Sustainability Report 2006/2007
Our hands-on approach

PALFINGER

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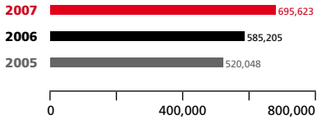
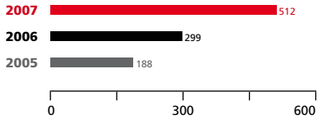
Key figures

Fair economy

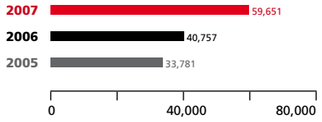
Revenue
TEUR



Donations and sponsorships
TEUR



Economic value retained
for investments and reserves in TEUR

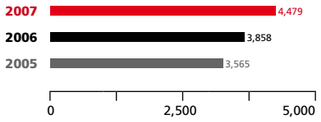


Fair economy	2005	2006	2007
Revenue in TEUR	520,048	585,205	695,623
Monetary flows to stakeholders in TEUR			
Suppliers (operating costs)	350,212	384,622	450,316
Employees (wages and salaries)	106,351	122,887	141,183
Investors (dividend, incl. interest expenses)	12,950	19,420	23,733
Public authorities (taxes)	18,178	19,639 *	25,715 *
Donations and sponsorships	188	299	512
Economic value retained (for investments and reserves)	33,781	40,757	59,651
Warranty costs per sale in %	1.80%	2.17%	2.14%

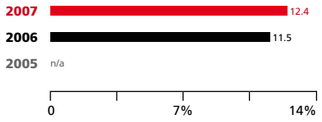
* minus financial contributions from public authorities.

Our focus is on people

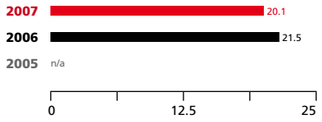
Employees including temporary workers
31 Dec



Employees leaving the Company
in % of total workforce



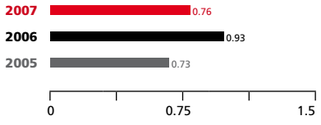
Training hours
per employee



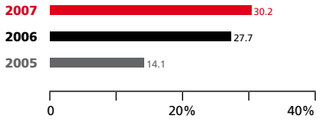
Our focus is on people	2005	2006	2007
Employees including temporary workers (31 Dec)	3,565	3,858	4,479
Share of temporary workers in total workforce in %	6.7%	6.1%	6.6%
Employees leaving the Company in % of total workforce	n/a	11.5%	12.4%
Staff absence in % of regular working time	n/a	6.7%	5.7%
Training hours per staff member	n/a	21.5	20.1
Share of employees aged 50 years and older in % of total workforce	n/a	15.7%	16.3%
Share of women in %	n/a	9.77%	9.77%

Environmental protection

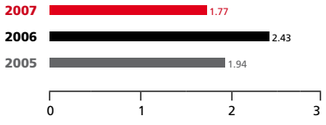
CO_2 emissions from production
per tonne of steel used in t



Use of high-quality steel
(≥S890) in %



Water consumption
per tonne of steel used in m³



Environmental protection	2005	2006	2007
CO_2 emissions from production per tonne of steel used in t	0.73	0.93	0.76
CO_2 emissions from transports between sites per tonne of steel used in t	n/a	0.23	0.24
Use of high-quality steel (≥S890) in %	14.1%	27.7%	27.7%
Share of bio-hydraulic oil in total purchases in %	-	1.52%	5.91%
Scrap per tonne of steel used in %	22.2%	31.4%	33.0%
Hazardous waste in t	1,330	1,551	1,519
Water consumption per tonne of steel used in m³	1.94	2.43	1.77

Dear readers,

The Sustainability Report 2006/2007 is the third such report to be published by PALFINGER. For many years now sustainability and social responsibility have been increasingly at the centre of our corporate policy. This eco-social focus also is an integral part of our successful development, with revenue and consolidated net profit for the period being on the increase for years in a row. The past five years have not only been highly successful but have always been marked by new record results. We achieved extraordinary growth in "green industries" and developed product innovations to enhance safety and efficiency. The increased use of high-strength steel for weight reduction as well as dynamic employment thanks to organic growth during the past few years have been further milestones. Even though this is a difficult time for financial markets, the PALFINGER share has taken on an extraordinarily positive performance in the past few years. Moreover, our share is represented in numerous sustainability funds and has been included in the Austrian Sustainability Index (VÖNIX) ever since this share index was created.

Sustainable profitable growth and social responsibility on an international scale

PALFINGER holds an excellent position on the Austrian market as well as internationally. Today our products are sold in approximately 130 countries, with the Group operating a global sales and service network with 3,200 outlets on all five continents. In the past few years organic growth at PALFINGER has been particularly strong. It is our goal to rank among the top three market players in all product divisions and shape globalisation in a responsible manner. As a family-run business which is listed on the stock exchange we have a special responsibility towards our staff. The success of PALFINGER is the success of our employees. Having and keeping a sufficient number of well-trained and qualified employees certainly is one of the main challenges to be mastered in the years to come. This is why promotion and motivation of personnel is a huge priority with PALFINGER. Special programmes such as PALfit have been set up in the past few years in order to further increase the health and fitness of our employees and thus their work-life balance. Moreover, PALFINGER College offers our staff a broad range of education and further training programmes.

We have decided to publish our Sustainability Report only every two years so as to be able to report on significant improvements in our comprehensive sustainability programme. So far, the whole sustainability process has been characterised by developing a strategy and setting up a reliable system of key performance indicators. Now we are going to focus more strongly on implementing the measures we envisaged. Sustainability management is the most important buzzword today and it will even become more important in the future. Only those willing to deal with this issue seriously are going to have long-term and sustainable success.

Herbert Ortner, CEO

PALFINGER AG

General description of the Company

PALFINGER stands for innovative hydraulic lifting, loading, and handling solutions at each interface of the transport chain. With our market know-how, technological skills, and the commitment of our staff we enable our customers all over the world to be more successful. This mission is based on the three essential pillars of innovation, internationalisation, and diversification.

Based on this strategy PALFINGER achieved record revenues and significant earnings in 2006 and 2007, most recently with revenues of EUR 695.6 million, the EBIT margin amounting to 14.3 percent and ROCE at 25.7 percent.

What started out 76 years ago in a small workshop in Schärding, Upper Austria, has turned into an international group headquartered in Bergheim, Salzburg, Austria, comprising 30 companies in 17 countries (see back cover PALFINGER Companies) with a total staff of 4,185 as of 31 December 2007. Moreover, PALFINGER operates a global sales and service network with approximately 3,200 outlets and over 200 independent dealers in more than 130 countries on five continents.

PALFINGER AG went public in 1999, and as of the reporting date the PALFINGER family directly or indirectly held 65 percent of the shares in the Company. PALFINGER AG held 1 percent of the shares from the share repurchase scheme, which had ended in 2003. The remaining 34 percent of the shares were in free float; the government did not hold any shares in the Company. Minority shareholders can make use of their right to be heard at the Annual General Meeting. At the 2007 Annual General Meeting several questions were asked with regard to climate protection and CO_2 emissions trading, in response to which it was explained that PALFINGER was only indirectly affected by emissions trading and that is via its steel suppliers. PALFINGER's work in the field of climate protection was also presented. In addition, the ten questions prepared by the Austrian Shareholders Association for the 2007 AGM were published on our website, including the statement on climate protection.

The PALFINGER Group has a sound balance-sheet structure and overall capitalisation and is able to finance further sustainable, profitable growth to a large extent from its own operating business. For further information on our financial ratios please refer to our Annual Report 2007.

TEUR

ASSETS	31 Dec 2007	31 Dec 2006	EQUITY AND LIABILITIES	31 Dec 2007	31 Dec 2006
Non-current assets	238,945	154,589	Equity	295,056	241,964
Current assets	288,686	254,777	Non-current liabilities	66,262	51,425
Non-current assets held for sale	683	0	Current liabilities	166,996	115,977
Total assets	**528,314**	**409,366**	**Total equity and liabilities**	**528,314**	**409.366**

PALFINGER satisfies the requirements of the binding L-rules (Legal Requirement) and adheres to all C-rules (Comply or Explain) of the Austrian Corporate Governance Code (in its revised version of 2007) with the following exceptions: Rule No. 53 Independent Members of the Supervisory Board, Rule No. 39 Supervisory Board Committees and Rule No. 51 Remuneration Scheme for Members of the Supervisory Board. For details please see our Annual Report 2007, p. 57f.

In the past few years PALFINGER participated in numerous competitions in which it received several awards for its good business performance as well as its annual reports. Here are just a few – the Vision Award of The League of American Communications Professionals (LACP), the Annual Report Competition Award (ARC) of MerComm Inc., the Galaxy Award New York, the Golden Drum Award, Portorož, the Art Directors Club Germany (ADC), the Shareholder Value Award given out by the economic journal FORMAT, the Small-Cap-Preis awarded by the economic journal GEWINN and the Vienna Stock Exchange as well as the Austrian Sustainability Reporting Award (ASRA). Moreover, PALFINGER has been included in the Austrian Sustainability Index (VÖNIX) ever since this share index was established by VBV Pensionskasse and is listed as an above-average ATX stock in sustainable funds according to the FER SRI AG Ratio.

In addition, PALFINGER has been a long-standing partner of AMREF and ICEP – the Institute of Cooperation for Development Projects – as well as its corporAID initiative. This initiative has the goal to point out beneficial connections between the economy and development work in developing countries and economies in transition and to create awareness for the fight against poverty by creating prosperity. We have also been supporting the Wood Construction and Design programme of the Salzburg University of Applied Sciences. Last year, for example, we supported students who set up a nursery school made of wood in Haenertsburg, South Africa.

PALFINGER takes on an active role when shaping standards and guidelines concerning products through its membership in various associations. For many years now we have been a member of the Austrian Working Group for Corporate Governance. PALFINGER is also supportive of creating the right environment to promote competitiveness, but shies away from party politics. In the period under review PALFINGER took a public stance in favour of taking action to combat a lack of skilled workers. No donations were made to any parties or politicians in the period under review.

Organisation

Thanks to its Global PALFINGER Structure (GPS) – a customer and market-oriented organisational structure – the Company ensures an excellent regional and product-specific proximity to its customers as well as a process-orientation along the entire value-creation chain.

In order to be able to meet the increased demands on the basis of the value-creation strategy and handle the increase in capacities in the best possible manner, the Supervisory Board resolved, in September 2007, to create a separate Management Board function for the production process. Moreover, practice during recent years has shown that smaller organisational units, with the responsibility for processes being split, were not managed as effectively as necessary. For this reason the production areas EPSILON, TAIL LIFT, and RAILWAY were listed as “independent units” within the matrix organisation of PALFINGER at the beginning of 2008. In addition PALFINGER formed a new segment called VENTURES in order to place a more targeted focus on strategic planning, M&A, new product segments and areas as well as creating a special pool of employees for strategic activities.

In the 2007 financial year the following individuals were either appointed, or delegated by the Works Council, to serve on the Management / Supervisory Board. The members of the Supervisory Board received no remuneration for their services.

Members of the Supervisory Board	Members of the Management Board
Alexander Exner, Chairman	Wolfgang Anzengruber, CEO (up to 18 June 2008)
Hubert PALFINGER, Deputy Chairman	Eduard Schreiner (up to 31 December 2007)
Hubert PALFINGER jun.	Herbert Ortner, CEO (since 19 June 2008)
Kurt Stiassny	Wolfgang Pilz (since 1 February 2003)
Peter R. Scharler	Martin Zehnder (since 1 January 2008)
Alexander Doujak	
Johann Mair (Group Works Council)	
Alois Weiss (Works Council)	
Gerhard Gruber (Works Council)	

Executives and senior management regard sustainable, profitable development as a substantial part of their responsibility. At present, however, their remuneration is still independent of the societal, social, and ecological performance of the Company.

The focus of a flexible remuneration scheme is on growth in revenue, the EBIT margin, and ROCE (return on capital employed). Value management offers the possibility to place greater priority on sustainability issues in staff appraisal interviews in the future.

Products

PALFINGER is the internationally leading manufacturer of hydraulic lifting, loading, and handling solutions. We are the technology leader and number one in truck-mounted knuckle boom cranes, timber and recycling cranes, as well as container handling systems, and number two in transportable forklifts and – since the acquisition of MBB in 2007 – in tail lifts. Moreover, our Company is the leading specialist in high-tech railway applications. All our products are mobile and, with the exception of railway applications, are mounted on standard trucks or transported by truck. Hence they are different from stationary (turret) cranes, self-drive access platforms, or industrial trucks.

Our products are divided into two segments – CRANES and HYDRAULIC SYSTEMS & SERVICES – with the latter segment containing more recent products, which are in particular in line with the basic ideas of diversification and internationalisation, thus reducing our dependence on a few markets and industries. In the following you will find a brief description of our products. For more details please go to our website **www.palfinger.com.**

PALFINGER CRANES – This segment contains truck-mounted **knuckle boom cranes, EPSILON timber and recycling cranes** for on and off-road applications as well as **MADAL telescopic cranes.** The knuckle boom crane is different from the telescopic crane primarily in that it may be tilted on the truck either behind the cab or at the end of the loading area, thus saving room and allowing the truck to transport additional goods. Our EPSILON timber and recycling cranes, as suggested by their names, are used for a sustainable and resource-efficient forest management as well as scrap handling in recycling.

PALIFT container handling systems – We produce the hooks as well as the base frames for hookloaders and skiploaders, but not the containers themselves. The hooks and the base frames are used especially in recycling and for harvest applications in forestry.

RATCLIFF/MBB tail lifts/passenger lifts – As a result of the acquisition of RATCLIFF in 2005 (UK) and MBB in 2007 (DE) we were able to join forces and favourably position

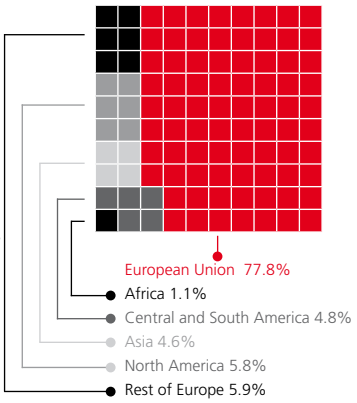
our own product PALGATE and thus become number two in the market for tail lifts – a device fitted to the back of a truck, which may be lowered to ground level to facilitate the loading and unloading of goods. Passenger lifts are another area covered by both acquisitions, making it easier for mobility-handicapped passengers to board a train, bus, or car.

BISON access platforms – We have been producing truck-mounted access platforms used for example for maintenance work on buildings and street lighting since 2003. Thanks to the acquisition of BISON in 2004 (DE) and the imminent closing, subject to the approval of the anti-trust authorities, of the takeover of WUMAG in 2008 (DE), PALFINGER has also climbed to the top of the European access platform market.

CRAYLER transportable forklifts – Our forklifts (since 1998) are either classic rear-mounted or box-mounted BM models, which are folded and transported in a box between the axles of the carrying vehicle. The BM model may even be remote controlled and may therefore not only be used for traditional applications such as construction material handling or transport logistics (of beverages), etc. but also allow for special-purpose applications.

RAILWAY rail transport system solutions – We offer special railway solutions, which have been developed since 1992 for the maintenance of overhead lines or the inspection of bridges. We carry out our projects in close cooperation with vehicle manufacturers and railway engineers, which very often yields innovations for other products.

At present we are exporting more than 95 percent of our products. With a share of 78 percent in the Group's revenues, the European Union is still our most important sales market. Please see the chart on the right-hand side for the distribution of revenue by region.



Manufacturing and assembly sites
PALFINGER has been pursuing a strategy of basing its manufacture in low-wage countries so as to optimise costs. In the markets where we have a geographical presence we maintain assembly facilities in order to remain close to the customers. Nevertheless we have a strong commitment to our sites in Austria, where we continuously increase our workforce. Our site in Lengau (AT) still is the largest production plant. The following map gives you an overview of where our production sites are located.

Sustainability at PALFINGER

There are ten issues that have a decisive effect on the sustainable development at PALFINGER. They allow PALFINGER to leave an imprint on society, people, and the environment, yet at the same time they harbour opportunities and risks. After all it is a fact that social and ecological trends significantly determine what successful economic performance actually means.

Each of these issues has been treated in at least one separate chapter of our report where we have laid down the principles to which we have committed. Furthermore, we have spelled out the relevant indicators which have become a yardstick for our progress in the field of sustainable development. Last but not least we have also outlined the actions planned to increase our sustainability performance.

Development of the regions

Positively shaping globalisation

As a company with international operations we have the opportunity to shape the powers of globalisation in a positive way. Our business sites make a substantial contribution towards the economic development of regions. Regional supplier relations and jobs create value and welfare. What is important in this regard is that these impulses are given in a reliable framework. Social and ecological standards in purchasing, the prevention of corruption, fair taxation, supporting people in need, donations and sponsorships are the most important keywords. Among other things, we operate in some structurally weak regions. But migration into metropolitan areas makes recruiting rather difficult and is an impediment to public investments in infrastructure. We know one thing for sure, namely that a dynamic regional development creates the best possible environment for our success.

In Chapter 1 we have outlined how our activities make a contribution in this respect.

Sustainable product innovations and markets

Ecological and social trends create market opportunities

So-called green industries, such as recycling, forestry, or public transport were marked by above-average growth in the past two years. For PALFINGER this is a chance to take part in the eco-boom – an aspect in support of our diversification strategy. Innovations for environmental protection and safety not only improve products for individual industries but for all of the goods we manufacture. The ideal solution for transports includes both safety and ecological aspects. Linking the PALFINGER brand with these attributes constitutes a unique selling proposition.

For more details see Chapter 2.

Safety of users

Responsibility for the people working with our products

The safety of the people who work with our products has top priority for us. PALFINGER products are used for lifting loads or people, which gives us great responsibility of which we are well aware. Innovations with the purpose of increasing the safety of users offer a level of protection that goes beyond the legal minimum requirements. Safety standards that are higher than the industry average are a unique selling proposition.

Please turn to Chapter 3.1 to learn more about how we guarantee the safety of users.

The health of our employees

A healthy working environment entailing the right dose of challenges

Occupational health and safety at the workplace is not only a huge priority with our users but also with our employees – something that is beneficial to our employees as well as our Company. The demographic development is also reflected by our workforce: In the past two years the average age of our employees slightly increased.

Creating an environment in which people enjoy perfect health and want to stay involved in the labour market as long as possible will be beneficial for everyone, which is to say for PALFINGER itself as well as for society (win-win situation). But health also entails a work-life balance. Overworking and bans on taking time off in the long run lead to longer and more costly absences of employees. If we manage to challenge our employees to the best possible extent, we will get sustainable positive effects for innovation and productivity.
Chapter 3.2 describes how we manage to strike this balance.

Education and further training

Training employees and keeping them in the Company

Well-trained employees are the backbone of a successful company. This is why we support our staff by offering them specific (further) training programmes. This is also required as in some structurally weak regions the level of education is low. Our education and training endeavours are a significant contribution towards the development of regions. Employees having a certain know-how have better economic safeguards and are in higher demand on the labour market. And this is where we are meeting yet another challenge: to keep those employees whom we have trained!
Chapter 4 shows our education and further training activities.

Equal opportunities for employees

An attractive employer for a variety of people

The labour market in Europe is being increasingly characterised by low birth rates. In order to guarantee the success of our Company in the long run, we need a permanent stock of reliable employees. As we want to attract top-notch staff, we are providing equal opportunities for women, men, various generations of employees, or people with disabilities. Thus diversity management is increasingly becoming an advantage in recruiting.
If you want to learn more about the diversity at PALFINGER, please turn to Chapter 5.

Resource management in the product area

Higher product life and avoidance of hazardous substances

All over the world many resources are getting scarcer and scarcer, prices are increasing, bottlenecks may even occur in the long run. PALFINGER's products make an active contribution towards conserving the raw materials used. A higher quality of the products and a higher product life are not only beneficial for the environment but also for our clients who stand to profit from our products for a longer time. Also we are committed to replacing potentially dangerous substances in our products, thus showing responsibility for the environment.
For further information please turn to Chapter 7.1.

Resource management in production

Lowest possible use of resources by optimising production processes

We are trying to be highly efficient in production as regards the input, throughput, and output. Steel is our main raw material, and therefore we place a strong focus on using it in an efficient and resource-friendly way. It is of particular importance to keep the amount of waste cuttings as low as possible during processing. In some of these processes a high amount of water is used, but we are dedicated to keeping the water consumption as low as possible. On the output side, we are reducing hazardous waste which is generated in painting or electroplating processes.
Chapter 7.2 explains what we are doing in terms of optimisation.

Climate protection as applied to products

Less CO_2 through lower product weight and product innovations

Many of our products are mounted on trucks, thus increasing their deadweight, which, in turn, results in higher fuel consumption. In the light of soaring fuel prices and a

heated debate concerning climate protection, energy-efficient products have become a very important factor in a customer's purchase decision.

High-strength steel reduces the weight of our products, thus bringing down the fuel consumption of our trucks. Similarly, many of our cranes are equipped with a fuel-efficient loading and unloading system (load sensing).
For further details please turn to Chapter 6.1.

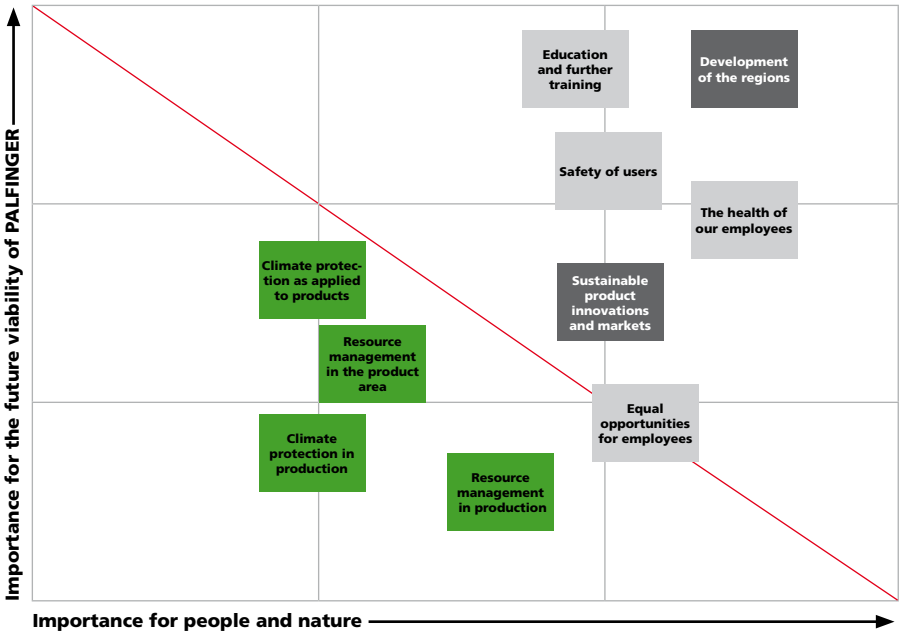
Climate protection in production and transport

Minimising energy consumption at our sites and in transport

Due to the enhanced efficiency of energy-intensive processes, such as painting, welding, laser cutting, and electroplating we will be able to reduce operating costs significantly in the future, a considerable feat considering rising energy prices all over the world. In our Group labour is divided on an international scale. Therefore the transport of components between plants has the potential of minimising costs and the emission of greenhouse gases while at the same time increasing efficiency. We are also going to apply leverage to the production of heat.
How we bear witness to climate protection at our business sites and in transport is explained in Chapters 6.2 and 6.3.

The issues were elaborated in cooperation with PALFINGER's management, evaluating them as regards their significance for society and the environment, on the one hand, and estimating their medium and long-term benefit for the economic success of PALFINGER, on the other. This served as the basis for the Company to prioritise the issues on its agenda and also in this report, in other words, pointing out current weaknesses which must be given priority.

The matrix of issues illustrates that it is a huge priority for us to positively shape globalisation dynamics. We hold the opinion that this will be highly beneficial both for the environment and society as well as our Company itself. The illustration also shows that staff-related aspects such as health, education and further training are among our top sustainability issues. It is one of the most challenging tasks to hire excellent employees and also keep them on board – a difficult undertaking in the light of the demographic developments prevalent in Western Europe or the ongoing competition for qualified staff in Eastern Europe, South America, and Asia. At the end of the day it is the strength of our team which determines the quality of our services. At the same time it is our employees as well as the social environment that stand to profit from activities and programmes in the fields of health and further training. Our sustainability strategy therefore has a pronounced focus on our staff. The safety of those people using our finished products is another central concern we have because only safe products are going to be successful on the market.



