



2005 Sustainability Report Acting today for tomorrow.

PALFINGER

1	THE COMPANY	
1.1	PALFINGER AG	8
1.2	The Global PALFINGER Family	9
1.3	Corporate Governance and Socially Responsible Investment	10
1.4	Mission Statement	11
1.5	Stakeholders	13
2	SUSTAINABLE DEVELOPMENT AT PALFINGER	
2.1	The value of our products to society	16
2.2	Aspects of sustainable development	16
2.3	The sustainability process at PALFINGER	18
2.4	Management of sustainable development	19
3	SUSTAINABLE CORPORATE SUCCESS	
3.1	Corporate success and market leadership	22
3.2	Monetary flows to stakeholders	24
3.3	Integration in the surrounding environment	26
3.4	Corporate Social Responsibility and sponsoring	27
4	PALFINGER PRODUCTS	
4.1	Safety, long life cycle, and environmental protection	30
4.2	Our products in detail	32
4.3	Special focus: Truck-mounted knuckleboom cranes	37
5	ECO-EFFICIENT PRODUCTION	
5.1	Energy efficiency and air emissions	42
5.2	Transport within the Group	45
5.3	Use of raw materials, auxiliary materials, and operating materials	46
5.4	Water consumption and waste water disposal	48
5.5	Waste and waste disposal	49
5.6	PALFINGER: A good neighbor	50
6	STAFF	
6.1	Increasing number of jobs	54
6.2	Acquisitions – good for the Group and the locations	56
6.3	Our presence in the world	57
6.4	Training and further education in the company	59
6.5	Staff satisfaction and fluctuation	61
6.6	Occupational health and workplace safety	63
6.7	Equal opportunities	66
6.8	Staff communications and participation	68
7	ANNEX	
7.1	On the report	72
7.2	Auditors' Certificate	72
7.3	GRI Index	74
7.4	Annex with data tables	75

We are proud to present our second sustainability report. It is to supplement our annual report by providing an overview of our activities in the scope of staff matters, the environment, and corporate citizenship.

PALFINGER is continuously advancing on its path of internally generated, organic growth. All stakeholders benefited from increased profitability in 2005. Our corporate locations are providers of vital economic impulses for surrounding areas – in the form of tax payments, business relationships with national suppliers, and income in terms of wages and salaries. Whether in Europe, North America, or South America – PALFINGER sites in all regions were marked by higher employment during the past years. We are especially proud of the positive development of staff numbers in the context of our most recent acquisitions.

While the profit and loss statement carries staff members as expenditures, the sustainability report shows that they are our most important asset. Productivity is a result of low fluctuation and high employee satisfaction. Measures ensuring occupational safety and health of staff are prerequisites of productivity. In 2005, our health program PALFIT was expanded to additional locations. The focus of further development and training measures were on Eastern Europe and South America, thus contributing to global knowledge transfer.

PALFINGER grew more effective with regard to environmentally sustainable production by reducing our CO₂ emissions per Euro revenue generated. However, our greenhouse gas emissions increased in absolute numbers, which indicates further need for action. We improved our environmental performance in the transport sector by transferring higher transportation volumes toward rail.

One major focus is on our products. There is a separate chapter with emphasis on lightweight construction – a feature of our cranes which, combined with high performance, is essential in gaining market shares. The report outlines improvements of all products in terms of product life, user safety, and recycling. These characteristics are of great significance as in the future revenue growth is going to be based on quality improvement rather than merely on increased numbers of units sold.

We are on our way towards sustainable development of the future. This year's report is a comprehensive survey. For 2006, we have resolved to improve the internal performance measurement system and to implement minimum standards. Furthermore, we intend to perform systematic analyses of risks and chances inherent in issues concerning society, environment, and our employees in order to set relevant activities and objectives. Sustainability as a central topic is essential in ensuring that we retain our status as quality and market leader.



Wolfgang Anzengruber



PALFINGER

Sebastian

The Company



Beckner

1 The Company

1.1 PALFINGER AG

Position in the global market

- International leader in the manufacturing of hydraulic lifting, loading, and handling systems
- Extensive service network with more than 1,500 outlets in 125 countries on five continents
- Expert provider of customer-oriented solutions for efficient management of interfaces of the transport chain
- Technological leader and Number One in the global market for truck-mounted, industrial knuckleboom cranes and container handling systems
- Global Number Two in transportable forklifts and timber and recycling cranes
- Leading specialist in high-tech railway applications

Organization

- Headquarters in Bergheim / Salzburg, Austria
- 28 companies in Argentina, Austria, Brazil, Bulgaria, Canada, Croatia, France, Germany, Great Britain, Italy, Slovenia, South Africa, and the USA
- Total global workforce of approximately 3,326
- Optimized global sales and service network via independent dealers
- Customer and market-oriented organizational structure "Global PALFINGER Structure" (GPS) ensures optimal closeness to customers both regionally and at the product level as well as process orientation along the entire value chain

The company was founded in 1932 and has been among the international leaders in the development and production of hydraulic lifting, loading and handling solutions for several years. PALFINGER is a multinational corporation with headquarters in Salzburg, Austria and production and assembly sites in Europe as well as in North and South America. Our guiding principle is to make our customers worldwide more successful. With a staff of more than 3,326, the company in 2005 generated total sales revenue of EUR 520 million and EBIT of EUR 65.1million.

PALFINGER's core product is the truck-mounted knuckleboom crane. The company is world market leader in this segment with almost 150 models and a market share of 30 percent. PALFINGER is also the world's biggest manufacturer of container handling systems (PALIFT). Over the years the product portfolio has been expanded with products such as the CRAYLER truck-mounted forklift, PALGATE and RATCLIFF tail lifts, BISON aerial work platforms, and MOBILER container transfer systems. In addition, the company develops innovative solutions for railway applications, bridge inspection, and recycling. Cranes for use in agriculture and timber and other off-road applications (EPSILON and STEPA) complete the product range.

1.2 The Global PALFINGER Family

It was resolved more than 15 years ago to position PALFINGER internationally. Our global orientation is not about cost-effective production in low-wage countries and then selling our products in higher-wage countries. Such a strategy would be economically inefficient as our products are not suitable for transport across long distances owing to their dimension and construction type. To us, global presence means to cater to markets on location.

Being active in a global market is a challenging task requiring significant knowledge and sensitivity. Customers from different cultures have different expectations. Communications instruments such as our staff survey, which is conducted twice a year, have proven highly efficacious in addressing these cultural differences.

With more than 1,500 outlets on five continents, PALFINGER is always in close proximity to its customers. About 95 percent of products are exported to 125 countries all over the world.

PALFINGER has 16 locations all over the world:

	Production	Assembly	Sales
Austria	Lengau	Köstendorf Elsbethen	Kasern
Germany		Ainring Löbau	Ainring
Italy		Cadelbosco	
France		Caussade	Caussade
Great Britain		Welwyn Garden City	
Slovenia	Marburg		
Bulgaria	Tenevo Cherven Brjag		
USA		Tiffin, Ohio	Tiffin, Ohio
Canada		Niagara Falls	
Brazil	Caxias do Sul		
Asia			Singapore

Please see the inside of the back cover of this report for an illustration of all fully consolidated locations. For a complete list of all PALFINGER locations, visit www.palfinger.com.

1.3 Corporate Governance and Socially Responsible Investment

Around 62 percent of the PALFINGER Group is owned by the PALFINGER family, and about 33 percent is free float. Five percent were acquired by PALFINGER AG in the scope of a share repurchase scheme.

This combination of public and family ownership is highly attractive for two reasons: on the one hand, it ensures transparency required by the capital market, on the other PALFINGER is able to pursue more sustainable strategies thanks to personally identifiable majority ownership.

Members of the Management Board

Wolfgang Anzengruber, Chairman of the Management Board

Herbert Ortner, Marketing Director

Wolfgang Pilz, Marketing Director

Eduard Schreiner, Finance Director

Members of the Supervisory Board

Alexander Exner, Chairman of the Supervisory Board

Hubert Palfinger, Deputy Chairman of the Supervisory Board

Hubert Palfinger junior

Kurt Stiassny

Peter Scharler

Alexander Doujak

Johann Mair (delegated by the Works Council)

Alois Weiss (delegated by the Works Council)

Bernhard Wetzelsberger (delegated by the Works Council)

Since the 2003 financial year, PALFINGER has complied with the regulations of the Austrian Corporate Governance Code (www.corporate-governance.at). PALFINGER is one of the few companies in Austria that does not only comply with the stipulations of the Austrian Corporate Governance Code but also subjects itself to evaluation. The results of the evaluation conducted by Grant Thornton Wirtschaftsprüfungs- und Steuerberatungs-GmbH is available for viewing at www.palfinger.com in the Investor Relations section under Corporate Governance.

The shares of PALFINGER AG have been listed on the prime market of the Vienna Stock Exchange since 1999. In 2005, PALFINGER was included in the VÖNIX (VBV-Austrian sustainability index).

No extensive lobbying activities took place during the reporting year. Merely at the Lengau location, a successful initiative took place for the construction of a by-pass road (cf. Chapter 5.6, page 50).

PALFINGER stands for strong corporate ethics. We do not accept any kind of corruption or bribery. In the scope of our survey for the sustainability report, not one case of corrupt behavior at any PALFINGER production location was reported. Besides obtaining a first appraisal, another target of the survey was to build awareness for the management board's objective to place even more emphasis on the fight against corruption in the future.

1.4 Mission Statement

PALFINGER stands for innovative lifting, loading and handling solutions at the interfaces of the transport chain. This is how we make our customers more successful worldwide.

Innovation

is the result of our passion for the permanent improvement of product, process, and organization.

Internationalization

assures our customers of market-conforming products on all five continents and provides to our company maximum independence of regional growth while at the same time opening up new potentials.

Diversification

assures us of independence from sector-specific fluctuations, creates additional growth potential, and guarantees our sales partners an optimized product portfolio.

The most important programs and initiatives in 2005 to further increase economic performance were:

The most important programs and initiatives in 2005 to further increase economic performance were:

- **“GPS reloaded”:** Further development of the GPS (Global PALFINGER Structure) matrix structure implemented in 2004.
- **PALFINGER Global Sourcing (PGS):** Expansion of supplier portfolio and global development of long-term relationships with suppliers.
- **Regionalization in Eastern Europe:** Relocation of cylinder production from Lengau/ Austria to Tenevo/Bulgaria
- **Development of Area Asia & Pacific:** Singapore as headquarters, decision on first product for assembly in Asia
- **Acquisition of UK-based Ratcliff Tail Lifts Ltd.:** (consolidation in the Group from 01/08/2005) Expansion of PALFINGER product range and market leadership in the tail lifts sector in Great Britain
- **Further integration of BISON aerial work platforms:** Further integration of the production location acquired in 2004, production optimization and increase.

Plans for 2006 include linking the mission statement to sustainability aspects based on the philosophy of sustainable development coined already in 2005 (see below) and relevant topics of sustainable development (cf. page 16). Further plans are underway to elaborate a specific package of measures and objectives.

The Philosophy

As a result of a long-term controlled growth strategy, the PALFINGER Group today has a solid equity ratio of 51.2 percent and is on its way to becoming a global group of companies. We view our quest for sustainable value-added as an opportunity for future performance. We strive to operate in an efficient and resource-friendly way to ensure sustainable development for the generations ahead.

“As members of society we bear responsibility towards the environment, society, our customers, and our employees.”

As Corporate Citizen, PALFINGER is part of society. As corporation operating around the globe we are confronted with different social conditions and expectations in different nations and cultural spheres, and participate in social development in those places. PALFINGER not only views the concept of sustainability as an instrument for fulfilling ethic expectations placed on companies by society, but also as a significant contribution towards securing and increasing the global competitive ability of the entire corporation. The importance of long-term integration of ecological and social targets in the achievement of economic success is increasing. A well-defined corporate organizational structure with clearly allotted tasks, accountabilities, and responsibilities provides the foundation. PALFINGER's process-oriented quality management system is transparent and documented in a comprehensible manner.

"Everyone has the right and the duty to insist on the termination of conditions adverse to providing the quality demanded by customers."

Our suppliers play an important role in contributing to product quality. All of our suppliers are required to prove their ability to deliver high quality products before we enter into relationships with them. The management board of PALFINGER AG has professed to manufacture high-quality products in an economic way and to support the maintenance and further development of management systems according to ISO 9001:2000, ISO 14001:2004 EMAS-II in locations where they are already applied. The management board invites all staff members to participate actively in the management system and in the ongoing process of improvement. Thus, the guiding principle of sustainable development is a focus of the PALFINGER strategy. By means of environmentally sound manufacturing and innovative transportation solutions, PALFINGER is leading the way in efficient use of energy resources and sustainable mobility. Beyond the basic concept of ecological efficacy, we are responsible for improving the quality of human life through innovative solutions. We work at the interfaces of ecology and economy and, in our business undertakings, endeavor to transmit our values, to let society be part of our success, and to thus increase the quality of life for all. The managing directors of our manufacturing and assembly locations are responsible for the management system and product quality.

Our business is based on the following principles:

- We want to meet the needs and expectations of our customers with high-quality products and to ensure maximum customer satisfaction.
- We want to create a work environment for our staff that motivates them to strive continuously towards the improvement of quality and productivity.
- We want to ensure high productivity and our competitive ability through innovations of new products and technologies, through focus on our core competences and through transparent, clearly structured processes.
- We want to join forces with suppliers and customers to strengthen and expand our relationships through intensive communication and by setting targets together.
- By using all resources efficiently, we want to reduce the burden on the environment as much as possible.

"It is our target to continuously decrease the burden on humans and the environment in production, storage, transport, distribution, use, and disposal of our products."

1.5 Stakeholders

Shareholders

Today the PALFINGER Group has a solid equity base and is in the process of developing into a global group of companies. Long-term planning is oriented toward predictable volumes and returns.

Employees

PALFINGER has realized early on that the productivity and creativity of staff is a decisive competitive advantage. We aim to enter into sustainable long-term relationships with our employees and offer perspectives for their career planning. In this context sustainability also encompasses the aspects of meeting workplace safety and health requirements and offering our employees the opportunity to actively part-take in corporate success.

Customers

PALFINGER operates through a global network of re-sellers and service partners. We work together with highly qualified, financially sound experts in an environment marked by high market penetration. Our network of partners constitutes the principal customer base of the PALFINGER Group.

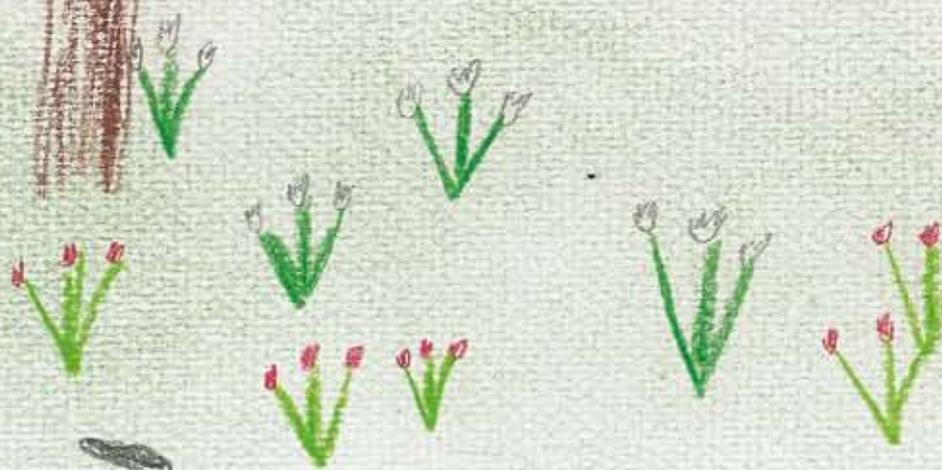
Suppliers and Partners

Relationships with our suppliers are marked by their active involvement in the ongoing process of improvement. They significantly contribute to the quality of our products and services, and to our competitive ability.

Sustainability at the local level

We aim to be a reliable partner to others in our social sphere by acting responsibly and to be an employer of choice. We want to make a sustainable contribution to social development through our economic activities and by becoming actively involved in social and cultural issues.

The viewpoints of the different stakeholders are outlined at the beginning of each chapter in the form of questions.



Sustainable
development at
PALFINGER



2 Sustainable development at PALFINGER

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”
Harlem Brundtland in "Our common future",
UN World Commission on Environment and Development (WCED), 1987

2.1 The value of our products to society

All PALFINGER products share the useful properties for facilitating loading and unloading processes of heavy loads, thus increasing efficiency and convenience at the interfaces of transport chains. This applies to loading and unloading processes of trucks – regardless whether they involve tree trunks, goods for supermarkets, containers, brick pallets, or other goods. It applies to all types of heavy goods that can be lifted across wide stretches with knuckleboom cranes. It also applies to safe and convenient transport of those people whose jobs take them up to lofty heights or who work in the field of railway applications, or those passengers who require special assistance in boarding passenger cars or minibuses.

PALFINGER creates product solutions facilitating mobility and increasing safety in situations that would otherwise require great muscle power and entail high risks. For this reason, demand for our products is especially high in well-developed industrial and service societies where human labor is expensive and hard labor is carried out by machines.

The Third Wave

In terms of the economic development of nations, PALFINGER products are part of what is known as the third wave. The first wave consists of infrastructure, power plants, and the steel industry. The second wave is consumer products such as electronics and vehicles. The third wave only begins once labor costs start rising and affect industries: it comprises those industries that increase efficiency and take the burden off humans.

2.2 Aspects of sustainable development

PALFINGER has defined six main aspects of socially and environmentally sustainable development. The utility contributed by each aspect is threefold: sustainable economic success, minimization of adverse environmental impacts, and improved standard of living for all stakeholders. In 2006, implementation of a performance measurement system is planned in the scope of development of a sustainability strategy.

