2) Member of the Audit Committee.
3) Member of the Digital Committee

EXECUTIVE BOARD

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

The regular current remuneration of the Executive Board consists of several components and can be broken down as follows:

	Non-performance-related		Performance-based	
EUR thousand	Jan-Dec 2020[1)]	Jan-Dec 2021	Jan-Dec 2020[1)]	Jan-Dec 2021[2)]
Andreas Klauser	622	685	231	670
Felix Strohbichler	427	470	172	351
Martin Zehnder	479	525	210	424
Current remuneration	**1,528**	**1,680**	**613**	**1,445**

1) Corresponds to the amount of the provision.
2) Includes a special bonus for Andreas Klauser in the amount of EUR 200 thousand.

There are liabilities amounting to EUR 1,245 thousand (previous year: EUR 613 thousand) for the current performance-based remuneration of the members of the Executive Board.

In addition, non-current performance-based remuneration is shown below:

In the second quarter of 2018, a new bonus agreement was entered into with the Executive Board based on a long-term increase in enterprise value. The new agreement lasts until 2022, and the bonus is expected to be paid out in 2023. In February 2020, an adjustment was made to the parameters for calculating enterprise value. For this purpose, provisions were recognized in profit or loss amounting to EUR 1,631 thousand in the fiscal year 2021 (previous year: EUR 3,725 thousand).

EUR 8 thousand (previous year: EUR 12 thousand) is recognized as service costs for benefits payable after termination of employment. This relates to individual contractual pension commitments for Wolfgang Pilz. In fiscal year 2021, the pension provision was paid in full.

Expenses for severance payments and pensions at PALFINGER AG amount to EUR -14 thousand (previous year: EUR 168 thousand) for members of the Executive Board and senior executives and EUR 386 thousand (previous year: EUR 677 thousand) for the remaining employees.

Expenses for severance payments include payments made to contribution-based pension plans in the amount of EUR 40 thousand (previous year: EUR 41 thousand) for members of the Executive Board.

(59) Significant events after the balance sheet date

No events of particular significance occurred after the end of fiscal year 2021 that would have led to a different presentation of the Group’s financial position, financial performance or cash flows.

ACCOUNTING POLICIES

The accounting policies applied during the preparation of the consolidated financial statements of the PALFINGER Group are discussed below.

Note	Balance sheet item	Accounting policies	Standard
(60)	**Intangible assets**		
	Intangible assets with indefinite useful lives	Amortized cost Straight-line depreciation over useful life: In general 2–15 years Capitalized customer relationships 5-10 years An impairment test is conducted whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 36 IAS 38
	Intangible assets with indefinite useful lives and intangible assets under development	Impairment-only approach: Periodic amortization charges are not recognized; instead, an impairment test is carried out once a year and whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 36 IAS 38
	Goodwill	Impairment-only approach (see above) In order to carry out impairment tests, goodwill is allocated to cash-generating units. The essential standard applied for determining whether a production unit qualifies as a cashgenerating unit is the assessment of its technical and economic independence for the generation of income. The Group's impairment test of the cash-generating unit is carried out by comparing the current carrying amount (including the allocated goodwill) with the higher of either the fair value minus costs to sell, or the value-in-use. When determining the recoverable amount, assumptions regarding future development and estimates are made that might not occur as predicted. Value-in-use is calculated as the present value of associated estimated future cash flows before tax for the next four to five years on the basis of data from medium-term corporate planning. Medium-term corporate planning is prepared every second to third year. In the years in which no medium-term corporate planning is carried out, the estimated cash flows are adjusted on the basis of a deviation analysis. The most recent strategic corporate planning was carried out at the end of 2019. After the detailed planning period, a perpetual annuity is calculated based on the assumptions of the previous year. The discount rate is derived from the weighted average cost of capital customary for the market and adjusted to the specific risks on the basis of externally available capital market data. When determining the weighted average cost of capital, externally available capital market data are used. If the calculated amount is less than the carrying amount, an impairment loss amounting to the difference is allocated primarily to reduce the goodwill. Any additional impairment loss is then to be allocated to the remaining assets of the cash-generating units in proportion to their carrying amounts. The impairment test is carried out for the entire capitalized goodwill. If non-controlling interests are recognized at their fair values in the course of a business acquisition, the impairment loss is distributed over the individual groups of shareholders. The distribution takes place on the basis of the same logic that is also applied when distributing the earnings of the particular subsidiary among the shareholders. In accordance with IAS 36, once goodwill has been written down due to an impairment loss, the impairment loss may not be reversed in later periods.	IFRS 3 IAS 36
	Research and development	Research expenses are recognized in profit and loss as soon as they are incurred. Development expenses incurred with the intention of a major further development for a product or a process are capitalized if the product or process is feasible both from a technological and economic point of view, the development is marketable, the expenses can be measured reliably, and PALFINGER has sufficient resources to complete the development project. All other development expenses are recognized in profit and loss when they are incurred. Capitalized development expenses for completed projects are reported at cost minus accumulated depreciation, amortization and impairment. As long as a development project is not yet completed, the recoverability of the accumulated capitalized amounts is tested annually or more frequently if circumstances indicate that an impairment loss might have occurred.	IAS 36 IAS 38