Many of the sustainability issues raise our efficiency by calling for a continuous improvement as a management task: Healthy and motivated employees improve our productivity. The efficient use of energy and fuels helps to minimise operating costs. Some sustainability issues, however, are increasingly becoming a strategic success factor. Offering the best possible overall solution entails not only economic but also safety and environmental aspects as well as innovative employees. Sustainability thus becomes a unique selling proposition, leading to an appreciation of the PALFINGER brand.

Steps of social commitment

M. Porter (adapted)

Fair Economy

Development of the Regions

How we are growing step by step

1 Development of the Regions

1.1 Distribution of Value Creation

What it means to us

Our activities create economic values, thus raising the quality of living. All of our partners stand to profit from this dynamics. Here we are disclosing how our stakeholders participate in our success.

Looking back

- Our products are in demand: Revenues increased by 34.3 percent
- Revenue per employee went up from TEUR 146 to 155 (2005–2007)
- We invest in our future: Investment in property, plant, and equipment rose from EUR 15 to 61 million (2005–2007)
- Moderate increase in expenditure for salaries and wages
- Moderate increase in operating costs and materials expenditure despite higher energy and steel prices

In the past three years our revenues took on an excellent development, with our products being in high demand. Revenues went up from EUR 520 million in 2005 to EUR 696 million in 2007. Together with other income this constituted an increase of 34.3 percent over this three-year period. In 2005 one PALFINGER employee/temporary worker achieved revenues of EUR 145,876 on the average, in contrast to EUR 155,308 in 2007.

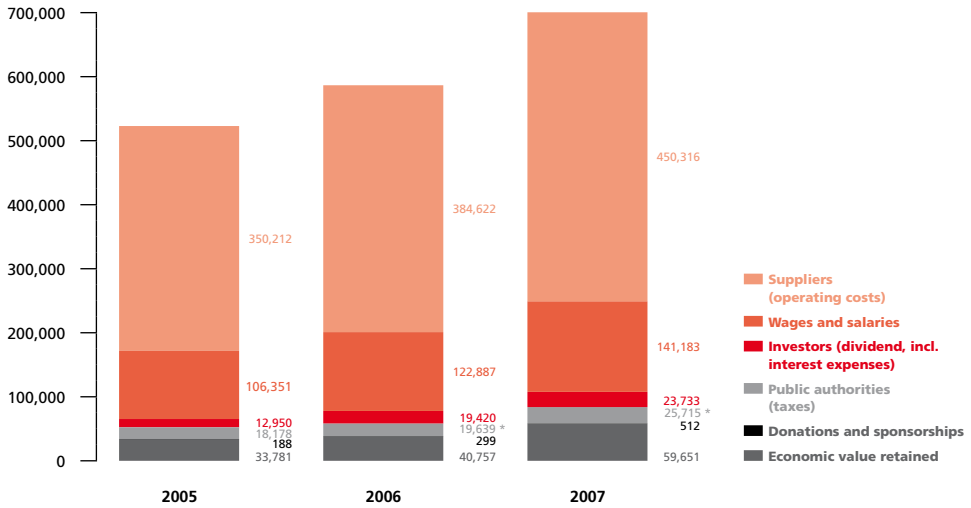
This strong foundation allows us to make investments in our future. The economic value retained – investments and reserves – grew by 76.6 percent in the past three years. Investments primarily went into capacity expansion and quality improvement, also ensuring future growth. Investment in property, plant, and equipment picked up strongly due to high market demand and the necessary capacity expansion. Whereas investment in property, plant, and equipment amounted to approximately EUR 15 million in 2005, it had grown to EUR 61 million in 2007 as a result of the largest investment programme in the history of PALFINGER.

Also our shareholders and investors were able to participate in our financial success through the dividend distribution. With our dividend policy of about one third of the Group's profit remaining the same the distributed dividend was raised by 83 percent between 2005 and 2007.

From 2005 to 2007 wage and salary expenses went up by 32.8 percent, which is only slightly below the increase in Group income. The increase in wage and salary expenditures can be attributed to the rising number of average employees (2005: 3,326; 2007: 4,185). In particular in Eastern Europe individual wages and salaries posted a strong percentage increase. Growth in wage costs, on the contrary, remained moderate as employment grew significantly in our Eastern European sites, where income levels are rather low when compared with Central Europe.

The increase in operating costs was even lower than wage and salary expenses despite soaring energy prices and higher steel raw material prices. By persistently pursuing our anti-waste objective within PALFINGER we managed to optimise operating cost increases.

Monetary flows to stakeholders in TEUR



* From 2006 onwards, minus significant contributions from public authorities (e.g. subsidies).
The significant contributions from public authorities amounted to TEUR 2,434 in 2006 and TEUR 2,202 in 2007.

Growth in monetary flows to stakeholders 2005–2007 in %

Income (direct economic value generated)	34.3%
Suppliers (operating costs)	28.6%
Employees (wages and salaries)	32.8%
Investors (dividend, incl. interest expenses)	83.3%
Public authorities (taxes)	41.5% *
Donations and sponsorships	172.9%
Economic value retained	76.6%

* From 2006 onwards, contributions from public authorities have been taken into account.

1.2 Development of Employment

What it means to us

One of our major contributions towards regional development is creating and securing jobs by employing staff in our Company. Keeping a close watch on labour turnover also is of prime concern. Excessive changes in staff would make it necessary to hire new personnel, which, in turn, would push up costs even more.

Looking back

Development of employment by regions

- We create jobs: increase of total workforce from 3,565 to 4,479 (from 2005 to 2007, including temporary workers)
- Again increase in employees in all of the regions
- Declining employment figures in Great Britain
- New: staff hired in Asia
- From 2007 onwards: PALFINGER in Croatia

The number of our staff members went up from 3,565 to 4,479 between 2005 and 2007, corresponding to an increase of 25.6 percent. Out of these, 294 temporary workers were employed in 2007.

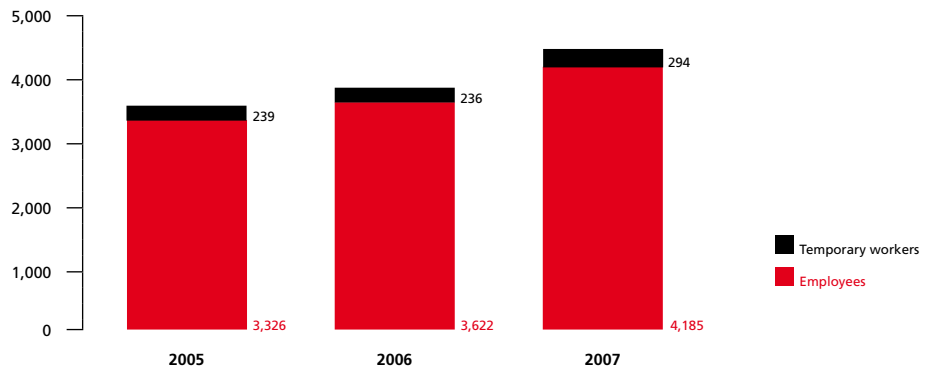
Once again all regions saw this growth in employment figures. The message we are sending out is clear: Our commitment in the East must at no time endanger jobs in the West! On the contrary, our activities on the Eastern European markets have actually stabilised the Group.

Eastern Europe saw the largest growth in employment. In 2007 the number of people who found a job increased by 35 percent as compared to 2005. In all other regions employment (including temporary workers) went up by 16 to 19 percent in the three-year period under review. In Western Europe this growth took place at our Austrian and German sites. As capacity was expanded in Lengau by approximately 30 percent, employment at this location went up by more than 10 percent, affecting in particular the areas of steel construction, assembly, and surface technology. Italy and France remained more or less stable, whereas our British site in Welwyn Garden City faced declining employment figures, i.e. from 203 (2005) to 180 (2007), as a result of local economic problems that were partly triggered by the real estate crisis. A new region on our PALFINGER map is the Asia & Pacific area with a staff of 24. At our new site in Croatia – a supplier taken over in the autumn of 2007 – we are further planning to expand steel construction until the end of 2008, thus doubling the number of jobs of currently 54.

Fixed-term employment only plays a minor role at PALFINGER. In 2007 we had 33 fixed-term employees (2006: 33), and due to rising employment figures the share of fixed-term employees fell from 0.91 percent to 0.81 percent. In this context, however, the rate of fixed-term employees at our French site in Caussade (11 out of 318) should not go unmentioned. Our new production site in China only has two permanent workers, whereas 11 have fixed-term contracts. New staff is, as a rule, hired with a probationary period of approximately three months – in Maribor even two years. These employees are, however, not included in the statistics on fixed-term employment.

The number of part-time employees in our Group is also fairly low (76 in 2007, corresponding to 1.86 percent). This share is, as a rule, somewhat higher in Western Europe, in particular where office jobs abound. A high share of part-time employees (7.41 percent) can be found at our headquarters, PALFINGER AG. With approximately 11 percent Ainring has the largest share, and the 6.7 percent of British RATCLIFF is also quite high considering the fact that this is a production site. We were not able to find a correlation between part-time work and fixed-term work. The number of permanent staff is generally high in the Group, irrespective of whether an employee works full time or part time.

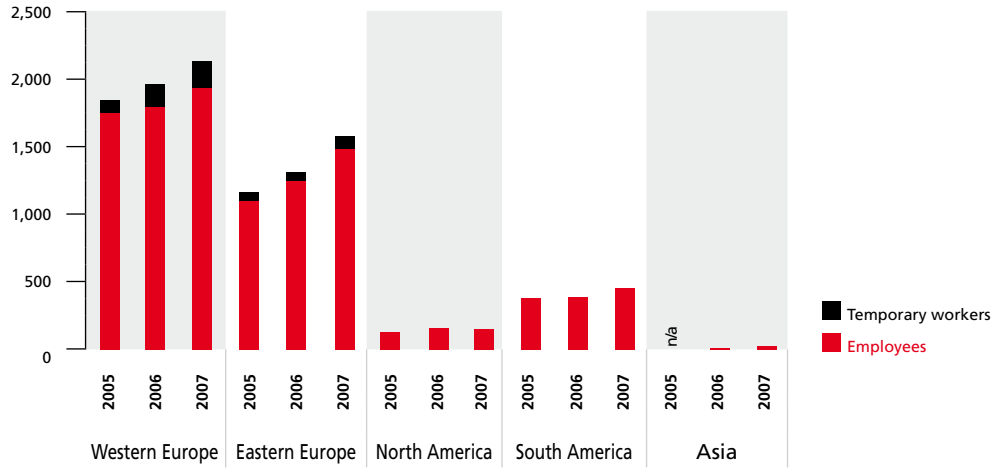
Development of employment 2005–2007



Increase in total number of employees (including temporary workers) from 2005 to 2007 broken down by region

Western Europe	17%
Eastern Europe	35%
North America	16%
South America	19%
Asia	since 2006

Development of employment 2005–2007



* The sum total of the regions (feedback to questionnaires completed by sites) slightly deviates from the total head count.

Labour turnover, including retirements

- Slight increase in labour turnover in proportion to total employees
- Heavy labour-market-related turnover in Eastern Europe and South America

The number of staff leaving the Company went up from 416 (2006) to 519 (2007). The rate of turnover, including retirement and other causes for leaving the Company, increased on a Group-wide basis from 11.5 to 12.4 percent.

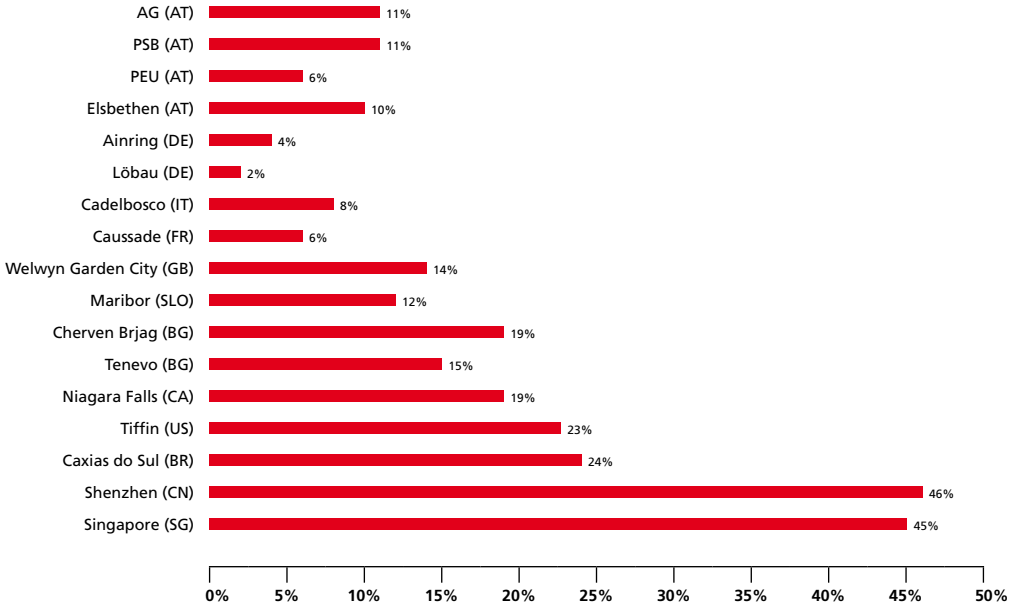
China and Singapore (SG) are small-size locations, which are being established and thus still have a lot of staff changes, but due to their smaller size they hardly have an impact on Group-wide labour turnover. The Eastern European sites as well as the one in South America, however, have a pronounced impact in this regard. The labour markets in these countries are characterised by fierce competition between jobs, and many employees change jobs or are enticed away from their companies. In Caxias the number of staff leaving, already considerable, further increased by 12 percent between 2006 and 2007. In Eastern Europe the competitive labour market is even more aggravated by a lack of skilled workers. Therefore education and training of new staff, such as welders, is a top priority when hiring. Often this proves to be a valuable experience as employees sometimes quickly find out that they do not have the necessary skills or interests – another factor increasing labour turnover in Eastern Europe. In Maribor the number of staff leaving went up from 38 in 2006 to 62 in 2007. In Cherven Brjag (Bulgaria) the increase from 72 (2006) to 94 (2007) was somewhat more moderate. Also in Austria significantly more people left the Company, whereas at the German sites the rate of labour turnover, already low as it were, continued to decrease even further.

Especially at our production sites the need to train staff is crucial for our employees to gain adequate skills. In Eastern Europe approximately 30 percent of new employees are as a rule qualified, which means that initially more staff is recruited and hired. Additional measures to fight turnover taken last year included wage and bonus increases as well as an optimised work-life-balance programme, containing a new shift model with reduced overtime as well as a balanced cut of unused vacation time. This also brought down the number of employees absent from work for health-related reasons.

Employees leaving	2006	2007
Total number of staff leaving the organisation during the year	416	519
Percentage of total employees *	11.5%	12.4%

* according to head count made in Dec. 2007, excluding temporary workers

Employees leaving in 2007 as percentage of total employees



Collective bargaining and freedom of assembly

In the entire Group approximately 2,429 employees, i.e. 58.0 percent of the total workforce, are covered by collective bargaining agreements. These are the staff employed at all of our sites in Austria as well as at our plants in Cadelbosco di Sopra (IT), Caussade (FR), Maribor (SLO), and Caxias do Sul (BR). All of these sites, with the exception of Elsbethen (AT), further have an elected works council as does the Ainring site (DE). In Caussade (FR), Caxias do Sul (BR), and Maribor (SLO) the collective bargaining agreements also provide for specific time periods during which employees have to be informed about significant changes in the Company, such as restructuring, outsourcing of work processes, closing or expansion of plants, etc. In Caussade (FR) the length of these periods depends on the actual event, whereas in Caxias do Sul (BR) it is two weeks, in Maribor (SLO) six weeks prior to the implementation of such a measure.

Basically the right of assembly and the right of workers' representation are legal rights provided for at nearly all the sites. Only our Asian sites in Shenzhen (CN) and Singapore (SG) are not granted this legal option. However, due to the low head count at these sites this has not yet become a pressing problem.

What we are planning to do

Labour turnover KPI: Each site is to pursue a uniform indicator regarding labour turnover and define targets for reducing the number of employees leaving the Company. The age and sex of staff leaving the Company should be taken into account in the future.

1.3 Financial Security of Employees

Our principles

All our staff should be paid a guaranteed minimum income.
Our full-time employees should have an income sufficient to live on, in other words to meet the most important needs for themselves and their families. This is in particular true of unskilled labourers, such as cleaning staff, general labourers, etc.

Payment under collective wage agreements and/or standards as customary in the respective country
We do not pay our employees below minimum wages/salaries. In regions which are officially exempt from national minimum wages/salaries we still follow the collective wage agreements that are customary in a country.

Assistance in case of hardship
We provide help and assistance if an employee's family has been dealt a severe blow.

Successful employees participate in successful times.
If the Company is particularly successful, bonuses are distributed to all the staff of a successful site on the basis of common criteria.

Looking back
- Wages and salaries pick up most strongly where income is the lowest.
- Special bonus because of strong business years

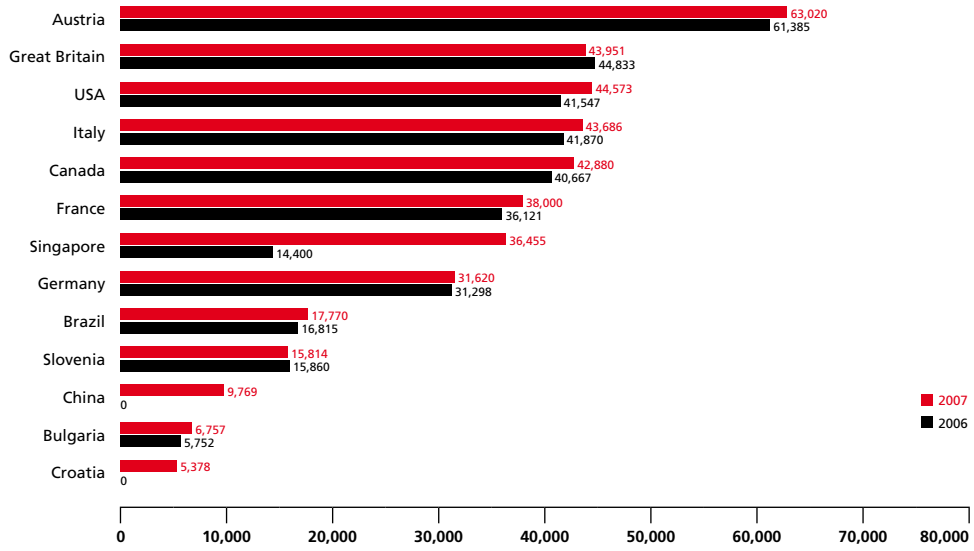
The development of wages and salaries basically shows the following trend:
Sites with low income levels post the highest growth rates. The very competition prevailing on the labour markets of Brazil and Bulgaria accounting for high labour turnover also pushes up the wage spiral. In particular in Bulgaria wage expenses per employee went up by 17.5 percent between 2006 and 2007. The growth rates in Singapore (SG) are not really informative due to low employment figures there (2007: 11 employees).

We saw a small reverse trend in wage expenses per employee in the US and Great Britain due to the tight market situation as positions that became vacant were no longer staffed.

In the period under review we lived up to our guiding principle of not paying below minimum salaries/wages. Also at our Löbau site all employees are paid at least national minimum wages/salaries even though this region in Eastern Germany is exempt from collective bargaining agreements.

We have implemented a global remuneration scheme, meaning that we have agreed on certain margins for each job, ranging from wage earner to manager, accounting for a systematic wage/salary scheme. As 2007 was a successful year the employees of numerous sites were paid an additional, voluntary annual efficiency bonus. The average bonus weighted per employee amounted to approximately EUR 370. The criteria determining the payment and amount of the bonus were positive results of the site and the degree of value added as well as, in an international comparison, the purchase power level. At sites with national regulations for an employee participation scheme no additional annual efficiency bonus was paid.

Expenses for wages and salaries per employee broken down by country in EUR



Wages per employee
Changes between 2006 and 2007 in %

Austria	2.7%
Great Britain	– 2.0%
USA	7.3%
Italy	4.3%
Canada	5.4%
France	5.2%
Singapore	153.2%
Germany	1.0%
Brazil	5.7%
Slovenia	– 0.3%
Bulgaria	17.5%

What we are planning to do

Give more help in case of personal hardship

We are going to provide help and assistance to those employees who have become social hardship cases as a result of severe blows that they suffered, in a structured manner on an international scale. We are planning to conduct an analysis on how such help is organised by other companies. Subsequently the site managers will be informed about how they may learn about hardship cases and how they should respond if such a case occurs. A “circle of decision-makers” is to be formed which is to determine which cases submitted to PALFINGER AG will actually receive support.

Organisational support for company pension scheme

When recruiting staff in the future, certain aspects such as security, pension funds, and supplementary benefits in health insurance will carry more weight. The works council is going to inform employees about various company pension schemes. The Company itself will provide help and assistance in organising but will not be directly involved in the specific handling of this information.

1.4 Purchasing

Our principles

Local sourcing strategy
Our local sourcing strategy aims at using available resources in the country where they occur so as to be able to respond quickly and flexibly to our customers' needs. Furthermore, additional expenses for logistics, packaging, transports, etc. should be avoided as far as possible.

Our suppliers should fulfil basic social and ecological standards.

Sustainable development should be carried out in cooperation with our suppliers.
Eco-social criteria in purchasing are to promote sustainable development in cooperation with our suppliers.

Looking back
- Local sourcing resulted in substantial growth of purchasing in Brazil, Germany, and France.
- The share of central purchasing in Austria declined slightly.

The consistent expansion of our global strategic purchasing (GSP) organisation led to a sustainable increase in local purchasing quantities both in direct and indirect materials. Due to favourable economic developments the local purchasing markets in Brazil and Eastern Europe grew significantly in the previous two years. The only market that did not manage to increase its local purchasing share to the same extent with high-quality products was North America and that was due to a lack of suitable suppliers. In the Europe region local purchasing operations are still bundled in the low-income countries of Spain and Portugal as well as in Eastern Europe and Turkey. If we want to continue our previous successes in the future, it will be essential to "regionalise" PALFINGER products to meet local market needs and standards in due time.

Part of our strategy is to buy materials and components in those continents where they are needed in our manufacturing and assembly sites so as to subsequently optimise transport as well as customs costs. In 2007 approximately 77 percent of our purchases were organised via our headquarters in Austria (EUR 379 million). In the same year the German sites transacted purchases in the amount of EUR 43 million. The sites in France and Brazil handled purchases in the amount of approximately EUR 30 million, North America approximately EUR 5 million.

Especially in central purchases in Austria suppliers are dispersed over many countries. We were not able to break down suppliers by nationality as it would be too time consuming to allocate them to a specific country depending either on the seat of their parent company or, for example, their distribution centres. When taking into account the size of the respective locations, we will see that in Austria purchases in the amount of EUR 330,000 are made per employee, followed at some distance by the sites in Germany, France, and South America. This dominance of central purchases in Austria decreased slightly in the past two years.

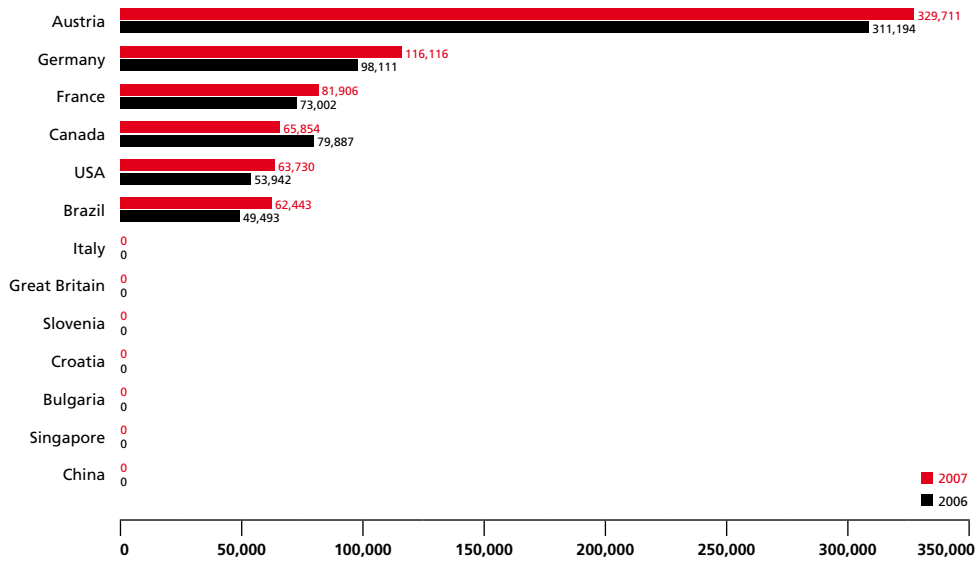
In 2006 77.6 percent of Group purchases were centrally organised, in 2007 77.2 percent. Relating to the size of the location, we can see that purchases increased steeply in particular in Brazil. But also France and Germany posted higher growth rates than Austria. In North America falling purchases in Canada were set off by growing volumes in the US. All in all we may assume that local sourcing was expanded at those sites.