1. Sustainable systems innovations

PALFINGER products stand for innovative solutions at the interfaces of the transport chain for processes previously cumbersome and difficult. One example is the revolutionary technology provided by the MOBILER container transfer system, which has enabled a new successful conjunction between road and rail for intermodal logistics, thus contributing to economic and ecologic systemic change. Systems innovation also applies to timber cranes, which provide facilitated access to renewable resources in terms of logistics. Other examples are RATLCIFF tail lifts, which provide increased mobility for seniors and passengers with special needs.

2. Lightweight construction

One objective of PALFINGER products is to contribute to replacing strenuous physical labor in all parts of the world. The standard of living of Western societies must not remain the privilege of one tenth of the world's population. However, the underlying problem illustrated by the concept of the "global footprint" is that humankind already today is using more energy and resources than the environment can ultimately sustain. Hence, the logical conclusion is that if about twice as many people around the globe are to be relieved by machines from having to perform physical labor in the future, machines should also operate with half the resources. Otherwise exporting the Western standard of living would take place at the cost of the environment and future generations. This poses a great challenge for product development because even with increased efficiency of PALFINGER products in the pasting, their enhanced performance capacity also always entailed a greater consumption of resources and energy.

Cf. Chapter "Special focus: Truck-mounted knuckleboom cranes", page 37

3. Extensive product responsibility

Those lifting heavy loads also carry a great deal of responsibility for safety. To work with a holistic approach to user safety involves more than just mere "liability" and includes the provident anticipation of incorrect handling by users. Extensive product responsibility also means continuous quality improvement, long product life, and high recycling ability at the end of a product's life cycle.

Cf. Chapter "Safety, long life cycle, and environmental protection", page 30

4. Efficiency in production

Increasing efficiency in production combines economic and ecologic objectives. Continuous process improvement has been a priority at PALFINGER for many years already.

Cf. Chapter "Eco-efficient production", page 42

5. Fair management of staff

PALFINGER is a productive and successful company. In order to ensure our success in the future we believe it is vital to promote the health and well-being of staff, to reduce accidents in the workplace even further, and to continue developing corporate culture by treating each other with fairness and respect in our day-to-day lives in the workplace.

Cf. Chapter "Staff", page 54

6. Regional responsibility

Every business is local! Moreover, economic activities flourish the most in an intact environment. All PALFINGER production locations see themselves as fully integrated in the regions they are located in and support regional development. PALFINGER is greatly committed to the long-term development of its locations.

Cf. Chapter "Integration in the surrounding environment", page 26, and the chapter "Acquisitions – good for the Group and the locations", page 56

These aspects are the foundation on which PALFINGER generates sustainable values for all stakeholders. It is how we ensure a successful and sustainable future for the company.

Cf. Chapter "Corporate success and market leadership", page 22, and chapter "Monetary flows to stakeholders", page 24

2.3 The sustainability process at PALFINGER

Like in any well-managed process, the process of sustainable development also involves individual phases that build up on each other so that they lead to tangible results, which bring significant economic, social, and ecologic benefits.

- **Setting the topic (2004/2005):** The first sustainability report published in 2004 helped to anchor the topic firmly in the company. To commend the company for its first efforts, PALFINGER AG was included in the VÖNIX sustainability index.
- **Definition of topics, survey of the present situation (2005/2006):** After identifying relevant topics, a questionnaire consisting of 126 questions was sent out to all 14 fully consolidated production and assembly locations. Further surveys took place on a group level. Besides the sustainability report in hand, which adheres to the international criteria of the Global Reporting Initiative and has been certified by independent auditors, the results were an exact review of the present situation which is the foundation for the definition of a strategy of sustainable development for the following year.
- **Strategy for sustainable development (2006/2007):** Besides strengths, precise knowledge of the present situation also indicates weaknesses, chances, and risks. The objective is to draw up a strategy for sustainable development at management board level, containing defined targets and performance indicators. Key projects are to supplement ongoing measures and projects where necessary. Development of an integrated sustainability system at a global level is about to begin.

PALFINGER sustainability process



2.4 Management of sustainable development

Management of sustainable development is an indicator for overall good management. If a company is able to manage a complex field like sustainability, it is safe to assume that management of conventional operations is also highly successful.

Risk management

Risks at PALFINGER are managed via a comprehensive risk management system continuously monitoring and evaluating possible threats and implementing measures to avoid and reduce them in the following areas: economic risks, portfolio risks, technology risks, market risks, procurement risks, production and assembly risks, quality risks, human resource risks, exchange rate risks, credit risks, IT risks, and liquidity risks. Currently, there are no discernible risks concerning significant aspects of sustainable development. In the scope of new acquisitions, a due diligence audit is performed to analyze economic and legal aspects, and aspects pertaining to environmental protection. For more information, see the 2005 annual report of PALFINGER AG, page 33f.

Accountability: responsible management supported by Flann O'Cleirigh, Corporate Risk Management

Management systems of suppliers

At the time of writing this report, we were in the process of surveying our main suppliers. This survey is to be concluded after the first half of 2006. Of fifty responses already received, about twenty have a certified environmental management system in place. Our most important preliminary product is steel which we purchase almost exclusively from European suppliers, with the exception of our location in Brazil. As indicated by our analysis, currently there is no urgent need to evaluate our suppliers regarding their compliance with local regulations in terms of environmental protection and employment.

Accountability: Oswin Prodingner, Global Sourcing

Environmental management and quality management

Nine of fourteen production and assembly sites within the PALFINGER Group operate quality management systems in accordance with ISO 9001; the Tiffin (USA) location has its own Quality Review Board. An environmental management system in accordance with ISO 14001 and EMAS II was implemented in Lengau (Austria), the company's largest location with total revenue of about EUR 180 mn. 82 percent of revenue at this location is generated through assembly, 18 percent through steel construction and cylinder production. Currently no plans are underway to implement environmental management systems at other locations. However, future sustainability management will be directed at improving environmental performance at all locations.

In 2005, no legal proceedings were brought against the company by any governmental authority because of non-compliance with environmental regulations. There was no report of incidents relating to the environment.

Accountability: Martin Zehnder, Global Quality Management

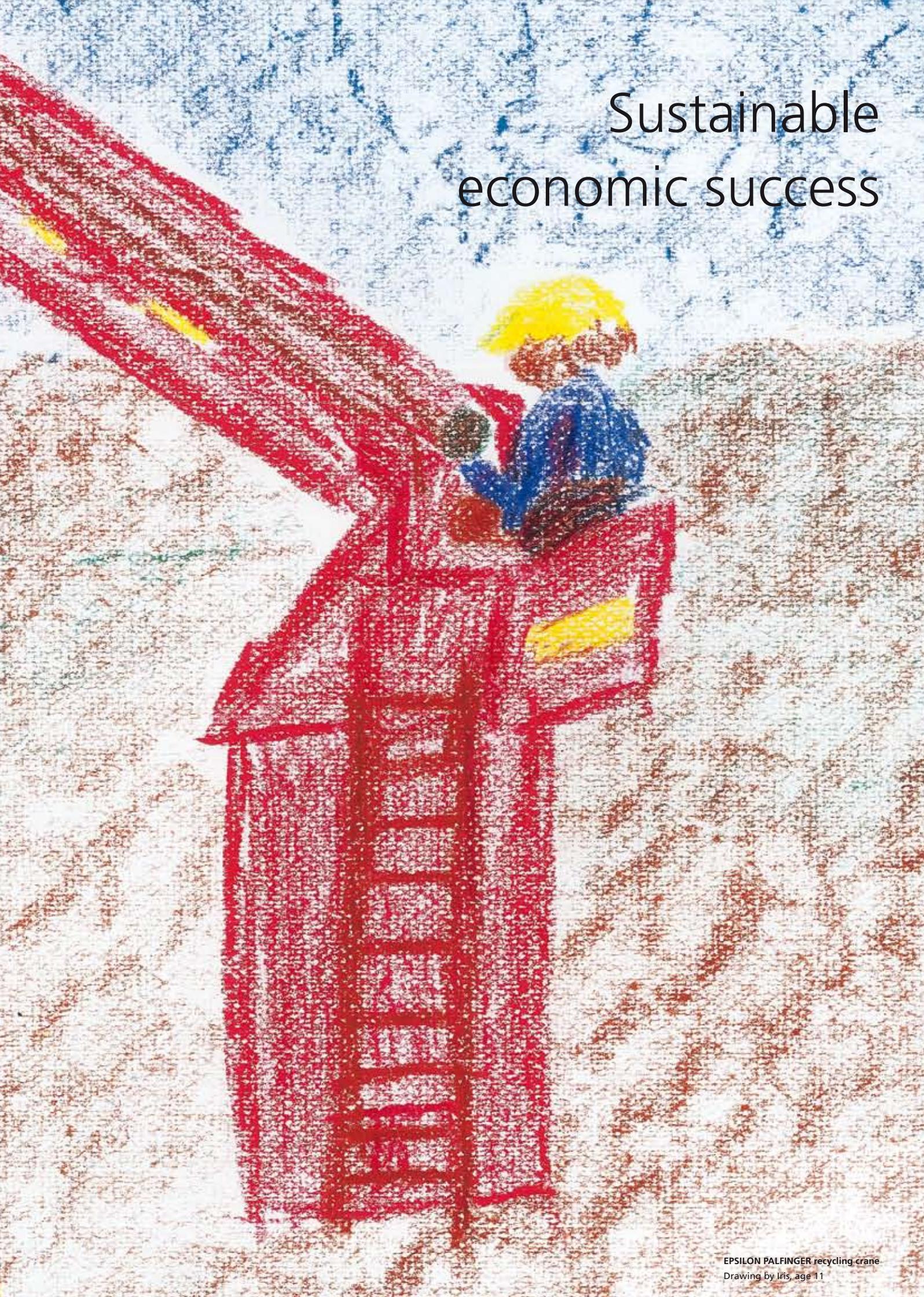
Sustainability management

Plans for 2006 are to include the data survey for the sustainability report as part of the reporting system of PALFINGER, thus integrating the survey to monitor sustainability performance.

Accountability: Hannes Roither, Company spokesman



Sustainable economic success



3 Sustainable economic success

3.1 Corporate success and market leadership

Investors: How successful was overall corporate development and corporate development according to regions?

Staff: Is corporate development high enough in terms of job security?

Business Overview

- High order intake and revenue in all product areas
- Record revenue and earnings
- Material supply bottlenecks and cost increases are mostly cushioned
- GPS as foundation for further growth
- Continuous development of product portfolio – innovation leader in product development and business process solutions
- Relocation of production in the scope of location optimization program concluded
- Acquisition and integration of the British market leader for tail lifts

Financial overview

- Record revenue of EUR 520.0 million
- Overproportionate increase in EBIT (56.2 percent) to EUR 65.1 million
- Cash flows from investment EUR -35.9 million
- Gearing Ratio of 18.1 percent
- High equity ratio of 56.8 percent
- ROCE increased to 25.1 percent and ROE increased to 29.8 percent

The year 2005 was the most successful year in the corporate history of PALFINGER. This success was founded on positive market conditions, the effects of product development, high productivity, and capacity utilization in the plants. Especially in the CRANES segment in Europe, the company was able to capitalize on opportunities of growth.

Successful implementation of the cylinder production plant in Tenevo/Bulgaria underlines the positive effect of structural improvement projects promoted by PALFINGER. Increases in raw material prices and additional purchases in the form of spot purchases led to increases in materials costs, bearing down on margins. However, especially the second half of the year was still marked by disproportionate margin increases because of augmented productivity and increased economies of scale.

Developments in 2005 necessitated adaptation of resources because of the requisite increase of flexible production because of growth of the CRANES segment, and improved process quality and its sustainability. Thus, this segment once again achieved delivery times in accordance with RAP principles in the fourth quarter, investments were made into growth areas, and increased profitability is anticipated, especially by BISON, as well as stable turnaround of Guima, France. Investments in North and South America were mainly for market and organization development. These measures and requirements put a strain on the results of 2005, especially in the segment North and South America, and of products of the Hydraulic Systems and Services segment.

Market leadership

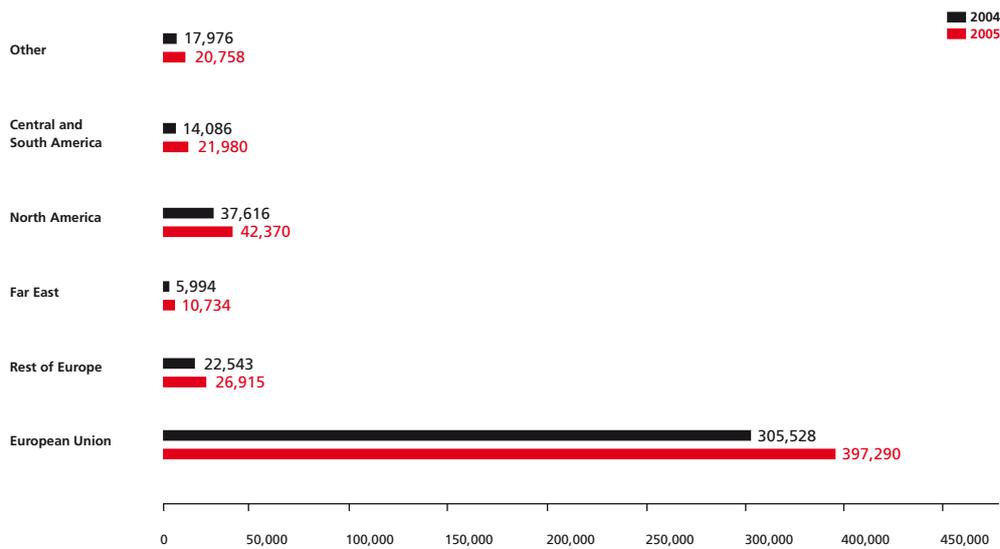
The main customer groups of PALFINGER include customers from the construction, transport, recycling, and forestry industries. In 2005, PALFINGER succeeded again in expanding its market position. The company's product portfolio is almost identical to that of its strongest competitor, Cargotec Corp. (CT). Thus, Cargotec is considered PALFINGER's main competitor with regard to the entire range of product areas. Besides numerous regional manufacturers who rarely expand distribution into neighboring countries, there are three global players in the cranes sector: PALFINGER, Cargotec, and Fassi (in descending order). The market leadership of PALFINGER is based on an extensive dealer and service network and revolutionary technology.

Customers in the military industry

PALFINGER products are used in a large variety of industries. Products such as truck cranes are also utilized by customers in the military industry, as for instance in the years 2001 and 2003. All these customers had their headquarters in the European Union. The share of revenue generated by customers in the military industry is very low. The share of order volume generated by these customers in total revenue in these two years was 0.16%, respectively 0.06%. There are no plans for large expansion of volumes in this industry in the future. No product innovations specifically for military purposes are in development or being planned.

Revenue by region

in EUR '000



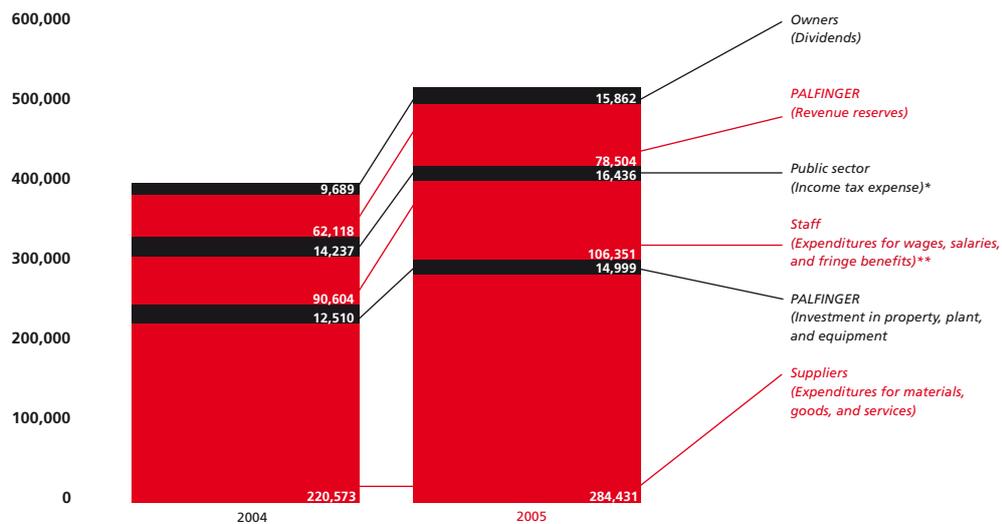
3.2 Monetary flows to stakeholders

Investors, staff, and suppliers: How is the company's income distributed?

Business and revenue development was illustrated in the previous chapter. This chapter outlines the distribution of income to the company's different groups of stakeholders. The value-added calculation complies with sustainability reporting guidelines stipulated by the 2002 Global Reporting Initiative.

Monetary flows to stakeholders

in EUR '000



* Taking into account deferred taxes and tax relief
** Excluding loaned personnel

Expenditures for materials, goods, and services – Sustainable supply of raw materials

The largest absolute change in monetary flows from 2004 to 2005 was in the segment of expenditures for materials, goods, and services. For the most part, this development is due to increasing amounts of revenue, as well as due to increases in materials prices, energy prices, and freight charges. The 2005 financial year was again marked by strained conditions in raw materials and energy supply. Purchase prices for high-strength steels especially increased significantly compared to 2004. Increases in the oil price to more than USD 70 per barrel and numerous natural disasters during the reporting year also significantly affected developments. In addition, freight charges rose by about four percent because of massive increases in fuel prices.

Thanks to timely reaction to changes, substantial master agreements in raw materials were renegotiated for 2006, securing materials supplies for the company despite the adverse market environment. Core elements of the new global sourcing strategy are the expansion of the range of suppliers and the development of long-term, global supplier agreements. Our good relationships with our suppliers are also put to proof by the fact that during the reporting year, all delivery transactions were concluded according to terms agreed. An extensive audit evaluating suppliers was carried out in 2006 that raised no grounds of objection.