Note	Balance sheet item	Accounting policies	Standard
(61)	**Property, plant and equipment**		
		Amortized cost In addition to direct costs, production costs also include an appropriate share of material and production overheads as well as borrowing costs in the case of qualifying assets. General administrative expenses are not capitalized. Straight-line depreciation over useful life: Own buildings and investments (in third-party buildings) 20–50 years Plants and machinery 3–15 years Operating and office equipment 3–10 years In the case of asset disposals, the difference between the carrying amounts and the net realizable value is recognized in profit and loss as either other operating income or other operating expenses. An impairment test is carried out whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 16 IAS 36
Government grants		Reductions of acquisition or manufacturing costs for investment grants Grants for research are recognized as income in research and development costs. A government grant is not recognized until there is reasonable assurance that the the conditions attached to it will be fulfilled, and that the grant will be received.	IAS 20
Leases as lessee		Assets (rights to use leased assets) and liabilities are recognized in the balance sheet in accordance with IFRS 16. Lease liabilities are recognized at the present value of the outstanding lease payments and right-of-use assets at the amount of the recognized lease liability, adjusted for advance payments and accrued lease payments. Low-value leased assets (printers, laptops, cellular phones, and other office equipment) and short-term leases with a term of less than twelve months are not capitalized, but instead recognized as expense proportionately over time. In addition, IFRS 16 is not applied to intangible assets. Lease agreements can include both lease components and non-lease components. The Group allocates the contractually stipulated compensation based on the relative standalone selling price of the lease components and the aggregated standalone selling price of the non-lease components to the individual lease components. For leases of land, the Group practices not allocating to non-lease and lease components and instead, accounting for each lease component, and as a consequence all related non-lease components, as a single lease component.	IFRS 16
Borrowing costs		Capitalization upon acquisition or production of a qualifying asset.	IAS 23
(62)	**Inventories**		
		Acquisition or production cost (see (61) Property, plant and equipment) or lower net realizable value at the balance sheet date Raw materials, consumables and supplies as well as merchandise: moving average price method Work in progress and finished goods: standard production costs, reviewed regularly and adjusted if necessary	IAS 2
(63)	**Contract assets from customer contracts**		
		Revenue is realized based on the percentage of completion, which is determined using the cost-to-cost method or the milestone method. When applying the cost-to-cost method, revenue and order results are recognized based on the manufacturing costs actually incurred in relation to the expected total costs. Reliable estimates of the total costs of the contracts, the selling prices, and the actual costs incurred are available on a monthly basis. When applying the milestone method, the percentage of completion is determined on the basis of certain defined milestone events. For technological and financial risks that might occur during the remainder of the project, a separate estimate is made for each contract and a corresponding amount is recognized as part of the expected total costs. Expected losses are immediately realized as expense if the total contract costs are likely to exceed the contract revenue.	IFRS 15
(64)	**Financial instruments**		
		Financial assets are measured at fair value when they are initially recognized. In the case of financial investments that are not recognized at fair value in profit or loss, transaction costs that are directly attributable to the acquisition of the assets are also taken into account. Fair value is determined based on the market information available on the balance sheet date. The values listed may differ from the values realized later in light of varying factors of influence. The fair value of financial assets and liabilities reflects the effects of the risk of nonperformance on the part of the counterparty. When determining the fair value of a financial asset, the banks' credit risks are taken into account based on their ratings. When determining the fair values of financial liabilities, the company's own credit risk is taken into account on the basis of the ratings made by the banks. Market values are available for all derivative financial instruments and securities. The fair values of all other financial instruments are determined based on the discounted expected cash flows. Acquisitions or disposals of financial assets are recognized at the trade date. Impairment losses for all financial instruments are recognized in profit or loss. If the reason for impairment no longer applies, the impairment losses are reversed in the income statement.	IFRS 7 IFRS 9 IFRS 13 IAS 32
Securities and other shareholdings		"Fair value through profit or loss": Measurement subsequent to initial recognition at fair value.	

Note	Balance sheet item	Accounting policies	Standard
Loans		"At amortized cost": Measurement subsequent to initial recognition at amortized cost applying the effective interest method minus any impairment loss.	

Note Balance sheet item	Accounting policies	Standard
Receivables	"At amortized cost": Measurement subsequent to initial recognition at amortized cost, less any impairment losses recorded in allowance accounts. "Fair value through OCI": Refers to trade receivables in receivables portfolios where it is still uncertain which receivables will be sold to the factor and when. PALFINGER applies the simplified impairment model for trade receivables and contract assets from customer contracts, taking into account lifetime expected losses. General specific valuation allowances on receivables are recognized based on an assessment matrix, which is based on the results of an analysis of the losses occurring over the past five years as well as an assessment of future developments and takes into account days overdue and country risk. The likelihood of receiving payment is assessed for specific valuation allowances on receivables, Previous experience with specific customers, their creditworthiness, and any collateral provided are taken into account here. Uncollectible receivables are de-recognized.	
Cash and cash equivalents	Mark-to-market	
Liabilities	"At amortized cost": Measurement subsequent to initial recognition at amortized cost applying the effective interest method.	
Purchase price liabilities from acquisitions	Deferred purchase price liabilities from acquisitions are measured at amortized cost. Contingent purchase price liabilities from acquisitions are measured at fair value. The fair value is calculated internally using generally accepted calculation models based on market interest rates in line with the respective maturities. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.	
Derivative financial instruments	Derivative financial instruments that do not fulfill the criteria in IFRS 9 for hedge accounting are classified as fair value through profit or loss in accordance with IFRS 9 and recognized at fair value in profit or loss.	
Cash flow hedge	In order to minimize the risk of fluctuations with respect to payments received in the future, expected foreign currency income and interest risks are hedged in the PALFINGER Group using currency forwards and interest swaps. In order to offset the effects of the hedged transaction and the hedging instrument in the income statement on an accrual basis, the special provisions on hedge accounting in IFRS 9 are applied. The fair values resulting on the balance sheet date after accounting for deferred taxes are recognized in other comprehensive income and reported under reserves in accordance with IFRS 9. The reserve is recognized as reversed in profit or loss in proportion to the future proceeds generated in the corresponding fiscal year.	
(65) Long-term personnel obligations		IAS 19
Defined benefit plans	Defined benefit plans relate to pension commitments in Austria, France, Norway and Germany as well as severance obligations in Austria, Slovenia, Bulgaria, South Korea, Qatar and the United Arab Emirates. Provisions for pensions and similar obligations as well as severance payments and service anniversary bonuses are valued by an actuary as at the respective balance sheet date in the form of an actuarial report using the projected unit credit method. The discount rate matching the maturity is determined based on the yield of senior fixed-interest corporate bonds, i.e. a rating of AA or higher. In accordance with IAS 19, remeasurements are recognized in other comprehensive income if they relate to provisions for pensions and other post-employment benefits or to severance payments.	
Defined contribution plans	Defined contribution plans have been introduced at various Group companies on the basis of statutory obligations. In addition, individual pension agreements have been entered into. Contributions are recognized as expenses in the period for which they are paid.	
Other long-term employment benefits provisions	Other long-term employment benefits relate primarily to collective bargaining commitments for the payment of anniversary bonuses depending on years of service for the employees of Austrian and Slovenian companies and to bonus agreements entered into with the members of the Executive Board and other executives. In accordance with IAS 19, remeasurements are recognized in profit or loss as provisions for anniversary bonuses under personnel expenses.	
(66) Other provisions		
	Provisions are recognized at the expected settlement amount; non-current provisions are recognized at present value.	IAS 37
(67) Income tax		
	Tax receivables and tax liabilities are netted when they relate to the same tax authority and the company has a right to offset the items. Deferred taxes are recognized according to the liability method. The respective country's applicable tax rate is applied for calculating the deferred taxes. Deferred tax assets are only recognized if it is likely that the corresponding tax advantages will actually be realized. Deferred tax is calculated using the tax rate expected to apply on the balance sheet date when the temporary differences reverse. As a general rule, changes in taxes result in tax expenses and/or tax income. Taxes on items recognized in other comprehensive income are recognized in other comprehensive income. Taxes on items recognized directly in equity are recognized directly in equity.	IAS 12