When preparing the previous sustainability report, 50 of our prime suppliers provided data on their environmental management systems. From those 50 suppliers, approximately 20 reported back saying they had a certified environmental management system in place.

In 2007 we carried out another survey among our suppliers in which they were asked to provide information as to environmental protection and environmental management, and we found that since the last survey results had not really changed. We contacted a total of 51 of our major suppliers (providing parts/components for serial production and raw materials) and received feedback from 43 percent. Half of those replying already introduced a certified environmental management system and another 18 percent were planning to introduce such a scheme. The remaining 32 percent had not introduced any environmental management system at the time of the survey.

Some ecological aspects are already taken into consideration during purchasing. CO_2 emissions, for example, are relevant as far as the vehicle fleet is concerned; similarly energy consumption is critical when making fixed-asset investments. Supply-chain risk is also regarded as extremely low. In 2007 no purchasing scheme containing social or human rights provisions was in place. We are considering cooperating only with suppliers in the future who specifically commit to excluding any kind of child or forced labour.

Purchases per employee broken down by country in EUR



If no purchasing volumes are indicated for a country, goods are bought via central purchases in Lengau (AT).

Purchases per employee broken down by country
Changes from 2006 to 2007 in %

Brazil	26.2%
Germany	18.4%
USA	18.1%
France	12.2%
Austria	6.0%
Canada	– 17.6%

What we are planning to do

Preparing a PALFINGER Code of Ethics for suppliers
containing social and ecological aspects.

Incorporating ecological and social issues in our audit of suppliers
Based on this Code ecological and social standards will be integrated in the audit of the 200 largest suppliers. Several general standards as well as critical variables for specific industries/countries should be included in the Code.

1.5 Prevention of Corruption

Our principles

Our employees refuse to accept gifts beyond a certain scope.

Remuneration strictly follows fiscal standards.
It goes without saying that we observe this principle even though other companies pay out part of the remuneration untaxed, which some employers and employees think is to their advantage. We are firmly committed to upholding this principle even if this constitutes a disadvantage in the short run as some employees may choose to leave the Company to take up a job in another business where this scheme is practised.

Looking back
In the field of corruption prevention our site in Caxias do Sul, Brazil, is a shining example. They have a comprehensive code in place with a separate chapter on the prevention of corruption, and actively apply these principles.

All finance sectors are regularly reviewed during internal audits as to whether the internal control system in place is suitable for preventing potential corruption risks. An integrity hotline is to be set up as an additional channel of communication for employees. Any incidents reported are to be immediately pursued both internally and with outside support.

Internal control systems follow the audit plan established by the internal audit department. Any case of suspicion is followed up with outside help. All sites are regularly checked on the basis of these mechanisms of control. In the course of last year, 10 percent of our workforce was trained in anti-corruption practices and procedures. In Brazil every new employee is informed about the company's anti-corruption practices. The value management refers to the fundamental PALFINGER value of respect as "integrity and honesty". In the course of the international roll-out of value management, training in this field will be incorporated more strongly in the Group. Within the next two years, this is to be extended to all PALFINGER employees. For more details on value management please refer to **Chapter 8.1.**

In the past few years only one incident was reported to headquarters. After it became known internally that negligence was being practised in regard to the remuneration of employees, one staff member employed at a site outside Austria was dismissed. There are no legal cases pending regarding corrupt practices.

What we are planning to do

Preparing principles on the acceptance of gifts
In particular in sales and purchasing special principles regulating the acceptance of gifts are to be developed. Gifts must not exceed a certain value. Cash, flight tickets, and trips (with the exception of business trips) are an absolute no. Each department should collect the gifts received and give them out in equal shares to its employees. Good practices like the ones in place at our sites in Kasern, Lengau, or Löbau are to be passed on to all of our sites.

Reviewing the Group-wide anti-corruption principles of the Caxias do Sul site (Brazil)
The anti-corruption policy of Caxias is to be reviewed as to its applicability and, if possible, extended to the remaining sites.

Establishing an integrity hotline

1.6 Fair Taxes

Our principles

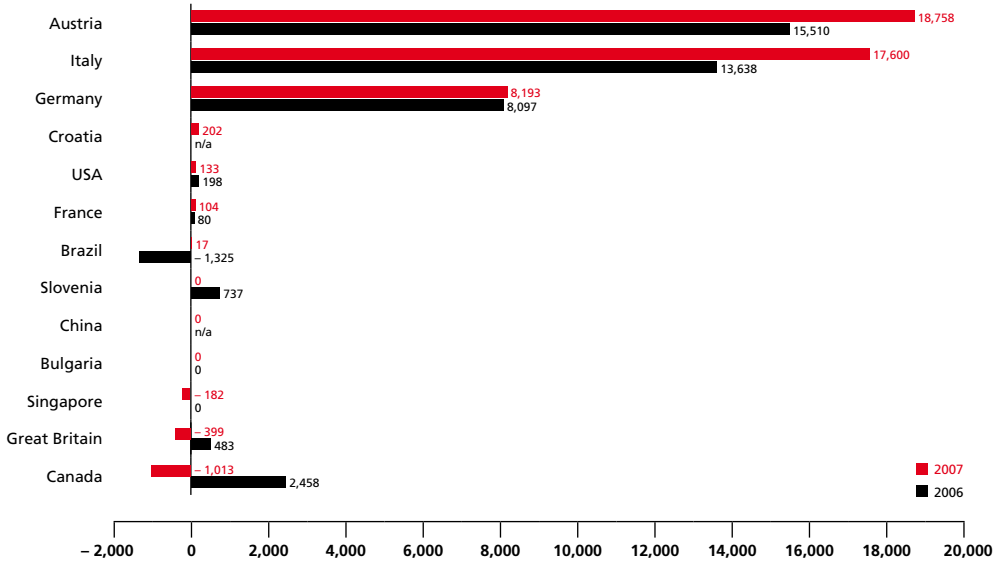
Business management before tax aspects
Each business site must be profitable and pay off, which naturally includes regional fiscal framework conditions. We have to be transparent at all times and not let internal transactions mar that.

Internal transfer prices correspond to market prices
Internal services between the sites are charged at market prices. We do not artificially push up prices for internal services at sites which have lower tax rates due to regional legislation, which keeps our administrative efforts low and maintains internal competition.

Commitment to Austria as the Group's headquarters
A significant part of our tax payments is made in Austria, where also a large share of our value creation takes place. This signifies that we are strongly committed to the country where our headquarters is located.

Looking back
Payments to suppliers as well as wages and salaries give significant economic impetus to the regions where we operate. But tax payments also constitute major monetary flows which are made transparent in this report. The taxes to be paid primarily depend on two factors – the tax laws of the respective country and the profitability of our site. Also a large part of our profits is generated in Austria on account of the services that are provided there. This explains why varying tax payments are made in relation to the size of the business. The size may be well depicted by the number of employees. You can see that most taxes are paid in Austria, Italy, and Germany, which is in relation to the size of the site. Austria also dominates in absolute numbers – 83.6 percent of Group-wide income taxes are paid here.

Income tax payments in relation to size of location in EUR



What we are planning to do

Promoting local employment contracts for expatriates
In the future we are going to promote local employment contracts for our staff working abroad, thus avoiding potential uncertainties when it comes to the taxation of salaries.

1.7 Donations and Sponsorships

Our principles

Long-term commitment
We show long-term commitment for charitable projects, thus creating a sustainable environment for support.

100 percent of the funds are received.
Projects are funded without the money seeping away in administration and organisation. All donations made must be received by the intended target groups in their entirety.

Success monitoring for donations and sponsorships
Commitment means that we make an additional review of the successful deployment of the funds provided.

Donations communicated to our staff.
Our employees should take pride in our social commitment.

Looking back
- Donations significantly stepped up to EUR 181,000 (0.026 percent of Group revenue)
- Sponsoring for the arts and culture boosted

We define donations as voluntary benefits provided for the common weal without return consideration.

Donations are primarily made in cash but occasionally also contributions in kind are made. After the earthquake in Pakistan, for example, warm and water-proof PALFINGER promotion jackets were donated. Only such funds that are received in their entirety by those in need fall under the heading of donations. If, for instance, we are also responsible for the catering at a charity, these expenses would not be categorised as donations but as additional advertising expenses.

In 2006 and 2007 we donated to the following initiatives:

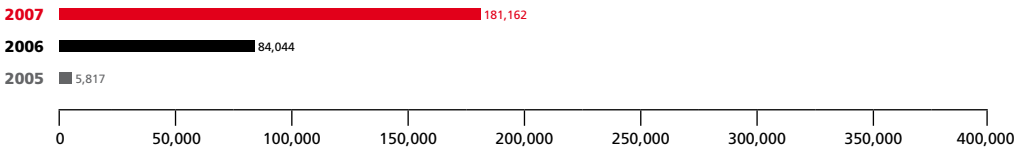
- Österreichdorf
- Donations to hospitals
- Caritas
- Red Cross
- AMREF in general (without sponsoring of the AMREF Marathon)
- Huntington Hilfe Salzburg
- Proceeds from Christmas raffles to the Special Olympics Austria
- Children's Cancer Fund
- Altar servers
- Lebenshilfe

We regard sponsoring as an entrepreneurial activity, where each contribution made must be matched with a return consideration. PALFINGER supports the recipient of a sponsorship with material or immaterial services so as to attain certain pre-defined marketing goals (reputation, brand awareness, etc.). Our activities are in the fields of sport, cultural, social, environmental and education sponsoring. In 2006 and 2007 we organised remarkable events in support of the following: artificial track luge, heavyweight athletics, truck racing, formula motor sports, ice hockey, Diabelli Sommer, stock exchange game, S2ARCH, cultural workshop, voluntary fire brigade.

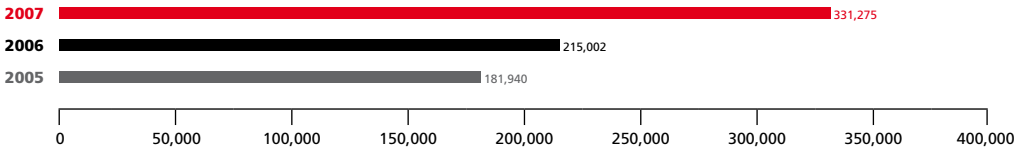
In the field of sports sponsorship we would like to mention by way of example the Black Wings ice hockey team. The Company's logo is not only printed on the players' hockey jerseys and other advertising space but together with its Austrian general importer Kuhn Ladetechnik PALFINGER is going to use the home games of the Black Wings as an intensive forum for customer incentives. The staff employed at the largest Austrian site in Lengau (AT) is also given the opportunity, at no cost, to sign up for an organised fan trip to attend a home game of the Black Wings ice hockey team.

Advertising costs are often connected with sponsoring activities, however, they do not directly support cultural and/or sports organisations or the public interest. They include, for example, catering, tickets, advertisements, marketing themes, boards, pilot/flight costs, Euro 2008/Skybox, certificates, celebration publications, as well as advertising gifts such as caps, T-shirts, logos, and stickers.

Donations in EUR



Sponsoring in EUR



What we are planning to do

PALFINGER donation policy
The focus of our charitable activities will be clearly defined with the objective of developing standards to determine what purposes to approve or what to reject. The support of children and adolescents, for example, is an aspect we are already focusing on. The preparation of such a policy for sponsoring is already underway.

Budget for donations given to site managers
Site managers will be appropriated a budget that may be allocated in the form of donations. This budget will depend on the province and size of the location but in the first place on the success of the site's operations. Site managers will also be informed if donations may be deducted from taxable income.

PALFINGER regional fund
To give an impetus to regional development in particular in structurally weak areas, a regional fund is to be set up in a pilot project with the aim of combating the movement of labour and supporting the region sustainably and making it more attractive in economic terms.

Uniting market success and sustainability

Why we choose a holistic approach

2 Uniting Market Success and Sustainability

2.1 Sustainable Products

Our principles

"It's so easy!" PALFINGER removes burdens – from people and the environment
Our products make work easier. Innovations make lifting and loading faster, safer, and more comfortable. Innovative solutions relieve the environment. We want the best possible transport solutions, while at the same time considering safety and ecology.

PALFINGER can change the industry!
We are open towards new ideas and technologies, creating new system solutions for our customers that make working with our products easier and reduce the impact on the environment.

Looking back

- We offer high-quality solutions: Customer satisfaction is rising.
- Warranty costs in proportion to revenue went down from 2.17 percent to 2.14 percent.
- Additional safety features such as PALTRONIC, OSK, SHB, transport position monitoring, and monitoring of outriggers and stabilisers
- Climate protection, resource management, and replacing hazardous substances in our products

The fact that our products are beneficial to people and the environment is very obvious. All PALFINGER products have one common benefit, namely that they make loading and unloading of heavy goods easier, thus allowing for more efficient and simpler interfaces in the transport chain. This is true of the loading and unloading of trucks, no matter whether logs, supermarket merchandise, containers, brick pallets, or other goods are concerned. This is also true of all kinds of heavy goods that may be lifted over a far distance with our knuckle boom cranes. And this is finally true of the safe and comfortable transport of passengers who have to work in unusual heights or on railway overhead lines or need special assistance when boarding cars or minivans. PALFINGER solutions increase mobility and enhance safety where otherwise a lot of muscle power would be needed or great risks would have to be taken. Our products are therefore in high demand in well developed industrialised and service societies where labour is expensive and heavy work is performed by machines.

The safety of our products shows in their reliability and high quality. At the same time we offer a variety of safety features far beyond statutory requirements. Some of these safety fittings are found in all of our products, while others are available as extra options. Our optional safety features PALTRONIC, OSK, SHB, transport position monitoring, and monitoring of outriggers and stabilisers have been accepted by the market. For further details please see **Chapter 3.1 Customer Safety.**

Our products are also top notch when it comes to environmental standards. In climate protection we regularly optimise the weight of the product with high-strength steel, which allows us to bring down the weight of trucks. Innovations such as the load-sensing pump minimise fuel consumption when loading or unloading. Further information can be found in **Chapter 6.1 Climate Protection as Applied to Products.** Through their long lifespan our products make an invaluable contribution towards the conservation of resources. Hazardous substances are avoided by increasingly using halogen-free cables.

Please refer to **Chapter 7.1 Resource Management in the Product Area.** All of this shows that our sustainable innovations can change the industry. Sustainability is a strategic advantage.

Warranty costs and customer satisfaction
Falling warranty costs and high customer satisfaction are general indicators of first-rate product quality. The table below shows how warranty costs per sale declined in comparison with the previous year.

Group	2005	2006	2007
Warranty costs per sale	1.80%	2.17%	2.14%

We place the needs and wishes of our customers at the centre of our business activities. With this in mind it is safe to say that it is not only our goal to respond to any of our customers' requests or problems in an accurate manner, but rather take a proactive approach and try to anticipate their needs.

We conduct detailed satisfaction surveys where the focus is on the needs of our direct customers – the dealers – on the one hand, and our actual end customers, on the other.

Dealer survey
Every two years a global dealer survey is carried out. In 2007 random sampling was put on a much larger basis than in 2005, which is to say that the number of dealers surveyed went up from 53 to 232, and the feedback rate was above 50 percent. The survey covered the business areas sales, marketing, dispatch, after-sales services, training, and spare-part centre. In addition, satisfaction was specifically measured with regard to the products knuckle boom crane, PALIFT, PALGATE, CRAYLER, EPSILON, BISON, and their product characteristics.

On the basis of the 2005 results we took specific action and thus managed, for example, to significantly improve communications between sales and the dealers and also after-sales services. Thus it was possible to raise dealer satisfaction in almost all business areas and all product categories between 2005 and 2007. The results of the 2007 survey prompted us, for example, to be more active in cylinder production or to increase transparency of delivery times.

End customer survey
For PALFINGER the satisfaction of end customers/users also is of great interest. To this end we carry out a survey in the core area of knuckle boom cranes every two years. In 2007 we carried out more than 1,050 interviews in 16 countries with our end customers regarding their satisfaction with our products, delivery, after-sales services, and the workshop. In doing so, our survey included almost twice as many countries as before.

Feedback on the whole was more than satisfying. We achieved extremely good scores in product quality, but also the skills of our workshop staff had excellent ratings. The results of the 2007 survey resulted, for example, in the establishment of additional and/or larger spare part storage facilities of the dealers in order to enhance the availability of spare parts.

Within the framework of sustainability actual customer retention is going to be a greater priority for PALFINGER. We are going to monitor this area more closely and survey the degree of customer retention. In the years to come satisfaction surveys will be systematically extended to other product areas of the Company.

What we are planning to do

Eco-social trends are to play a larger part in the innovation process.
Any problem a customer may have is to be given an ideal solution also from an ecological point of view! This perspective is to open up additional sources of information.

Satisfaction surveys based on the importance-performance approach
The importance-performance approach measures on a two-dimensional scale. It surveys for the satisfaction with certain criteria as well as the importance of these criteria and then puts them in relation with each other. In order to enhance the degree of information of our studies even further, future satisfaction surveys will be based on the importance-performance approach. The major parameters in this respect are satisfaction and importance as well as the comparison with competitors. Thus it becomes easy to identify strategic advantages and disadvantages, a potential over-supply and factors with low priority at a glance. We are furthermore going to use a weighted satisfaction index, which makes it a lot easier to recognise and depict trends and developments over a timeline and respond even better to our customers' needs.

2.2 Sustainable Markets

Our principles

Ecology and social responsibility are major market trends in support of our diversification strategy.
Environmental aspects significantly shaped our market success even in the past. The eco-boom was manifested, for example, on the recycling market – a trend from which we clearly stand to profit with our recycling cranes and hookloaders. General social trends also open up new market opportunities. Our passenger lifts are totally in line with the trend towards accessibility. We are also planning to make wise use of opportunities offered by existing ecological and social trends in the future.

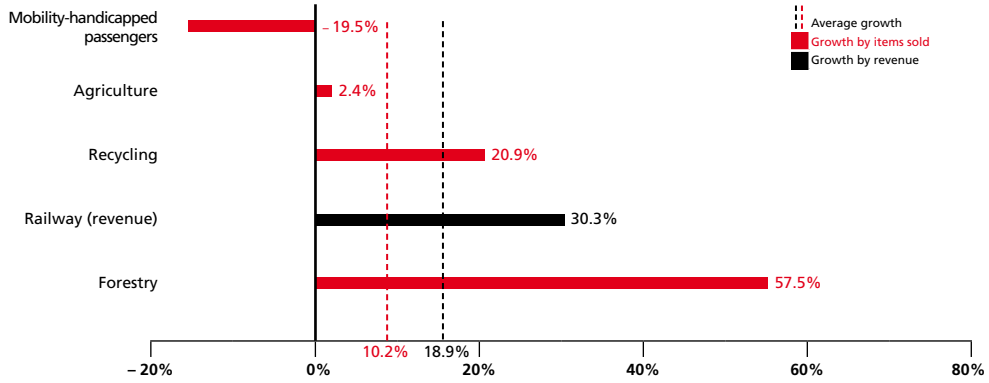
Looking back
- Recycling, railway, and wood as green markets showed above-average development.
- Moderate growth in agriculture
- Receding development in passenger lifts due to general economic trends in Great Britain
- Our military customers are primarily located in Europe.

Green and social markets
In the light of the ecological mega trends climate change and scarce resources green markets have taken on an excellent development. This is mostly also true of PALFINGER products if we consider the latest developments. In particular in the field of recycling, forestry, and railway we participate in the eco-boom. In 2007 57.5 percent more products were sold to the forestry industry than in 2006. Over a period of three years this constitutes an increase of even 120 percent. Many of our products are used in the recycling industry, especially recycling cranes and hookloaders. In 2007 approximately 21 percent more PALFINGER products were sold to customers in the recycling business than in 2006. The growth in the number of recycling cranes sold amounted to 108 percent over the past three years. Also in railway the slight decline from 2005 to 2006 was followed by a significant plus in revenue of approximately 30 percent.

All of these developments were above the Group average with a growth in revenues of 18.9 percent and an increase in the number of items sold of approximately 10 percent. Sales to agriculture customers were not as dynamic. Between 2006 and 2007 the number of pieces sold to agricultural businesses rose by 2.4 percent. It remains to be seen whether price increases in the food and biomass sectors will have a medium-term impact on the increasing demand for cranes.

Passenger lifts allow people in wheelchairs to board vehicles. In addition to passenger lifts for motor vehicles RATCLIFF – the market leader in Great Britain – now also offers train lifts for mobility-handicapped passengers. Despite the strong general trend towards accessibility sales in this segment went down in this product category over the previous three years primarily as a result of the slump in the British economy which was hit a lot harder than the Continent by the real estate crisis.

Group-wide growth of sustainable markets between 2006 and 2007 in %



Customers in the military

In contrast to green or social markets customers in the military are often the subject of criticism. We do not produce any military products, but especially our cranes, container handling systems, and CRAYLER are in demand from the military. Pioneers, for example, use cranes to build bridges. Our remote-controlled BM CRAYLER can be used in humanitarian operations to transport water containers, food supplies, or ammunition.

In the past three years the share of revenue generated from military customers was receding, which is due to absolute revenue figures decreasing in this market segment and growing revenue of the Group at large.

The lion's share of our customers in the military is located in Europe. Only few deliveries in this segment are made to countries in other continents. The EU and UN keep arms embargo lists specifying those countries with armies that could possibly have participated in human rights violations. As already mentioned earlier, we do not produce any weapons, and therefore these lists are of no concern to us. But they still give a good overview as to any critical customers in the military. We reviewed these lists only to find that in the previous three years we did not maintain business relations to any of the countries listed. We do not have any information as to whether any dealers offering PALFINGER products have business relations with military customers.

Share of revenue generated by sales to the military * in Group revenue	2005	2006	2007
	1.19%	0.60%	0.31%

* The UN was not classified as a military customer.

What we are planning to do

Incorporate eco-social trends in corporate strategic planning
The following questions should be answered on a regular basis: Where can we use our products in order to participate in the eco-boom? It is important to estimate the scope of existing trends and also their significance for PALFINGER. It is a strategic necessity to involve industry developments and the ecological framework of purchasing markets into our corporate strategic planning.

Our Focus is on People

Our Focus is on People

Education and further training, equal opportunities, as well as safety and health are central issues for which PALFINGER assumes social responsibility. In all of these areas, our focus is on people.

In particular the safety aspect does not only affect people employed with PALFINGER but also all those who use the finished products – their health is also an important concern for us. Through our products we also touch on the issue of equal opportunities, for instance we increase the level of independence in mobility of people with disabilities with our passenger lifts. In the product area it becomes obvious that focusing on people also results in market success.

Measures implemented for the benefit of the staff also impact the Company's success. Satisfied employees are more committed and productive.

Four years ago PALFINGER introduced a global staff survey, which is carried out once or twice a year in order to assess the current workplace climate within the Company and to have the chance to react to (critical) changes in a timely manner. The results of the survey are presented to the staff and executives within four weeks after the end of the survey using a transparent and informative traffic light system. The executives are requested, in workshops with their staff, to develop adequate measures taking into account the results of these anonymous surveys.

In general, the workplace climate at PALFINGER was positive during the entire period under review. Primarily the fact that evaluations of the statement "I am proud to work for PALFINGER" were positive throughout reflects the high level of identification and commitment of the staff. In addition, all answers regarding the aspects of "collegiality", "friendship", "goal clarity", and "use of personal strengths on the job" were in the green zone.

Potential for improvement was identified primarily in the areas of "organisation", "promotion", and "recognition". It is our aim to intensify the process of analysing the results by means of respective guidelines and increased feedback to the staff as to the measures taken as a result of the survey.

At the moment, general challenges in the field of human resources include development of the U31 management trainees and of a global management programme, and the development of an international HR portal.

Health and Safety

The way we treat people

3 Health and Safety

3.1 Customer Safety

What it means to us

The safety of people working with our products is our highest priority. PALFINGER products lift loads or persons – that makes us aware of the responsibility we have to take. Innovation regarding the safety of the users of our products guarantees a level of protection beyond the statutory minimum standards.