Monetary flows to further stakeholders and investments into the company

Positive business development was made use of to increase investments into the company itself. Capital available for investment was increased by 20% compared to previous year, revenue reserves rose by 26%. Expenditures for wages, salaries, and fringe benefits increased by 17% owing to an increase in payroll, annual expenditures per staff member slightly decreased from EUR 35,351 to EUR 34,451 per year (relating to annual average employment). Taking into account deferred taxes and tax relief, income tax expense rose by 9% in 2005. This slight increase was brought about by the reduction of the Austrian corporate tax rate from 34 to 25% and an act passed by the Austrian government enabling companies to establish corporate tax groups. The Group's effective tax rate, e.g. the total tax expense as a percentage of the profit before tax, was 21.0 percent (2004: 29.8 percent). Owing to positive economic development, the dividend payment was increased to EUR 1.80 per share with the payout ratio remaining between 30 and 40%.

Increase of monetary flows to stakeholders 2004 – 2005

Suppliers	Expenditures for materials, goods, and services	33%
PALFINGER AG	Investment into property, plant, and equipment	20%
Staff	Expenditures for wages, salaries, and fringe benefits*	17%
Public sector	Income tax expense**	9%
PALFINGER AG	Revenue reserves	26%
Owners	Dividend payments	64%

* Excluding loaned personnel

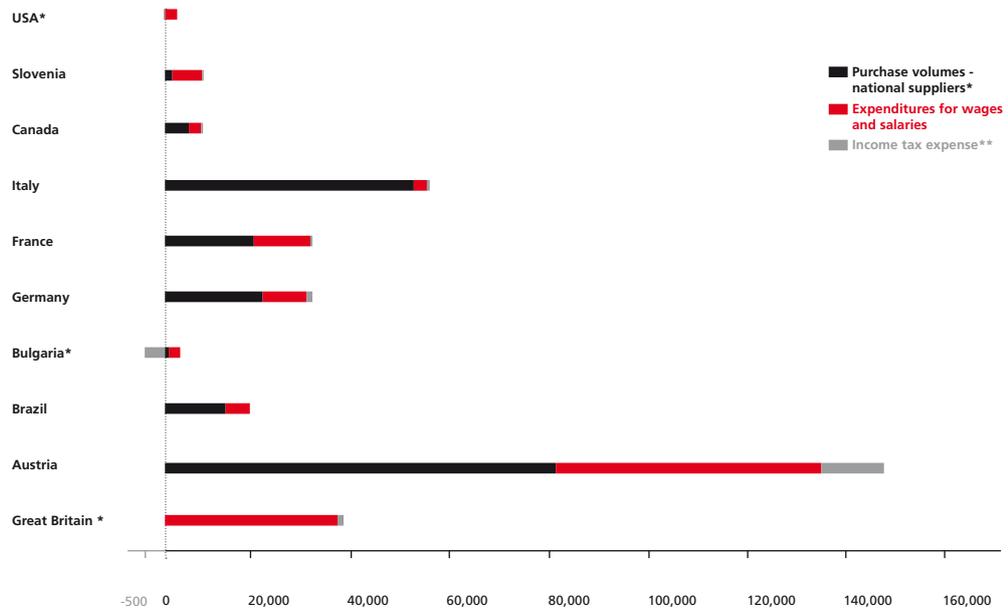
** Taking into account deferred taxes and tax relief

3.3 Regional integration

Staff: How does the region I live in benefit from the PALFINGER location?

The presence of PALFINGER production locations is to boost the local economy of the respective region. Many parts of the sustainability report reflect how PALFINGER contributes to regional development. Narrowed down to direct financial aspects, the focus is on the creation of income for staff members and public authorities as well as sponsoring and donations.

Monetary flows to countries with fully consolidated production locations in 2005 in EUR '000



* Figures for the share of national suppliers in 2005 at Welwyn Garden City (GB), Cherven Brjag (BUL), and Tiffin (USA) locations were not available.

** Income tax expense without taking into account deferred taxes and tax relief

Despite locations benefiting from tax relief (i.e. there is no corporate tax in Bulgaria), PALFINGER pays about 90% of taxes in Austria – another commitment to its origins. In 2005, no taxes fell due in Brazil owing to the realization of losses carried forward.

The positive impact of a PALFINGER production location on a region is especially evident in economic integration. Integration is especially high with national suppliers in France and Brazil. At 50%, the share of national suppliers for all materials and pre-products purchased is also high in Austria, Germany, and Italy. No figures were available for 2005 for the USA and the Cherven Brjag location in Bulgaria. In the scope of the Global Sourcing Program, the share of national suppliers is going to be increased even further, bringing additional benefits to regions.

Not quite as significant as economic integration regarding suppliers but still important are monetary flows via wages, income, and related taxes. Income of public authorities is of small significance compared to the other two factors. Even lower are monetary flows of the public sector to PALFINGER locations in the scope of subsidies. Thus during the reporting year, the Lengau (Austria) location received grants in the amount of EUR 35,000, the Löbau (Germany) location received grants amounting to EUR 6,000.

3.4 Donations and sponsoring

Donations and sponsoring at a Group level

PALFINGER is involved in a number of sponsoring activities in the scope of corporate communications. The focus of these activities is on sports. By sponsoring motor sports and strength sports, PALFINGER has chosen to support sports based on technological precision, power, and reliability – the same attributes characteristic for PALFINGER's products. About EUR 170,000 went towards sponsoring activities during the 2005 reporting year. In the scope of a cultural event supported by PALFINGER, one PALFINGER product, a CRAYLER BM transportable forklift, kicked off 2006, the "Year of Mozart", one year earlier on 1 January 2005. Not just in the sphere of the premiere of the "Roll on Mozart" cultural initiative but also during the "Year of Mozart" Crayler is going to play an "uplifting" role – especially for Mozartkugeln.

In addition, PALFINGER is involved in a number of social projects. PALFINGER feels it is essential that social sponsoring reaches its target groups as effectively as possible. At PALFINGER, all projects, including donations, have a long-term dimension. We do not aim for one blow but want to be active in a continuous and sustainable manner. As one of the main sponsors of the AMREF marathon in the historic core of the city of Salzburg, the company made a significant contribution to different development projects in Africa. PALFINGER supplied earthquake victims in Pakistan with 1,000 winter jackets, and is funding the kindergarten at SOS Children's Village Phnom Penh in Cambodia until 2010. In 2005, PALFINGER companies in Austria contributed a total amount of EUR 60,000 to social sponsoring activities.

Donations and sponsoring at individual locations

Part of the donations is raised by our locations abroad. During the 2005 reporting year, this amount totaled about EUR 30,000. Establishments supported were mainly local social institutions such as kindergartens, fire fighting stations, schools as well as regional sports associations and cultural initiatives. The North American locations also practiced solidarity with people affected by the Tsunami and Hurricane Katrina. Donations in Bulgaria amounted to about EUR 5,900; the amount raised in Brazil was about EUR 2,300. In addition, children of socially disadvantaged families received training in Caxias do Sul (cf. Chapter 6.4, page 61).

The total amount raised for sustainable donations and sponsoring in 2005 amounted to about EUR 260,000 (0.40% of EBIT).

Donations and Sponsoring in 2005

EUR

Sponsoring of sports	168,961
Sponsoring of cultural initiatives (Roll on Mozart)	3,460
Sponsoring of sports and culture – Group	172,421
AMREF Marathon	20,000
Sports car event Salzburg	5,000
Winter jackets for Pakistan	35,300
Social sponsoring – Group	60,300
Donations by individual locations	30,169
Total donations and sponsoring	262,890



PALFINGER products



4 PALFINGER products

4.1 Safety, long product life, and environmental protection

Investor: What is the scope of R&D at PALFINGER?

How are safety risks and environmental risks minimized?

Customer: Are PALFINGER products safer? Do they have longer life cycles?

How high was customer satisfaction regarding PALFINGER products in 2005?

In 2005, PALFINGER invested EUR 10.8m in research, development, and the establishment of centers of excellence. This is equivalent to 2.1 percent of total revenue. The increase in R&D expenditures compared to previous year was a result of the integration of BISON and RATCLIFF PALFINGER Ltd. and of targeted investment in strategic projects in the cranes and tail lifts segments.

Group-wide about 210 staff members, graduates of secondary and higher education in technical fields, work in the areas of construction, production planning, production control, product management, service, and information technology. About 60 staff members are involved in the core area research, development, and innovation at all locations for R&D.

The focus of R&D is the completion of the product range, further development, and evaluation of new lightweight materials, high-duty close-grained steel, sensory engineering, and ergonomics. In 2005, the MOBILER container transfer system was nominated for the Austrian Award (Staatspreis) in innovation/combined traffic, and was chosen runner-up in the Austrian Award category transport logistics.

The sustainable performance of a company is founded on products and their capability to meet customer needs. Products show the innovation level of a company. Extensive customer surveys are conducted by PALFINGER every two years. In 2005, 1,200 customers participated in surveys assessing our products and services, more than double the amount surveyed in the previous year. Feedback was highly positive. Results led to new testing of gaskets, improved services (through training in workshops), and closer customer proximity (by renting facilities, etc.).

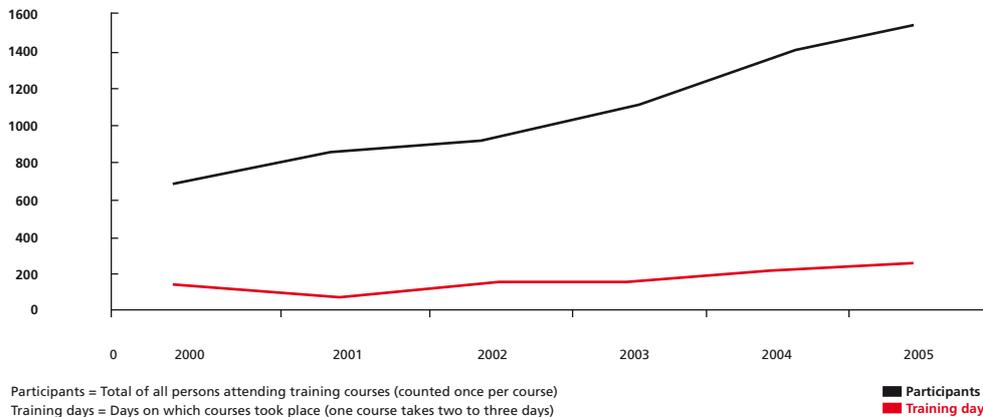
Especially the following factors are decisive for sustainable product development and meeting the needs of customers precisely: product safety, long product life cycle, product ecology, and recyclability.

Product safety

PALFINGER products carry heavy loads – and thus responsibility for the safety of product users. Compliance with legal stipulations is ensured. All over the world, all legal safety regulations were complied with. No penalties had to be paid in 2005. Product improvements introduced during the past year to increase product safety even further are outlined on the following pages.

We believe in ensuring optimal product safety beyond legal stipulations. We do not only want to avoid accidents caused by the use of machines but also those accidents caused by improper use of a product. There is no industry benchmark or systematic recordation of accidents caused by improper use of a product. However, thanks to intensive contact with our customers we are well informed. This information serves as a source of instruction that we utilize for further product improvement.

An important contribution to accident prevention is made by the PALFINGER training center in Kasern (Austria), which trains a yearly increasing number of users in the safe and efficient utilization of our products. In the past years, training courses were attended by more than 1,051 users.



Long product life

Prolonging product life is one major focus for the sustainable development of PALFINGER products. On the one hand, it improves product utility for customers, on the other hand, natural resources are conserved if a product is in use for a long time and does not need to be replaced by a new product. Of course, the actual life of a product depends on the number of annual hours of use and ease of maintenance. For these reasons, only estimates of actual product life are given on the following pages. The long product life of PALFINGER products is shown by the fact that they achieve high re-sale prices in the used-products market.

The reasons for the long life of our products are high technological maturity, high-quality fabrication, and state-of-the-art surface protection through cathodolysis dip painting.

Product ecology

In the first place, environmental guidelines at PALFINGER apply to production and not to products. However, one relevant aspect of product ecology is the choice of hydraulic oil. Most of our products are also available with organic hydraulic oil. The frequency of customers using this offer varies from one product area to another. The advantage for our customers is safety from environmental risks – in case of product damage there is no contamination of soil or ground water.

Generally, PALFINGER products can be disassembled in a user-friendly manner and feature a high degree of recyclability. The percentage of product components that can be reused is between 90 and 100%.

Organic hydraulic oil in PALFINGER products

	RAILWAY railway applications	Truck- mounted knuckle- boom cranes	BISON aerial work platforms	CRAYLER trans- portable forklifts	TAIL LIFT tail lifts	PALIFT container handling systems
Share of produced units using organic hydraulic oil	20%	10%	25%	5%	0%	0%

4.2 Our products in detail

Investor: Which systems improvements were made to products in 2005?

Customer: How was product safety and product life of PALFINGER products increased in 2005?

Earth: How was environmental performance of products improved?

Let's give a big round of applause to our products! The next pages feature an outline of important innovations and events on the topics quality, long product life, product safety, product ecology, and recyclability.

Truck-mounted knuckleboom cranes



Sebastian, age 8

PALFINGER knuckleboom cranes increase the flexibility of truck operations. The crane is always at hand and the truck can be loaded or unloaded wherever necessary. Freight can also be lifted across barriers.

Safety

PALFINGER safety standards extend beyond legal stipulations. The standards are continuously monitored in ongoing tests. In 2005, about 900 users were trained in safe use and handling of cranes. No product-related accidents during the use of sold knuckleboom cranes were reported in 2005.

Systems improvements in 2005:

- ISC – Integrated Stability Control for monitoring stability
- Improvement of processes in steel construction

Long product life

Truck-mounted knuckleboom cranes have a product life of about 6 to 10 years. The reasons for high quality are finite-element-calculation and strain gauge and fatigue testing.

Product ecology

Steel construction components, hydraulic valves, consoles, and wiring are completely recyclable.

RAILWAY railway applications and BISON aerial work platforms



*Drawing left:
Armin, age 9*

*Drawing right:
Lara, age 9*

BISON aerial work platforms offer users a safe workspace in high places and places difficult to access up to a height of 61 meters. RAILWAY railway applications and systems solutions offer special equipment for construction activities on railway lines – ranging from equipment for excavation work in areas surrounding railway lines to the installation of contact lines and carrier cables.

Product safety

No accidents were reported in 2005.

Long product life

RAILWAY railway applications and BISON aerial work platforms have product lives about 10 to 20 years owing to high technological maturity and high-quality workmanship.

Systems improvement in 2005:

- Modularization and standardization enabling the production of a higher number of units of spare parts. The effect: improved process safety and facilitated spare parts supplies ensure increasing operation time of existing products.

PALIFT container handling systems



Armin, age 9

Flexible setting down and loading up of containers everywhere, independent of edificial surroundings is enabled by the use of PALIFT container handling systems. An important systems improvement implemented in 2005 was production of telescopic solutions in line with the CHEM standard. Thus, a standardized product is also available in the British market.

Product safety

Product safety was clearly met beyond legal stipulations. The new PALIFT telescopic product series provides significantly higher product safety against improper use or product deficiency than previous models although this safety requirement is not expressively stipulated by regulations. In 2005, 300 users were trained in the proper operation of equipment on 24 training days.

Systems improvement in 2005:

- Revision of safety concept for PALIFT telescopic product series

Long product life

Product life of a typical product such as the P20 is longer than 15 years thanks to robust design, availability of spare parts, and sufficient calculation of capacities.

Product ecology

Standard equipment of all new telescopic models includes "Soft stop" reducing the noise level during the loading and unloading process. The product is easily disassembled without requiring additional equipment.

TAIL LIFT tail lifts



Adrian, age 5

PALFINGER tail lifts enable smooth shifting of the freight from the truck to the ground level and vice versa. The rear gate of the truck serves as lift as well as for the protection of freight. Such equipment is typically used in food transport to supermarkets.

Product safety

Product safety was clearly met beyond legal stipulations with built-in protection of excess voltage and undervoltage. Standard equipment includes short circuit protection and piston rod covers. Accidents are caused by overloading of tail lifts.

Systems improvement in 2005:

- Switchover from standardized electric to leading-edge electronic control

Long product life

Product life is about 7 to 10 years owing to the high quality of cathaphoresis dip painting of the tail lift.

Systems improvements in 2005:

- Improved quality of hydraulic cylinders
- In-house production of sliders

Product ecology

Systems improvements in 2005:

- Noise reduction is a priority – for instance during early-morning deliveries in urban areas. In 2005, a new unit with foam plastic insulation was introduced.
- Further measures of noise reduction are planned for 2006. The new standard tail lift PTG 1500 features a better noise insulation unit in the wing spar of the lift gate.

CRAYLER transportable forklifts



Samuel, age 9

Diesel-fuelled forklifts transport heavy freight across short distances outside. A typical area of use is transport of construction materials. Equipment is currently sold in the North American and European markets.

Product safety

All forklifts comply with nation-specific standards – such as the American National Standard ASME B56.6B, which has special requirements for production and construction of forklifts.

Long product life

CRAYLER transportable forklifts have product lives of 6 to 10 years. Components are well encased and high-quality materials are used in production (Rexroth/Poclain). Systems improvement in 2005:

- Regular PDCA meetings took place, also with customer service. Product “weak nesses” from a market perspective were recorded and improvements developed.

Product ecology

Currently there is a demand for particulate filters in individual cases. There is a slightly higher demand for organic hydraulic oil, such as for operation in spring protection areas.

Systems improvement in 2005:

- Last year some forklifts with special noise damping equipment were delivered. This option is to become standard for a number of forklift models in 2006.

4.3 Special focus: Truck-mounted knuckleboom cranes

Special focus of the sustainability report in hand is on truck-mounted knuckleboom cranes, which generate 71% of revenue and are considered PALFINGER's main product (Cf. page 47 in the annual report).

High power on board

Investor: How does PALFINGER meet customer needs in the scope of product design?