Note	Balance sheet item	Accounting policies	Standard
(68)	**Revenue recognition**		
		Sale of products Revenue from the sale of series products is recognized when control of the goods is transferred to the customer in accordance with the terms and conditions of delivery. Revenue is recognized at that point in time provided that both revenue and cost can be reliably determined, the consideration is likely to be received, and the performance obligation has been fulfilled. The performance obligation is normally fulfilled upon transfer of ownership in accordance with the INCOTERMS. Some contracts have multiple components, meaning that in addition to governing the sale of series products, they also include additional performance obligations such as extended warranties and service type warranties, service and maintenance, or commissioning. In accordance with IFRS 15, the consideration is allocated to the components according to their relative standalone selling prices. Contract manufacturing and rendering of services IFRS 15 defines criteria for recognizing revenue over a specified time period. Almost all project business contracts meet the criteria for satisfying a performance obligation over a specified time period because the assets produced have no alternative use and PALFINGER has a right to payment for the performance completed at any time during the term of the respective contract. PALFINGER's project business consists of railway systems projects in the EMEA region as well as projects involving offshore cranes, winches, davits and boats. In the case of contracts for the provision of long-term services, revenue is recognized over a specified time period because the customer receives the benefits from the services while they are being performed. Significant financing components with terms longer than twelve months are accounted for separately from revenue. Installment plans are set up for this purpose in most cases. Significant costs incurred during the phase of contract formation are only capitalized for contracts with terms longer than twelve months. At present, no significant costs are incurred during the phase of contract formation. Variable consideration and repurchase commitments only apply in rare cases.	IFRS 15

FAIR VALUE MEASUREMENT

PALFINGER measures financial instruments such as derivatives, contingent purchase price obligations as well as liabilities from puttable non-controlling interests at fair value on a recurring basis. The fair values of financial instruments accounted for at amortized cost are quoted in the Note "Financial instruments".

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the valuation date. When measuring fair value, it is assumed that the transaction in the course of which the asset is sold, or the liability transferred, takes place either on the principal market for the asset or liability or, if there is no principal market, on the most advantageous market. PALFINGER measures fair value by taking into account all assumptions that the market participants would use as a basis for pricing. The assumption is that the market participants act in their own best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits through the highest and best use of the asset.

When determining fair value, PALFINGER applies valuation methods appropriate in the circumstances and for which sufficient data are available to measure the fair value, using observable inputs whenever possible.

The fair values accounted for or stated are categorized on the basis of the lowest level of input applied as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date.
- Level 2 - inputs other than quoted market prices included in Level 1 that are to be observed for the asset or liability, either directly or indirectly.
- Level 3 - inputs that are not observable for the asset or liability.

LIST OF SHAREHOLDINGS

Company, registered office	Parent company 1)	Direct investment 2) (in percent) 2020	Direct investment 2) (in percent) 2021	Indirect investment 3) (in percent) 2020	Indirect investment 3) (in percent) 2021	FC 4)
Consolidated entities						
PALFINGER AG, Bergheim (AT)						EUR
Andrés N. Bertotto S.A.I.C. (Hidro-Grubert), Río Tercero (AR)	PAM	70.00	70.00	70.00	70.00	ARS
Elesa centro de montaje y servicios S.A, Madrid (ES)	PIB	100.00	100.00	75.00	75.00	EUR
EPSILON Kran GmbH, Salzburg (AT)	EMEA	65.00	65.00	65.00	65.00	EUR
Equipdraulic SL, Barcelona (ES)	EMEA	-	100.00	-	100.00	EUR
Equipment Technology, LLC, Oklahoma City (US)	PUSH	100.00	100.00	100.00	100.00	USD
Guima Palfinger S.A.S., Caussade (FR)	EMEA	65.00	65.00	65.00	65.00	EUR
Handelsbolaget Bunsön 7:1, Borlänge (SE)	HINZ	-	100.00	-	100.00	SEK
Harding Safety Spain SL, Cádiz (ES)	PALM AS	100.00	100.00	100.00	100.00	EUR
Holding Company Podyomnie Maschini AO, Arkhangelsk (RU)	VMS/PMH	100.00	-	75.03	-	RUB
Hinz Fastighets AB, Borlänge (SE)	HINZ	-	100.00	-	100.00	SEK
Hinz Försäljnings AB, Borlänge (SE)	EMEA	-	100.00	-	100.00	SEK
INMAN AO, Ischimbai (RU)	EMEA	100.00	100.00	100.00	100.00	RUB
Madal Palfinger S.A., Caxias do Sul (BR)	PAM	99.85	99.85	99.85	99.85	BRL
Mega Repairing Machinery Equipment LLC, Dubai (AE)	PSYSU	100.00	100.00	100.00	100.00	AED
Megarme General Contracting Company LLC, Abu Dhabi (AE)	PSYSU	100.00	100.00	100.00	100.00	AED
Megarme Inspection & Engineering Services LLC, Dubai (AE)	PSYSU	100.00	100.00	100.00	100.00	AED6)
Nimet Srl, Lazuri (RO)	PPT BG	60.00	60.00	60.00	60.00	RON
Noreq BV, Houten (NL)	PALM AS	100.00	100.00	100.00	100.00	EUR
Omaha Standard, LLC, Council Bluffs (US)	PUSH	100.00	100.00	100.00	100.00	USD
OYT Mulder Holding, S.L.U., Madrid (ES)	EMEA	-	100.00	-	100.00	EUR
Palfinger Americas GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Area Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Asia Pacific Pte. Ltd., Singapore (SG)	PAUG	100.00	100.00	100.00	100.00	EUR
Palfinger Canarias Maquinaria S.L., Las Palmas de Gran Canaria (ES)	PIB	100.00	100.00	75.00	75.00	EUR
Palfinger CIS GmbH, Salzburg (AT)	PAUG	100.00	-	100.00	-	EUR
Palfinger comércio e aluguer de máquinas S.A., Samora Correira (PT)	PIB	60.00	60.00	45.00	45.00	EUR
Palfinger Crane Rus OOO, St. Petersburg (RU)	EMEA	100.00	100.00	100.00	100.00	RUB
Palfinger Cranes India Pvt. Ltd., Chennai (IN)	PAUG	100.00	100.00	100.00	100.00	INR
Palfinger Danmark AS, Middelfart (DK)	EMEA	100.00	100.00	100.00	100.00	DKK
Palfinger EMEA GmbH, Bergheim (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Equipment (Nantong) Co. Ltd., Nantong (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger Europe GmbH, Salzburg (AT)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger GmbH, Ainring (DE)5)	PP	100.00	100.00	100.00	100.00	EUR
Palfinger Gru Idrauliche S.r.l., Bozen (IT)	PEU	100.00	100.00	100.00	100.00	EUR
Palfinger Hayons S.A.S., Silly en Gouffern (FR)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Ibérica Maquinaria S.L., Madrid (ES)	EMEA	75.00	100.00	75.00	100.00	EUR
Palfinger Japan K.K., Yokohama (JP)	PAP	100.00	100.00	100.00	100.00	JPY
Palfinger Kama Cylinders OOO, Neftekamsk (RU)	EMEA	51.00	51.00	51.00	51.00	RUB
Palfinger Korea Co., Ltd., Seongnam-si (KR)	PAP	100.00	100.00	100.00	100.00	KRW
Palfinger Liftgates, LLC, Cerritos (US)	PUSH	100.00	-	100.00	-	USD
Palfinger Marine Canada Inc., Langley (CA)	PALM AS	100.00	100.00	100.00	100.00	CAD
Palfinger Marine Czech s.r.o., Slaný (CZ)	PALM EU	100.00	100.00	100.00	100.00	CZK
Palfinger Marine DK AS, Munkebo (DK)	PALM AS	100.00	100.00	100.00	100.00	DKK
Palfinger Marine Do Brasil Ltda., Rio de Janeiro (BR)	PALMA	100.00	100.00	100.00	100.00	BRL
Palfinger Marine Doha WLL, Doha (QU)	PSYSU	100.00	100.00	100.00	100.00	QAR
Palfinger Marine Europe B.V., Schiedam (NL)	PALM AS	100.00	100.00	100.00	100.00	EUR