Looking back

- The overload protection systems OSK and PALTRONIC gained outstanding market acceptance. Their share in products sold rose from 70 percent to 87 percent within one year; safety systems as required by law are applied without exception.
- Doubling the share of monitoring of outriggers and stabilisers in total products sold
- High – and still increasing – level of acceptance of safety features in Europe; nascent interest in South America and Asia, constant demand in North America
- Stagnation and/or slight decline in the share of the limitation of lifting power dependant upon slewing angle (SHB) and of transport position monitoring

A multitude of innovations offers protection to the people who work with our products. The following safety features exceed the statutory minimum standards in many regions, offering additional safety to the users of our products.

Load holding valves prevent the crane boom from dropping and are fitted as standard to the slewing mechanism as well as to the main boom, knuckle boom, and extension boom cylinders. The valves are positioned in a manner that protects them from being damaged.

The hydraulic load moment limitation system OSK and, in particular, also the electronic system PALTRONIC 50 meet CE standards and protect the crane from capacity overload and excessive strain. As soon as the pre-set maximum values are reached, all movements that increase the load moment are stopped and the operator can no longer place the crane in an unsafe working position. In addition, these systems offer numerous comfort features which make operating cranes simple and safe.

Driving on roads with truck-mounted cranes that are not fully retracted and secured is dangerous. To avoid this risk, transport position monitoring indicates whether or not it is safe to set the vehicle into motion. The TRAN1 and TRAN2 systems check, depending on the mounting of the crane, whether the crane is placed in the required transport position and inform the operator accordingly via the control display in the cab. The AUSVW and ABSTW systems check whether the outriggers and stabilisers of the crane remain in the required transport position while the crane is in motion and are also linked to the control indicators in the cab.

The SHB (limitation of lifting power dependant upon slewing angle) and ISC (integrated stability control) systems ensure that the crane can be operated safely even if the vehicle is in a position that does not guarantee sufficient stability for full crane operation. SHB reduces the lifting power above the cab, depending on the different mountings of the crane (normal mounting, front support, articulated vehicle).

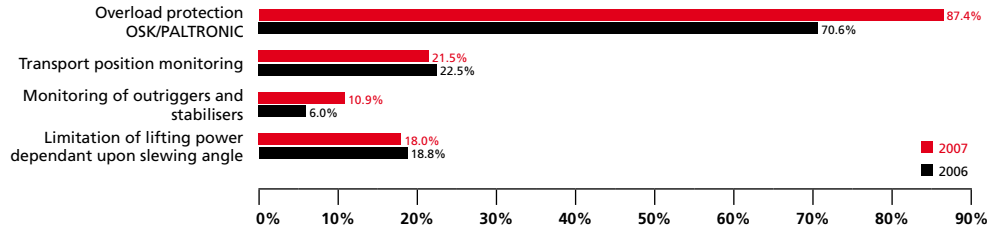
With the ISC system safe crane operation is possible even if the outriggers are not or only partially extended. The lifting power of the crane is adjusted to its stability situation.

PALFINGER cranes
The load moment limitations systems (OSK or PALTRONIC) have been received particularly well by the market. Between 2006 and 2007 the share of cranes equipped with overload protection systems rose from 70 percent to 87 percent. This was certainly partly caused by the increase in revenue in the EU area, where such equipment is mandatory. But the number of customers using this additional feature is also on the rise in South America and in the Asia & Pacific region. More and more of our customers also opt for outrigger and stabiliser monitoring to increase user safety. In 2006 only 6 percent of the customers chose this additional equipment, and in 2007 this figure doubled to around 11 percent. The highest growth rates were recorded in Europe.

Stagnation and/or slight declines were reported in the share in total products sold of products with SHB and transport position monitoring of the main crane boom. While around one fifth of all customers in Europe chose SHB, the extraordinarily high level of acceptance in North America declined slightly as a consequence of increased revenues in Mexico.

In general, demand for additional safety equipment was strongest in Europe, followed at a great distance by North America. Demand in the Asia & Pacific area was the weakest but showed a slight improvement.

Market penetration with optional safety features * in %



* In the European Union, overload protection (load moment limitation systems) is not optional but a mandatory feature.

EPSILON timber and recycling cranes
In 2006 and 2007 the safety of our customers was increased by the introduction of PALTRONIC 50 with SHB and state-of-the-art overload protection.

PALGATE tail lifts
Our achievements in 2006/2007: The waterproof control unit now meets the criteria for a protection rating of IP67. The electronic card complies with all standards of the automobile industry. Low-voltage protection has become standard equipment for PALGATE products.

CRAYLER transportable forklifts
In the two-year period under review load holding valves were integrated into the boom, and the BM models were equipped with hydraulic pre-filters.

BISON access platforms
Type approval was obtained: engineering and calculation documents of the machines built were reviewed by authorised DEKRA approval units.

Precautions for the safety of product users are laid down in the European standard for cranes (EN 12999 a2) and, regarding mobile working platforms or passenger hoists, also in the European standard for passenger transport (EN 280). These standards provide for the required tests for our products and lay down our obligations to provide information, including the following:

- Indication of serial number and type on the product
- Operating instructions
- Service manual
- CE marking and/or manufacturer's declaration with information on the standards complied with in product manufacturing.

During the period under review, no violations of applicable legal provisions regarding information duties occurred.

What we are planning to do

PALFINGER cranes: Safety systems such as SHB and ISC will continue to be promoted. In addition comfort systems to support the crane operators will be installed.

BISON access platforms: Engineering and calculation documents will continue to be reviewed by an authorised DEKRA approval unit.

EPSILON timber and recycling cranes: The new EPSOLUTION crane series will lead to increased safety standards.

PALIFT container handling systems: The existing standards for hookloaders and skiploaders will be reviewed with the aim of introducing a new safety standard to the market.

RAILWAY rail transport system solutions: With the new PALTRONIC 150 system, our products will become SIL 2 safety-certified.

3.2 The Health and Safety of our Staff

What it means to us

The well-being of our staff is a matter of utmost priority to us. We provide a safe and healthy work environment, which is to the benefit of our staff and also of our Company. The availability of employees who are fully capable of working is an essential economic aspect.

Looking back

- Staff absence within the Group reduced by 1 percent
- Successful absence management in Brazil, Bulgaria, and France
- Our PALfit health programme was successfully expanded to many sites!

In 2007 the average absence time within the Group was 5.74 percent, with particular high percentages at the sites in Maribor (12.2 percent), Brazil (7.4 percent), and Cherven Brjag (6.4 percent). Staff absences of less than 1 percent were recorded at Tiffin (US) and among the employees of the Group's headquarters (AG).

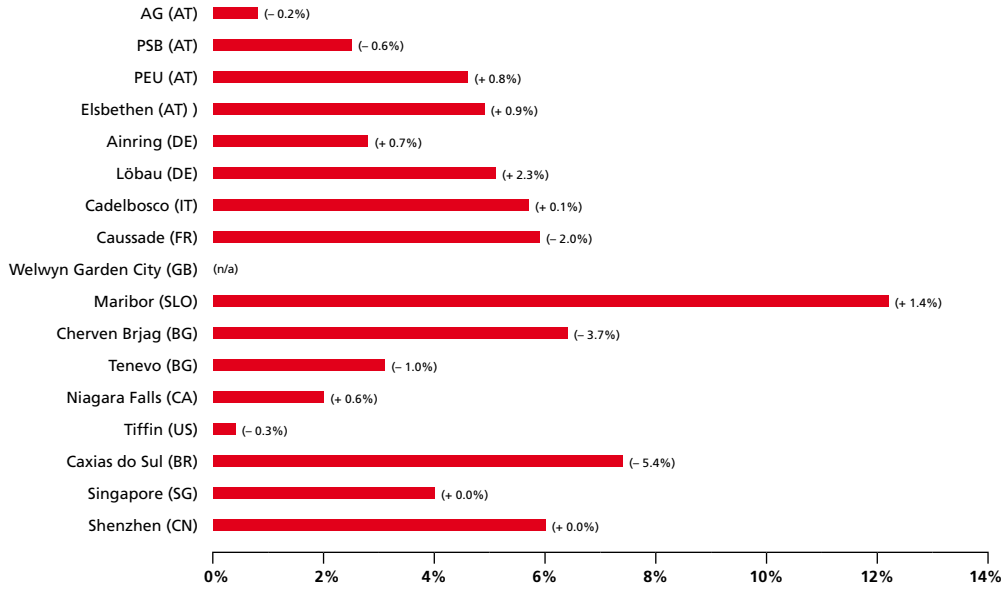
As staff absence is measured according to the definitions provided for in the respective national legislations the data are comparable to a certain extent only. It is, however, possible to derive trends as compared to the previous year.
The higher number of off days in 2006 was caused by an increased workload of our staff. In 2007 the figure went down by a total of 1 percent. Programmes to reduce the workload of wage earners (absence management) have proven to be successful in reducing off times. Strong decreases were reported primarily in Caxias do Sul (– 5.4 percent), Cherven Brjag (– 3.7 percent), and Caussade (– 2 percent). At the Tenevo site a reduction by 1 percent was observed. Löbau and unfortunately also Maribor reported increases in staff absence.

Absence management was carried out mainly at sites in Eastern European countries. Successful measures included primarily the reorganisation of shift plans, the reduction of overtime, and the consumption of outstanding holiday entitlements.

Group	2006	2007
Staff absence in % of regular working time	6.71%	5.74%

Staff absence in % of regular working time broken down by country in 2007

Figures in brackets indicate changes as compared to the previous year.



In 2003 we introduced an internal health programme called PALfit, which comprises five different stages. Stage 1 has to do with health and safety **principles.** The legal basis for this stage is the Employee Protection Act (EU legislation), which deals with issues of occupational medical services, checkups, sanitary facilities, safety engineering services, protective clothing, first aid, working materials and substances.

Stage 2 focuses on the **work environment** and deals with the topics of cleanliness & hygiene, ventilation, room temperature, ergonomics in the workplace, instructions, maintenance, cleaning, and inspections. From stage 3 onwards, the emphasis is on the staff's **personal needs.** One focus is, for instance, the muscoloskeletal system with offers including fitness centre memberships, back health exercises, physiotherapy, correct lifting training, pelvic floor muscle training, posture training, and eye exercises.

At stage 4 a close look is taken at **exercise & nutrition:** running, hiking, cycling, PALfit Club, nutritional consultation, healthy canteen food, and healthy snacks.

Stage 5 promotes the **sense of community & togetherness** by means of excursions, events, lectures, and special activities.

Starting at the Austrian locations in 2003, PALfit was gradually expanded to include international sites from 2007 onwards. Site analysis was completed at six locations. Occupational safety was improved at almost all sites. Essential measures included preventive medical checkups and exercise promotion. This programme will continue to be expanded in the future.

Sites with PALfit	Site analysis completed	Programme to enhance occupational safety introduced	Preventive medical checkups started	Programme for general health promotion introduced (sports, nutrition)
AG (AT)	■	■	■	■
PSB (AT)	■	■	■	■
PEU (AT)	■	■	■	■
Elsbethen (AT)	■	■	■	■
Ainring (DE)	■	■	■	■
Löbau (DE)	■	■	■	■
Cadelbosco (IT)	■	■	■	■
Caussade (FR)	■	■	■	■
Welwyn Garden City (GB)	■	■	■	■
Maribor (SLO)	■	■	■	■
Cherven Brjag (BG)	■	■	■	■
Tenevo (BG)	■	■	■	■
Niagara Falls (CA)	■	■	■	■
Tiffin (US)	■	■	■	■
Caxias do Sul (BR)	■	■	■	■
Singapore (SG)	■	■	■	■
Shenzhen (CN)	■	■	■	■

■ Yes
■ No

Although the preventive medical checkups had already started at BISON, Cadelbosco, Maribor, Cherven Brjag, Tenevo, and Madal, no exact data were available as the checkups are mandatorily required under the respective laws for occupational groups (e.g. varnishers) and/or partly had been carried out on a voluntary basis before, but outside the scope of the PALfit programme or the Company's health promotion programme (BGF).

Preventive medical checkups	Share of staff who has undergone a comprehensive preventive health checkup within the past 3 years (in % of overall staff)
Kasern (AT)	35%
Lengau (AT)	25%
Köstendorf (AT)	20%
Elsbethen (AT)	65%
Ainring (DE)	35%

Unfortunately, one occupational death occurred at the site in Cherven Brjag (BG) in 2005. A staff member died from the results of an accident on his way home from work.

Group	2005	2006	2007
Deaths	1	0	0

What we are planning to do

Joint processes in absence management
Experience has shown that staff absence is often caused by an excessive workload. Good absence management comprises reorganising shift plans, reducing overtime, and making use of outstanding holiday entitlements.

Expansion of PALfit
The PALfit programme will continue to be rolled out. In the coming year, the focus will be on Eastern Europe.

Checking offers of assistance with personal problems as a potential additional stage of PALfit
PALFINGER is looking into providing services such as counselling on personal issues regarding job and private life as well as coaching, mediation, and one-on-one sessions.

Education and Further Training

Why our future is not written in the stars

4 Education and Further Training

What it means to us

Highly trained staff is an indispensable factor for the success of a company. The daily requirements in the workplace are becoming increasingly complex. We support our staff in coping with these challenges by offering them target-oriented education and further training.

Looking back

- 20.1 hours/year spent on further training per staff member
- Number of apprentices continuously on the rise
- Apprenticeship initiative in Tenevo

Further training

It is a widely recognised fact that the success of a company also depends on the continuing training of its employees. All in all, each staff member of the Group spends an average of 20.1 hours on further training, excluding introductory training. However, there are great differences between the individual sites. At some sites, hardly any further training courses are attended, but there are plans to change this in the future. With 71.4 training hours per staff member, Caxias do Sul is top of the list. Courses include, for instance: academic training (postgraduate), language training, technical training, management training, as well as health and safety instructions.

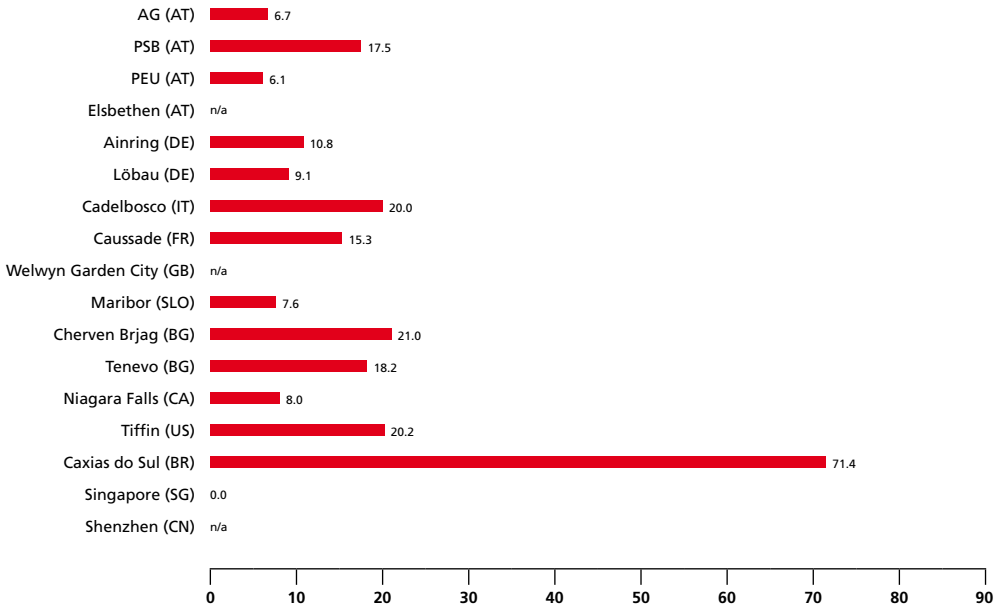
In recent years further training measures focused primarily on management development, technical training, and personality development in connection with communication and culture:

2006: Allocation of tasks between management and staff
2007: Team spirit and cleanliness in the workplace (Kaizen)
2008: Development of process facilitators

The future challenge in the field of further training will, amongst other things, be to professionalise the trainee concept in Austria beyond the years of apprenticeship (for instance in the form of a combination of apprenticeship and "Matura" – the general qualification for university admission). In addition, international junior executives are to be promoted under the U31 management trainee programme, which will be carried out in combination with the VENTURES segment.

Group	2006	2007
Training hours per staff member	21.5	20.1

Training hours per staff member in 2007



Education

Most apprentices are trained at the sites in Austria and Germany. There are also many sites where no apprenticeship programmes are in place because no public infrastructure has been set up by the respective countries. All in all, 66 apprentices were trained within the Group in 2007, which means that the number of apprentices had more than doubled since 2005. In addition, there is an outstanding example of apprentice training, which is not reflected in these figures, but which should be mentioned: In 2008 an apprenticeship initiative will be launched at Tenevo. Under this programme, students attending a one-year polytechnic course will be given the opportunity to work and be trained at the Company. After completion of their training they will have the chance of working for us as fully trained staff.

At the moment, the apprentice training capacities are fully exhausted throughout the Group. In 2007, 10 more apprentices were trained in Lengau than in 2006 and a new trainer was hired. Five additional places for apprentices as well as a new workshop for apprentices in Lengau are in the planning for 2008.

Group	2005	2006	2007
Total number of apprentices	29	57	66

What we are planning to do

Definition of a quantitative target regarding further training at the Company's sites
Spending an average number of hours per year on further training measures for all staff members at all sites is to become mandatory. At the moment, there are sites where very few hours are spent on further training – this will be optimised in the future.

Equal Opportunities

Why we treat everybody the same

5 Equal Opportunities

Regarding diversity as an asset

The aim of diversity management is to give everyone the same opportunities – regardless of origin, age, sex, disability, or other aspects. The fact that people have different capabilities is not an obstacle but rather opens up new ways of coping with everyday challenges in the workplace.

To us, equal opportunity also means benefiting from the great variety of nationalities represented in our team. At PALFINGER, career chances are the same for all employees regardless of their cultural backgrounds. At the moment around 30 percent of the heads of our sites are of non-Austrian nationality.

Another fairness aspect is to accept temporary workers as full members of the team.

All discrimination cases are recorded, adequate measures for improvement are initiated. One incident of discrimination occurred in 2005 and one in 2006. In 2006 an employee at Niagara Falls (CA) sued the Company because he felt discriminated against in connection with the founding of a works council. The case was settled by mediation. In 2006 an incident of racial discrimination, which was also settled by mediation, was recorded at Tiffin.

5.1 Temporary Workers

Our principles

Temporary workers are fully-fledged members of the PALFINGER staff
They receive the same incentive bonuses and are treated as equal staff members in all other respects. In only a few exceptional cases do their rights differ from those of permanent staff (e.g. meal allowance and annual bonus). PALFINGER's aim is to keep the loyalty of the temporary workers at a high level.

Looking back
- Share of temporary workers increased
- Increase in temporary workers in Western Europe at a high level

Temporary workers help us deal with fluctuations in staff needs, which might occur, for instance, due to shifts in production focuses between sites. We are always interested in taking over those temporary workers who prove themselves into permanent employment.

At our Company, temporary workers are treated as equals to permanent staff. This can be easily done in Western Europe but sometimes still is a challenge in other countries (primarily in Eastern Europe). In recent years problems occurred when agencies failed to pay out the money received for bonuses to the temporary workers.

In the past years, the share of temporary workers at PALFINGER increased and in 2007 it came to 6.6 percent, with regional differences (see **Chapter 1.2 Development of Employment**). Most of the temporary workers were hired in Europe, as this employment system is hardly used on other continents. In Western Europe the share of temporary workers almost doubled and reached 9.1 percent between 2005 and 2007. At Eastern European sites the share of temporary workers was only 5.7 percent, which corresponds to a slight increase during the past three years, up from 5.2 percent in 2005. One of the reasons for this low percentage in Eastern Europe was the fact that only few companies offered this service – which is now no longer the case. The explanation for the high percentage in Western Europe is that during the changes in production at the Lengau site at times 30 percent of the staff were temporary workers.

The share of temporary workers is expected to decline in 2008. Given the difficult market situation in the crane area, the high expectations regarding capacity utilisation will have to be corrected downwards so that the number of temporary workers in Austria (predominant share of temporary workers in Western Europe) will fall below 2 percent.

Temporary workers broken down by region in %	**2005**	**2006**	**2007**
Share of temporary workers – Western Europe	4.9%	8.4%	9.1%
Share of temporary workers – Eastern Europe	5.2%	4.9%	5.7%

What we are planning to do

Enhancing equal treatment of permanent staff and temporary workers worldwide
Our goal for the future is to guarantee that temporary workers at all sites actually receive bonuses from their employers (the agencies) provided that PALFINGER distributes such bonuses.

5.2 Generations

What it means to us

The population structure in Europe is undergoing considerable change.
Birth rates are falling while life expectancy is increasing. We want to enable our staff to remain healthy and motivated members of the gainfully employed population for many years. This is part of our responsibility towards society and – from a business administration aspect – also part of our risk prevention strategy. A good mix of staff members from different generations helps us keep our know-how within the Company.

Looking back

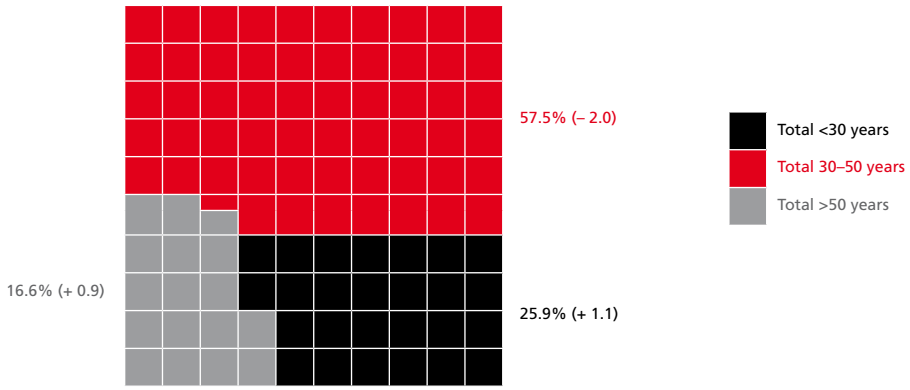
- Share of staff members under the age of 30 and over the age of 50 increased between 2006 and 2007.
- The only group of wage earners recording an increase in the previous year was the 50-plus generation.
- The sites with the youngest staff were Shenzhen (CN) and the Group's headquarters (AG) with no and/or only one staff member over 50.
- More than half of the staff at the Welwyn Garden City (GB) site was over the age of 50.

Our staff is our biggest asset. Their knowledge and experience is of priceless value for our Company. Given the demographic developments, keeping this knowledge within the Company and increasing staff loyalty has become an even bigger challenge.

Our age structure is as follows: Around one quarter of the staff is under 30 years old, the majority (57.7 percent) are aged between 30 and 50, and slightly more than 16 percent are over 50.

Staff – age structure in 2007 (as compared to 2006)

Figures in brackets indicate changes as compared to the previous year.



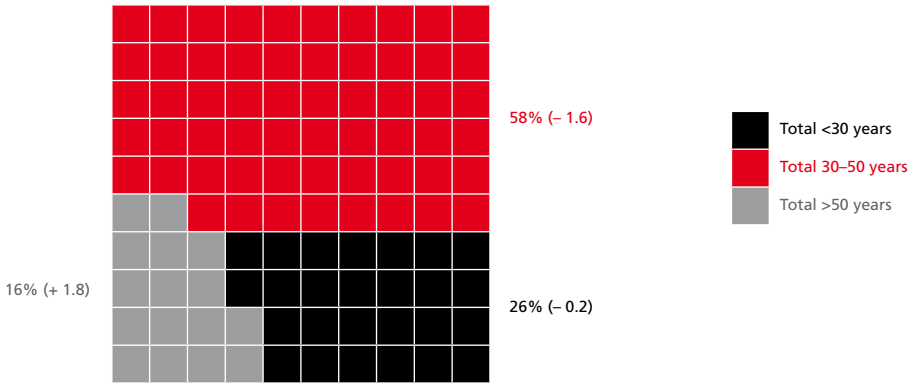
As compared to 2006, both the group of staff members under the age of 30 and that of staff over 50 increased. The number of staff between 30 and 50 decreased by 2 percent within the same one-year period.

The average age was particularly high at the site in Welwyn Garden City (GB): 51.4 percent of the staff belonged to the 50-plus generation. At the site in Cadelbosco di Sopra (IT) the rate of people leaving the Company was low, the average age rose continuously.

Among the wage earners, the tendency was different than among the total staff: Their age structure differed only slightly, but both staff under the age of 30 and staff between 30 and 50 were on the rise. The increase in wage earners over 50 was much higher than the general increase in employees of the same age group – namely 1.76 percent between 2006 and 2007.

Wage earners – age structure in 2007 (as compared to 2006)

Figures in brackets indicate changes as compared to the previous year.