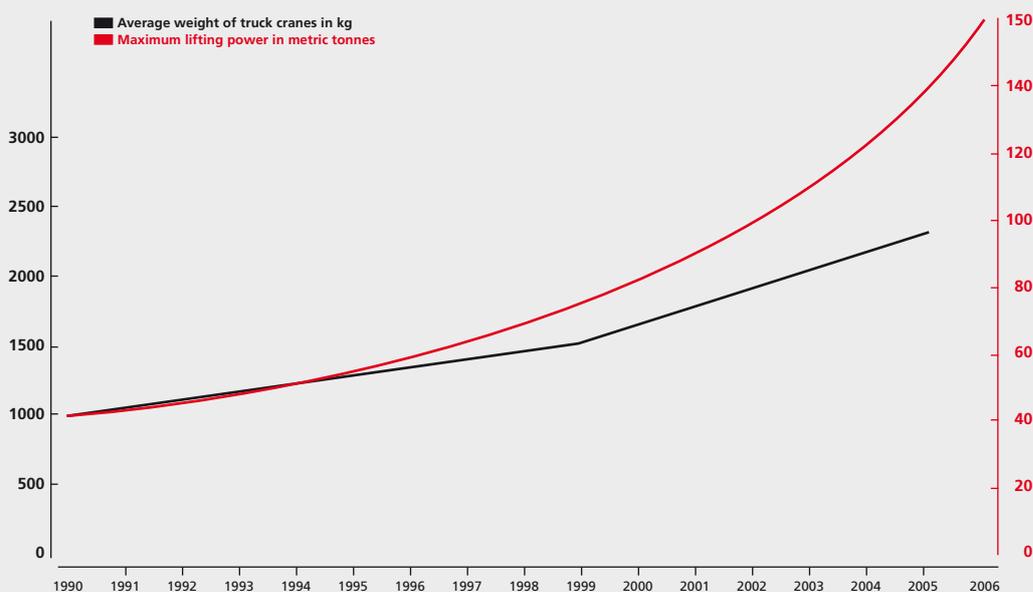
Customer: How does PALFINGER manage the balance between lifting power and dead weight?

Of course, reliability, product operation, long product life, and product safety are highly important to users of truck cranes. Also the following customer needs are of vital significance for economic use:

- Maximum lifting power: is decisive for the efficiency of loading and unloading of trucks and how far a load can be lifted.
- Minimal dead weight: each kilo of additional weight of the crane means one kilogram less loading capacity of the truck.

Customer interest in cranes with high lifting power has been strong in the past years and PALFINGER has been able to meet customer demand. In 2005, the strongest PALFINGER knuckleboom crane already featured a maximum lifting moment of 150 mt while only reaching 45 mt fifteen years earlier. This is equivalent to an increase of 333%. For this rapid development, more dead weight in truck construction was accepted. In 1990, the average weight of a truck-loading crane was about 900 kilograms, today it is more than 2 tonnes, however, with greatly increased efficiency. While during those 15 years lifting power increased by 333%, the dead weight of the crane only increased by 137%. The ratio of lifting moment to crane weight was thus improved between 10 and 15%. This positive development was mainly achieved by the utilization of state-of-the-art high-performance steel.

Development of average weight of truck cranes and maximum lifting power of truck cranes



Thoughts on the energy efficiency of cranes in production and operation

Investor: Ecologic efficiency as a significant selling proposition?

Customer: How can I save on operating costs by using PALFINGER's eco-efficient products?

Earth: How do PALFINGER products affect climatic change?

We feel it is vital that our products ensure operational efficiency for users. This economic efficiency is beneficial to the environment. Efficient operation of truck cranes simply means that less diesel is required during transport and for operation. Fuel and lubricant use make up 23.5% of total operating costs of a truck in long-distance haulage, about double of the vehicle's depreciation. Thus, diesel consumption of trucks with PALFINGER cranes is a decisive factor for end customers.

How does a PALFINGER crane influence diesel consumption of a truck?

Additional weight: Additional weight on a truck increases acceleration resistance, rolling resistance, and gradient resistance. On level roads, one tonne of additional weight results in a consumption increase of 0.4 liters/100 km, and of 1 liter/100km on gradient roads .

Significance for economic efficiency: high

Engine performance for the crane: The truck engine supplies the power used by the crane for loading and unloading. Engine performance requirements kept increasing over the past year in order to ensure maximum lifting power and to achieve optimum multiple stearage (2 to 3 functions simultaneously). If a truck is unloaded for one hour, consumption of at least 6 to 20 liters of diesel is assumed, depending on the load of the crane.

Significance for economic efficiency: medium

Air resistance: PALFINGER truck-mounted knuckleboom cranes also increase air resistance; however, this factor is of minor consequence. 80 percent of PALFINGER cranes are housed directly behind the driver's cab, thus minimizing additional air resistance.

Significance for economic efficiency: low

The following example is a rough estimate that is to help illustrate the effects on economic efficiency:

Weight reduction of a truck crane weighing 2.15 tonnes by 10% results in savings potentials of more than EUR 0.1 per kilometer. Assuming annual performance of 60,000 kilometers, savings are about EUR 7,000 per year, and almost EUR 60,000 assuming average operation of 8 years. This means when choosing between two models with the same lifting performance, economic efficiency of the lighter model is significantly higher. The fact, that a PALFINGER crane today provides much higher lifting power per kilogram dead weight proves the economic efficiency of our knuckleboom cranes.

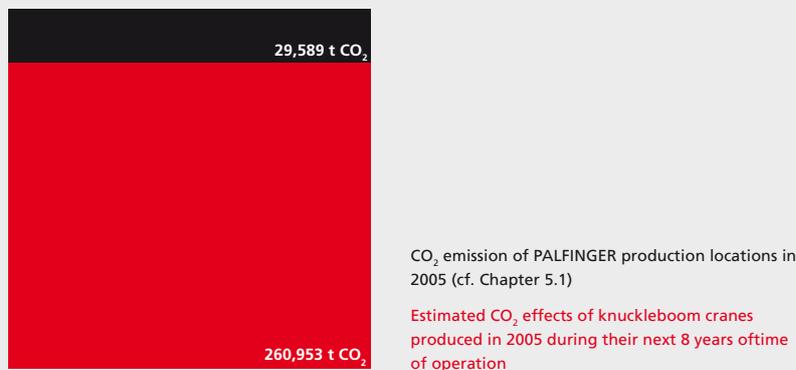
* Even higher increases in consumption are caused by stop-and-go traffic in urban areas. Additional consumption can also be regarded from another angle: each tonne of additional weight by the crane means decreased loading capacity. Thus a truck has to make more trips to transport the same amount. In this calculation, consumption increase would be even higher than 0.4-1l/100km since the truck's dead weight would also have to be considered.

Example: Reduction of truck operating costs through reduced dead weight of cranes

Average weight of a truck crane	2.15 t
Assumed weight reduction	10%
Savings potential of diesel for customers	0.125l / 100 km
Assumed price of diesel	EUR 0.950 / liter
Savings per km	EUR 0.119 / km
Savings potential for customers through reduced fuel costs assuming performance of 60,000 kilometers per year	EUR 7,130 / year
Assumed product operation of a crane	8 years
Savings potential/average operating time	EUR 57,040

Diesel consumption not only affects operating costs of a truck but also the environment. This is the reason why PALFINGER knuckleboom cranes do not just leave their ecological footprint in production but also during operation. Considering the assumption above (average weight 2.15 t; additional consumption per tonne additional weight 0.58l/100 km, 60,000km per year, 8 years of operation) a truck crane “produces” 2 tons of carbon dioxide (CO₂) per year through increased fuel consumption. We produced a significant number of knuckleboom cranes last year. As long as they are in operation, they are going to emit about 260,000 tonnes of carbon dioxide. Compared to emissions caused by our production plants, it goes to show that they affect the environment most highly. Alternatively, a weight reduction of cranes of 10% would almost reduce carbon dioxide emission by as much as emitted by PALFINGER plants all over the world. At the same time, lighter cranes would also reduce nitric oxides and fine particulates generated by the truck fleet.

Comparison of direct and indirect carbon dioxide emission



Currently customer awareness for the use of eco-efficient products is still low; however, it is expected to rise significantly as fuel prices will remain high. An additional effect is that reduced dead weight of PALFINGER products also effects a reduction in the consumption of steel, securing materials supply, improving profitability, and benefiting the environment.

There is ample room for action in this regard. Even a slight reduction of dead weight greatly affects the environment and economic efficiency. This poses a challenge as up to now crane weight was always increased in line with the demand for increased product performance. From an ecological perspective, reducing dead weight while maximizing lifting power will remain a necessity.



Eco-efficient production



5 Eco-efficient production

The following topics are of ecological and economic significance in the production of our products: energy consumption, air emissions, transport, water/wastewater, waste, and the needs of residents (especially noise reduction). The aspects relevant to the environment presented here are based on the environmental management system of the Lengau (Austria) location. Operations at this production location are representative of all other PALFINGER production sites. Based on the Lengau location's environmental declaration a comprehensive survey was carried out at all production locations. Information compiled included performance indicators, measures, and possible incidents. Results of the individual chapters encompass all fully consolidated production locations, unless indicated otherwise. A comprehensive overview of performance indicators is detailed in the Annex. The development of the Group's sustainability strategy in 2006 is going to effect the selection of future measures.

5.1 Energy efficiency and air emissions

Investor: Is there a decrease in energy utilized per unit produced?

Earth: What about the development of total carbon dioxide emission caused by production?

Increases in production and revenue brought about an increase in total energy demand of all production locations. However, compared to a 30 percent increase in revenue, there was only a slight growth in electric power consumption. Increased energy demand for transport (diesel) also remained notably below the growth in revenue. However, there was a disproportionate rise in the consumption of natural gas.

Especially the newly acquired locations Löbau (Germany) and Welwyn Garden City (GB) accounted for emission increases. Both new locations generated 62% of additional energy required by PALFINGER. Natural gas consumption was especially high at the latter location, thus greatly influencing Group's energy balance.

Longtime locations which have been carried in the energy balance since 2004 only increased their CO₂ output by 7.2% during the reporting period, owing mainly to a higher consumption of fuel oil, natural gas, and liquid gas which increased by about one fifth. Electric power consumption only rose by 2.5% at longtime PALFINGER locations. Relocations of production led to local shifts, as indicated by the Lengau and Tenevo locations. Overall, these shifts counterbalanced at Group level.

All sources of energy – electric power, diesel, fuel oil, natural gas, and liquid gas – were measured according to the carbon dioxide emission they caused. Electric power remained the largest item in the energy balance. Total emissions rose by about 19%, remaining clearly below revenue increases of 30%. Thus energy was employed in a much more efficient manner, benefiting economy and the environment.

Increasing efficiency is a result of better capacity utilization on the one hand, and of different measures implemented at production locations during the reporting year on the other. As evident by measures planned for 2006, PALFINGER has resolved to continue this positive development.

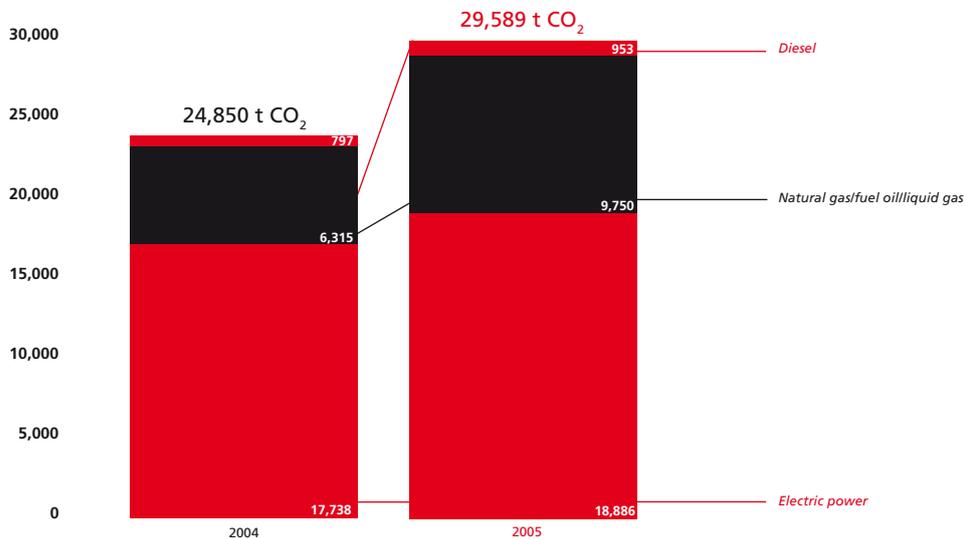
Development of energy consumption and CO₂ emissions

	Energy consumption in 2004	Energy consumption in 2005	Increase in CO ₂ emissions	Increase of CO ₂ emissions excluding newly acquired locations Löbau (Germany) and Welwyn Garden City (GB)
Electric power	25,745 MWh	27,411 MWh	6.5%	2.5%
Natural gas	2,705,912 m ³	4,013,737 m ³	54.4%	19.8%
Liquid gas	144,642 m ³	187,500 m ³		
Fuel oil (in liters)	0 l	210,000 l		
Diesel (in liters)	303,168 l	362,189 l	19.5%	13.9%
TOTAL			19.1%	7.2%
Revenue increase			28.8%	

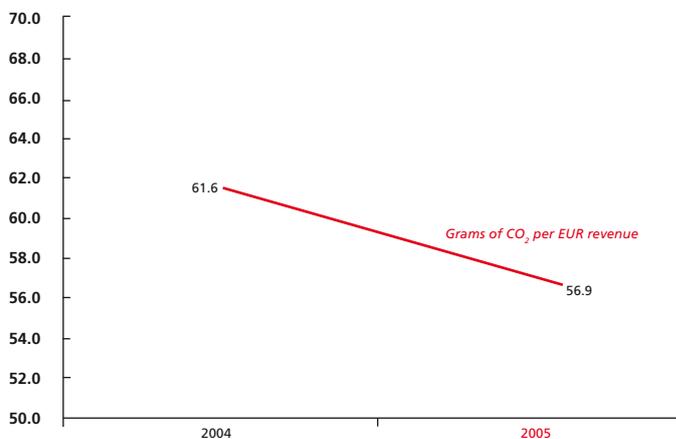
All fully consolidated production locations with the exception of Cherven Brjag (Bulgaria) and Tiffin (USA), which were only included in Group-wide environmental reporting from 2006, are contained in the energy balance. The newly acquired Löbau (Germany) location was included on 01/01/2005, the Welwyn Garden City (GB) location on 01/08/2005.

CO₂ emissions according to energy source

Tonnes CO₂



Grams of CO₂ per EUR revenue generated



Measures for energy efficiency improvement and use of renewable energy Energie:

	2005	2006
Kasern (Austria):	–	–
Lengau (Austria):	Edifical energy savings measures by renewing windows and full thermal insulation of the entire office area	Project with external district heating plant which uses renewable energy
Köstendorf (Austria):	Automatic heating regulation system according to operation times and weather conditions	–
Ainring (Germany):	Utilization of a heat exchanger and demand-oriented control of painting unit	–
Löbau (Germany):	Reduced requirement of fuel oil owing to new hall doors	Further new hall doors, new painting unit
Cadelbosco di Sopra (Italy):	Staff information on how to save energy	Analysis and reduction of reactive energy
Caussade (France):	–	–
Welwyn Garden City (GB):	Compressor with variable settings	–
Marburg (Slovenia):	Utilization of residual heat of thermal afterburning for heating the building	Insulation measurements, exchange and modification of various components of the central heating unit
Cherven Brjag (Bulgaria):	Improvement of technical installations	–
Tenevo (Bulgaria):	Optimization of electroplating facilities	Insulation and renovation of skylights, building façade, new energy-saving windows and wind veils
Caxias do Sul (Brazil):	–	Analysis and reduction of energy consumption of relevant work stations
Tiffin (USA):	–	–
Niagara Falls (Canada):	–	–

Further air emissions

The following locations keep records of air emissions: Lengau (Austria), Köstendorf (Austria), Cadelbosco di Sopra (Italy), Maribor (Slovenia), and since 2005, Tenevo (Bulgaria). The latter two locations have the highest rate of emissions. SO₂ emissions were only recorded in Lengau (Austria), with only 3.6 kilograms in 2005. The low amount of total emissions indicates that PALFINGER locations do not produce significant air emissions such as NOx, CO, or dust as is usually the case for companies involved in machine construction.

Total of all air emissions directly measured in 2005 at locations keeping records

NOx	4,046 kg
CO	2,897 kg
Dust	1,695 kg

5.2 Transport within the Group

Investor: How do you tap savings potentials in transport?

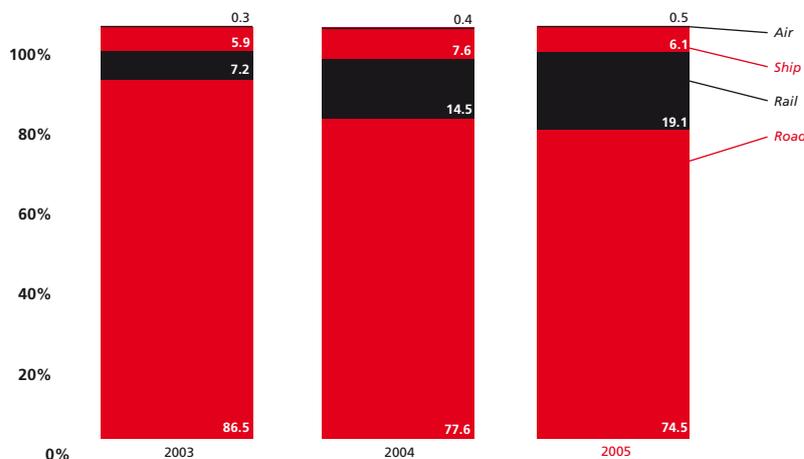
Earth: Is the share of environmentally friendly transport means increasing?