Company, registered office	Parent company [1]	Direct investment[2] (in percent) 2020	2021	Indirect investment[3] (in percent) 2020	2021	FC[4]
Consolidated entities						
Palfinger Marine Germany GmbH, Dägeling (DE)	PALM AS	100.00	100.00	100.00	100.00	EUR
Palfinger Marine GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Hong Kong Limited, Hongkong (CN)	PALM AS	100.00	100.00	100.00	100.00	HKD
Palfinger Marine Italy Srl, Livorno (IT)	PALM AS	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Korea Ltd., Sacheon-si (KR)	PALMA	100.00	100.00	100.00	100.00	KRW
Palfinger Marine LSE (Qingdao) Co., Ltd., Qingdao City (CN)	PALM AS	100.00	100.00	100.00	100.00	CNY
Palfinger Marine Montagens Industriais do Brasil Ltda., Porto Alegre (BR)	PALM BR	99.00	99.00	99.00	99.00	BRL
Palfinger Marine Netherlands B.V., Haderwijk (NL)	PALMA	100.00	100.00	100.00	100.00	EUR
Palfinger Marine Norway AS, Bergen (NO)	PALMA	100.00	100.00	100.00	100.00	NOK
Palfinger Marine Panama Inc., Panama City (PA)	PALM US	100.00	100.00	100.00	100.00	PAB
Palfinger Marine Poland sp. z.o.o., Gdynia (PL)	PALMA	100.00	100.00	100.00	100.00	PLN
Palfinger Marine Rus OOO, St. Petersburg (RU)	PALMA	100.00	100.00	100.00	100.00	RUB
Palfinger Marine Safety AS, Seimsfoss (NO)	PALMA	100.00	100.00	100.00	100.00	NOK
Palfinger Marine UK Limited, Gosport Hampshire (UK)	PALM AS	100.00	-	100.00	-	CNY
Palfinger Marine UK Limited, Gosport Hampshire (UK)	PALM AS	100.00	100.00	100.00	100.00	GBP
Palfinger Marine USA Inc., New Iberia (US)	PALM AS	100.00	100.00	100.00	100.00	USD
Palfinger Marine Vietnam Co., Ltd., Hung Yen (VN)	PM NL	100.00	100.00	100.00	100.00	USD
Palfinger North America,LLC, Council Bluffs (US)	PUSH	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms GmbH, Krefeld (DE)5)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Platforms Italy s.r.l., Bozen (IT)	PSUG	100.00	100.00	100.00	100.00	EUR
Palfinger PM Holding GmbH, Salzburg (AT)	PCIS	75.03	-	75.03	-	EUR
Palfinger Poland sp.z.o.o., Solec Kujawski (PL)	EMEA	100.00	100.00	100.00	100.00	PLN
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger proizvodna tehnologija Hrvatska d.o.o., Delnice (HR)	EMEA	100.00	100.00	100.00	100.00	HRK
PALFINGER proizvodnja d.o.o., Marburg (SI)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger S. Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Structural Inspection GmbH, Vienna (AT)	PAG	51.00	65.28	51.00	65.28	EUR
Palfinger systems units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR
Palfinger Tail Lifts GmbH, Ganderkesee-Hoykenkamp (DE)5)	EMEA	100.00	100.00	100.00	100.00	EUR
Palfinger Tail Lifts Limited, Welwyn Garden City (UK)	EMEA	100.00	100.00	100.00	100.00	GBP
Palfinger Tail Lifts s.r.o., Bratislava (SK)	PTL DE	100.00	100.00	100.00	100.00	EUR
Palfinger Taiwan Co., Ltd., Taipei City (TW)	PAP	100.00	100.00	100.00	100.00	TWD
Palfinger Trading (Shanghai) Co., Ltd., Shanghai (CN)	PAP	100.00	100.00	100.00	100.00	CNY
Palfinger USA Operations, LLC, Wilmington (US)	PUSH	-	100.00	-	100.00	USD
Palfinger US Holdings, Inc., Council Bluffs (US)	PAM	100.00	100.00	100.00	100.00	USD
Palfinger, Inc., Niagara Falls (CA)	PAM	100.00	100.00	100.00	100.00	USD
Palfinger-Tercek Indústria de Elevadores Veiculares Ltda, Caxias do Sul (BR)	MP	100.00	-	99.85	-	BRL
Palfinger USA, LLC, Tiffin (US)	OSP	100.00	100.00	100.00	100.00	USD
Podyomnie Maschini AO, Velikiye Luki (RU)	EMEA	100.00	75.03	75.03	75.03	RUB
SMZ OOO, Arkhangelsk (RU)	PM/HKPM	100.00	100.00	75.03	75.03	RUB
Velmash-S OOO, Velikiye Luki (RU)	PM/HKPM	100.00	100.00	75.03	75.03	RUB