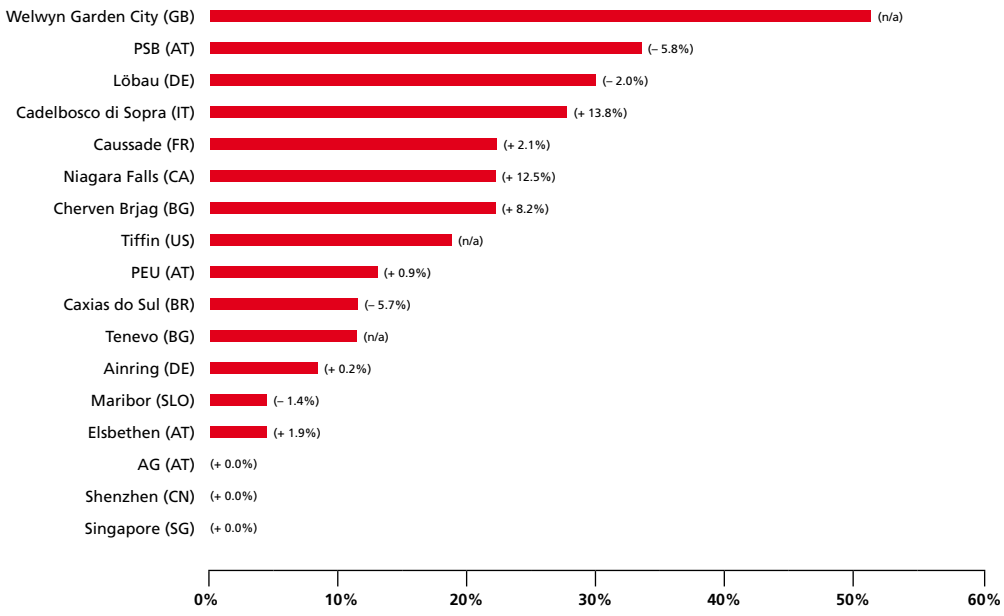


At the following sites, wage earners over the age of 50 accounted for particularly high percentages: Welwyn Garden City (GB) (51.4 percent), PSB (AT) (33.3 percent), Löbau (DE) (29.9 percent), and Cadelbosco (IT) (27.8 percent). The strongest increases of such share were recorded in Cadelbosco (IT) (13.8 percent), Niagara Falls (CA) (12.5 percent), and Cherven Brjag (BG) (8.2 percent).

In the light of these developments, we recognised the importance of 50-plus management and made it a priority over company pension schemes. We started by taking a close look at the age structures and will now take adequate measures to promote a good mix of generations. Regarding key positions, cases of upcoming retirements are already handled well. Whenever it is foreseeable that a retirement will take place in the following years, successors are allocated to our employees with many years of experience. These "tandems" make sure that valuable know-how is passed on to the next generation and is not lost for PALFINGER in the future.

Share of wage earners aged 50 years and older in 2007 in %

Figures in brackets indicate changes as compared to the previous year.



What we are planning to do

Retirement scenarios at sites
Each site is required to carry out an analysis as to which persons are going to retire within the following years and assess the risk of losing know-how. If there is such risk, scenarios for proactively dealing with the situation are to be developed.

50+ management
A project dedicated to the 50+ topic in a structured manner will be launched.
Human resources for the implementation of the project will be reserved.
The generations network is to become part of the 50+ management.

5.3 Gender

Our principles

Mixed teams are more productive
Mixed teams are a valuable asset for PALFINGER. If PALFINGER fails to recruit a sufficient number of women, the Company will lose potential.

Equal pay for work of equal value
Staff who do the same work should also be paid the same salary. PALFINGER does not differentiate between men and women in this respect.

Looking back
- Share of women within the Group at 9.8 percent, no change between 2006 and 2007
- Very low share of women among wage earners – only 24 female wage earners within the entire Group

The fact that men and women have different abilities has become widely accepted meanwhile, and it is exactly those differences that we benefit from. We recognise our staff's potential and support the development of different skills.

Group-wide, the percentage of women is slightly under 10 percent. The majority of the female staff is active in the commercial area; only few women work in technical jobs (0.9 percent). At the moment, women are not represented at all in the Group's top management. At the middle and lower management levels the share of women was around 19 percent and/or 16 percent in 2007.

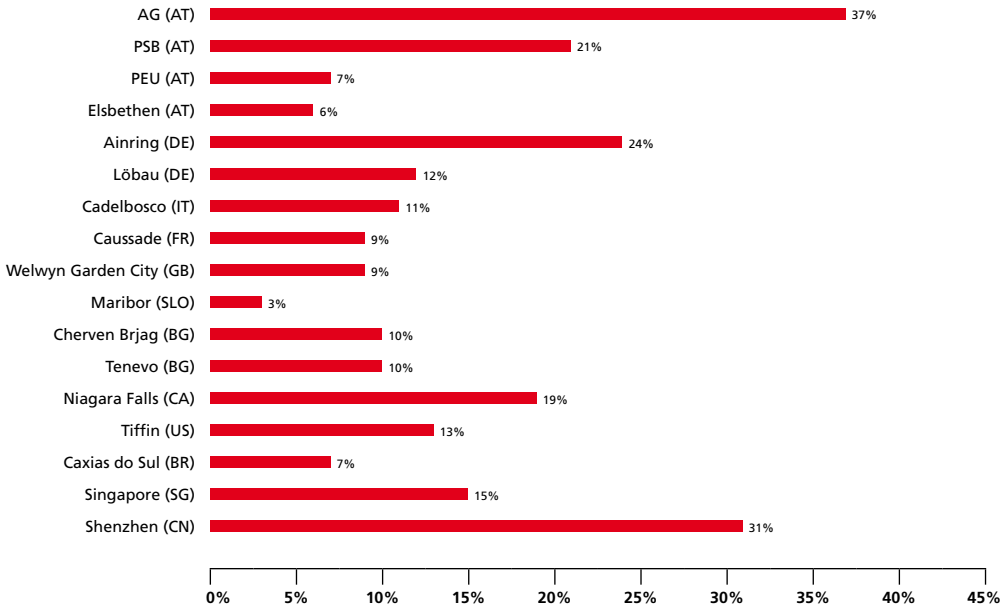
Group	2006 *	2007
Share of women in %	9.770%	9.773%

* excluding data from Tiffin and Tenevo

Almost 40 percent of the staff employed at the Group's headquarters were women. This is mainly due to the fact that the headquarters is not a production site but is active in taking care of administrative tasks. The situation was similar at Shenzhen (CN), where roughly one third of the staff were women. This is, however, a relatively small site, which is still at the development stage and therefore skews the picture – in absolute figures one woman each was employed in controlling and in cleaning.
High shares of women of more than 20 percent each were recorded at the sites in Ainring (DE) and PSB (AT). In absolute figures, the highest number of women (56) was employed with the Austrian company PSB. The smallest share of women, namely only 3 percent, was recorded at Maribor (SLO).

The Austrian company PEU and the sites at Elsbethen (AT) and Caxias do Sul (BR) were also clearly beyond the Group's average as they are primarily production sites with a strong focus on value-creation.

Share of women 2007 in %



At PALFINGER – as is the case in many technical industries – the predominant share of the staff in the production areas is men. Female wage earners can be found at 8 out of the 17 sites, primarily at PSB (AT) with a share of 29.6 percent in the canteen and in commercial cleaning, followed by Ainring (DE) with a share of 5.7 percent. In absolute figures, two female wage earners work at Ainring, one in the electronics workshop and one in the cleaning department. Apart from the sites in Austria and Germany, female wage earners were mainly employed in the US (4.3 percent), Brazil, and Eastern Europe (at both sites in Bulgaria and in Slovenia) in all fields of production (all under 1 percent). All other sites in Asia and Western Europe did not employ any women in production at this time.

The base salary for women and men is the same. At PALFINGER salary bandwidths have been defined for the various employment categories at management level. These bandwidths apply both to women and to men. In the future, sample checks will help find out whether gender-related differences exist within these bandwidths.

What we are planning to do

Increasing the percentage of women
Our objective is to increase the percentage of women working in all areas of PALFINGER. As, however, only few women apply for jobs in the technical fields at the moment, our focus will be on management and executive positions. Since our corporate structure is changing constantly due to new acquisitions it is not possible to set an exact quantitative target. However, we will monitor the development of the indicator "share of women" regularly in order to guarantee that the positive trend be continued.

5.4 Employees with Disabilities

Our principles

Meaningful jobs for staff with disabilities
PALFINGER employs staff with disabilities provided that they can be fully integrated in the production process and thus gain recognition and appreciation. Suitable framework conditions are created – for instance bonuses are adjusted to individual capabilities.

Looking back

- The share of staff with disabilities increased between 2005 and 2007

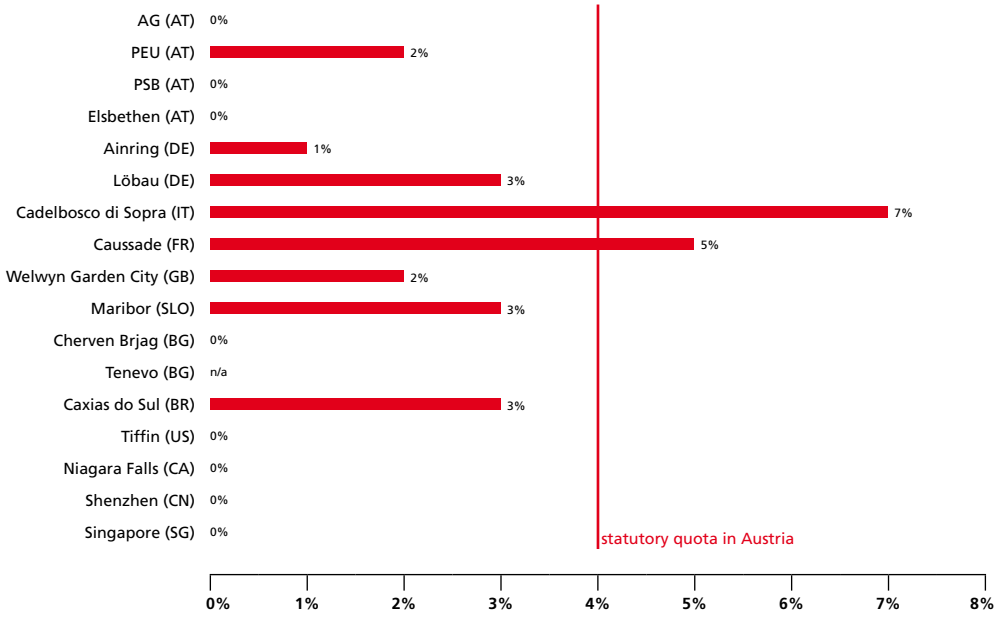
The percentage within the Group was approximately 1.6 percent – and the tendency was rising, even if at a slow pace. Top of the list was Cadelbosco di Sopra (IT) with a total of 4 staff members with disabilities. At the site in Caxias do Sul (BR) no staff members with disabilities were employed in 2005 and 2006. In 2007, however, 13 people with disabilities were hired.

In Austria, and in many other countries, the law provides for a certain number of staff members with disabilities to be employed by a company. In Italy we almost met the quota, but at many other sites we are still far from reaching them. What we want to do is offer people with disabilities adequate jobs at out Company rather than hiring them for the only reason of meeting the statutory quotas.

The vocational training centre (BAZ) St. Gilgen offers partial apprenticeships (apprenticeship training without full vocational qualification) for socially disadvantaged and less gifted students. We offered one of these apprentices practical training for 3 times 2 months in various fields of production. Our aim was to integrate him into our Company after completion of the partial apprenticeship programme. The final decision on his permanent employment will be made in September 2008. In cooperation with *Behindertenwerkstätte Piding* (DE), a sheltered workshop, we implemented a similar project. The staff member worked for us as a trainee for half a year and in 2007 was offered a permanent job at the warehouse.

Group	2005	2006	2007
Staff with disabilities in %	1.23%	1.38%	1.65%

Share of staff with disabilities in the total workforce in 2007 in %



What we are planning to do

Meaningful jobs for staff with disabilities
A screening is to be carried out at each site as to where staff with disabilities could be employed in a meaningful manner.

Environmental Protection at PALFINGER

Environmental Protection at PALFINGER

Our general principles

Environmental protection is truly embedded throughout the entire organisation.
Environmental protection is of substantial value to us. What counts, however, is the strategic perspective: the environmental measures we take should also result in economic advantages in the medium term.

We respect regional and global minimum standards.
We want to be examples when it comes to regional environmental standards. Minimum criteria are defined for areas (South America, Eastern and Western Europe, etc.) and some environmental standards apply globally.

Environmental protection makes us stand out.
We see ecological responsibility as an integral part of our lives and go much further than simply meeting standards. This makes environmental protection our unique selling proposition, which is also communicated accordingly.

Our principles on product ecology

Product ecology should create added value in the market.
It is the aim of product ecology to strengthen PALFINGER as a brand. The pioneering role of the Company and of its products is to be underlined. Our products are not only the best because of their technical performance. They offer a total package and are also our customers' first choice from an ecological point of view.

Environmental protection is a definite criterion for the development of our products.
This includes aspects such as weight reduction, freedom from hazardous substances, recyclability, and energy-efficient use.

Our principles on environmental protection in production

Energy and resources should be used efficiently.

In contrast to the general periods of 3 to 5 years, amortisation periods of 10 years are allowed for measures focusing on an increase in eco-efficiency.
Ecological measures are regarded as reasonable if they are amortised within a period of 10 years.

Looking back
- Climate protection and resource management as essential environmental aspects
- Research project "sustainable crane construction" in Lengau

When devising our sustainability strategy, we identified two main environmental aspects: climate protection and resource management. We apply both of them in a holistic manner throughout the entire life cycle of our products. Climate protection starts with the selection of the primary products, which have different energy intensities. It also includes the efficient use of electricity, heating oil, and gas at our production sites.

Transports between our sites are also of relevance for our climate. And finally, our products also use up energy – either directly when they are used, for instance for loading or unloading goods, or indirectly when they are transported as additional loads.

Resource management refers to the efficient use of steel and other materials in our production in order to minimise waste cuttings. Another aim is to avoid pollutants or – as this is not always possible – at least to prevent them from harming our environment. Our products should be free from hazardous substances and easily recyclable after a long product life.

In addition, PALFINGER launched a project titled "Sustainable product development exemplified by cranes" in cooperation with the Institute for Engineering Design/ECODESIGN Vienna University of Technology. The aim of the project is to develop a programme that makes it possible to assess the impact of various materials, manufacturing methods and sites, surface treatments, etc. on the environment as early as at the construction stage so that the environmentally friendliest variant can be chosen. Influences of the production, manufacturing, and assembly process as well as of the operation and use of the product and its final recycling are taken into consideration.

These two pages sum up our principles and measures regarding production methods and finished products. Detailed environmental principles and measures are described in the following chapters titled "Climate Protection", "Resource Management" and "Organisation of Sustainable Development".

What we are planning to do regarding product ecology

Increasing the provisions regarding ecological aspects in our company standards
In cooperation with the construction department, environmental aspects will be better incorporated in our company standards.

Emphasising the ecological benefit of our products for our customers
Environmentally sound and efficient products bring additional value to our customers and users – in particular in terms of total lifecycle costs. These advantages should be communicated more intensively in the course of our marketing measures. We plan to strengthen the "eco image" of our product.

What we are planning to do regarding environmental protection in production

Development of area-wide and Group-wide environmental standards
We want to define ecological minimum standards that apply at all our sites. In addition, we also plan to develop standards for our areas. The feasibility of all standards needs be discussed with our experts in various fields.

Eco-efficiency awareness campaign
A campaign to increase awareness of the efficient use of energy and resources will be launched. Previous campaigns carried out at individual sites are to be evaluated. On the basis of the experience gained, awareness is to be raised both in the field of value creation and in the Company's offices.

Climate Protection

How we are using our energy

6 Climate Protection

6.1 Climate Protection as Applied to Products

Our principles

We need to continue to improve the ratio between lifting power and deadweight. Our goal is to reduce the deadweight of all our products.

Looking back

- The use of high-grade steel was increased and led to a reduction in the weight of our products.
- Fuel-saving loading and unloading (load sensing) was increasingly accepted by the market. Almost one fifth of the large cranes were equipped with load sensing.
- The trend still goes towards cranes with higher performance and extended reach.

Considerations as to how to reduce the product weights are an essential contribution to climate protection. Cranes and other PALFINGER products are transported on trucks as permanent payloads. The heavy loads cause additional diesel consumption in transport. This does not only raise fuel costs but also impacts CO_2 emissions. From an ecological point of view, it is therefore particularly important to reduce the cranes' weight.

The most important strategy to achieve weight reduction: PALFINGER uses materials of top quality and in particular also high-strength steel. As these types of steel show fewer signs of deformation under stress than steel of a lower quality, less steel is needed and resources are saved. This well-devised strategy has proven successful. In the three years under review the share in high-strength steel increased. In 2007 steel of grade S890 or higher already accounted for a share of 30.2 percent. Two years earlier, the share of these steel grades had been only 14.1 percent.

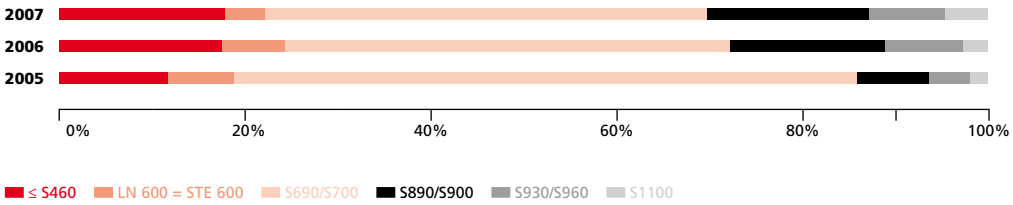
Steel is purchased centrally in Austria. The table below also includes figures on steel purchasing in Caxias do Sul (BR). The clear trend towards higher-grade steel is obvious from the table:

Steel grades in purchasing in %	**2005**	**2006**	**2007**
below S890	85.9%	72.3%	69.8%
S890 or higher	14.1%	27.7%	30.2%

The graph in the upper right-hand corner shows the shares of different steel grades in the total quantity purchased. Again, the trend towards high-grade types of steel is obvious. The reduction of S700 from 2006 onwards was due to the shift towards higher quality classes such as S900/930 and 1100 in the following years. The share of inferior S460 steel and lower jumped from 11.8 percent to 17.6 percent between 2005 and 2006 as in 2005 components for PALIFT were still bought from a supplier.

In 2006 the components were already manufactured at the Company's plant in Cherven Brjag (BG). This enhancement of the value-creation process also resulted in an increase in the purchase volume of inferior grades of steel.

Share of different steel quality in purchasing *



* central purchasing (AT) incl. purchasing Caxias do Sul (BR)

An increasing number of high-strength steel is used primarily for PALIFT container handling systems. Due to the weight reductions achieved in 2006/2007 in combination with an optimisation of the performance ratio of new products the ratio between lifting power and deadweight was enhanced considerably. This concerned primarily the new skiploaders and the new P and S-range, which stands for Power and Synchronous Range. The POWER P is the strongest among the hookloaders, with a design including a double slewing mechanism which endows it with enormous lifting capacity reserves and an enormous outreach in underfloor applications. The POWER P is particularly popular in heavy civil engineering work and in all applications where great lifting capacity reserves are required for tough conditions. The unique S hookloader is impressive by virtue of its extremely flat lift angle. The unique mechanical linkage of the knuckle boom cylinder produces a self-adjusting, elliptical synchronous lifting curve which automatically forms a flat and optimal lift angle. This makes it possible to lift containers of different lengths.

Weight reduction was also the central issue for RATCLIFF in 2006/2007 – but in this case it was achieved by the use of aluminium. But the same principles applied: the lighter the weight of the product, the more load can be transported by the truck carrying the load.

The market trend towards more efficient cranes with higher lifting moments and wider reaches still affects the total weight of our products. Although we use high-strength steel the total weight may be increased. Reducing product weight while increasing the efficiency of our cranes will therefore remain a challenge to be tackled in the future.

Load sensing (LS)
The engine performance of traditional cranes is constantly high during loading and unloading. This is not the case with models equipped with this additional feature. Load sensing recognises how much lifting power is required at the moment and sensitively adjusts the current engine performance. If a customer chooses load sensing, the purchase will pay off within a short period of time: Up to 20 percent of the fuel required can be saved during the loading process – a plus both from an economical and environmental point of view.

More and more customers use load sensing. In 2006 17.4 percent of all PALFINGER products eligible for LS were equipped with an LS system, by 2007 the figure had gone up to 19.4 percent of the products.

Relatively speaking, in Europe a slight increase in sales of LS pumps was recorded, with the sales volume in absolute figures being significantly higher than in other regions. Demand for this efficient pump variant increased considerably, in particular in North and South America as the pressure to improve efficiency became stronger in these countries.

What we are planning to do

A carbon footprint will be used to analyse the economic and ecological advantages achieved by weight reductions in logistics.

RATCLIFF tail lifts: The increased use of aluminium will be continued.

PALIFT container handling systems: Continued use of higher-grade steel for new products. Expansion of the new P/PA/T range from 5 to 10 t.

6.2 Climate Protection in Production

Our principles

The following principles supplement our general principles on efficiency (cf. introduction to the chapters on environmental protection p. 63f)

Ecological building strategy
Ecology is to play a strategic role in the construction of buildings, ensuring that our buildings are not merely purpose-built.

Orientation towards meeting the highest regional construction standards
Take insulation as an example: Insulation should at least meet regional standards or, if possible, even exceed them.

Looking back

- The rise in output in steel processing by 31.2 percent between 2005 and 2007 also led to an increase in total energy consumption. In the same period, our CO_2 emissions rose by 37.6 percent.
- Our measures geared toward heat demand bore fruit. As heat demands were dealt with more efficiently, CO_2 emissions from heat generation increased only slightly.
- 80 percent of the electricity consumption was allocated to only four sites – Maribor (SLO), Lengau (AT), and the two Bulgarian sites in Tenevo and Cherven Brjag.
- Electricity consumption became less efficient. While in 2005 882 KWh were used per tonne of steel, in 2007 1,056 KWh were required.
- Overall efficiency remained the same: In 2005, 0.73 tonnes of CO_2 were produced per tonne of steel purchased. In 2007 this figure was slightly higher, amounting to 0.76 tonnes of CO_2.

Heat consumption
Heat is needed mainly to heat halls and offices and also for the final drying process of our products at the paint shop. Most of this energy demand is met with natural gas; the remaining heat required comes from other fossil fuels such as, for instance, heating oil. We are not using any sources of renewable energy.

In 2005 CO_2 emissions from heat generation amounted to 9,364 tonnes and in 2007 to 10,186 tonnes. This is an increase of only 8.8 percent. Growth in emissions was clearly lower than the rate of production expansion (+ 31.2 percent additional steel consumption).

This very pleasing result was possible because our heat efficiency improved considerably. Although it is certainly true that demand for heat for buildings is relatively constant and does not depend on production increases, it also showed that our measures brought the hoped for success. For instance, more and more waste heat from production processes was used for heating purposes – this is possible, in particular, at the paint shops.

Other measures taken in 2006/2007 were equally successful: In Kasern (AT) both fuel oil burners were renewed in 2006. In Lengau (AT) air curtains were installed at the hall gates. The management in Ainring (DE) sensitised its staff for energy-efficient behaviour such as quick closing of the doors to the workshops or correct airing of the administrative building in wintertime.

The provisions of the Thermal Protection Ordinance were observed when building the new painting hall in Löbau (DE) and expanding the assembly hall. In addition, all hall gates were renewed. In Caussade (FR) a new heating system was installed. Cherven Brjag (BG) focused on adjusting the controls of its heating system.

Electricity consumption – a challenge
At our Company, the processes that use up most of the electricity purchased from national suppliers are cutting, welding, painting, and electroplating.

In the period between 2005 and 2007 electricity consumption rose by 57 percent. CO_2 emissions indirectly caused by us in the power plants increased even more. The cause of this: electricity consumption went up primarily in countries with an unfavourable electricity mix. As a consequence, more CO_2 emissions per kilowatt hour were produced. Taken together, the unfavourable electricity mix and in particular the higher electricity consumption resulted in an increase of 61 percent in CO_2 from electricity caused by us between 2005 and 2007. Electricity consumption also increased at an extraordinarily high rate – more than steel consumption at the PALFINGER sites: In 2005, 882 KWh were consumed per tonne of steel, in 2007 the figure had already risen to 1,056 KWh per tonne. The changeover to high-strength types of steel had a minor impact on this development but cannot explain the entire extraordinarily high increase. That means that the efficiency of the electricity utilisation has declined.