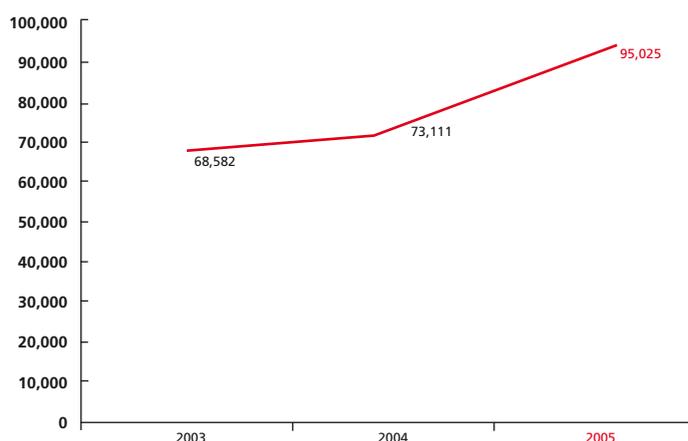
Transport is a relevant economic and environmental factor because production plants supply assembly plants due to the internal division of labor.

Transport costs increased because of higher fuel prices and individual measures such as road pricing on European roads. At the same time, transport increased owing to additional production – in 2004, the weight of all transported goods rose by 6.6%, in 2005 by 30%. These figures show that much benefit can be derived from optimization of logistics. The continuous increase of rail transport during the past years has proven as reasonable – economically and ecologically.

Our aim is to continue economic and ecological optimization of transport over the next years.

Development of utilization of different means of transport





Logistics measures in 2005

- Promotion of direct transport to avoid unnecessary routes of transport and process costs
- Shift of transport from road to rail – such as in factory traffic between Maribor and Lengau plants or raw materials transport to Bulgaria
- Promotion of sea freight to Canada for spare parts provisioning and thus reduction of air freight

Logistics measures planned for 2006

- Worldwide improvement of inventory management to increase turnover frequency
- Introduction of bar codes in materials management
- Further promotion of sea freight to Canada and thus reduction of air freight

5.3 Use of raw materials, auxiliary materials, and operating materials

Development of raw materials required	2003	2004	2005
Sheet steel required* (in tonnes)	15,491	18,945	33,326

*Requirements for ST37, STE460, 690, 890, 960, 1100

Sheet steel is the main raw material we use in production. In 2005, we purchased 33,326 tonnes. In 2004, we required 18,945 tonnes of sheet steel. The increase in the reporting year is due to the high demand for our products.

A significant factor in our environmental performance is that only water-soluble paints are used at all PALFINGER locations. A study of our truck-mounted knuckle-boom cranes OK 11000 conducted by the Vienna University of Technology proved that we use very little synthetic materials (about 15 kg of synthetic material per crane). Our products do not contain any significant amounts of components containing PVC.

Measures are set in different areas to ensure efficient utilization of our raw materials: optimization of waste cuttings, reduction of packaging materials, and reduced use of auxiliary and operating materials.

Measures for energy efficiency improvement and use of renewable energy

	Measures implemented in 2005	Measures planned for 2006
Kasern (Austria):	–	–
Lengau (Austria):	Further development of software for optimization of waste cuttings. Reuseable packaging for preliminary products; Two-third reduction of silicone solvents by using substitutes.	Further substitutes for solvents
Köstendorf (Austria):	–	–
Ainring (Germany):	Replacement of synthetic chips	–
Löbau (Germany):	–	–
Cadelbosco di Sopra (Italy):	–	–
Caussade (France):	Standardization and reduction of weight of new T ranges	Standardization and reduction of weight of P ranges
Welwyn Garden City (GB):	Employment of thin synthetic packaging instead of carton	–
Marburg (Slovenia):	Employment of reusable pallets, further development of software for optimization of waste cuttings	Further development of software for optimization of waste cuttings
Cherven Brjag (Bulgaria):	Special program for boxing, optimization of tool use	Optimization of tool use
Tenevo (Bulgaria):	Re-sorting for re-use of waste cuttings, re-use of recyclable packaging, systematic oil and filter cleaning	Reduction of tool use, process optimization
Caxias do Sul (Brazil):	Examination of steel waste, use of reusable pallets in delivery	–
Tiffin (USA):	Use of reusable pallets in delivery	–
Niagara Falls (Canada):	Use of reusable pallets in delivery, exact weighing procedure in production of piping instead of estimating	Further optimization of piping and hose production to achieve waste reduction

5.4 Water consumption and waste water disposal

Investor: How are risks in water supply and disposal minimized?

Earth: Which production sites are located in sensitive areas that require special care with water use and disposal?

Water consumption reduced

Although two newly acquired locations were added to the water balance of the Group during the reporting year, we succeeded in minimizing total water consumption. In 2004, we used 46,189m³ of water, one year later only 43,236m³. This development is especially owing to increased efficiency at the Maribor (Slovenia) location, where consumption was cut in half and stood only at 7,600m³ in 2005. The main consumer at the location is the painting unit, where reducing measures were introduced first. In the meantime as much water as possible is being treated in the vaporizer and then reused in the painting process. Fresh water is only used in addition to the water cycle.

Water consumption in Lengau (Austria) declined because of the relocation of production. At the same time, we managed to keep water consumption in Tenevo (Bulgaria) constant through efficiency measures. This location also uses process water in its cycle, filters were installed, and a vacuum vaporizer was installed in electroplating. Process water from washing facilities is also employed via filters at the Caussade (France) location.

Group-wide water consumption	2004	2005
	46,189 m ³	43,236 m ³

Water supply and wastewater disposal

Almost all locations are supplied via local water supply providers. In such cases, precise records of water consumption are kept. However, no exact figures are available for 2005 for the Welwyn Garden City (GB) location because of a leak, which has been remedied in the meantime. No records are kept by the three locations being supplied from on-site wells: Cherven Brjag (Bulgaria), Tiffin (USA), and Caxias do Sul (Brazil). In the meantime, the latter location also receives its water from the local supply provider.

Almost all plants are located in areas without supply bottlenecks. Thus, production outages in processes such as cleaning or painting are unlikely. Potential outages in case of low precipitation were only reported by Welwyn Garden City (GB), Caussade (France), and Caxias do Sul (Brazil). The latter location is more independent because of its on-site well and is going to increase efficiency in water consumption in 2006 by renovating the washing bay for trucks.

Disposal of wastewater takes place via publicly owned sewage treatment plants in most cases. Köstendorf (Austria) and the locations in Bulgaria have their own sewage treatment plants (oil separators or on-site organic sewage treatment plants). Caxias do Sul (Brazil) is going to finish installation of its on-site sewage treatment plant in 2006, thus helping to reduce the adverse environmental situation in the region, where the city's wastewater is usually discarded into the environment untreated. A potential source of danger for the local residents will thus be eliminated.

5.5 Waste and waste disposal

Investor: Waste is raw materials lost – how much waste is being generated?
Earth: What about the quantity of hazardous waste?

Quantity of waste generated group-wide	2004	2005
Non-hazardous waste	654 t	1,709 t
Hazardous waste	1,554 t	1,267 t
Used material/scrap	6,049 t	6,594 t

A highly positive development in the quantity of waste generated was that the amount of hazardous waste was significantly reduced despite increases in production. Almost all production locations succeeded in reducing the amounts of hazardous waste generated. However, the improved data is also partially the result of production relocation from Lengau to Tenevo. Lengau recorded significantly declined amounts of hazardous waste during the reporting year. Whether Tenevo countered this development by generating correspondingly more waste cannot be evaluated, as records on waste generation are only available from 2005. Likewise, no exact data is available for Cherven Brjag (Bulgaria), and North and South America.

Hazardous liquid waste is treated by national treatment plants at almost all locations. Bulgaria is the only country with a production location where this option is not available as of yet as to date there are no treatment plants authorized by public authorities. For this reason, hazardous waste is treated on-site at the location by neutralizing materials containing Chromium VI through additives. Remaining waste is placed in intermediate storage on-site in compliance with operating permission regulations. No breaches of production locations against local legal regulations were reported in terms of storage and handling of hazardous waste.

Best-practice solutions with regard to water consumption and waste management that are introduced at one location, will keep being evaluated for implementation at other PALFINGER locations.

5.6 PALFINGER: A good neighbor

Investor: Does good standing with local residents assist in creating smooth conditions for production?

Staff: How do PALFINGER locations respond to the needs of local residents?

PALFINGER is a good neighbor. Apart from personal contact with staff members, residents are mainly informed via local print media and the communities themselves. Some locations directly invite residents, such as at the Löbau location, where residents are invited to company parties. In Tenevo (Bulgaria), residents are also informed on developments at the location via billboards. The main responsibility of communicating with residents rests with the head manager of each location. Relations with residents are good at all locations. Problems caused by plant operation are rare and limited. In case such adversities do arise, they are taken seriously by PALFINGER and solutions are developed. In 2005, the following fields may have caused negative effects:

Truck traffic

Adverse impacts caused by increasing traffic were among complaints voiced by residents at three locations in 2005: Lengau (Austria), Köstendorf (Austria), and Niagara Falls (Canada). In Canada, the problem was solved by public authorities by limiting traffic on the access road to the location to local traffic and transport for deliveries and pick-up. In Lengau, PALFINGER supported an initiative to reduce impacts of traffic on residents through a by-pass road around the village. Lobbying efforts with the province of Upper Austria and a petition were a great success. Construction of the road will commence in 2006.

Operating noise

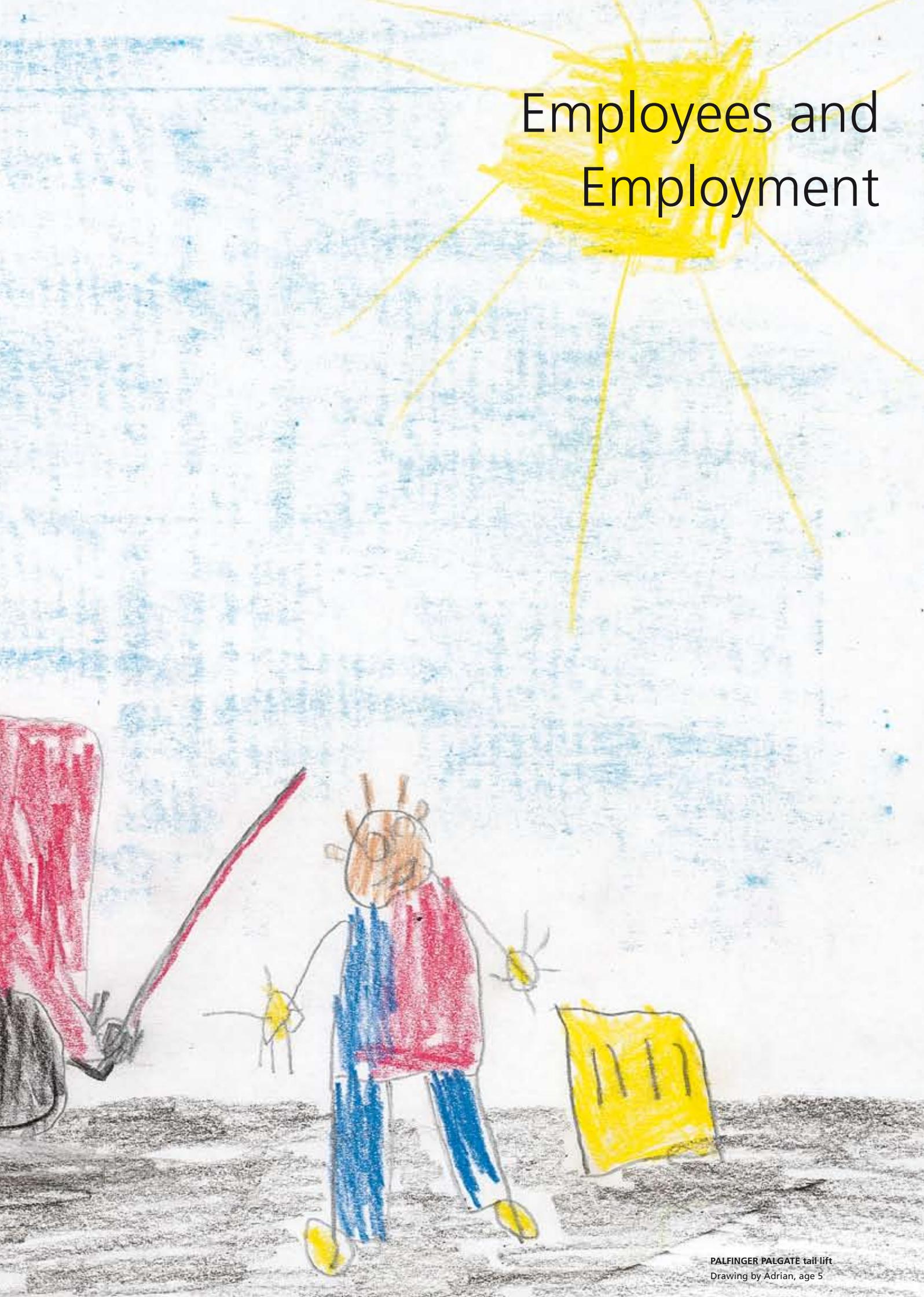
Residents in Welwyn Garden City (GB) and Caussade (France) are exposed to a low amount of operating noise. Complaints owing to noise pollution caused by nighttime operation in the scope of construction work were reported by the Maribor (Slovenia) location. During the hot summer months, operating noise also penetrates to the outside, as the doors stay open. For this reason, sources of noise were insulated; construction of a noise reduction wall is planned for 2006. In Ainring (Germany), noise reduction measures for the ventilation blower were installed after resident complaints.

Close quarters in Caxias do Sul (Brazil)

The Caxias do Sul (Brazil) location faces special challenges. More than half of the plant's area is densely surrounded by the homes of residents. Some houses are only 25 meters away from the boundaries of the plant area. Conflicts arise with neighbors on the exact progression of boundaries of the PALFINGER location. The close proximity of resident homes inevitably leads to adverse impacts caused by operating activities. Air emissions were eliminated through the installation of a new painting plant. New metal blasting equipment replaced the old sandblasting facilities, reducing impacts on residents. Pollution through wastewater is going to be solved in 2006 by installing an on-site sewage treatment plant. The main challenge, however, of the location being so closely located to residents will remain.



Employees and Employment



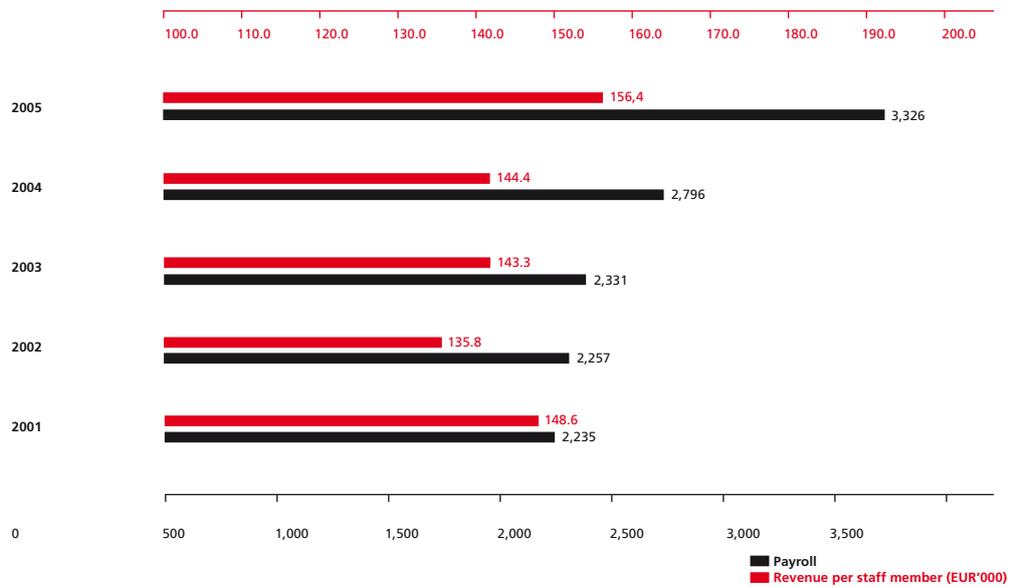
6 Employees and Employment

6.1 Increasing number of jobs

Investor: Higher productivity! Is the output per staff member increasing?
Residents and Staff: Lower unemployment! Is PALFINGER creating jobs? And do staff members have regular employment contracts with set terms?

A typical conflict of interests at many companies – shareholder value is starving for productivity, and society is craving for jobs. These interests can only be reconciled through sufficient growth. PALFINGER is in a position to propitiate both sides because despite growing output per staff member, demand for cranes and service is so high that hiring of additional staff members was necessary during the past years. Especially since 2004, there has been a rapid payroll increase. At the same time, staff productivity has been increasing since 2002.

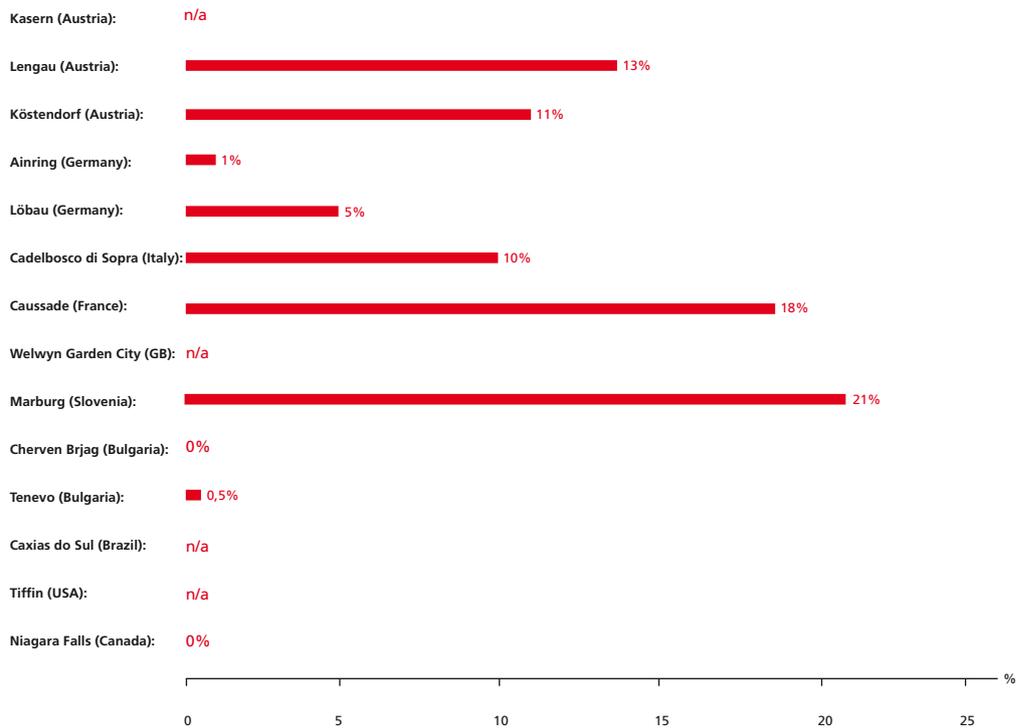
Development of payroll and staff productivity



At the end of 2005, PALFINGER employed 3,326 staff (excluding temporary workers and apprentices) in 20 fully consolidated companies. The annual average payroll was 3,087.