Entities reported at equity						
Associated companies						
Crane Center Kamaz OOO, Nabereschnye Tschelny (RU)	EMEA	49.00	49.00	49.00	49.00	RUB
Palfinger France S.A.S., Étoile sur Rhône (FR)	EMEA	48.94	48.94	48.94	48.94	EUR
Palfinger Neptune Marine Equipment Technology (Shanghai) Co., Ltd., Shanghai (CN)	PM NL	-	50.00	-	50.00	CNY
SANY Automobile Hoisting Machinery Co.,Ltd., Changsha (CN)	PAP	7.50	-	7.50	-	CNY
STEPA Farmkran Gesellschaft m.b.H., Elsbethen (AT)	EMEA	45.00	45.00	45.00	45.00	EUR
Jetfly Airline GmbH, Hörsching (AT)	PAG	-	33.30	-	33.30	EUR
Joint ventures						
Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)	PSUG	50.00	50.00	50.00	50.00	EUR
PALFINGER SANY Cranes OOO, Moscow (RU)	PSV	100.00	100.00	50.00	100.00	RUB
Sany Palfinger SPV Equipment Co., Ltd., Nantong (CN)	PAP	50.00	50.00	50.00	50.00	CNY
Other shareholdings						
Rosendal Hamn Eigedom AS, Rosendal (NO)	PALM AS	3.00	3.00	3.00	3.00	NOK
Rosendal Utvikling AS, Rosendal (NO)	PALM AS	8.50	8.50	8.50	8.50	NOK
Sunnhordlandsdiagonalen AS, Valen (NO)	PALM AS	4.54	4.54	4.54	4.54	NOK
Atheno AS, Stord (NO)	PALM AS	6.20	6.20	6.20	6.20	NOK

1) Parent Company:
EMEA = Palfinger EMEA GmbH, Bergheim (AT)
HKPM = Holding Company Podyomnie Maschini AO, Arkhangelsk (RU)
HINZ = Hinz Forsäljnings AB, Borlänge (SE)
MP = Madal Palfinger S.A., Caxias do Sul (BR)
OSP = Omaha Standard, LLC, Council Bluffs (US)
PAG = PALFINGER AG, Bergheim (AT)
PALM AS = Palfinger Marine Safety AS, Seimsfoss (NO)
PALM BR = Palfinger Marine Do Brasil Ltda., Rio de Janeiro (BR)
PALM EU = Palfinger Marine Europe B.V., Schiedam (NL)
PALM US = Palfinger Marine USA Inc., New Iberia (US)
PALMA = Palfinger Marine GmbH, Salzburg (AT)
PAM = Palfinger Americas GmbH, Salzburg (AT)
PAP = Palfinger Asia Pacific Pte. Ltd., Singapore (SG)
PAUG = Palfinger Area Units GmbH, Salzburg (AT)
PEU = Palfinger Europe GmbH, Salzburg (AT)
PIB = Palfinger Ibérica Maqiunaria S.L., Madrid (ES)
PM = Podyomnie Maschini AO, Velikiye Luki (RU)
PM NL = Palfinger Marine Netherlands B.V., Barneveld (NL)
PM NO = Palfinger Marine Norway AS, Bergen (NO)
PMH = Palfinger PM Holding GmbH, Salzburg (AT)
PP = Palfinger Platforms GmbH, Krefeld (DE)
PPT = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)
PSUG = Palfinger S. Units GmbH, Salzburg (AT)
PSV = Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)
PSYSU = Palfinger systems units GmbH, Salzburg (AT)
PTL DE =Palfinger Tail Lifts GmbH, Ganderkesee (DE)
PUSH = Palfinger US Holdings, Inc., Council Bluffs (US)
VMS = Velmash-S OOO, Velikiye Luki (RU)
2) From the viewpoint of the parent company
3) From the viewpoint of PALFINGER AG
4) FC = functional currency
5) § 264 (3) (dHGB) and § 264b (dHGB) were used for these companies.
6) Company not consolidated due to immateriality

Bergheim, February 23, 2022

The Executive Board of PALFINGER AG

Ing. Andreas Klauser e.h.	Dr. Felix Strohbichler e.h.	DI Martin Zehnder, MBA e.h.
Chief Executive Officer	Chief Financial Officer	Chief Operations Officer

Statement

& Reports

STATEMENT OF ALL MANAGEMENT

We confirm to the best of our knowledge that the consolidated financial statements for the year ended December 31, 2021, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). We also confirm, to the best of our knowledge, that the Group management report, including the non-financial statement, for the year ended December 31, 2021 gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces

In addition, we confirm to the best of our knowledge that the separate financial statements for the year ended December 31, 2021, give a true and fair view of the assets, liabilities, financial position, and profit or loss of PALFINGER AG as required by the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) and that the management report for the year ended December 31, 2021, gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Bergheim, February 23, 2022

Executive Board of PALFINGER AG

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

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(TRANSLATION)

AUDIT OPINION

We have audited the consolidated financial statements of

PALFINGER AG, Bergheim bei Salzburg,

and its subsidiaries (the Group), which comprise the separate consolidated statement of income, the statement of comprehensive income, the consolidated balance sheet as at December 31, 2021, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code.

BASIS FOR OPINION

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

(1) Recoverability of the carrying amounts of cash generating units

DESCRIPTION

The Group carries out an impairment test in accordance with the provisions of IAS 36 for cash generating units at least once a year and whenever there is any indication that an impairment might have occurred.

An impairment loss is recognized to the extent that the carrying amount of the individual asset or the cash generating unit exceeds the recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of the fair value less costs of disposal or the value in use. When evaluating whether there are any indications for impairment, external and internal sources of information are to be taken into account.

The Group determines the value in use of a cash generating unit by means of a discounted cash flow model. In addition to forecasted future cash flows, particularly the discount rate before taxes is also to be classified as such that it requires significant discretionary decisions. As even slight changes in the cash flows of perpetual annuity as well as in the discount rate may have a significant impact on the value in use and thus, the recoverable amount, there are major estimation uncertainties with regard to determining the value in use.

Therefore, for the consolidated financial statements, there is the risk that an existing impairment has not been recognized or has not been determined at the appropriate amount. Moreover, there is the risk that the respective disclosures in the notes are not adequate

AUDIT APPROACH AND KEY OBSERVATIONS

We involved our internal valuation experts in assessing whether the assumptions on future cash flows included in the valuation model and the assumptions on material valuation parameters used for the respective cash generating units are appropriate.

We checked the mathematical accuracy of the valuation model. We examined whether the assumptions used in the future cashflows are in line with the budget prepared by the Executive Board and approved by the Supervisory Board, and we analyzed and critically assessed the essential drivers for the future development (such as revenue expectations, payments made for expenses, investments, changes in working capital). In particular, we examined whether the uncertainties in the budgeting assumptions resulting from the COVID-19 pandemic were taken into account in an appropriate manner. We assessed the forecast quality of past budgets by comparing historic targets to the actual materialized values and by following up on material deviations. We checked the assumptions regarding the discount rate and the growth rate by involving our internal valuation experts. We assessed whether the disclosures in the notes to the consolidated financial statements on the impairment tests are mathematically accurate, appropriate and complete.

REFERENCE TO RELATED DISCLOSURES

Further information on this key audit matter can be found in the notes to the consolidated financial statements as at December 31, 2021 under note 29 – "Impact of COVID-19 on the financial position" as well as note 29 – "Intangible assets" in subsection – "INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFES" as well as note "Use of estimates and discretionary decisions".

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations. Regarding the consolidated non-financial statement contained in the management report for the Group, it is our responsibility to examine whether it has been prepared, to read it and to consider whether it is, based on our knowledge obtained in the audit, materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian standards on auditing for the audit of the management report for the Group.