Between 2005 to 2007 most of the electricity was consumed at only few sites. The highest volumes of electricity were used in Maribor. Our site in Slovenia accounted for 35 percent of the total electricity consumption of PALFINGER! Due to the capacity development in the past years, consumption rose from around 7,000 MWh (2005) to around 17,500 MWh (2007). The main factors contributing to the high electricity consumption were the CDP system and additional welding plants.

With 19 percent of the Group's total demand, Lengau (AT) came second in terms of electricity consumption. Again, it was the CDP system that, in addition to the laser plant, accounted for a large share in electricity consumption. Total consumption came to around 9,500 MWh in 2007, but the increase during the past two years was minor. Around 15.5 percent of the total electricity was consumed in Tenevo (BG), where a strong increase was recorded in the past years, from 4,800 MWh (2005) to 7,800 MWh (2007). Half of the electricity was used at the electroplating shop that is used for chrome plating. The rest was needed for the other cylinder production processes.

Around 10 percent of our total electricity demand arose at Cherven Brjag (BG). A strong increase from 2,800 MWh (2005) to 4,900 MWh (2007) was recorded. At this site, particularly large volumes of electricity were needed for cutting and processing steel plates.

All together, these plants (Maribor, Lengau, and the two Bulgarian sites) accounted for about 80 percent of our electricity consumption.

Measures to lower electricity consumption in 2006/2007
Elsbethen (AT) increased its productivity and shortened the time span required for assembling cranes. In addition, a new pumping station was set up. At Ainring (DE) the staff was motivated to switch off lights during daytime, and additional clock timers were put into operations. In Löbau (DE) more effective workplace lighting was installed. Caussade (FR) reduced the number of machines used and started to use energy saving bulbs. In Maribor (SLO) the lighting system of a production hall was renewed. The old mercury arc lamps were replaced with metal halogen lamps, which resulted in energy savings of 50 percent. Cherven Brjag (BG) purchased equipment with higher energy efficiency. In Niagara Falls (CA) energy saving measures in the office building were promoted: The air conditioning systems were set to moderate temperatures, and old models were replaced by energy star computers. The new equipment is multi-functional and can be used for printing, scanning, and photocopying. Caxias do Sul (BR) launched a campaign to motivate all employees to fight thoughtless use of energy. Parts of the roof were built with a translucent design so that daylight can be used in the hall. Furthermore, old electronic installations and cables at the site were modernised. In Singapore (SG) the use of the air conditioning system was also limited.

Fuel consumption
This refers to fuel (diesel, petrol) for vehicles that are used directly at our sites. These include forklifts, passenger cars, and smaller trucks that are used for shorter distances. Information on transports between our individual sites is provided in **Chapter 6.3** (p. 76f).

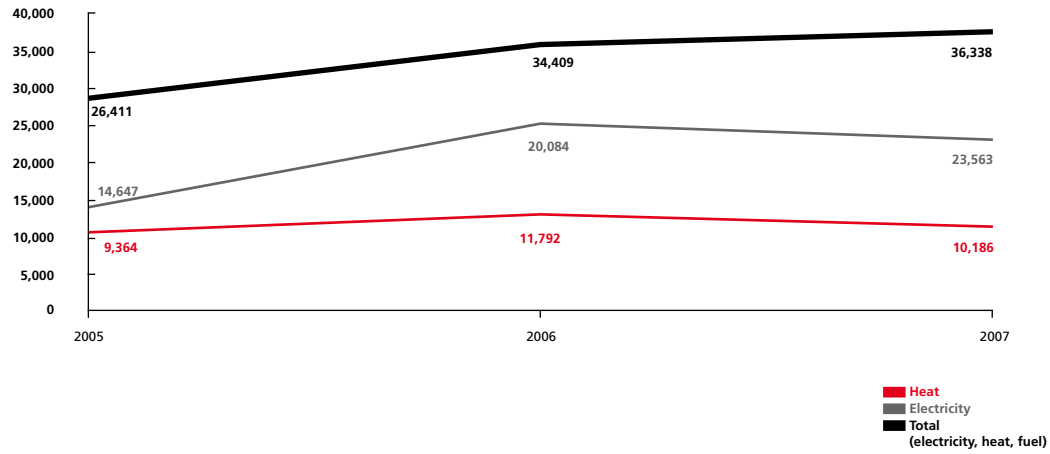
Compared to items such as room heating and electricity consumption, fuel consumption is hardly relevant. In 2007 a slight increase in CO_2 emissions to 2,589 tonnes of CO_2 was recorded while in 2005 CO_2 emissions amounted to 2,400 tonnes.

Eco-fuels have not yet been used and there are no plans to use them in the future. However, it is planned to change from diesel-operated forklifts to natural gas-operated models at some sites. The aim of this measure is to reduce the consumption of the forklifts as natural gas is more efficient and emits less CO_2. Another important factor is that our staff will be exposed to fewer CO_2 emissions.

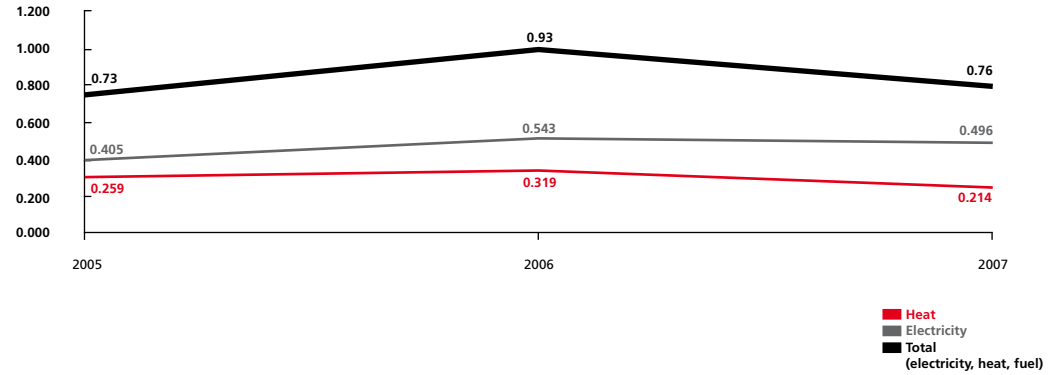
In 2006/2007 we implemented measures to reduce our fuel consumption at our sites all over the world: Elsbethen (AT) reorganised its warehouse, shortening the distances to be covered. In Ainring (DE) the passenger cars for field workers were replaced after three years or after 200,000 kilometres. Caussade (FR) reduced the number of vehicles used. Maribor (SLO) now uses gas-operated forklifts and minimises their use by replacing the gas-operated forklifts with gantry cranes in steel plate manipulation processes.

Caxias do Sul (BR) optimised the production flow and achieved a reduction by three forklifts (= 16 percent of the forklift fleet). Forklift operators were offered further training; the number of technical support vehicles remained stable, although production was expanded. At Shenzhen (CN) staff members organised car pools.

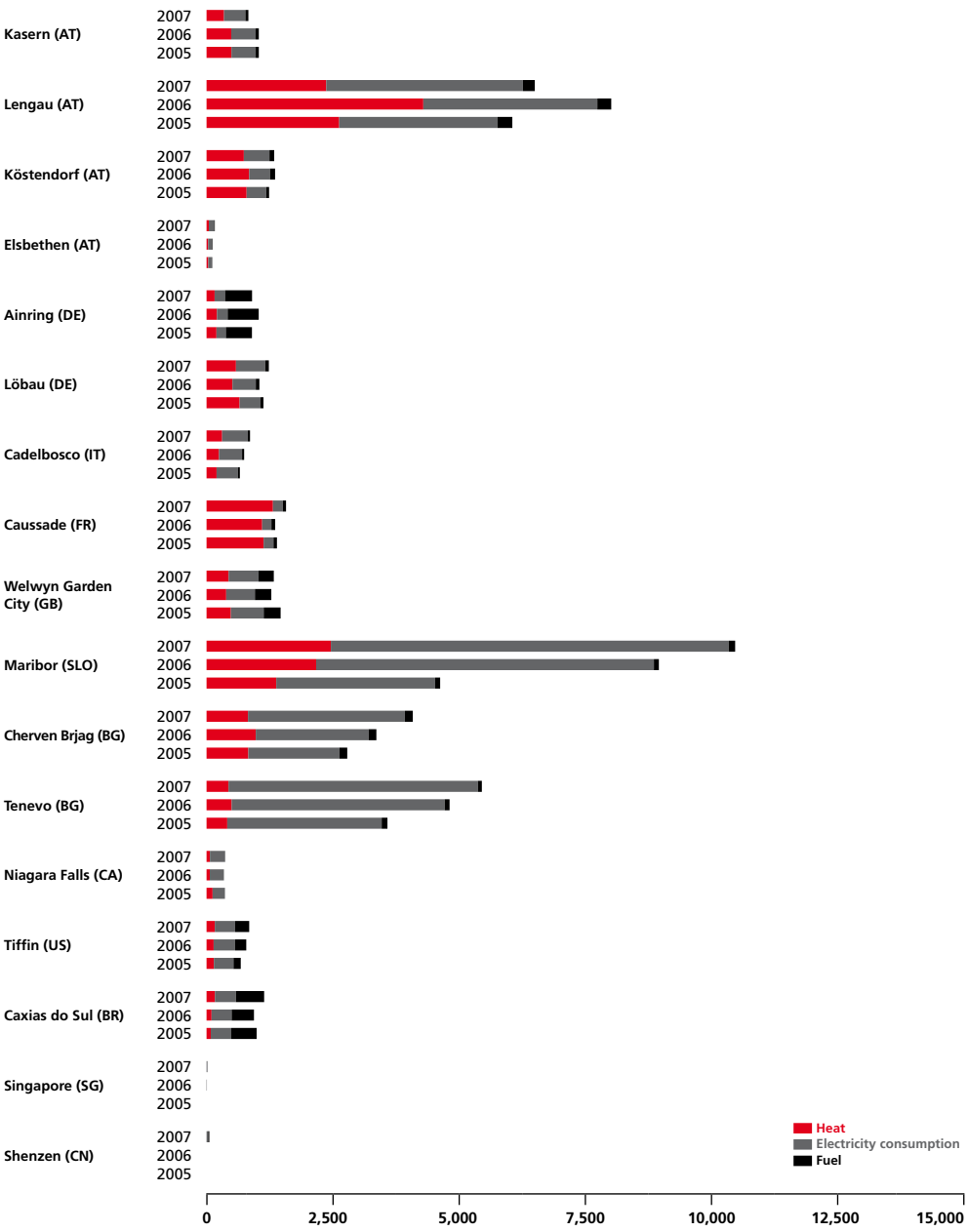
Total CO_2 emissions in t CO_2



Direct and indirect CO_2 emissions per site in t



Direct and indirect CO_2 emissions per site in t



Waste heat recovery

A Group-wide analysis is to be conducted to find out for which processes waste heat recovery could make sense (for instance this could work for test benches).

Heat energy
Lengau (AT): Additional air curtains will be installed; the installation of a more efficient heating system is planned.
Ainring (DE) will continue to take awareness-raising measures regarding the energy consumption of the staff.
Caussade (FR) will use the waste heat from the new paint shop.
Maribor (SLO): The entire waste heat of the paint shop will be used for heating and hot water generation at the office building and the wash-down plants at Plant I. It is planned to repair and seal the roof of the production hall at Plant I.
Caxias do Sul (BR): A new painting line with increased throughput speed will be set up.

Electricity consumption
Elsbethen (AT): The reorganisation/optimisation of the warehouse will accelerate the assembly process.
Ainring (DE): Further awareness-raising measures regarding the energy consumption of staff will be taken.
Löbau (DE): Installation of additional more effective workplace lighting systems.
Caussade (FR): Automated on and off switches will be installed.
Maribor (SLO): Renewal of the lighting system of another hall, like in 2006/2007 metal halogen lamps will be used.
Cherven Brjag (BG): Electricity will be cut off on days where no production takes place.
Niagara Falls (CA): The measures taken in 2007 will be continued. Measures to increase the use of natural light in meeting rooms will be stepped up.

Fuel consumption
Lengau (AT): Changeover to forklifts that use natural gas as fuel.
Elsbethen (AT): Forklift demand will be reduced by making deliveries once a week only.
Ainring (DE): Acquisition of new company trucks that meet EURO-5 standards.
Caussade (FR): Processes will be improved with the aim of minimising transports between two sites.
Maribor (SLO): If possible, gas-operated forklifts will be purchased.
Tenevo (BG): Fleet renewal.
Caxias do Sul (BR): The São-Paulo fleet will be reduced by two vehicles.

6.3 Climate Protection in Transport

Our principles

CO_2 as an element of our value-creation strategy
The shifting of production activities between our sites also impacts transport. In the future, climate protection will be considered in all changes of our value-creation strategy. This will also bring cost advantages in the medium term.

Looking back

- In transport, an increase from 69 million tonne kilometres (2005) to 97 million tonne kilometres (2007) was recorded.
- Production became more transport-intensive. More kilometres had to be covered per tonne of steel used.
- Nevertheless, transport emissions per tonne of steel used remained virtually the same. This was due to the fact that CO_2 and cost-intensive air transports were reduced drastically.
- Truck transports were expanded slightly; rail transports became a less important part of the transport mix.

The transport mix
European steel transports from the steel plant to Cherven Brjag (BG) and transports between the PALFINGER plants are not carried out with the Company's own trucks but outsourced to transport companies. The comparably small number of transports using the Company's internal fleet are described in **Chapter 6.2 Climate Protection in Production.**

Truck transports take place between our European sites in France, Italy, Slovenia, Bulgaria, Germany, and Austria. Rail transport is used primarily for transporting steel from the steel plant to Cherven Brjag. Between the PALFINGER sites, only one route – between Lengau and Slovenia – is covered by rail, with the PALFINGER MOBILER. With the MOBILER it is possible to quickly load containers from a truck to a freight car and the other way round.

In principle, the majority of our sites is connected to a railway system. However, given the frequent lack of flexibility of rail transports, primarily with destinations in Eastern Europe, changing transports of pre-fabricated components to rail is not feasible at the moment. Due to high and low waters river shipping is not a solution either, as transports are not possible during these two extreme tides.

Transports to the North American sites and to South America (Caxias do Sul) are carried out via air freight and ocean freight. Our aim is to continue reducing the share of air transports for the benefit of ocean transports. This can be done by means of anticipatory warehouse management, which ensures that the parts can be delivered by ship. This reduces our carbon footprint considerably and also makes our transports much more cost-efficient.

Another strategy is local sourcing. We select regional suppliers to reduce the number of ocean and air transports.

Transports between PALFINGER plants and/or steel transports to Cherven Brjag (BG)

2006	2007	Change between 2006 and 2007 in tkm
69,343,270 tkm	97,273,501 tkm	+ 40.3%

Logistics became more transport-intensive
Between 2006 and 2007 transports of our products increased considerably. While in 2006 around 70,000,000 tonne kilometres were covered, in 2007 the figure rose to around 98,000,000. In other words: Transports increased by 40.3 percent. And expressed in CO_2 equivalents: In 2006 transports caused 8,523 tonnes of CO_2 emissions, in 2007 emissions amounted to 11,270 tonnes of CO_2.

These figures can only partly be explained by the expansion of production. The volume of purchased steel increased only by 31.2 percent between 2006 and 2007. Rather, production, as described above, has become more transport-intensive. Another indication of this trend is that in 2006 transports of 1,873 tonne kilometres were necessary per tonne of purchased steel and in 2007 the figure went up to 2,047 tonne kilometres.

The good news for the environment: Although more transports were needed per tonne of steel, the environmental impact per tonne of steel remained virtually the same. While in 2006 transports generated 230 kg of CO_2 per tonne of purchased steel, the figure was only slightly higher in 2007, namely 237 kg of CO_2.

The transport mix showed a shift from rail to truck. Ocean freights, which would leave a smaller carbon footprint, also declined proportionally. The fact that CO_2 emissions nevertheless rose only slightly was due to our success in drastically reducing CO_2-intensive air transports. The intensity of CO_2 emissions caused by air traffic can be illustrated by the following figures: In 2006 only 2 percent of all tonne kilometres were transported by air. Still, this share accounted for 18 percent of the entire greenhouse emissions (in CO_2 equivalents) of our transports! In 2007 air traffic accounted only for 0.9 percent of our transports – but the share of CO_2 equivalents in our total transports was still 8.2 percent. The burden on the environment was relieved drastically by reducing the share of air transport in our transport mix by half. Continuing to reduce air traffic may improve our CO_2 balance even more and we are working on that. The pooling of cargo in Austria by fully filling containers and not shipping half-empty containers, also contributed to the optimisation of transports.

Share of various modes of transport in total tonne kilometres covered in %	**2006**	**2007**
Truck transports	56.9%	61.2%
Rail transports	33.8%	31.8%
Ocean freight	7.3%	6.2%
Air freight	2.0%	0.9%
	100.0%	100.0%

What we are planning to do

Assessing CO_2 emissions prior to taking new value-creation and site decisions
CO_2 is to be included as a criterion for deciding about new measures regarding our value-creation strategy. The impacts of various transport alternatives on the climate should be considered in the decision-making process. In addition, the probable development of transport costs is to be taken into account as well.

Cutting down on business trips
Whenever it makes sense, business trips should be reduced. This can be done even without regard to a video conferencing system.

Resource Management

How we reduce the burden on the environment

7 Resource Management

7.1 Resource Management in the Product Area

What it means to us

Efficient and future-oriented handling of raw materials concerns various aspects of PALFINGER products.

Useful economic lives of products
A higher level of product quality can increase a product's useful life. This saves resources as the product can be used for a longer period of time. In addition, this is also a great economic advantage for the customer who is able to use the product longer. The longer life spans and the higher quality of our products therefore also guarantee that our customers are satisfied and loyal to PALFINGER for many years.

Avoiding hazardous substances
By avoiding the use of substances such as chlorine in cables or chrome VI in surface coatings we are proving our "fitness for the future" and show that we take our responsibility for the environment seriously. As many of the hazardous substances that we are no longer using will be subject to stricter legislation in the future, the gradual avoidance of hazardous substances on a voluntary basis will also result in economic advantages.

Additional principles that apply to resource management can also be found in the introduction to the chapters on environmental protection on p. 63f.

Looking back
- Cathodic dip painting (CDP) was used more frequently. This process extends the life spans of our products as the coating offers optimal protection against rust and chippings. With this anti-corrosion coating the products last for many years in spite of operational demands.
- More and more halogen-free cables were used.
- Eco-hydraulic oil was used increasingly for BISON access platforms.

Extending the useful lives of products
Why is cathodic dip painting (CDP) a substantial factor of resource management? With this electrochemical process, which subjects the unfinished products to several treatment steps and is finished off with a two-component topcoat, we achieve surface protection that matches the painting quality standards of the automobile construction industry. As a result, our products are perfectly protected against corrosion, which makes them much more resistant and durable. As a consequence, fewer new products are needed which, of course, saves resources.

Using CDP for different products to increase their useful lives
RAILWAY rail transport system solutions: A CDP base coat painting system for all steel components of this product category has contributed to extending product life spans and enhancing quality since 2006/2007.

PALGATE tail lifts: Since 2006/2007 CDP coating has been used for steel components and also for the protection cover of the hydraulic platform. As an additional anti-corrosion

measure, the ramp has been equipped with a cover, protecting it against damage when lowering the platform.

RATCLIFF tail lifts: Since 2006/2007 additional anti-corrosion measures have been taken. Instead of using iron phosphates, powder coating with zinc phosphate pigments is now applied, which increases resistance to corrosion.

Measures to avoid hazardous substances
RAILWAY rail transport system solutions: Since 2006/2007 exclusively halogen-free electrical cables have been used.

Second hand and recycling
PALFINGER products earn good prices in the second-hand market – another indicator that our products have the right useful lives and quality. We are not directly involved in the second-hand market but only provide an Internet-based platform for second-hand trading to our dealers. Used PALFINGER products are available through our network of dealers. Used BISON access platforms and CRAYLER transportable forklifts can also be found at our used equipment exchange. We are not directly involved in recycling either; this is taken care of by waste management companies in the respective countries. Steel, which is the main component of the PALFINGER products, is easy to recycle at the end of a product's lifecycle. What is becoming more and more of a challenge is the growing share of electronic components.

Use of eco-hydraulic oil
The Group-wide share of ecological hydraulic oil increased considerably during the past year. From an ecological point of view, eco-oil should be used instead of the conventional hydraulic oil as – in case it ends up in the environment – it is less problematic for the ground water. While in 2006 only 1.52 percent of the centrally purchased hydraulic oil belonged to this ecological category, in 2007 its share had risen to just under 6 percent.

One reason for this clear increase in ecological hydraulic oil in 2007 was the much higher output figures at BISON – and the fact that BISON itself started to increasingly use ecological oil!

In order to prevent any hydraulic oil – be it ecological or conventional – from being released, more and more cranes of up to 30 mt were equipped with enclosed hose guidance. This construction enables a compact design of the exhaust system and offers perfect protection of the tubes against damage.

Purchase volumes hydraulic oil	**2006**	**2007**
Conventional hydraulic oil	648 t	700 t
Ecological hydraulic oil	10 t	44 t
Total	**658 t**	**744 t**
Share of green oil in %	**1.52%**	**5.91%**

What we are planning to do

Extending product lives and enhancing product quality

RATCLIFF tail lifts
The anti-corrosion measures will be continued in 2008.

BISON access platforms
The introduction of the new TA series and the revamping of the existing TKA series is expected to result in an improvement of quality and consequently also an extension of product lives.

CRAYLER transportable forklifts
A series of anti-corrosion measures are on the agenda for 2008, including the increased use of stainless screws, improved protection against corrosion for certain sub-components, optimised electrical system of the engines, and improvements of the steering system.

EPSILON timber and recycling cranes
In 2008 a new crane series with additional quality enhancements (enclosed hoist guidance, additional device – EPSLINK, new sealing systems for the entire crane and bronze bearings instead of plastic bearings for extended product lives) will be introduced.

PALFINGER avoids hazardous substances.

Knuckle boom crane
The maintenance-free extension system ensures a smoother extension of the extension booms due to improved gliding and running qualities. In addition, no danger of environmental pollution in the workplace exists due to the use of bio-degradable grease for initial lubrication. As a result, annual average cost savings of EUR 1,250 are possible, as no lubrication costs accrue.

CRAYLER transportable forklifts
Our approach to resource management for 2008 will be to use ecological oil for all transport systems and/or chrome VI-free hydraulic tubing.

BISON access platforms
We have resolved to continue to increase the use of ecological oil in 2008.

Assessing whether the use of halogen-free cables can become a global PALFINGER standard.
The advantages and disadvantages of the area-wide use of halogen-free cables are to be evaluated by a team of experts. One factor will be whether local sourcing of the materials is feasible from an economic point of view.

PALFINGER products are to become chrome VI-free.
The aim is to determine the point in time when it will be possible to stop using chrome VI. In addition, it is to be identified in which cases chrome-nickel compounds can be replaced.

7.2 Resource Management in Production

What it means to us

Steel is the most important material used in the construction of our products. Therefore, steel purchase volumes and steel consumption are critical for our ecological footprint. It is of particular importance to optimise processing in order to minimise waste cuttings.

In the course of processes such as painting, electroplating, etc. hazardous waste is generated. Waste is also produced during the packaging process. We are intensively assessing measures for optimisation in these respects.

Water consumption is very high in places like the paint shop, washing plant, and electroplating shop. We are taking several measures to reduce this consumption, not only because it is a cost factor but also because in some regions water is scarce.

Emissions to the air are not an important issue at our sites.

Principles on resource management can also be found in the introduction to the chapters on environmental protection on p. 63f.

Looking back – steel consumption

- Waste cuttings were reduced at almost all sites, mainly due to new software solutions.
- However, as a consequence of the expansion of production and the enhancement of the value-added process the volume of scrap metal waste increased from 8,000 tonnes to 15,700 tonnes (between 2005 and 2007).

As a consequence of increased production activities, steel purchases rose from around 36,200 tonnes in 2005 to around 47,500 tonnes in 2007. Only one of our major suppliers provided us, at our request, with data on the recycling share of the purchased steel: VOEST reported a recycling share of 30 percent. A significant factor in purchasing is that we are increasingly buying higher-grade types of steel. Steel purchasing broken down by quality with a view to the impacts on product weights was previously discussed in **Chapter 6.1 Climate Protection as Applied to Products** (see p. 68).

The waste cutting share varies from site to site. It goes without saying that no waste cuttings are produced at assembly and administration sites. In general, it shows that in the past years results were improved at all sites where waste cuttings are an issue – except for Great Britain, where the share in 2007 was higher than in 2005. Improvements can be traced back, for instance, to the introduction of software applications to optimise waste cuttings at the various sites.