Actually more staff is employed at PALFINGER locations in the scope of loaned personnel. On average, 239 temporary workers were employed to cover capacity bottlenecks. At locations in Western Europe, loaned personnel is employed for assembly, steel construction, inventory, and especially welding processes. While the number of temporary workers slightly declined again in 2005 in Lengau (Austria), Köstendorf (Austria), Ainring (Germany), and Cadelbosco di Sopra (Italy), there was a reverse trend in France and especially in Maribor (Slovenia). In Lengau, numerous temporary workers were taken into regular employment in the past year.

Share of person-hours by loaned personnel in 2005



6.2 Acquisitions – good for the Group and the locations

Investor: How stable is the PALFINGER structure? Diversified enough? Too diversified?
Residents and staff: Do acquisitions by PALFINGER positively affect employment?

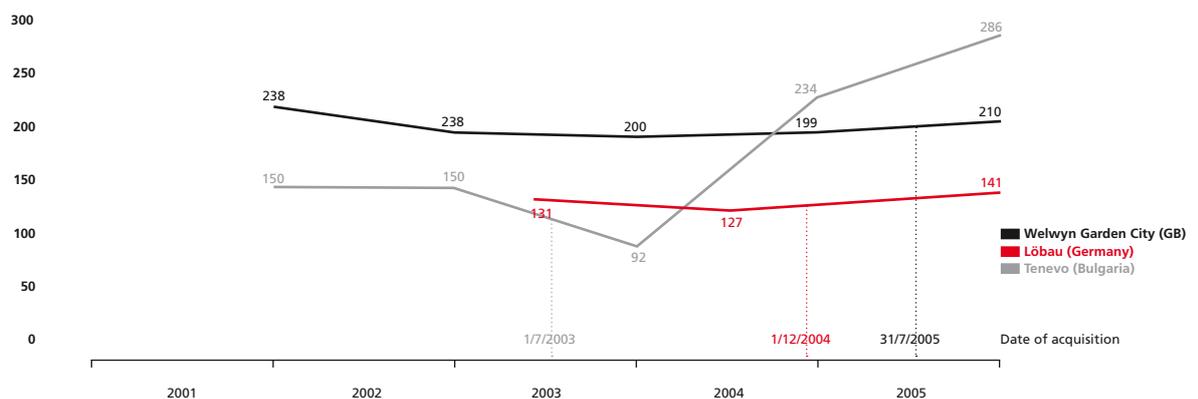
A basic strategy of PALFINGER is to ensure stable market development through several mainstays in attractive markets. It is important that diversification of products happens in those segments where enough common ground is shared to reap synergies in purchasing and assembly and to utilize the transfer of knowledge.

- **Tenevo, Bulgaria (acquired on 01/07/2003):** The location was developed to enable relocation of cylinder production from the Lengau (Austria) location. In the mean time, 70% of hydraulic components of the PALFINGER group are manufactured at the Tenevo location.
- **Löbau, Germany (acquired on 01/12/2004):** BISON PALFINGER with headquarters in Löbau/Saxony is the leading manufacturer of truck-mounted aerial work platforms.
- **Welwyn Garden City, Great Britain (acquired on 31/07/2005):** In June 2005, complete takeover of Ratcliff Tail Lifts Ltd. by PALFINGER was resolved and under written after longtime successful cooperation between PALFINGER and Ratcliff. Under the name of RATCLIFF PALFINGER Ltd., the company continues to offer one of the world's most extensive ranges of tail lifts and passenger lifts for commercial and private use. The Welwyn Garden City location houses administration, sales office, and development division, and is also the production location for RATCLIFF PALFINGER tail lifts.

Acquisitions strengthen the Group, however, staff members of a location also benefit from synergies. In many cases – such as Welwyn Garden City (GB) and especially Tenevo (Bulgaria) – a negative trend in the number of staff was even reversed. In this regard, PALFINGER is different from other corporations that buy production locations to destroy competitors or to fillet existing companies. PALFINGER makes a conscious choice not to be a buyer whose first economic strategy entails radical payroll cuts at a new location.

PALFINGER launches the integration process immediately after acquisition. Takeovers are difficult times for staff members marked by the development of uncertainty. Thus, we aim to foster security and confidence by maintaining an open information policy.

Employment at acquired locations before and after takeover Number of employees (at 31/12)



Acquisition procedure

Pre- and post-merger phases are subject to extensive project management in the core areas legal, value-added, distribution, service, finances, IT, communications, and HR. As early as possible, we include the executive level of the new company in the project and thus create a common foundation of understanding for future development. Parallel to the project level, a reflection process assisted by external consultants was implemented during the last two integration processes of companies. The purpose of the process was to recognize adversities in the work climate early on during the sensitive integration phase and to counteract them if necessary.

A strong commitment to Caussade!

GUIMA PALFINGER in Caussade, France has been part of the PALFINGER Group since 1999 and is located in an unemployment-sensitive area. The location was not affected by the Banlieue risings of 2005 and regional employment may have increased over the past years. But still the region is marked by higher unemployment rates than the national average. In addition, a number of companies around Caussade were taken over by international corporations and closed shortly thereafter. Thus, there have been concerns, that GUIMA PALFINGER could suffer the same fate. One newspaper article even reported that production has already been relocated and that the plant had been closed! These rumors are false and are not in line with the way we treat companies we acquire. Caussade is an important part of the PALFINGER family, and the payroll is stable apart from slight seasonal fluctuations.

6.3 Our presence in the world

Investor: Where did PALFINGER increase its presence in 2005?

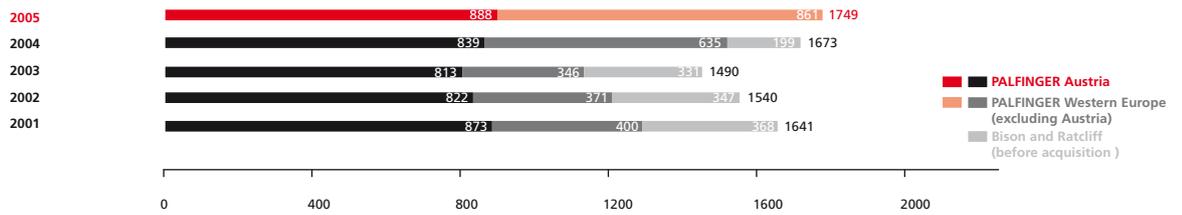
Staff: How safe is my job at PALFINGER in my region? Is outsourcing planned to countries with low social and ecological standards?

The development in the number of employees indicates where PALFINGER sees favorable conditions for productions. It also shows where we see promising markets. We believe contacts are best made in person. Only where PALFINGER is well represented can we personally meet customer needs and provide our services. The graphs illustrate where we realize new opportunities of production and market entry. Western Europe is already well serviced and still provides good conditions for production. Our increasing presence in Eastern Europe, and South and North America shows that we want to increase our presence in those regions.

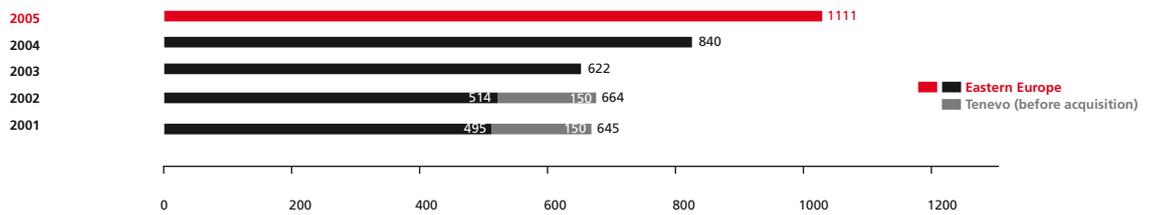
At the same time, it is evident that our activities in emerging markets are not at the expense of employment in already established industrialized nations. Without a doubt, relocation does take place. Thus, cylinder production that used to be located in Austria has been shifted to the Tenevo (Bulgaria) location. However, Lengau (Austria) has more than compensated for this shift with new activities. This way, locations in Western Europe remain reliable employers in their regions.

The diagrams indicate that staff numbers at PALFINGER are increasing in all regions!

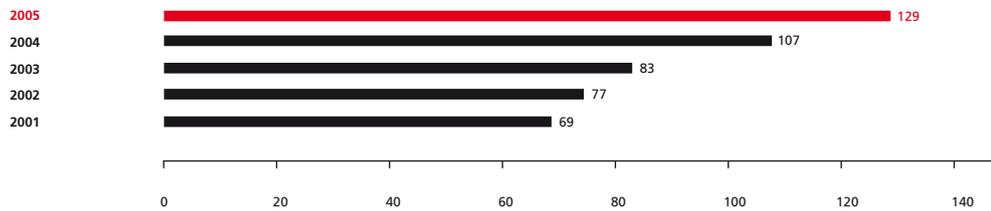
Development in the numbers of employees at PALFINGER in Western Number of employees as at 31/12



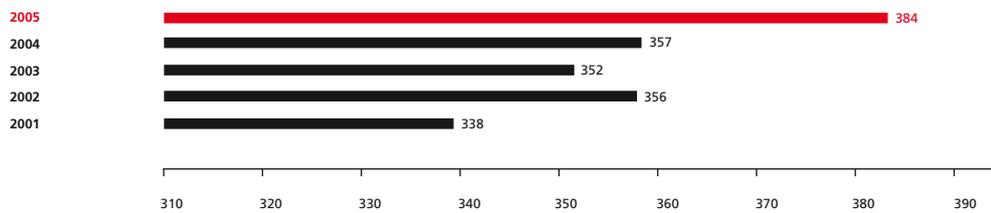
Development in the numbers of employees at PALFINGER in Eastern Number of employees as at 31/12



Development in the numbers of employees at PALFINGER in North America Number of employees as at 31/12



Development in the numbers of employees at PALFINGER in South America Number of employees as at 31/12



6.4 Training and further education in the company

Investor: Do staff members at PALFINGER receive state-of-the-art training?
In which areas is there a need for further development?

Staff: How can I further my skills at PALFINGER?

Knowledge once acquired usually has an expiry date and should be written off like any investment. Continuous qualification updates of staff are also a central topic at PALFINGER. The reason is obvious: cranes, forklifts, work platforms, hydraulic tailgates, and container systems are highly complex products and are subjected to complex logistic and distributional processes before they are utilized by customers. In order to meet these complex demands, we need staff members who are willing to continuously renew and further their skills and abilities.

High qualification is a strong warranty for safe employment and a good standard of living for every staff member. People with sought-after qualifications achieve higher incomes and have higher employability, even in case they have lost their job. They are also beneficial for every region – a positive upward spiral is launched, which is again beneficial to the PALFINGER location in the end.

Analysis of further training at all PALFINGER locations outlined in the diagram indicates that we have doubled our efforts in 2005. In the past year, the average PALFINGER employee invested 18 hours into further education (15.7 hours per worker, 26.6 hours per salaried employee/manager). In comparison, only 10 hours were invested in the years before. A look at the locations selected indicates that the locations in Western Europe and North America are in line with the long-time annual average. However, we have definitely reinforced our focus on Southern and Eastern Europe – especially at the new Tenevo (Bulgaria) location, where major investments were made into staff training. Thus, PALFINGER is contributing to the transfer of knowledge into this region.

Human resource management and organizational development at PALFINGER

Further training is set up to systematically support strategic objectives of the company. The guiding principle of all activities is to increase performance and thus self-confidence of staff members with targeted training activities. In the labor market, PALFINGER staff members are always sought-after candidates by other companies because of their specific expertise and high-grade qualifications.

The foundation of systematic HR development is the annual appraisal interview between each executive and each staff member during which objectives of the company are aligned with objectives of the staff member, and specific support measures for performance improvement and cooperation are resolved. Individual work objectives for the next year are also defined in the scope of the interview, and supportive training measures are set.

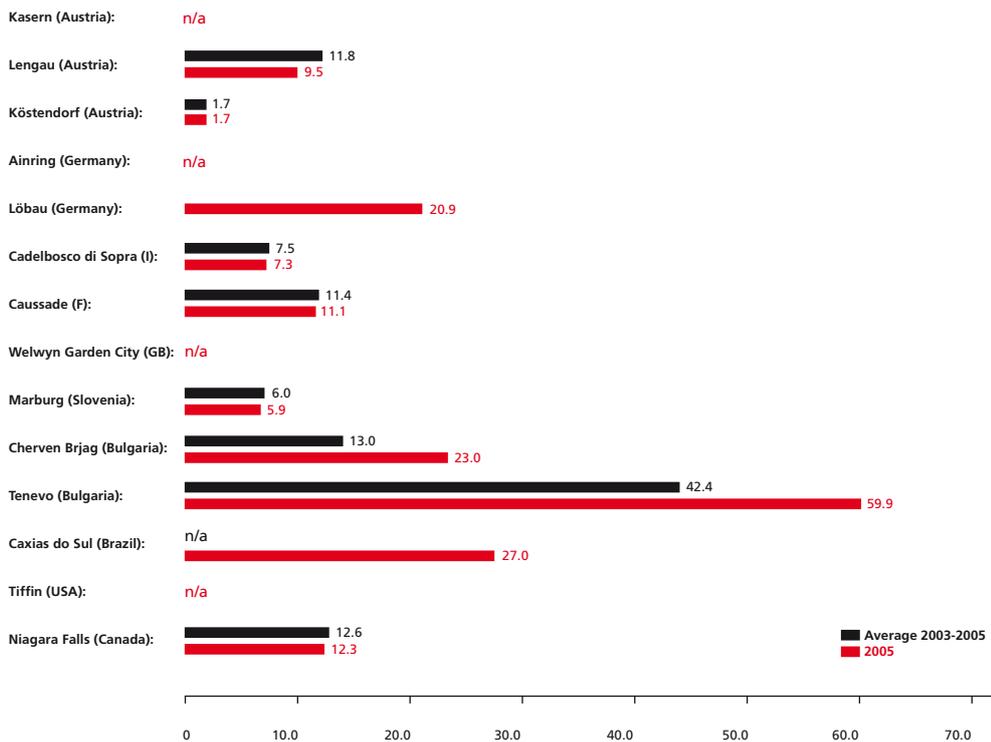
The annual training program “PALFINGER Kolleg” is a basic program for basic qualifications – in 2005, select external and internal seminars were offered on the topics of personal development (presentation, self-confidence, and self-expression, rhetorics...), languages, IT, and technology.

At top management level, an international conference for executive staff takes place once a year. After an appraisal of future management needs, a systematic evaluation takes place to assess which staff members in the organization are potentially qualified to take on these challenges. External recruiting is employed for positions, for which we are not able to find suitable candidates within the company. However, we are clearly committed to the principle "Advancement before new employment".

Staff members that have been identified as potential candidates are prepared for their future tasks in the scope of designated training programs. These programs are not merely concerned with teaching management skills and methods. We also place distinct emphasis on the personal development of each executive staff member based on feedback by other individuals in the corporate environment. We aim to foster inherent strengths and to compensate for impeding weaknesses. We do not believe standardized training programs are enough but strive for sustainable learning effects by involving executive-level staff and others in the participants' working environment.

In addition, we motivate executive staff to activate untapped resources together with their staff members in the scope of team development processes. The coaching of executive-level staff has also met with positive responses.

Training hours per staff member



Apprentice training in Bulgaria, PESCAR in Brazil

In 2005, 48 apprentices were employed at PALFINGER worldwide. For a year now, our expertise in apprentice training has also been employed in Bulgaria where there is no apprentice training system in the scope of governmental education programs. Thus, we are reinforcing education and training of young people in a region that is strongly threatened by the movement of labor.

Training free of charge is also offered by our Caxias do Sul location. Each year, 20 teenagers from socially disadvantaged families are trained as mechanics in the scope of project PESCAR. Daily meals, materials, overalls, and infrastructure (rooms, training materials) are complimentary.