OPINION

In our opinion, the management report for the Group was prepared in accordance with the applicable legal regulations, comprising the details in accordance with section 243a UGB, and is consistent with the consolidated financial statements.

STATEMENT

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional Information in Accordance with Article 10 of the EU Regulation

We were elected as statutory auditor at the ordinary general meeting dated April 7, 2021. We were appointed by the Supervisory Board on August 25, 2021. We have audited the Company since the financial year 2020.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

RESPONSIBLE ENGAGEMENT PARTNER

Responsible for the proper performance of the engagement is Mr. Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, February 23, 2022

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner

Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's report is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This auditor's report is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of section 281 para. 2 UGB apply.

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT FOR THE FINANCIAL YEAR 2021

(TRANSLATION)
We have performed a limited assurance engagement of the consolidated non-financial statement for the financial year 2021 of PALFINGER AG, Bergheim bei Salzburg, and its subsidiaries (the "Group") for the year ended December 31, 2021.

MANAGEMENT'S RESPONSIBILITY

The Management is responsible for the preparation of the consolidated non-financial statement 2021 in accordance with the requirements of section 267a UGB and the "EU-Taxonomy" (EU-Regulation 2021/852) as well as the GRI Standards: Core option. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the consolidated non-financial statement 2021 that is free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion based on our procedures performed and evidence obtained.

We performed our engagement in accordance with the professional standards applicable in Austria with regard to KFS/PG 13 "Other assurance engagements", KFS/PE28 "Selected issues in connection with the assurance of non-financial statements and non-financial reports pursuant to sections 243b UGB and 267a UGB as well as sustainability reports" and the International Standards on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information". These standards require that we comply with our ethical requirements, including rules on independence, and that we plan and perform our procedures by considering the principle of materiality to be able to express a limited assurance conclusion based on the assurance obtained. As provided under section 275 para. 2 UGB (liability provision regarding the audit of financial statements of small and medium-sized companies), our responsibility and liability towards the Company and any third parties arising from the assurance engagement are limited to a total of EUR 2 million.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selection of the procedures lies in the sole discretion of the auditor and comprised the following:

- Critical assessment of the Group's analysis of materiality considering the concerns of external stakeholders by interviewing the responsible employees and inspecting relevant documents
- Obtaining an overview of the policies pursued by the Group, including due diligence processes implemented as well as the processes used to ensure an accurate presentation in the consolidated non-financial statement by interviewing the Company's management and inspecting internal guidelines, procedural instructions and management systems in connection with non-financial matters/disclosures
- Obtaining an understanding of reporting processes by interviewing the relevant employees and inspecting selected documentations
- Evaluating the reported disclosures by performing analytical procedures regarding non-financial performance indicators, interviewing relevant employees and inspecting selected documentations. All interviews as well as audit activities were conducted virtually due to the ongoing COVID-19 pandemic and the respective coronavirus protective measures
- Critical appraisal of the disclosures in accordance with the requirements of the "EU Taxonomy Regulation" (EU Regulation 2021/852)

- Examining the consolidated non-financial statement regarding its completeness in accordance with the requirements of section 267a UGB and the "EU Taxonomy Regulation" (EU Regulation 2021/852) as well as the GRI Standards: Core option
- Evaluating the overall presentation of the disclosures and non-financial information

The following is not part of our engagement:

- Examining the processes and internal controls particularly regarding their design, implementation and effectiveness
- Performing procedures at individual locations as well as measurements or individual evaluations to check the reliability and accuracy of data received
- Examining the prior-year figures, forward-looking information or data from external surveys
- Checking the correct transfer of data and references from the (consolidated) financial statements to the non-financial report; and
- Examining the information and disclosures on the website or further references on the internet

Neither an audit nor a review of financial statements is objective of our engagement. Furthermore, the disclosure and solution of criminal acts, as e.g. embezzlement or other kinds of fraud, and wrongful doings, nor the assessment of the effectiveness and profitability of the management are objectives of our engagement.

CONCLUSION

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement for the financial year 2021 is not prepared, in all material aspects, in accordance with the requirements of section 267a UGB and the "EU Taxonomy Regulation" (EU Regulation 2021/852) as well as the GRI Standards: Core option.

Vienna, February 23, 2022

PwC Wirtschaftsprüfung GmbH

signed:

Peter Pessenlehner

Austrian Certified Public Accountant

GRI 102-56

REPORT OF THE SUPERVISORY BOARD

In line with the requirements set out in the law and the Articles of Association the Supervisory Board performed its duties in fiscal year 2021 and held a constituent meeting on April 7, 2021, as well as four further meetings on February 25, June 7, September 27, and December 13, 2021, with the participation of the Executive Board. In addition, the Executive Board provided the Supervisory Board with regular written and verbal reports on the course of business and the situation of the company and the group companies. The Chairman of the Supervisory Board was in regular contact with the Executive Board - also apart from the Supervisory Board meetings - and thereby discussed the strategy, business development and risk situation of the company.

Besides the current development and planning, the Supervisory Board addressed the effects of the challenging economic conditions in connection with Covid-19 and the difficult situation on the procurement markets, the cyber-attack in January 2021, the dissolution of the cross-shareholding with SANY, major investment decisions and other acquisition, integration, restructuring and expansion projects, the strategy in the individual segments, the sustainability strategy, developments in group-wide risk management and the associated economic, environmental and social risks in the 2021 financial year.

Furthermore, three meetings of the Audit Committee were held in 2021, in which the Audit Committee focused on the annual financial statements for 2021, the internal control system, risk management, IFRS and accounting topics, Internal Audit and the cooperation with the auditor.

In the Nomination Committee, the following topics were discussed in particular in two meetings in 2021: the collaboration and working methods of the Executive Board, the extension of Dr. Strohbichler's Executive Board mandate, and the nomination to fill a vacant Supervisory Board mandate at the 2021 Annual General Meeting.

The Compensation Committee held two meetings in 2021, focusing on the compensation of the Executive Board members, the preparation of the compensation report, and the extension of Dr. Strohbichler's Executive Board contract.

A new project committee began its work in June 2021. It is entrusted with the in-depth analysis of research and development projects and the preparation of related reporting and resolution items for the Supervisory Board.

In addition, anew Digital Committee was also constituted in June 2021. It deals in depth with digital technologies and the preparation of related reporting and resolution items for the Supervisory Board.

Ms. Cai did not attend any of the five meetings of the Supervisory Board. However, this in no way impaired the functioning of the Supervisory Board. Ms. Cai did not receive any Supervisory Board remuneration.

For further details on the members and working methods of the Supervisory Board and its committees, please refer to the Corporate Governance Report 2021.