Measures taken to optimise waste cuttings volumes at our sites

Lengau (AT): A waste cuttings optimisation software was implemented.

Maribor (SLO): The formats of purchased steel plates were adjusted.

Cherven Brjag (BG): Bulgarian staff was trained as technicians and/or plant operators at Lengau (AT).

Tiffin (US): Under the heading of "value engineering" an engineer dealt primarily with waste cuttings optimisation on the basis of mounting drawings and parts lists.

Caxias do Sul (BR): New software calculated the optimal use of steel.

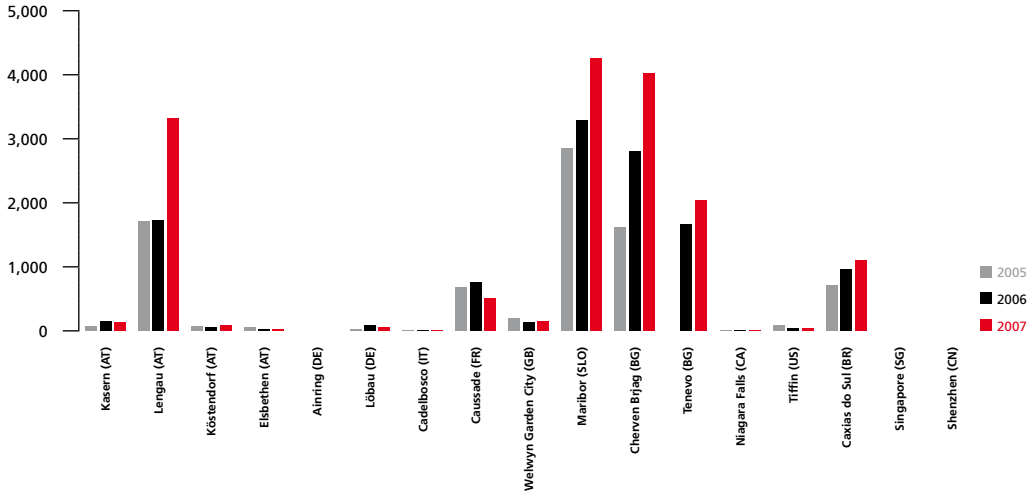
While waste cutting volumes were optimised at almost all sites, the scrap volumes increased strongly. In 2005 around 8,000 tonnes of scrap/discarded metal were produced, in 2007 the volume had risen to 15,705 tonnes. This was partly a result of production expansion and consolidation of the value-creation process. Another reason was the increase in scrap metal per tonne of purchased steel, which was passed on for recycling. This was caused by the fact that in 2005 the 3B-components for Guima were not yet manufactured at the plant in Cherven Brjag but purchased externally. Scrap volumes that used to be produced by suppliers are now mapped internally and impact results. The changes in value-creation processes also affected other sites, such as Lengau.

Waste cuttings broken down by site in %

(Discarded metal/scrap per purchased t of steel)	2005	2006	2007
Lengau (AT)	25.5%	25.4%	25.0%
Löbau (DE)	<3%	<3%	<3%
Caussade (FR)	n/a	27.0%	22.0%
Welwyn Garden City (GB)	33.0%	28.0%	38.0%
Maribor (SLO)	36.3%	35.4%	29.7%
Cherven Brjag (BG)	33.3%	n/a	31.3%
Tenevo (BG)	n/a	9.0%	8.8%
Tiffin (US)	2.0%	2.0%	2.0%
Caxias do Sul (BR)	16.0%	15.0%	12.0%

Discarded metal/scrap	2005	2006	2007
Waste in t	8,040	11,636	15,705
Waste per purchased t of steel in %	22%	31%	33%

Discarded metal/scrap per site in t



Looking back – hazardous and non-hazardous wastes

- In spite of a massive increase in production, hazardous waste volumes rose only slightly (between 2005 and 2007: + 14.2 percent).
- Non-hazardous waste volumes increased at the same rate as the expansion of production (between 2005 and 2007: + 32 percent).

The increase in hazardous waste between 2005 and 2007 was moderate, namely from 1,330 tonnes (2005) to 1,519 tonnes (2007). Non-hazardous waste volumes rose from 1,975 tonnes (2005) to 2,608 tonnes (2007).

The entirety of our waste is managed by authorised companies and, depending on the standards of the respective country, either recycled or disposed of professionally. All discarded metal waste and scrap is recycled. Disposing of hazardous waste is the responsibility of hazardous waste management companies. Hazardous waste is produced, for instance, at the paint shop. In Maribor (SLO) the waste is pumped from a tank directly into the tank truck. Then, a waste management company feeds the waste into an incinerator or a sewage treatment plant.

In Brazil, in accordance with national legislation, the hazardous waste is used for the processes of a concrete plant. In Tenevo waste management companies take care of the hazardous waste. However, no solution has been found yet for the disposal of electroplating sludge. Waste from electroplating processes is temporarily stored at the plant according to regulations.

The results of the measures taken to reduce hazardous waste, for instance in the production of BISON access platforms, are pleasing: Since the new paint shop started operations, only water-soluble paints have been used. In particular the cathodic dip painting system has positive effects on resource management at many sites. During this electrochemical process the material is coated in a dipping bath. This method is deemed environmentally friendly, as nowadays the main solvent used is water. The paint yield is as high as 98.5 percent, so that only 1.5 percent of the paint used is discharged.

In 2006 and 2007 we also took numerous measures to reduce packaging material.

Lengau (AT): Disposable packaging material used in hoisting drums and pin protection was replaced with reusable packaging material.

Elsbethen (AT): In 2007 suppliers started to deliver primary products exclusively on EPSILON standard palettes.

Caussade (FR): Wooden palettes were reused, in some cases the palettes were also returned to the suppliers. In recent years, waste separation has been encouraged.

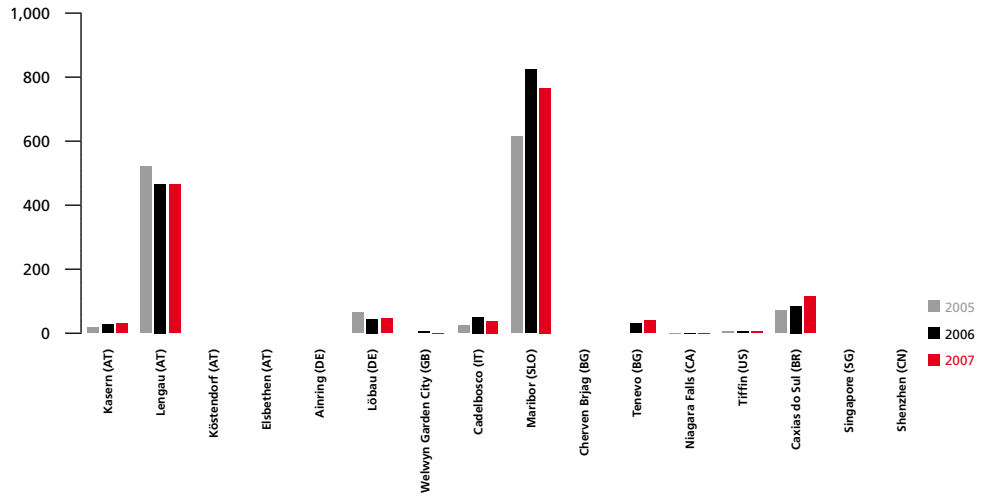
Maribor (SLO): Exclusively reusable packaging material was used for internal transports at the site.

Caxias do Sul (BR): The packaging of solvents was returned to suppliers.

We are not in a position to report the precise share of material for product packaging that our suppliers return to us.

Group	2005	2006	2007
Hazardous waste	1,330 t	1,551 t	1,519 t
Non-hazardous waste	1,975 t	2,252 t	2,608 t

Hazardous waste per site in t



Looking back – water and wastewater

- More efficient water use: In 2005 water consumption amounted to 1.94 m^3 per tonne of purchased steel. By 2007 the figure had gone down to 1.77 m^3.
- Strong reduction in the Group's water consumption, mainly due to measures taken in Caussade (FR) and Maribor (SLO)
- Leakage of 10 litres of hydraulic oil in Köstendorf (AT)

Between 2005 and 2007 water consumption rose by 19.8 percent. In figures: In 2005 water consumption amounted to 70,340 m^3, in 2007 to 84,260 m^3. That means that the growth rates were lower than the increase of production. In 2005 water consumption per purchased tonne of steel came to 1.94 m^3 in production areas. In 2006 there was a short temporary peak of 2.43 m^3 per tonne of steel. In 2007 water consumption per tonne was reduced to 1.77 m^3. This shows that water was used more efficiently in 2007 than in 2005. This improvement was mainly achieved by the measures taken in Maribor and Caussade. The reductions can be seen from the chart on water consumption per site.

The most water-consuming processes take place at the paint shop, the washing sites for cleaning the products and the vehicles, and the electroplating shop. This is followed by water consumption in the break rooms and sanitary facilities. The sites with the biggest water demand are Tenevo (BG), Maribor (SLO), Cherven Brjag (BG), Caxias do Sul (BR), and Lengau (AT). Caxias do Sul is located in a region where water shortages sometimes occur. At Caxias, most water is used up at the washing plant.

The amount of wastewater corresponds to the purchased volume of water. Wastewater from sanitary facilities and from the office building is, in most cases, released into the public wastewater system. In Tenevo it is fed into a separate ecological sewage treatment plant. In the US it is directly released into the environment in compliance with EPA (Environmental Protection Agency) regulations and with regular checks of wastewater quality levels.

In Lengau and Maribor, where a CDP system is used, wastewater from industrial processes is delivered to a wastewater treatment company authorised under the Waste Management Act. In Tenevo (BG) and in Caxias do Sul (BR), where a paint shop and a large washing plant are used, process wastewater is disposed of in an industrial water treatment plant. In the US the process wastewater (as well as the water from sanitary facilities and administration) is released into the environment directly from the washing plant – again, subject to regular EPA controls. At most sites, the process wastewater is fed into the public wastewater system. The biggest risk involved is that hydraulic oil might get into the wastewater. Oil separators are used to minimise that risk. In 2006 an incident occurred at the site in Köstendorf (AT), where around 10 litres of hydraulic oil leaked from the oil separator. The incident was reported without delay and the necessary steps were initiated. For instance, an electronic monitoring of the oil separator with SMS notification was implemented and written instructions on how to fence off the area around the oil separator were laid down. Apart from this incident, there were no spills of environmentally harmful substances.

Measures regarding water and wastewater taken in 2006 and 2007

Lengau (AT): Water-saving shower heads were installed in the shower facilities.

Caussade (FR): A water recycling system was installed at the wash-down places for vehicles and products.

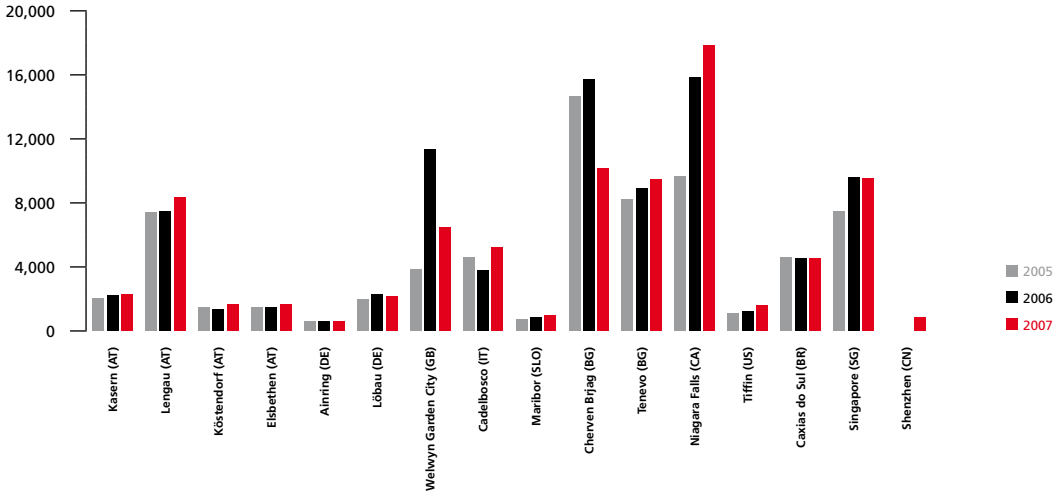
Welwyn Garden City (GB): In 2006 optimised cisterns, so-called "cistern misers", were installed into all water closets.

Maribor (SLO): At the paint shop, the additional installation and enhancement of the cascade piping resulted in a reduction in water consumption.

Caxias do Sul (BR): An internal campaign against wasteful treatment of water was launched. Water pipes were retrofitted with systems that remove air from the pipes. It is expected that water consumption will be lowered by 30 percent.

Water consumption in m³	2005	2006	2007
Total consumption	70,340	87,988	84,260
Water consumption per t of purchased steel	1.94	2.43	1.77

Total water consumption per site in m³



What we are planning to do

Optimisation of waste cuttings
Lengau (AT): A new boxing programme is to bring about optimisation.
Cherven Brjag (BG): New software will be introduced and optimised in cooperation with experts from Lengau.
Tenevo (BG): A waste cutting optimisation project will be launched.
Tiffin (US): Quality assurance will be improved and "value engineering" continued.
Caxias do Sul (BR): A new boxing system to optimise waste cuttings of steel plates.

Reduction of packaging material
Lengau (AT): The changeover from disposable to reusable packaging material is to be expanded to include non-slip mats.
Caussade (FR): The packaging material to be used by suppliers will be standardised. In general, the waste separation process at the plant will be improved.

Reduction of water consumption
Caussade (FR): Investments into a high-pressure cleaning system will be made.
Tenevo (BG): Elimination of the leakage in the public supply system.
Caxias do Sul (BR): Use of rain water cisterns.
Shenzhen (CN): The staff will be encouraged to turn off the taps more quickly if they are not using them.

Organisation of Sustainable Development

How our systems interact

8 Organisation of Sustainable Development

8.1 Major Corporate Processes

What it means to us

Strategic corporate planning (SCP) is the most important tool for determining medium to long-term corporate targets and/or for maintaining and expanding the Company's competitiveness. Rapid process, world class manufacturing, and lean management are other keywords used to describe primarily the manufacturing processes at PALFINGER.

Looking back

- Strategic corporate planning (SCP) adopted until 2011
- Corporate values were initiated, development within the framework of SCP

Operationalisation of sustainably profitable growth strategy

In August 2007 the Management Board adopted the strategic planning for the PALFINGER Group until the year 2011. PALFINGER continues to assume a continuous double-digit growth rate based on a mix of organic growth and acquisitions during the years to come. The Group's global presence in the areas outside Europe will continue to be expanded and market opportunities in Eastern Europe are to be exploited consistently. Investments in existing staff and the development of additional human resources are central factors for the successful implementation of this strategy.

Discussion on values at PALFINGER

PALFINGER values are not a rigid set of laws but rather a compass for conduct according to useful principles. In new, uncertain, and conflict-ridden situations this compass can help our staff make a decision as to what principles to base their actions on. But this compass may and should also be used to talk openly about PALFINGER values with colleagues and superiors if a certain behaviour or decision regarding the agreed values – entrepreneurship, respect, and learning – seems to be worthy of discussion. The PALFINGER values are brought to life if they are applied in practice in everyday business operations – and if observing them is a requirement.

We are growing on the basis of the following aspects

entrepreneurship	respect	learning
In particular, this means …		
passion for first class performance	partnership and fairness	quality through constant improvement
awareness of cost-benefit ratios	integrity and honesty	intercultural competence
courage to implement unusual ideas/opportunities	well-being and health	openness to change
acting pragmatically – using common sense	quality of interactions – dialogue/listening	balance between challenging and encouraging staff

Further important programmes launched by the Company
The largest investment programme in the history of the Company was started between 2006 and 2008. Around EUR 80 million were invested in capacity expansion measures in Austria, Bulgaria, Slovenia, Germany, and the US. Apart from increasing capacities, a huge step was also taken towards quality enhancement by automating the hexagonal tube manufacturing plant in Lengau. World class manufacturing and lean management were expanded to include all European manufacturing plants and have contributed to an optimisation of the manufacturing process. Global sourcing is becoming a more and more important keyword in purchasing. Only 5 to 10 years ago, sourcing was found primarily in Western Europe, but PALFINGER succeeded in expanding it globally, in particular during the past two years. Strategic Corporate Planning continued to be developed constantly and adjusted to new organisational structures such as, for instance, "independent units". Another great challenge during the years under review was the integration of the newly acquired companies BISON, RATCLIFF, and MBB. The most recent acquisition of WUMAG was carried out in 2008 but is still pending. It will be integrated into the PALFINGER family as soon as the positive decisions of the Austrian and German antitrust authorities have been received. Especially when times are good one tends to be wasteful and considerably less critical when it comes to costs – for this reason, we launched an overhead cost optimisation project in early 2008 to identify inefficiencies and as a result to save costs.

What we are planning to do

Integration of VENTURES segment into the Global PALFINGER Structure (GPS)
The VENTURES segment is designed to support strategic planning as well as M&A processes, new product segments and areas and put additional focus on building up strategic human resources under the U31 management trainee programme with a goal to being fit to cope with future demands.

Overhead cost optimisation (OCO) project
An overhead cost optimisation project has been set up to identify inefficiencies in the work environment and/or, in a further step, lead to sustainable cost savings, create transparency, and promote cost-conscious behaviour within the Company.

8.2 Sustainability Management

Our principles

Our management supports sustainability.
Environmental protection and social responsibility need commitment.
Management clearly stands behind the strategic anchoring of sustainability.

Looking back

- Regular management meetings on sustainability – management defined strategic direction for sustainability matters!
- 16 members of the project team, from different hierarchical levels, were divided into three teams: "staff", "environmental protection", and "fair economy".
- The teams discussed the status quo and defined principles and measures regarding PALFINGER's sustainability issues.
- Management adopted the first PALFINGER sustainability programme with a multitude of sustainability measures.

Structure of the sustainability process
Many topics relating to sustainable development have already been integrated into existing corporate processes. Corporate social responsibility (CSR) for our staff is a principle incorporated in all activities taken by our staff responsible for human resources. Making our products more ecological – for instance by reducing their weight – is a fixed component of our research and development. Environmental protection in production is the responsibility of our sites. Donations and sponsoring are tasks entrusted to our Corporate Marketing and Corporate Communications departments.

The PALFINGER sustainability process puts all these activities under one roof. The aim of the process is to draw attention to good measures for environmental protection, human resources, and society from various areas and sites so that they can serve as best practice examples within our Group. Existing good ideas are to be given impetus so that we implement them faster. Another purpose of the process is to provide us with entirely new impulses from ecological and societal trends. To this end, the following structures are made use of:

Our **sustainability team**, which is composed of three members, is at the core of the sustainability process. The team is headed by Ms. Daniela Werdecker, officer for CSR and sustainability. From a structural point of view, she belongs to the corporate communications team, which is responsible for putting the topic of sustainability on the Company's agenda in the course of its investor-relations activities.

Sustainable development is controlled at management level. Reports are submitted to the four **members of the PALFINGER Management Board** at regular intervals. The results obtained are submitted to the board members for discussion who also have to approve the further steps to be taken. In 2007 the Management Board met three times for workshops dedicated exclusively to sustainability matters. Additional meetings for 2008 have already been planned. In addition, sustainability issues such as value development are discussed at executive team meetings and, in the future, will also be introduced increasingly at site manager level.

The topics included in the sustainability process were prepared by three teams: the **"fair economy"**, **"human resources"**, and **"environmental protection"** teams. All of these teams were composed of members from different hierarchical levels. All in all, the teams have 17 members from the following departments:

Controlling, Communications, Marketing, Global Supplier Management, Global Product Management Cranes, R&D, Construction, Innovation Management, Environmental Management, Quality Management, Logistics, Service, and Human Resources. The works council member Johann Mair was part of the "human resources" team.

In addition, staff from various departments and sites were involved in the development of indicators and in the collection of data.

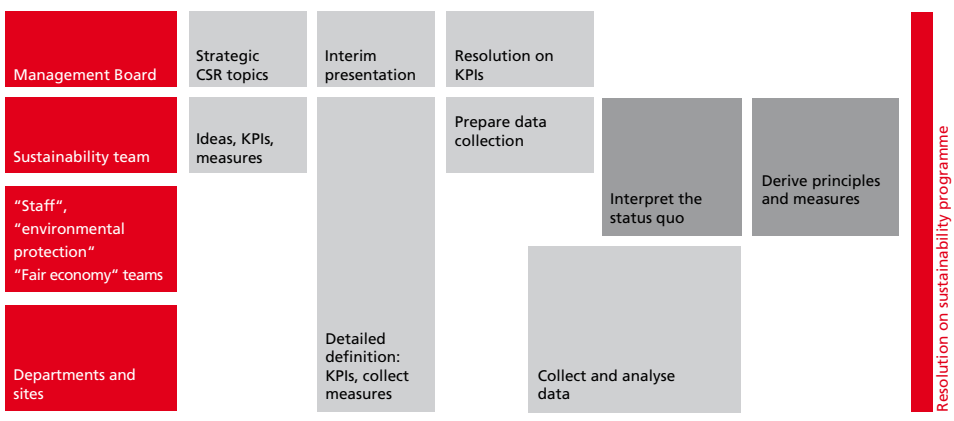
Sustainability process cycle
After publication of the Sustainability Report 2005, the most important strategic issues for our corporate social responsibility (CSR) were identified in cooperation with the members of the Management Board, applying the following two criteria: their significance for our Company's fitness for the future and the scope of their impact on society, staff, and the environment. The result of the evaluation is presented in the introduction to this report, in the **Chapter Sustainability at PALFINGER,** see p.8.

Later, key performance indicators were defined for each of the strategic CSR topics and the first potential measures were derived. The indicators were enhanced and defined more precisely in cooperation with representatives from various departments. Then data collection was prepared and a questionnaire was developed to obtain information that was not available at the headquarters. The data were then collected and analysed by the sustainability team. Graphs were drawn in order to present the developments over time and to be able to derive possible trends. The results were presented to the "staff", "environmental protection", and "fair economy" teams. At a first meeting, the members of these teams discussed the status quo including all strengths, weaknesses, chances, and risks. They also verified the plausibility of the data – and checked the sources of implausible data. In some cases it showed that a sustainability indicator system takes some time to mature. At the second meeting, the teams defined principles on the CSR topics and developed a set of measures with the aim of advancing PALFINGER's sustainable development.

Representatives of the teams presented the principles and measures to the members of the Management Board in a joint workshop, which was once again followed by critical discussions. The result of this workshop was our PALFINGER sustainability programme. It is composed of fundamentals and principles presented as an introduction to the chapters of this report and also of planned measures which, at the end of each chapter, provide an outlook to our CSR agenda for the next two years.

2008 and 2009 will be characterised by the implementation of the programme. In addition, we will refine the system of sustainability key performance indicators.

PALFINGER sustainability process 2006/2007



What we are planning to do

The PALFINGER sustainability programme will be presented to the owners.
To enable management to communicate a clear commitment to the position of PALFINGER the sustainability programme will be presented to the owners.

Putting the topic on the agenda of the site manager conference
Eco-efficiency is to become a topic on the agenda of the site manager conference.

Further development of the system of sustainability key performance indicators
The aim of further development of the Group-wide system of key performance indicators on environmental and human resources data is to increase the data's informative value

8.3 Management Systems

Our principles

Environmental protection needs to be given the right priority and personnel resources.

Improve environmental and safety management
Management systems create the preconditions for reliable improvement of environmental protection and employee safety. Furthermore, compliance with all laws and conditions imposed is guaranteed and costs are reduced. Environmental and safety management is to be improved – to this end external certification may be applied for, but is not necessarily required. At the moment, our first priority is to introduce global minimum standards.

Looking back
- Quality management established at almost all production sites
- Quality of welding processes certified at most of the sites
- Environmental and safety management system in Lengau (AT) was just a precursor – expansion to other sites is being assessed
- Compliance with environmental standards at all sites in 2006 and 2007

Certified management systems
The predominant part of our production sites are certified under the ISO 9001 quality management standard. In 2006 the site in Elsbethen (AT) was quality certified for the first time. In Tenevo (BG) there are plans to introduce certified quality management. The quality of the welding seams is of special importance for our products. Most of the sites where welding is an important part of production therefore obtained a quality certificate for this special process. In 2008 the quality certificate for welding processes at the Maribor site will be reassessed. In addition, special national welding certificates were awarded in Welwyn Garden City (GB), Tiffin (US), Caxias do Sul (BR), and Shenzhen (CN), but these certificates are issued in the names of the persons carrying out and/or in charge of welding activities and not directly in the name of the Company.