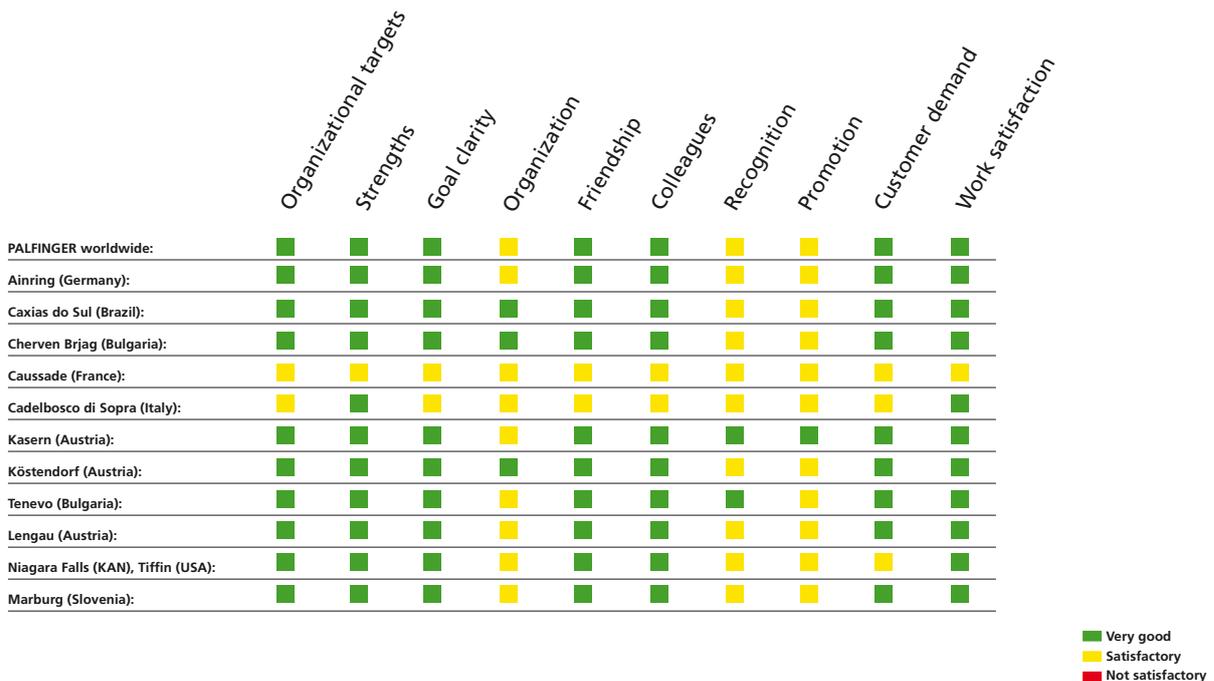
6.5 Staff satisfaction and fluctuation

Investor: How does PALFINGER retain staff expertise in the company?

Staff member: How good are the working conditions at PALFINGER?

While a basic level of fluctuation brings dynamics to a company, too much fluctuation has stalling effects on productivity. If well-trained staff leaves the company, valuable know-how is also lost in the process, and resulting staff recruiting and training involves time and expenses. Especially in a knowledge-based company such as PALFINGER, the objective is to keep fluctuation as low as possible.

A staff survey consisting of ten questions based on a "traffic light system" is conducted semi-annually at PALFINGER – green stands for a positive (very good), yellow a satisfactory, and red a negative (not satisfactory) evaluation of the situation. The most recent survey in 2005 took place in November with highly positive results. Mostly positive evaluations were registered in the categories "organizational targets", "strengths", "goal clarity", "friendship", "colleagues", "customer demand", and "work satisfaction". Categories with room for improvement are "organization", "recognition", and "promotion". Positive evaluations outweigh negative appraisals at all locations with the exceptions of Cadelbosco di Sopra (Italy) and Caussade (France) locations, where mainly yellow responses were received.

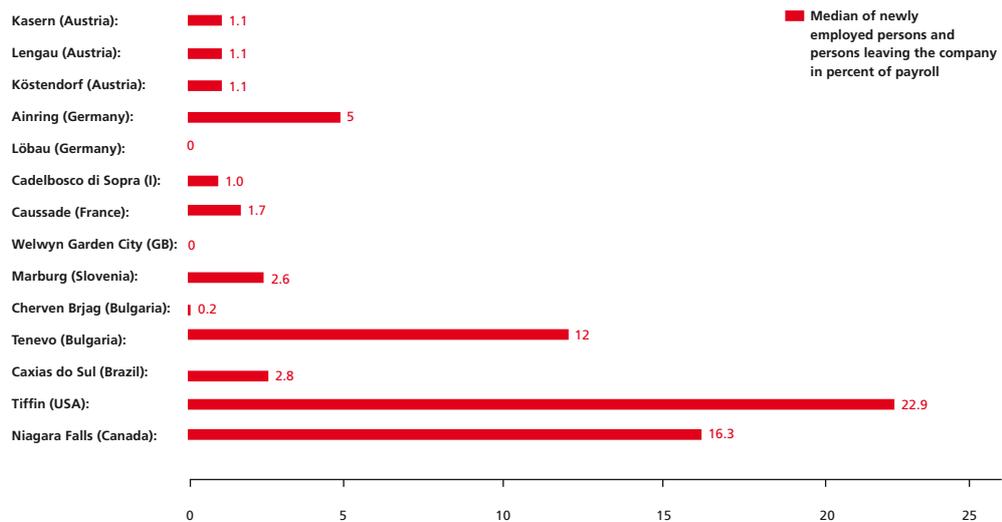


The ten points below were evaluated in the scope of the survey. Of course, results of the survey are made available to all staff members within three to four weeks after the survey.

- I know what the objectives of my work are at PALFINGER and I believe in my work.
- My work motivates me to successfully employ my strengths every day.
- I precisely know what the demands placed on me are.
- Our organization and my work place enable me to execute my tasks in an efficient manner.
- Several people at PALFINGER (in my department) are really important to me (as persons).
- Staff members working in my department greatly value high-quality work.
- My supervisor openly speaks to me about my performance and values me as a human being.
- My supervisor supports my professional development and considers my suggestions.
- I know precisely what our customers expect of us and how to meet their needs.
- I am proud to work for PALFINGER.

High staff satisfaction is reflected by a low rate of fluctuation. Over the past years, we have succeeded in reducing the fluctuation rate initiated by staff as well as the general fluctuation rate (including resignations, dismissals, retirement, and maternity leave).

Fluctuation in 2005 according to location



Madal PALFINGER in Brazil – attractive employment

The Brazilian economy is subject to strong fluctuations – economic downswings are quickly followed by upward trends during which demand for our products increases. This demand is difficult to meet because of a scarcity of qualified labor. The situation is especially aggravated by the fact that around Caxias do Sul three large companies are among the top-ten employers of Brazil. Fluctuation used to influence our economic performance at Madal PALFINGER adversely. In 2005, we were able to reverse this trend by increasing our attractiveness in the labor market through implementation of an extensive HR program and by increasing wages and salaries. The fluctuation rate declined accordingly from three to 2.48%.

6.6 Occupational health and workplace safety

Investor: How does PALFINGER ensure staff stays healthy and productivity is increased?

Staff: How does PALFINGER contribute to my health until I retire?

Noise and emissions

The minimum standard at all PALFINGER locations for affected employees is the availability of ear protection and that its use is monitored. Extensive measures against noise, such as constructional measures, protection against noise pollution near machines, or changes of working processes are implemented at locations in Western Europe. An extensive program against noise pollution already exists in Welwyn Garden City (GB). Appraisals to what extent staff members are affected by noise differ from location to location.

Protective masks are used at all locations for protection from hazardous pollutants in the air, which are emitted especially during welding processes. With the exception of Caxias do Sul (Brazil), all locations are at least equipped with mobile facilities, which exhaust emissions.

PALFIT program for staff health

PALFIT is a fundamental principle to maintain and strengthen the psychological and physical well-being and health of all our staff members. We are also aware of the fact that encouraging the increasing percentage of mature-aged employees at PALFINGER to lead a healthy lifestyle poses a special challenge. Such a lifestyle includes preventing ailments of the musculoskeletal system, physical fitness, rest and relaxation, and healthy nutrition. Comprehensive well-being also involves psychological well-being of an individual, which we want to help to balance. The PALFIT program is designed to meet these challenges. In the meantime, one location in Eastern Europe and our location in Brazil are also part of the program, and plans are underway to include all remaining locations to various extents in 2006. In 2005, among other activities, the program included 700 hours of physiotherapy, screenings and preventive medical checkups, back care programs, improvement of lunch meals, fruit baskets, fitness center memberships, and talks on health-related topics. These measures are to continue in 2006. An assessment for 2006 also indicated need for further measures in the fields of problem materials in the workplace, alcoholism, exchange of health information, and further promotion of sports programs. An additional topic to be included is stress management.

Locations participating in the PALFIT program for staff health

Kasern (Austria):	■
Lengau (Austria):	■
Köstendorf (Austria):	■
Ainring (Germany):	■
Löbau (Germany):	
Cadelbosco di Sopra (Italy):	
Caussade (France):	
Welwyn Garden City (GB):	
Marburg (Slovenia):	
Cherven Brjag (Bulgaria):	
Tenevo (Bulgaria):	■
Caxias do Sul (Brazil):	■
Tiffin (USA):	
Niagara Falls (Canada):	

HIV/AIDS

One of our locations, Caxias do Sul (Brazil) is based in a region marked by increasing cases of HIV and AIDS. Besides measures by public authorities, preventive measures are also set at the location through programs in the scope of "Accident Prevention Week". Madal PALFINGER also participates in activities to raise awareness before holidays and the carnival season.

Health and Safety Management

The PALFIT team is responsible for staff health at PALFINGER locations in Austria and Germany. The team consists of the HR team, the company physician, the safety administrator, and the works council. The team meets four times a year. Regular consultations take place in between scheduled meetings as needed. The ASA team is in charge of workplace safety at headquarters. The team is made up of the company physician, works council, quality assurance, the fire safety administrator, the electrician, and the safety officer. Meetings are scheduled on a quarterly basis. Each location has its own safety administrator in charge of accident prevention and workplace safety, usually supported by other staff members. Most safety administrators are also in charge of other tasks at the location.

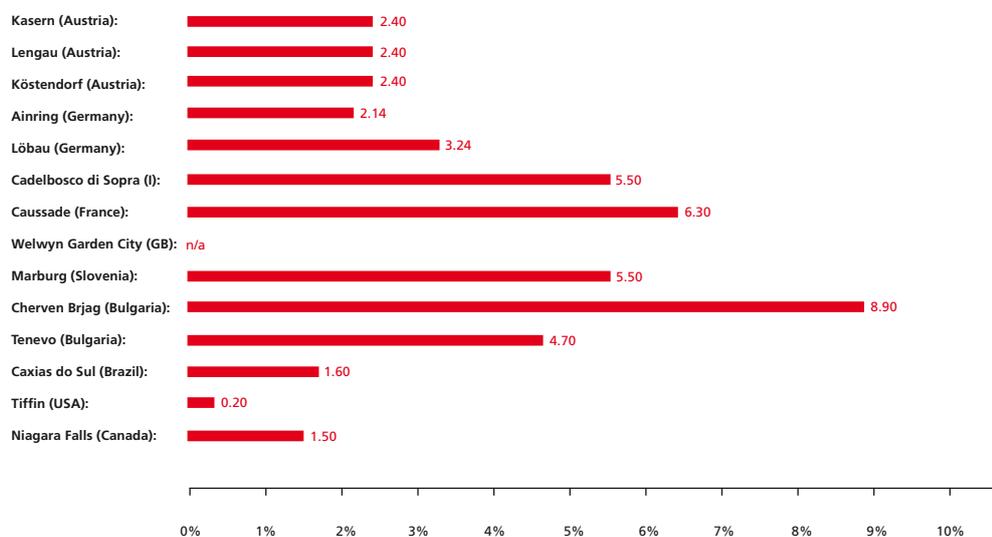
The responsibility for occupational health and safety in the Group is delegated to locations. There is no central committee. One of the problems growing out of this situation is that there are no uniform data records on accidents and health available at a Group level. Thus, comparability of individual locations is limited.

Almost all countries where PALFINGER plants are located have national health and accident insurance schemes. The only exception is the USA where PALFINGER offers a company health insurance scheme to employees. Medicare schemes in addition to national health schemes also exist in France, Bulgaria, Canada, and Brazil. At Madal PALFINGER in Caxias do Sul (Brazil), medical care is a subject of special significance as it is difficult for many to pay for medications and health supplies despite the national health insurance scheme. Thus, PALFINGER supplements the health care system with a large contribution and encourages staff to seek necessary medical treatment.

The following graph illustrates an overview of absences as result of staff sickness and accidents. The Welwyn Garden City (GB) location is not contained in this graph because of its recent acquisition.

Absences in 2005 as result of sickness/accidents

Absences in 2005 as result of sickness/accidents



**Occupational health and
workplace safety**

at PALFINGER locations	Successes in 2005	Planned measures
Kasern (Austria):	Increased awareness of physical health and fitness, PALFIT is widely accepted and receives highly positive feedback	Further increases of health awareness and sports to counterbalance every-day stress
Lengau (Austria):	Increased awareness of physical health through PALFIT, hardly any operation-related accidents	Continuous appraisal of machines and facilities, update of safety instructions
Köstendorf (Austria):	Lowest accident-related absences since beginning of records, high participation in preventive check-ups	No special measures planned
Ainring (Germany):	Rate of sickness-related absences far below industry average	Protection against noise pollution, expansion of PALFIT program
Löbau (Germany):	No severe accidents	No special measures planned
Cadelbosco di Sopra (Italy):	–	No special measures planned
Caussade (France):	Lower number of accidents	Study on ergonomics, accident enquiry
Welwyn Garden City (GB):	Good standards were maintained	No special measures planned
Marburg (Slovenia):	–	Introduction of requirement to wear a helmet
Cherven Brjag (Bulgaria):	No severe workplace accidents, low number of accidents was maintained	Continuous improvements, improved safety through modification of plant hall
Tenevo (Bulgaria):	Life insurance for all staff members, annual preventive medical check-up	New protective clothing, improved exhaust of welding cabins, roof renovation lighting
Caxias do Sul (Brazil):	Reduced number of accidents through prevention campaign and recording of "near accidents", health plan and company physician/dentist, also for family members of staff	Launch of PALFIT program
Tiffin (USA):	Establishment of a safety committee, safety training	No special measures planned
Niagara Falls (Canada):	Optimized materials flow for shop improves safety	Perstart equipment inspections, hazard analysis of jobs

6.7 Equal opportunities

Investor: Is PALFINGER working on its image as fair employer to attract top employees from all segments of society?

Staff members: What opportunities does PALFINGER offer to women, disadvantaged members of society, and disabled persons?

Percentage of women, reconciliation of job and family

Mechanical engineering is traditionally an industry dominated by men, thus the percentage of women working in the company is low for historical reasons. Overall, the percentage of women in the company has been increasing slowly but steadily over the past three years. The highest percentage of female staff is salaried employees (26.1%), and unskilled employees (20.1%). The lowest share is made up by waged workers, where the share of female staff is only 2%. Here the increase of the percentage of women depends on professional development of apprentices – actually, 16% of which are female, owing to the share of female apprentices at the Lengau (Austria) and Ainring (Germany) plants. In Lengau, four of 22 apprentices are female, at Ainring even four out of six. The high share in Ainring is explained by the fact that young people are mainly trained in the sales segment. The highest share of women across all locations works at the Caussade (France) location.

11.6% of managers are female at the locations appraised, out of which the Tenevo (Bulgaria) location has the highest share of female executives with four out of seven women at the intermediate management level.

PALFINGER advocates the equal treatment of men and women. No special programs or regulations regarding gender mainstreaming or better reconciliation of job and family are in force. All locations have provisions in place for mothers and expectant mothers, and maternity leave. Female staff members are legally entitled to return to the same location to work after maternity leave. Opportunities for part-time work are available; however, intensive use is made of them only at few locations. The highest number of staff working part-time is at the Köstendorf (Austria) location where 14 staff members are working part-time as opposed to 156 full-time employees, and at the Ainring (Germany) location, with 10 employees working part-time and 107 working full-time.

2005 share of female staff

	Top management level	Intermediate management	Salaried employees	Supervisors/wage-workers	Wage-workers	Unskilled workers	Apprentices
Kasern (Austria):	□	□	■	□	□	■	■
Lengau (Austria):	□	□	■	□	□	□	■
Köstendorf (Austria):	□	□	■	□	□	■	□
Ainring (Germany):	□	□	■	□	□	–	■
Löbau (Germany):	□	□	■	□	□	■	□
Cadelbosco di Sopra (Italy):	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Caussade (France):	■	■	■	■	□	–	□
Welwyn Garden City (GB):	□	■	■	□	□	□	□
Marburg (Slovenia):	–	□	■	□	□	■	□
Cherven Brjag (Bulgaria):	□	■	■	□	□	■	–
Tenevo (Bulgaria):	□	■	■	–	□	■	–
Caxias do Sul (Brazil):	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tiffin (USA):	□	□	■	□	■	■	□
Niagara Falls (Canada):	□	■	■	□	□	□	□



Disabled staff members

Disabled staff members at PALFINGER are valued members in the team and equal treatment of disabled staff members is ensured. In addition, they help to strengthen solidarity in the workplace. The Lengau (Austria) and Caxias do Sul (Brazil) locations employ a sufficient number of disabled persons to fill the quotas required by national law. At Madal PALFINGER, this quote is even exceeded by 50% with 12 disabled staff members.

All European locations – with the exception of Great Britain – have minimum employment targets in place for disabled staff. With the exception of Lengau (Austria), where the quota is met, compensation payments are made in line with national regulations. In Bulgaria, about 6% of work places have to be suitable for disabled staff. This standard is adhered to.

Economically disadvantaged ethnic groups

Economic activity thrives in a peaceful and fair social environment. A sufficient level of exchange among different social groups and obliteration of prejudices and economic inequalities create excellent conditions for long-term economic endeavors.

Out of all production locations, socially disadvantaged groups only exist near the Tenevo (Bulgaria) location. Tenevo is located in the Tundja region with 27,225 inhabitants. The share of Turkish inhabitants is 9.4%, the share of Roma and Sinti is 4.7%. These percentages are not reflected in the ethnic diversity of staff. Bulgarian laws for protection of discrimination stipulate that all employers have to promote ethnic minorities applying for certain tasks and jobs. PALFINGER is further obliged to promote the professional development and participation of salaried employees and wage-workers belonging to an ethnic minority under the same conditions. (in force since January 2004).

6.8 Staff communications and participation

Investor: Does PALFINGER learn from staff?
Are suggestions for improvement and complaints dealt with in a timely manner?

Staff: Can I insist on my rights?