The annual financial statements of PALFINGER AG as of December 31, 2021 and the management report for 2021, including the non-financial statement pursuant to section 267a of the Austrian Commercial Code (UGB), including the accounting records, were audited by PwC Wirtschaftsprüfung GmbH. The audit revealed that the accounting records, the annual financial statements, and the management report of PALFINGER AG comply with the statutory provisions and the provisions of the Articles of Association. According to its concluding findings, the audit did not give rise to any objections, thus allowing for the issuance of an unqualified audit opinion by the auditor for 2021. The same applies for the 2021 consolidated financial statements. The consolidated financial statements prepared in accordance with IFRS (as adopted by the EU) were supplemented by the Group management report and further explanatory notes in accordance with § 245a of the Austrian Commercial Code (UGB).

The Supervisory Board approved the annual financial statements for the year ended December 31, 2021, including the management report and the corporate governance report for the 2021 fiscal year. The 2021 annual financial statements of PALFINGER AG have thus been adopted in accordance with section 96 (4) of the Austrian Stock Corporation Act (AktG). The Supervisory Board has approved the consolidated financial statements and the Group management report for 2021 prepared in accordance with section 244 et seq. of the Austrian Commercial Code (UGB). The Supervisory Board has evaluated and approved the proposal of the Executive Board regarding the distribution of profits for the fiscal year 2021.

The evaluation of the company's compliance with the rules of the Austrian Corporate Governance Code in the 2021 financial year was carried out by PwC Wirtschaftsprüfung GmbH. It was confirmed that the declaration made by PALFINGER AG on compliance with the Corporate Governance Code reflects the actual circumstances. Compliance with rules 77 to 83, insofar as they refer to C-rules, was evaluated by Schönherr Rechtsanwälte GmbH.

The Supervisory Board would like to express its gratitude and appreciation to the members of the Executive Board and to all employees of PALFINGER for their great commitment and outstanding performance in the 2021 financial year.

Bergheim, February 23, 2022

Hubert Palfinger

GENERAL INFORMATION

PALFINGER AG

Lamprechtshausener Bundesstraße 8
5101 Bergheim
Austria
www.palfinger.ag

Contact

Investor Relations
Tel. +43 662 2281-81100
Fax +43 662 2281-81070
www.palfinger.ag
Andreas Klauser, CEO
Ext. 81008, a.klauser@palfinger.com
Felix Strohbichler, CFO
Ext. 81006, f.strohbichler@palfinger.com
Hannes Roither, Group Spokesperson
Ext. 81100, h.roither@palfinger.com

Consulting and Concept
Grayling Austria GmbH
UKcom Finance

Graphic Design
Rahofer Werbeagentur

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The English translation of the PALFINGER Report is for convenience. Only the German text is binding. The rounding of individual items and percentages in this report can lead to minor differences in calculated amounts.

This report contains forward-looking statements made on the basis of all information available at the date of its preparation. These are usually identified by words such as "expect", "plan", "estimate", "believe", etc. Actual outcomes and results may be different from those predicted. Likewise, in some 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 February 25, 2022

COMPANIES OF THE PALFINGER GROUP

PALFINGER AG
Austria, Bergheim

- 100% **PALFINGER EMEA GmbH** – Austria, Bergheim
  - 65% **EPSILON Kran GmbH** – Austria, Salzburg – 35% Steindl Holding GmbH
  - 45% **STEPA Farmkran GmbH** – Austria, Elsbethen – 55% STEINDL KRANTECHNIK GmbH
  - 100% **PALFINGER Europe GmbH** – Austria, Salzburg
  - 100% **PALFINGER Gru Idrauliche S.r.l.** – Italy, Bolzano
  - 100% **PALFINGER Tail Lifts GmbH** – Germany, Ganderkesee-Hoykenkamp
  - 100% **PALFINGER Tail Lifts s.r.o.** – Slovakia, Bratislava
  - 90% **PALFINGER Platforms GmbH** – Germany, Krefeld – 10% PALFINGER Europe GmbH
  - 90% **PALFINGER GmbH** – Germany, Ainring – 10% PALFINGER Europe GmbH
  - 100% **PALFINGER Hayons S.A.S.** – France, Silly en Gouffern
  - 65% **Guima PALFINGER S.A.S.** – France, Caussade – 35% Compagnie générale Vincent
  - 48.94% **PALFINGER France S.A.S.** – France, Étoile sur Rhône – 51.06% Group Vincent et.al.
  - 100% **Hinz Försäljnings AB** – Sweden, Borlänge
  - 100% **Hinz Fastighets AB** – Sweden, Borlänge
  - 99% **Handelsbolaget Bunsön 7.1** – Sweden, Borlänge – 1% Hinz Fastighets AB
  - 100% **Equipdraulic, S.L.** – Spain, Barcelona
  - 100% **PALFINGER Tail Lifts Limited** – United Kingdom, Welwyn Garden City
  - 100% **PALFINGER Danmark AS** – Denmark, Middelfart
  - 100% **PALFINGER Produktionstechnik Bulgaria EOOD** – Bulgaria, Cherven Brjag
  - 60% **Nimet Srl** – Romania, Lazuri – 40% Samy Numan
  - 100% **PALFINGER proizvodnja d.o.o.** – Slovenia, Marburg
  - 100% **PALFINGER proizvodna tehnologija Hrvatska d.o.o.** – Croatia, Delnice
  - 100% **PALFINGER Poland sp.z.o.o** – Poland, Solec Kujawski
  - 100% **OYT Mulder Holding S.L.** – Spain, Madrid
  - 75% **PALFINGER Ibérica Maquinaria, S.L.** – Spain, Madrid – 25% OYT Mulder Holding S.L.
    - 60% **PALFINGER comércio e aluguer de máquinas, S.A.** – Portugal, Samora Correira – 40% Areampla Portugal
    - 100% **PALFINGER Canarias Maquinaria S.L.** – Spain, Las Palmas de Gran Canaria
    - 100% **Elesa centro de montaje y servicios, S.A** – Spain, Madrid
  - 100% **PALFINGER Duisburg GmbH** – Germany, Duisburg
  - 100% **INMAN AO** – Russia, Ischimbai
  - 51% **PALFINGER Kama Cylinders OOO** – Russia, Neftekamsk – 49% KAMAZ PAO
  - 49% **Crane Center Kamaz OOO** – Russia, Nabereschnyje Tschelny – 51% KAMAZ PAO
  - 100% **PALFINGER Crane Rus OOO** – Russia, St. Petersburg
  - 75.03% **Podyomnie Maschini AO** – Russia, Velikiye Luki – 24.97% Steindl PM GmbH
    - 100% **SMZ OOO** – Russia, Arkhangelsk
    - 100% **Velmash-S OOO** – Russia, Velikiye Luki
- 100% **PALFINGER Area Units GmbH** – Austria, Salzburg
  - 100% **PALFINGER Americas GmbH** – Austria, Salzburg
    - 70% **Andrés N. Bertotto S.A.I.C. (Hidro-Grubert)** – Argentina, Río Tercero – 30% Familie Bertotto
    - 99.85% **Madal PALFINGER S.A.** – Brazil, Caxias do Sul – 0.15% Retail Shareholders
    - 100% **PALFINGER, Inc.** – Canada, Niagara Falls
    - 100% **PALFINGER US Holdings, Inc.** – USA, Council Bluffs
      - 100% **Omaha Standard, LLC** – USA, Council Bluffs
      - 100% **PALFINGER USA, LLC** – USA, Tiffin
      - 100% **Equipment Technology, LLC** – USA, Oklahoma City
      - 100% **PALFINGER North America, Inc.** – USA, Council Bluffs
      - 100% **Palfinger USA Operations, LLC** – USA, Council Bluffs
  - 99.99% **PALFINGER Cranes India Pvt. Ltd.** – India, Chennai – 0.01% PALFINGER Asia Pacific Pte. Ltd.
  - 100% **PALFINGER Asia Pacific Pte. Ltd.** – Singapore, Singapore
    - 100% **PALFINGER Trading (Shanghai) Co., Ltd.** – China, Shanghai
    - 100% **PALFINGER Equipment (Nantong) Co., Ltd.** – China, Nantong
    - 100% **PALFINGER Japan K.K.** – Japan, Yokohama
    - 100% **PALFINGER Taiwan Co., Ltd.** – Taiwan, Taipeh
    - 100% **PALFINGER Korea Co., Ltd.** – South Korea, Seongnam-si
    - 50% **Sany PALFINGER SPV Equipment Co., Ltd.** – China, Nantong – 50% SANY Automobile Hoisting Machinery Co Ltd.
    - 7.5% **SANY Automobile Hoisting Machinery Co., Ltd.** – China, Changsha – 92.5% SANY Automobile Manufacturing Co., Ltd
- 100% **PALFINGER S. Units GmbH** – Austria, Salzburg
  - 100% **PALFINGER Platforms Italy s.r.l.** – Italy, Bolzano
  - 50% **PALFINGER Sany International Mobile Cranes Sales GmbH** – Austria, Salzburg – 50% SANY Belgium Holding S.A.
    - 100% **PALFINGER SANY Cranes OOO** – Russia, Moscow
- 65.28% **PALFINGER Structural Inspection GmbH** – Austria, Wien – 34.72% VCE Vienna Consulting Engineers ZT GmbH et al.
- 33.33% **JETFLY Airline GmbH** – Austria, Hörsching – 33.33% Pierer Industrie et al AG; 30% FSS Vermögensverwaltungs GmbH; 3.33% Kletzmaier Beteiligungsverwaltungsgesellschaft m.b.H.

☐ Consolidated
☐ Entities measured using equity method accounting and other equity interests

As at December 31, 2021

PALFINGER AG
Austria, Bergheim

- 100% **PALFINGER Marine GmbH** – Austria, Salzburg
  - 100% **PALFINGER Marine Norway AS** – Norway, Bergen
  - 100% **PALFINGER Marine Netherlands B.V.** – Netherlands, Harderwijk
    - 100% **PALFINGER Marine Vietnam Co., Ltd.** – Vietnam, Hung Yen
    - 50% **Palfinger Neptune Marine Equipment Technology (Shanghai) Co., Ltd.** – China, Shanghai (50% Jiangyin Neptune Marine Appliance Co. Ltd. (CN))
  - 100% **PALFINGER Marine Poland sp. z.o.o.** – Poland, Gdynia
  - 96,65% **PALFINGER Marine Do Brasil Ltda.** – Brazil, Rio de Janeiro (3,35% PALFINGER Marine Safety AS)
    - 99% **PALFINGER Marine Montagens Industriais do Brasil Ltda.** – Brazil, Porto Alegre (1% Koch Metalúrgica Ltda.)
  - 100% **PALFINGER Marine Korea Ltd.** – South Korea, Sacheon-si
  - 100% **PALFINGER Marine Rus OOO** – Russia, St. Petersburg
  - 100% **PALFINGER Marine Safety AS** – Norway, Seimsfoss
    - 100% **PALFINGER Marine USA Inc.** – USA, New Iberia
      - 100% **PALFINGER Marine Panama Inc.** – Panama, Panama Stadt
    - 100% **PALFINGER Marine Canada Inc.** – Canada, Langley
    - 100% **PALFINGER Marine LSE (Qingdao) Co., Ltd.** – China, Qingdao
    - 100% **PALFINGER Marine Hong Kong Limited** – China, Hongkong
    - 100% **PALFINGER Marine UK Limited** – United Kingdom, Gosport Hampshire
    - 100% **PALFINGER Marine DK AS** – Denmark, Munkebo
    - 100% **Harding Safety Spain SL** – Spain, Cádiz
    - 100% **PALFINGER Marine Italy Srl** – Italy, Livorno
    - 100% **PALFINGER Marine Germany GmbH** – Germany, Dägeling
    - 100% **PALFINGER Marine Europe B.V.** – Netherlands, Schiedam
      - 100% **PALFINGER Marine Czech s.r.o.** – Tschechische Republik, Slaný
    - 100% **Noreq BV** – Netherlands, Houten
- 100% **PALFINGER systems units GmbH** – Austria, Salzburg
  - 100%* **Mega Repairing Machinery Equipment LLC** – United Arab Emirates, Dubai
  - 100%* **Megarme Inspection & Engineering Services LLC** – United Arab Emirates, Dubai
  - 100%* **Megarme General Contracting Company LLC** – United Arab Emirates, Abu Dhabi
  - 100%* **PALFINGER Marine Doha WLL** – Qatar, Doha

☐ Consolidated
☐ Entities measured using equity method accounting and other equity interests
* Some shares held in trust

As at December 31, 2021

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Financial Calendar 2022

Febr. 24	**Balance sheet presentation**
March 14	**Annual General Meeting record date**
March 21	**Deadline for deposit confirmation**
March 24	**Annual General Meeting**
March 28	**Ex-dividend date**
March 29	**Dividend record date**
March 30	**Dividend payment date**
April 29	**Publication of results Q1/2022**
July 29	**Publication of results HY/2022**
Oct. 28	**Publication of results Q1-3/2022**

Additional dates such as trade fairs will be announced on the website.

Investors and other interested parties who wish to receive regular news about the PALFINGER Group may register for the info service on the PALFINGER website. The PALFINGER Investor Relations app is also available for download on the Company's website as well as in leading app stores.
www.palfinger.ag/en/investors; www.palfinger.ag/en/investors/ir-service

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i-report.palfinger.ag

PALFINGER AG
Lamprechtshausener Bundesstraße 8
5101 Bergheim, Austria
www.palfinger.ag