Communications

The right measure of communications is a vital component of efficient cooperation and a good working climate. PALFINGER draws on a variety of tools for effective exchange of information.

An executive team meeting (ETM) with the top executive level takes place twice a year in Austria. Focus is on networking, information, and discussion. Further regular meetings of management teams in the individual organizational units ensure efficient decision making and processing of the information flow.

“Internal road shows” also take place twice a year at the different locations, where staff is informed on the strategy and progress of strategic projects. Staff-relevant information at the locations is continuously conveyed via intranet, bulletin boards, e-mailings, and at staff meetings. The information system is completed by the group-wide staff newspaper “PIN”.

Core elements of communications on location are team meetings and staff appraisal interviews, where staff members receive general information and have the opportunity to make suggestions or to voice complaints. Additional staff suggestion schemes are in place at several locations. RATCLIFF PALFINGER employs quality circles. Anonymous suggestion boxes are available to staff at Tenevo (Bulgaria) and Tiffin (USA); implementation of this tool is also planned at other locations in form of electronic mail. Staff suggestions made at the two Bulgarian locations, Tenevo and Cherven Brjag, are presented to a commission that rewards the best suggestions.

Organizational development is based on the following principles:

- Cooperative partnerships, respect for the individual
- Strengthening decentralized responsibility within a defined framework (allowing “entrepreneurship”)
- Intensive involvement of staff in development and decision-making processes (empowerment)

Employee Rights

PALFINGER is greatly interested in maintaining an integral and constructive dialogue with staff representatives. We believe that the incorporation of staff interests into company interests is one of the current factors of success of the Management.

Only estimates are available for the share of PALFINGER staff affiliated with independent labor unions. In Brazil, the metalworkers’ union Caxias do Sul is very strong, at Madal PALFINGER 100% of staff are union members. At Austrian locations, the percentage of trade union members is estimated around 60%, in Slovenia at 48%, in Germany and France at below 10%. Caussade (France) has additional alternative workers’ representation committees besides independent unions that represent the interests of all employees: the “house committee” representing economic staff interests and the “security committee” which monitors compliance with social security legislation. Welwyn Garden City (GB) has an “employee forum”.

Workers’ representation at PALFINGER locations

	Locations with a works council elected by staff	National collective bargaining contracts for location staff
Kasern (Austria):	■	■
Lengau (Austria):	■	■
Köstendorf (Austria):	■	■
Ainring (Germany):	■	
Löbau (Germany):		
Cadelbosco di Sopra (Italy):	■	■
Caussade (France):	■	■
Welwyn Garden City (GB):		
Marburg (Slovenia):	■	■
Cherven Brjag (Bulgaria):		
Tenevo (Bulgaria):		
Caxias do Sul (Brazil):		n/a
Tiffin (USA):		
Niagara Falls (Canada):		partially



Annex



7.1 On the report

The report in hand succeeds the first PALFINGER 2003/2004 sustainability report and provides an in-depth portrait of production processes and products.

Data surveys included all fully consolidated PALFINGER locations and the 2005 calendar year. The Ratcliff Palfinger Ltd. location (Welwyn Garden City, GB) has been added since publication of the 2003/2004 sustainability report. Data surveys in a number of chapters are still incomplete. Tables and diagrams pertaining to data of individual locations are found in chapters 3 to 6. Totals given in the chapters pertain to the sum of locations outlined, unless otherwise indicated. In case of illustrations or tables summing up countries or regions, overall statements of the chapter apply for all fully consolidated production and assembly locations of the respective countries/regions outlined in diagrams and tables.

7.2 Auditors' Certificate

ETA Umweltmanagement GmbH, Sustainability Auditors, was commissioned with

- Evaluation of the 2005 Sustainability Report 2005 based on the underlying data, systems and processes
- Appraisal of the correctness of published data and its comprehensive reflection of the performance of PALFINGER
- Critical analysis of the scope, equilibrium, and interpretation of information presented
- Providing an auditors' certificate for the Sustainability Report

We have based our audit on the standards under development for sustainability report auditing. These are the AA1000 Assurance Standard (AA1000), published by Accountability, as well as the guiding principles of the European Federation of Accountants, "Providing Assurance on Sustainability Reports".

Our audit embraced

- Interviews with those responsible for data and information contained in the Sustainability Report as well as random testing of underlying management systems and procedures
- Evaluation of correct, balanced and consistent portrayal of aspects relevant to sustainability aspects and data,
- Analysis of systems employed for data acquisition and evaluation of performance indicators of the company's economic, social, and environmental performance.

Based on our systematically conducted evaluation, our audit has not led to any reservations. We found no indicators for errors, omissions, and misstatements in the sustainability report in-hand. It needs to be borne in mind that development of a uniform system of performance indicators and unification of internal requirements in the most important areas of sustainable development are still in the development stage. The data survey was carried out in the scope of a group-wide distribution of questionnaires gathering data in form of figures as well as of significant aspects of sustainable development. The sustainability report is based on the results of this survey. Different methods of appraisal and calculation in the generation of primary data cannot be ruled out. In 2006, strategic positioning, objectives, and measures, as well as a uniform system of performance indicators are to be established in the scope of further development of the sustainability strategy, based on the results of the questionnaire.

Detailed recommendations for further development of the sustainability report and sustainability management were conveyed to the Management Board in a separate internal report.

This report has been prepared in accordance with the 2002 GRI Guidelines.
Chartered Certified Accountant

Dr. Christine Jasch
Chief Auditor, Chartered Certified Accountant

Dr. Stefan Gara
Chief Auditor, Managing Director

Appointed as independent auditors:

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7.3 GRI-Index

	Aspects according to Sustainability Reporting Guidelines (2002) of the Global Reporting Initiative	Chapter	Page
1.1	Vision and strategy regarding sustainable development	1.4, 2.1, 2.2	11f; 16f
1.2	Statement from the CEO	Foreword	5
2.1-2.6, 2.8	Organizational profile	1.1, 1.2, 1.3	6-10
2.7	Nature of markets served	3.1	22f
2.9	List of stakeholders	1.5	13
2.10	Contact persons for the report	Imprint	2
2.11-2.22	Scope of the report, report profile	7	72
3.1, 3.2	Management Board, Supervisory Board	1.3	10
3.3 – 3.8	Organizational structure, key individuals responsible, risks and opportunities for sustainable development (3.5 and 3.8 excluded)	2.4	19 30, 50, 61f, 68f,
3.9-3.12	Stakeholder engagement	4.1, 6.5, 6.8, 5.6	
3.13-3.15	Precautionary principle, voluntary charters, memberships	-	-
3.16, 3.17	Supply chain management, indirect impacts	1.4, 4.3	12, 37ff
3.18	Locations of operations, changes in operations	6.1, 6.2	54-57
3.19, 3.20	Sustainability programs and procedures, certification pertaining to management systems	2.3, 2.4	18f
4.1	GRI Content Index	7.3	74
EC1, 2	Net sales, geographic breakdown of markets	3.1	22f
EC3-9	Direct economic impacts on suppliers, employees, providers of capital, public sector	3.2, 3.3	24-26
EC10	Donations to community and other groups	3.4	27
EN1, EN2	Materials use (EN 2 excluding share of recycling)	5.3	47f
EN3, 4, 8, 9, 10, 17	Energy consumption, greenhouse gas emissions, other air emissions (EN9 not relevant)	5.1 4.3	42-45 37-39
EN18	Energy consumption footprint of major products	5.4	48
EN5, EN12	Total water use, significant discharges to water		
EN6/7	Biodiversity (not relevant)	-	-
EN11, 12	Total amount of waste, significant discharges of chemicals, oils, and fuels	5.5	49
EN14	Significant environmental impacts of principal products	4.3	37-39
EN15	Recyclability of products	4.2	32-36
EN16	Incidents of and fines for non-compliance with legal regulations	2.4	19
EN34	Significant environmental impacts of transport	5.2	45f
LA1, 2	Breakdown of workforce according to regions, net employment creation	6.1, 6.3	54-58
LA3, 4	Independent trade union organizations, collective bargaining agreements, information, consultation, and negotiation with employees	6.8	68f
LA5, 6, 7, 8	Health and safety	6.6	63-65
LA9	Training and education	6.4	59-61
LA10, 11	Diversity and opportunity	6.7	66-68
HR1-7	Human Rights in the supply chain (not relevant – cf. statement on management systems of suppliers in Chapter 2.4)	-	-
SO1	Management of impacts on communities	5.6	50
SO2, 3	Bribery and corruption, political contributions, lobbying	1.3	10
PR1, 2, 3, 8	Customer health and safety, product information, customer satisfaction (PR3 – respect for privacy not relevant)	4.1	30f

7.4 Annex with data tables

Data tables pertain to all fully consolidated production and assembly locations.

Table 1 – Monetary flows into countries with fully consolidated production and assembly locations.

in EUR '000	Purchase volume at national suppliers	Expenditures for wages and salaries	Income tax expense**	Donations of individual locations
Austria	81,904	55,352	13,537	3.2
Brazil	14,009	5,605	0	2.3
Bulgaria	1,130*	3,398	-497	5.8
Germany	22,357	9,991	1,325	8.7
France	22,151	14,091	514	4.5
Italy	9,652	2,864	697	1.0
Canada	4,928	2,592	378	2.1
Slovenia	1,682	6,591	348	0
USA	0*	2,154	-7	2.6
Great Britain	0*	3,713	139	

* Figures for the share of national suppliers in 2005 at Welwyn Garden City (GB), Cherven Brjag (BUL), and Tiffin (USA) locations were not available.

** Income tax expense without taking into account deferred taxes and tax relief

Table 2: CO₂-Emissions in 2004/2005 according to locations and source

CO ₂ in kilograms	Electric power	Natural gas/ liquid gas/ fuel oil	Diesel	Location TOTAL
Kasern (Austria) 2004	677,082	0	0	677,082
Kasern (Austria) 2005	656,576	0	0	656,576
Lengau (Austria) 2004	7,581,756	1,892,400	218,414	9,692,570
Lengau (Austria) 2005	5,305,300	2,046,200	259,336	7,610,836
Köstendorf (Austria) 2004	667,269	618,000	40,765	1,326,034
Köstendorf (Austria) 2005	657,145	656,000	47,340	1,360,485
Ainring (Germany) 2004	181,896	160,535	0	342,431
Ainring (Germany) 2005	191,542	161,813	0	353,355
Löbau 2004 (Germany)	-	-	-	-
Löbau (Germany) 2005	426,491	552,300	0	978,791
Cadelbosco di Sopra (Italy) 2004	478,855	398,830	0	877,685
Cadelbosco di Sopra (Italy) 2005	506,049	463,234	0	969,283
Caussade (France) 2004	1,378,000	680,000	24,196	2,082,196
Caussade (France) 2005	1,240,200	752,000	31,560	2,023,760
Welwyn Garden City (GB) 2004	-	-	-	-
Welwyn Garden City (GB) 2005	285,878	1,634,167	44,491	1,964,535
Marburg (Slovenia) 2004	4,073,310	1,590,000	39,450	5,702,760
Marburg (Slovenia) 2005	4,847,647	2,200,000	84,160	7,131,807
Cherven Brjag (Bulgaria) 2004	n/a	n/a	n/a	
Cherven Brjag (Bulgaria) 2005	n/a	n/a	n/a	
Tenevo (Bulgaria) 2004	1,357,123	902,924	95,111	2,355,158
Tenevo (Bulgaria) 2005	3,279,158	1,170,464	95,792	4,545,414
Caxias do Sul (Brazil) 2004	1.161,194	59	375,714	1,536,967
Caxias do Sul (Brazil) 2005	1,278,812	61	384,616	1,663,489
Tiffin (USA) 2004	n/a	n/a	n/a	
Tiffin (USA) 2005	n/a	n/a	n/a	
Niagara Falls (Canada) 2004	181,896	72,000	3,682	257,578
Niagara Falls (Canada) 2005	211,523	114,000	5,260	330,783
TOTAL 2004	17,738,381	6,314,748	797,332	24,850,460
TOTAL 2005	18,886,320	9,750,239	952,556	29,589,115

1 KWh = 0.68g kg CO₂*

1 m³ of natural gas = 2 kg CO₂

1 liter diesel = 2.63 kg CO₂

* Conversion of KWh into CO₂ was based on the electricity mix for Germany used group-wide. (Source: GEMIS, version 2.1, Öko-Institut and Hessian Ministry of the Environment, 1995).

Table 3 – Water consumption according to location

	Water consumption in m ³
Kasern (Austria) 2004	1,688
Kasern (Austria) 2005	2,031
Lengau (Austria) 2004	10,200
Lengau (Austria) 2005	7,444
Köstendorf (Austria) 2004	1,500
Köstendorf (Austria) 2005	1,500
Ainring (Germany) 2004	549
Ainring (Germany) 2005	597
Löbau (Germany) 2004	-
Löbau (Germany) 2005	1,963
Cadelbosco di Sopra (Italy) 2004	713
Cadelbosco di Sopra (Italy) 2005	1,103
Caussade (France) 2004	3,562
Caussade (France) 2005	3,889
Welwyn Garden City (GB) 2004	-
Welwyn Garden City (GB) 2005	4,617
Marburg (Slovenia) 2004	16,680
Marburg (Slovenia) 2005	7,642
Cherven Brjag (Bulgaria) 2004	n/a
Cherven Brjag (Bulgaria) 2005	n/a
Tenevo (Bulgaria) 2004	9,271
Tenevo (Bulgaria) 2005	9,754
Caxias do Sul (Brazil) 2004	1,584
Caxias do Sul (Brazil) 2005	1,608
Tiffin (USA) 2004	n/a
Tiffin (USA) 2005	n/a
Niagara Falls (Canada) 2004	442
Niagara Falls (Canada) 2005	1,088
TOTAL 2004	46,189
TOTAL 2005	43,236

Table 4 – Waste generation according to location

Waste material in kilograms	Non-hazardous waste	Hazardous waste	Used material/scrap
Kasern (Austria) 2004	83,410	28,460	58.9
Kasern (Austria) 2005	74,526	18,200	73.6
Lengau (Austria) 2004	289,679	795,098	1,998
Lengau (Austria) 2005	326,504	524,030	1,715
Köstendorf (Austria) 2004	21,580	12,000	48
Köstendorf (Austria) 2005	29,500	10,500	59
Ainring (Germany) 2004	1,500	6,000	20
Ainring (Germany) 2005	1,500	6,000	20
Löbau (Germany) 2004	-	-	-
Löbau (Germany) 2005	18,300	0	89
Cadelbosco di Sopra (Italy) 2004	47,064	36,615	12
Cadelbosco di Sopra (Italy) 2005	27,195	21,930	13
Caussade (France) 2004	172,000	62,800	665
Caussade (France) 2005	178,000	65,000	680
Welwyn Garden City (GB) 2004	-	-	-
Welwyn Garden City (GB) 2005	80	0	178
Marburg (Slovenia) 2004	38,800	612,680	2,647
Marburg (Slovenia) 2005	213,000	619,083	3,008
Cherven Brjag (Bulgaria) 2004	n/a	n/a	n/a
Cherven Brjag (Bulgaria) 2005	n/a	n/a	n/a
Tenevo (Bulgaria) 2004	n/a	n/a	n/a
Tenevo (Bulgaria) 2005	840,780	2,500	180
Caxias do Sul (Brazil) 2004	n/a	n/a	600
Caxias do Sul (Brazil) 2005	n/a	n/a	758
Tiffin (USA) 2004	n/a	n/a	n/a
Tiffin (USA) 2005	n/a	n/a	n/a
Niagara Falls (Canada) 2004	n/a	n/a	n/a
Niagara Falls (Canada) 2005	n/a	n/a	n/a
TOTAL 2004	654,033	1,553,653	6,048,850
TOTAL 2005	1,709,385	1,267,243	6,593,600

Table 5: Fluctuation

Median of newly employed persons and persons
leaving the company in % of payroll in 2005

Kasern/Lengau/Köstendorf (Austria)	1.1%
Ainring (Germany)	5.0%
Löbau (Germany)	0.0%
Cadelbosco di Sopra (Italy)	1.0%
Caussade (France)	1.7%
Welwyn Garden City (GB)	
Marburg (Slovenia)	2.6%
Cherven Brjag (Bulgaria)	0.2%
Tenevo (Bulgaria)	12.0%
Caxias do Sul (Brazil)	2.8%
Tiffin (USA)	22.9%
Niagara Falls (Canada)	16.3%

Table 6: Absences in 2005 as result of sickness/accidents

Absences in 2005 as result of sickness/
accidents, times in % of target times

Kasern/Lengau/Köstendorf (Austria)	2.40%
Ainring (Germany)	2.14%
Löbau (Germany)	3.24%
Cadelbosco di Sopra (Italy)	5.50%
Caussade (France)	6.30%
Welwyn Garden City (GB)	
Marburg (Slovenia)	5.50%
Cherven Brjag (Bulgaria)	8.90%
Tenevo (Bulgaria)	4.70%
Caxias do Sul (Brazil)	1.60%
Tiffin (USA)	0.20%
Niagara Falls (Canada)	1.50%

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and their siblings**

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Fully consolidated locations

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PALFINGER Service- und Beteiligungs-GmbH

Salzburg

PALFINGER Industrieanlagen GmbH

Salzburg

Area Europe

PALFINGER Europe GmbH

Salzburg

Ratcliff PALFINGER Ltd.

Great Britain, Welwyn Garden City

PALFINGER Bermüller GmbH

Regio Cargo Transporttechnik

Germany, Zomeding-Pöring

EPSILON Kran GmbH

Austria, Salzburg

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S.A.S. Guima PALFINGER / S.A.S. Guima France

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PALFINGER GmbH

Germany, Ainring

Bison PALFINGER GmbH

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Canada, Niagara Falls

PALFINGER USA, Inc. /

Tiffin Loader Crane Company

USA, Tiffin

Area South America

Madal PALFINGER S.A

Brazil, Caixas do Sul

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Bulgaria, Cherven Brjag

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Slovenia, Marburg

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