Environmental and safety aspects have already become important components of comprehensive quality management under ISO 9001. On top of this, our site in Lengau (AT) also set up a special safety management system under OHSAS 18001 as well as an

environmental management system under ISO 14001 and EMAS, the European Eco-Management and Audit Scheme. At the moment it is being evaluated whether Köstendorf (AT) and Caussade (FR) should also introduce certified environmental management systems. In addition, the introduction of a safety management system certified under OHSAS 18001 at Köstendorf is being considered.

An overview on the environmental management systems installed by our main suppliers can be found in **Chapter 1.4 Purchasing,** on page 23. The following table shows the certifications awarded to our sites.

Site and/or registered offices of the companies	ISO 9001	ISO 14001	OHSAS 18001	Welding approval EN729	Welding approval GL
AG – Kasern (AT) *	■			■	■
PSB – Lengau (AT) *	■	■	■	■	■
PEU – Köstendorf (AT) *	■	■	■	■	■
Elsbethen (AT)	■	-	-	■	■
Ainring (DE)	■	-	-	■	■
Löbau (DE)	■	-	-	■	■
Cadelbosco (IT)	■	-	-	■	■
Caussade (FR)	■	■	-	-	-
Welwyn Garden City (GB)	■	-	-	BS 4872 issued to individual regarding 9001	
Maribor (SLO)	■	-	-	■	■
Cherven Brjag (BG)	■	-	-	■	■
Tenevo (BG)	■	-	-	-	■
Niagara Falls (CA)			-		
Tiffin (US)				ASTM A36 (2005) and A514 T1 (2007) ANSI/AWS D1.1 compliant (issued to individual)	
Caxias do Sul (BR)		-		only QM manager	
Singapore (SG)		-		■	■
Shenzhen (CN)		-		EN 287-1	issued to individual

* Certification valid for sites with production processes, i.e. sites that are part of the PALFINGER company "PALFINGER Europe GmbH".

■ Existing certified management system

■ Introduction is considered

■ No certification as no welding processes included in production

Risk management

At PALFINGER risk management is regarded as a permanent process consisting of the process steps of identification, evaluation, and control. The Corporate Risk Management department reports directly to the Management Board and is in charge of ensuring Group-wide uniform procedures. Dealing with this topic in a structured manner creates risk-transparent bases for decisions and, by introducing proactive controlling measures, also generates a competitive edge over competitors.

Identification – It is the task of the local management teams to carry out, in periodical intervals, an analysis of the value-creation processes and supporting processes at the local entities with a view to potential risks.

Evaluation – The identified risks are then compared against each other with a view to their possible impacts on the result (damage) and their probability of occurrence.

Control – Those risks that are found to be material are analysed as to their current status. The aim is to define measures to optimise the risk situation.

At Group level, these analyses are consolidated periodically and the necessary reports for the annual report are prepared. In the years to come, measures to further develop this system will be implemented. The current risk report is included in the Annual Report 2007 on pages 43 to 45.

Compliance with environmental laws and regulations
In the years 2006 and 2007 no court or administrative proceedings on grounds of violations of environmental laws and regulations were pending. No penalties for such violations had to be paid. In Tiffin (US) compliance with the requirements of the Environmental Protection Agency was monitored and reviewed by an independent licensed organisation. In Caussade (FR) compliance with environmental standards will be reviewed with a view to a possible extension of the plant approvals in 2008. In the period under review, no legal actions were brought against PALFINGER on grounds of anti-competitive behaviour, cartelisation, or the formation of monopolies. No fines had to be paid for violations of legal provisions in connection with the use of our products. There were no incidents of non-compliance with legal provisions and voluntary rules of conduct relating to health and safety impacts caused by our products.

What we are planning to do

Environmental protection officers at all sites
An environmental protection officer is to be appointed at each site (e.g. the environment as an additional responsibility of safety specialists).

Certifications
Evaluation whether an environmental management system certified under ISO 14001 should be introduced at the sites in Köstendorf (AT) and Caussade (FR).
Evaluation whether a safety management system certified under OHSAS 18001 should be introduced at the site in Köstendorf (AT).
Evaluation whether a quality management system certified under ISO 9001 should be introduced at the site in Tenevo (BG).

8.4 Stakeholder Relations Management

What it means to us

Stakeholders are all those persons who are affected by the activities of our Company in one way or the other or whose decisions impact PALFINGER. Balancing conflicts of interests is one of the most important challenges in the field of sustainable development.

The individual groups of stakeholders that are relevant for our decisions and the way we communicate with them in order to safeguard their interests are described in the following.

Shareholders
The PALFINGER Group has established a solid equity basis and is developing into a globally networked group. Long-term orientation includes predictable transaction volumes and returns. With a shareholding of around 65 percent the Palfinger family is the principal owner of the stock-exchange listed company, around 34 percent of the shares are in free float. In spite of the Company's size and its growing internationalisation over the past years, PALFINGER is still and will remain a family business in which entrepreneurship, innovative power, and respect towards other people play a crucial role.

Shareholders can communicate with us via the Corporate Communications department on the occasion of international road shows, investors' meetings, investors' fairs in Vienna and Stuttgart, or in personal meetings. In addition, an Annual General Meeting is held each year at the headquarters of PALFINGER AG in Salzburg, Austria, where our products are presented at the Company's Demo Centre.

Staff
As PALFINGER recognised at an early stage that the productivity and creativity of its staff provide an important competitive advantage for us, the Group is interested in establishing sustainable, long-term relationships and thus offers very good career opportunities. In this context, sustainability also means that the various workplaces meet the respective national safety and health protection requirements and that our employees have the opportunity to participate in the Company's success.

Regular communication with our employees takes place using various media, in the form of staff appraisals and management-by-objectives meetings (MbO), employee suggestion system, and the PALfit framework programme. Another important element to obtain an overview of the needs of the people working in our Company is a staff survey that is carried out twice a year. Detailed information on the current staff survey is provided in the introduction to **Chapter 3 Health and Safety**, p. 42.

Customers
PALFINGER has established a global network of resellers and service partners, which is characterised by highly trained experts, financial strength, and a high market penetration rate. This network of partners represents the main clientele of the PALFINGER Group.

In order to react precisely to the demands and problems of our customers, we carry out a dealer survey every second year. In the course of this survey, we take a look at the satisfaction of our dealers with different aspects of our Company such as, for instance, distribution, marketing, shipping, and also with the various PALFINGER products such as KNUCKLE BOOM CRANE, CRAYLER, or PALIFT. Based on the results of this survey we derive targeted measures with the aim of increasing dealer satisfaction.

End users
We pay special attention to those people who are end users of PALFINGER products – from roofers, forestry workers, supermarket suppliers up to people with special needs who are able to access means of public transport thanks to our passenger lifts.

Most contacts with the end users take place via our global network of dealers. In order to be able to get to know and understand the needs of the end users better, we also carry out direct end-customer surveys.

In the knuckle boom crane area we carry out a survey on customer satisfaction every second year. We then discuss the results both internally and together with our dealers.

Our aim is to take measures that contribute to increasing the satisfaction of our end customers.

Suppliers and partners
By maintaining close partnerships with our suppliers, we actively integrate them in the continuous process of improvement. They contribute considerably to the quality of our products and services and also to our competitiveness.

In their daily activities, the employees of the Global Strategic Purchasing department are aware of the importance of strategic suppliers as an entrepreneurial success factor and they take this fact into consideration by actively offering supplier services. All supplier relations must be based on the following: maintaining fairness in supplier-customer dealings, safeguarding mutual interests, observing joint delivery agreements, actively providing information, maintaining confidentiality when handling sensitive data, and preventing personal conflicts of interest.

Regular supplier audits and evaluations ensure a sustainable and constant quality of supplier relations. The results are presented to the suppliers personally and the risks identified are discussed. Afterwards suppliers are given sufficient time and support for sustainable optimisation by exploiting the potential identified.

To improve supplier involvement even more, an international suppliers' meeting is organised every two years (the last one was in September 2007). On this occasion, the current situation of PALFINGER as well as planned developments are presented to the suppliers. An important part of each suppliers' meeting is presenting the "Supplier of the Year" awards for the categories "quality", "innovation", "delivery reliability", and "partnership".

Local surroundings
For the society surrounding us, we want to be a reliable partner that stands out because of its responsible actions and as an attractive employer. With our business activities and our targeted commitment to social and cultural matters we make a sustainable contribution to the development of society.

What we are planning to do

A dialogue with stakeholders will be started after publication of the Sustainability Report.

Annex

Annex

9.1 Sustainability Programme

The following table provides you with an overview of all measures we intend to take regarding the individual sustainability matters. Taken together, they form our sustainability programme for the next two years. Progress in implementing these measures will be published in the next Sustainability Report. A detailed description of the individual measures can be found at the end of the respective chapters.

The objectives within the Group have been laid down in quantitative terms for the individual sites with value creation. Due to the strong regional differences between Western and Eastern Europe, South America, and other regions it did not prove expedient to determine a uniform Group-wide target. The sustainability programme provides the uniform introduction of sustainability indicators at all sites (labour turnover, education and further training, temporary workers, waste cuttings, PALfit, energy consumption, water consumption, serious accidents) regarding all major KPIs.

Measure	Described in Chapter
Fair Economy	
Fluctuation KPI: introduction of uniform indicators at all sites	Chapter 1.2
Give more help in case of personal hardship: Global, structured programme of assistance in social hardship cases	Chapter 1.3
Organisational support for company pension scheme	Chapter 1.3
Preparing a PALFINGER Code of Ethics for suppliers	Chapter 1.4
Incorporating ecological and social issues in our audit of suppliers	Chapter 1.4
Preparing principles on the acceptance of gifts	Chapter 1.5
Reviewing the Group-wide anti-corruption principles of the Caxias do Sul site (Brazil)	Chapter 1.5
Establishing an integrity hotline	Chapter 1.5
Promoting local employment contracts for expatriates	Chapter 1.6
PALFINGER donation policy: focus of charitable activities will be defined	Chapter 1.7
Framework conditions for donations laid down for site managers: Budget for donations will be given to site managers	Chapter 1.7
PALFINGER regional fund: start of the pilot project	Chapter 1.7
Eco-social trends are to play a larger part in the innovation process.	Chapter 2.1
Satisfaction surveys based on the importance-performance approach	Chapter 2.1
Incorporate eco-social trends in corporate strategic planning	Chapter 2.2
Our Focus is on People	
Customer safety: Various measures to increase product safety at PALFINGER cranes, BISON access platforms, EPSILON timber and recycling cranes, PALIFT container handling systems, and RAILWAY rail transport system solutions	Chapter 3.1
Avoiding excessive workloads of staff by means of joint absence management	Chapter 3.2
Expansion of PALfit with a focus on Eastern Europe	Chapter 3.2
Looking into assistance services for personal problems as a further expansion stage of PALfit	Chapter 3.2
Definition of a quantitative target for further training at sites	Chapter 4
Improvement of equal treatment of permanent staff and temporary workers worldwide	Chapter 5.1
Retirement scenarios at the sites	Chapter 5.2
Initiation of a 50+ management project	Chapter 5.2
Increasing the percentage of women	Chapter 5.3
Worldwide screening to identify job opportunities for staff with disabilities	Chapter 5.4
Environmental Protection	
Stronger incorporation of ecological aspects in our company standards	Chapter 6
Underlining the benefits of ecologically sound products for our customers	Chapter 6
Development of area-wide and Group-wide environmental standards	Chapter 6
Eco-efficiency awareness campaign	Chapter 6
Project Carbon Footprint: Logistic advantages of light-weight PALFINGER products	Chapter 6.1
RATCLIFF tail lifts: A stronger focus on aluminium will be continued	Chapter 6.1
PALIFT container handling systems: Continued used of higher-grade types of steel for new products	Chapter 6.1
Revision of the use of heat recovery	Chapter 6.2
Various measures to reduce heat energy consumption at sites	Chapter 6.2
Various measures to reduce electricity consumption at sites	Chapter 6.2
Optimisation/reduction of fuel consumption at sites	Chapter 6.2
CO_2 assessment prior to new value-creation and site decisions	Chapter 6.3
Cutting down on business trips	Chapter 6.3
Various measures to extend product lives and enhance the quality of PALFINGER products	Chapter 7.1
Various measures to avoid hazardous substances in PALFINGER products	Chapter 7.1
Assessing whether the use of halogen-free cables can become a global PALFINGER standard	Chapter 7.1
Determining when PALFINGER products could be chrome-VI-free	Chapter 7.1
Various optimisation measures regarding waste cuttings at sites in Lengau (AT), Cherven Brjag (BG), Tenevo (BG), Tiffin (US), and Caxias do Sul (BR)	Chapter 7.2
Various measures to reduce packaging material at sites in Lengau (AT) and Caussade (FR)	Chapter 7.2
Various measures to reduce water consumption at sites in Caussade (FR), Tenevo (BG), Niagara Falls (CA), Caxias do Sul (BR), and Shenzhen (CN)	Chapter 7.2

Organisation of Sustainable Development	
Integration of VENTURES segment into the Global PALFINGER Structure (GPS)	Chapter 8.1
Overhead cost project (OCO)	Chapter 8.1
Presentation of the PALFINGER sustainability programme to the Company's owners	Chapter 8.2
Eco-efficiency as a topic of the site manager conference	Chapter 8.2
Further development of the system of sustainability key performance indicators	Chapter 8.2
Environmental protection officers at all sites	Chapter 8.3
Evaluation whether an environmental management system under ISO 14001 should be introduced at the sites in Köstendorf (AT) and Caussade (FR)	Chapter 8.3
Evaluation whether a safety management system under OHSAS 18001 should be introduced at the site in Köstendorf (AT)	Chapter 8.3
Evaluation whether a quality management system under ISO 9001 should be introduced at the site in Tenevo (BG)	Chapter 8.3
Implementation of a dialogue with stakeholders on the topic of sustainability at PALFINGER	Chapter 8.4

9.2 Index for the Global Reporting Initiative

No.	General performance indicators	Chapter	Notes
1.1	Statement from the most senior decision-maker of the organisation	Foreword by the CEO	
1.2	Description of key impacts, risks, and opportunities	Sustainability at PALFINGER	
2.1 – 2.9	Organisational profile	PALFINGER AG, 8.3, and cover flap	
3.1 – 3.11	Report parameters (except for 3.4 and 3.5)	9.2.1 and Data Annex	
3.4	Contact point for questions	Imprint	
3.5	Process for defining report content	Sustainability at PALFINGER and 8.3	
3.13	External assurance	9.3	
4.1 – 4.13	Corporate governance (except for 4.6, 4.7, 4.8, and 4.9)	PALFINGER AG and 8.3	Re. 4.4. see also measure indicated in Chapter 8.2
4.6	Avoidance of conflicts of interest	8.4	
4.7	Qualifications and expertise of the highest management levels	8.2	
4.8	Internal code of conduct	Sustainability at PALFINGER, 8.1 and 8.2	
4.9	Procedures of the highest governance body for overseeing sustainable development measures	8.2	
4.11	Precautionary approach	8.3	
4.12	Externally developed principles	8.3	
4.14 – 4.17	Stakeholder groups engaged by the organisation		Information on 4.17 will be provided in the next Sustainability Report on the basis of the measure "dialogue with stakeholders".
Economic performance indicators			
EC1	Direct economic value generated and distributed	1.1	
EC2	Financial implications of climate change	6 – 6.3	
EC3	Company's benefit plan obligations	1.3	One of the planned measures refers to organisational support of the works council in offering company pension schemes.
EC4	Significant government assistance	1.1	
EC6	Relations with locally based suppliers	1.4	
EC7	Local hiring	5	
EC8	Impact of infrastructure investments		Not existing at PALFINGER in a noteworthy extent.
Ecological performance indicators			
EN1	Materials used	Steel purchases in Data Annex for 6.1	
EN2	Percentage of recycled materials	7.2	
EN3, EN4	Direct and indirect energy consumption	6.2 and 6.3	
EN6	Initiatives regarding renewable energy sources and energy efficiency	6.1	
EN8	Total water withdrawal	7.2	
EN11, EN12	Protected areas, biodiversity		PALFINGER causes no noteworthy effects on protected areas and biodiversity.
EN16	Direct and indirect greenhouse gas emissions	7.2 and 7.3	
EN17	Other relevant greenhouse gas emissions		Not of relevance, as no noteworthy emissions of that type
EN18	Initiatives to reduce greenhouse gas emissions	7	
EN19	Emissions of ozone-depleting substances		Not of relevance, as no noteworthy emissions of that type
EN20	NOx, SOx, and other significant air emissions		Not of relevance, as no noteworthy emissions of that type
EN21	Total water discharge	7.2	
EN22	Total weight of waste	7.2	
EN23	Significant spills	7.2	

EN26	Initiatives to mitigate environmental impacts of products / services	6.1 and 7.1	
EN27	Reclaimed packaging material	7.2	General initiatives to reduce packaging waste are described. These refer primarily to packaging material of suppliers.
EN28	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations	8.3	
EN29	Environmental impacts of transport	6.3	
Social performance indicators			
LA1	Workforce by employment type and region	1.2	
LA2	Employment turnover	1.2	A presentation broken down by age and gender is being prepared. First surveys show that no noteworthy correlation exists between gender/ age and labour turnover.
LA3	Benefits provided to full-time employees	1.3	
LA4	Employees covered by collective bargaining agreements	1.2	
LA5	Notice periods regarding significant changes	1.2	
LA7	Rates in injury, lost days, work-related fatalities	3.2	An analysis broken down by occupational disease is currently not provided for in the reporting system. As the industrial accidents are recorded on the basis of national definitions, no comparisons are possible. A reporting system which includes all serious accidents in a Group-wide uniform manner is being developed.
LA8	Training sessions on serious diseases	3.2	Presented under the PALfit health programme
LA10	Training sessions for employees	4	
LA13	Composition of governance bodies	5.2 und 5.3	No data for staff broken down by affiliation to minorities are available.
LA14	Ratio of basic salary of men to women	5.4	
HR1	Investment agreements that include human rights clauses	1.4	
HR2	Suppliers and contractors that have undergone screening on human rights	1.4	
HR4	Incidents of discrimination	5	
HR5	Risk of violating the right to exercise freedom of association	1.2	
HR6 und HR7	Risk of child labour, risk of forced and compulsory labour	1.4	
SO1	Assessment of impacts of operations on communities	1	Chapter 1 describes how PALFINGER contributes to regional developments and how it even wants to improve its influence. This topic is dealt with in detail in the Sustainability Report 2005, p.56f
SO2	Analysis of risks related to corruption	1.5	
SO3	Anti-corruption training	1.5	
SO4	Anti-corruption actions	1.5	
SO5	Public policy positions / lobbying		At the moment no noteworthy lobbying is pursued.
SO8	Fines and sanctions for non-compliance with laws and regulations	8.3	
PR1	Product safety	3.1	
PR3, 4	Product information on sustainability aspects and total number of incidents	3.1	
PR5	Customer satisfaction	2.1	
PR6	Programmes for adhering to laws and standards related to advertising		Not of relevance for PALFINGER
PR9	Fines for non-compliance with laws and regulations on the use of products	8.3	

Reporting profile and limits

The period under review comprises information on the two calendar years 2006 and 2007. The current report is therefore also based on the previous Sustainability Report that was prepared for the year 2005. We are planning to continue publishing sustainability reports in two-year intervals in the future. The target groups for these reports are all stakeholders, and our sustainability team has determined that it is primarily addressed to our staff, investors, and customers.

The presentations contained in this Sustainability Report comprise all fully consolidated companies of PALFINGER AG as of December 2007. In addition, data from STEPA Farmkran Gesellschaft m.b.H. at the production site in Elsbethen (AT), in which PALFINGER Service- und Beteiligungs-GmbH holds a 45 percent interest, have been included. That means that all large production sites where PALFINGER exercises a dominant influence are covered by this Report.

This is an improvement as compared to the Sustainability Report 2005, which did not include the site in Elsbethen (AT). Detailed information on the database of this Report – data collection methods, bases for calculations and changes, if any, as compared to the Sustainability Report 2005 – can be found in the notes in the Data Annex.

The Report comprises data on the following PALFINGER sites: Kasern (AT), Lengau (AT), Köstendorf (AT), Elsbethen (AT), Ainring (DE), Löbau (DE), Cadelbosco di Sopra (IT), Caussade (FR), Welwyn Garden City (GB), Maribor (SLO), Cherven Brjag (BG), Tenevo (BG), Caxias do Sul (BR), Tiffin (US), Niagara Falls (CA), Shenzhen (CN), and Singapore (SG). The last two sites were newly founded and therefore not yet included in the 2005 Report. In particular in the case of staff-related data, the Austrian employees are not broken down by site but divided according to affiliation to the different companies: AG (AT), PEU (AT), PSB (AT).

9.3 Audit Opinion and Certificate

ETA Umweltmanagement GmbH, Sustainability Auditors, were mandated to

- evaluate the Sustainability Report 2007 of PALFINGER AG with regard to the underlying data, systems, and procedures,
- check whether the published data are correct and provide a comprehensive view of the achievements of PALFINGER AG,
- critically assess the scope, fairness, and interpretation of the description provided,
- issue an audit certificate for the Sustainability Report.

We performed our audit on the basis of the evolving standards for the auditing of sustainability reports. These include the AA1000 Assurance Standard (AA1000), published by Accountability, the Guideline of the European Federation of Accountants (FEE) "Providing Assurance on Sustainability Reports", and the criteria of the Global Reporting Initiative (GRI application levels for version G3).

Our audit included

- enquiries among the persons responsible for the data and other information contained in the Sustainability Report as well as sample checks of the underlying management systems and procedures,
- an evaluation of the correct, balanced and consistent representation of the social and environmentally relevant sustainability aspects and data,
- an analysis of the systems used for data collection and for the interpretation of the economic, social and environmental performance parameters.

In our opinion, the data and information presented are comprehensive, balanced and appropriate as regards the ecological, social and economic aspects of sustainability; they do not in any way contradict other data, information and evidence provided by the Company. Detailed recommendations regarding the further development of the Sustainability Report were communicated to the management in an internal report.

The Sustainability Report corresponds to application level A+ of GRI, version G3.

Dr. Christine Jasch
Chief Sustainability Auditor,
Chartered Accountant

Dr. Stefan Gara
Chief Sustainability Auditor
Managing Director

Mandated as independent audit organisation:

ETA Umweltmanagement GmbH
Sustainability Auditors
A-1030 Vienna, Mohsgasse 32/40
Phone: +43-1-5037208-0
office@eta.at / www.eta.at

ETA is an organisational stakeholder (OS) of the Global Reporting Initiative (GRI) and supports the GRI mission.

9.4 Data Annex

Data Annex for Chapter 1.1 Distribution of Value Creation

TEUR	2005	2006	2007
Income (direct economic value generated)	**521,473**	**587,324**	**700,597**
Monetary flows to stakeholders (distributed economic value)			
Suppliers (operating costs)	350,212	384,622	450,316
Personnel (wages and salaries)	106,351	122,887	141,183
Investors (dividend, incl. interest expense)	12,950	19,420	23,733
Public authorities (taxes)	18,178	19,639 *	25,715 *
Donations and sponsorships	188	299	512
Economic value retained	**33,781**	**40,757**	**59,651**

* From 2006 onwards, minus significant contributions from public authorities (e.g. subsidies).
The significant contributions from public authorities amounted to TEUR 2,434 in 2006 and TEUR 2,202 in 2007.

Income (direct economic value generated) is composed of revenue, income from other services, income from the disposal of assets, rental income, interest income (credit institutions), interest income (finance lease).

Operating costs include cost of materials and external services, other operating expenses (excluding taxes other than those on income), and trade payables from the previous year. Trade payables from the current year are deducted. In the Sustainability Report 2005 exclusively cost of material and external services was reported. Personnel costs are composed of wages and salaries plus expenses for severance payments, pension expenses, expenses for statutory and other social security contributions. Payments to investors include dividends distributed to investors, interest expense (credit institutions), interest expense (finance lease). Interest expense was not yet reported in the Sustainability Report 2005. Erratum: The figure provided in the 2005 Report for the dividend distributed in 2005 (TEUR 15,862) actually referred to the dividend distributed in 2006. The dividend reported for 2004 (TEUR 9,689) corresponded to the actual dividend distributed for 2005, the dividend for 2004 amounted to TEUR 8,618.

Payments to public authorities contain tax expense (income tax) and taxes other than those on income (real estate tax, etc.). From 2006 onwards the total has been presented minus subsidies, which are received directly by individual larger production and assembly sites.

In the Sustainability Report 2005 only income tax was reported. Donations are voluntary social contributions to society, either in the form of money or donations in kind. Sponsorship refers to financial support of sports, cultural events, organisations for the public welfare (fire brigade, police, Austrian armed forces) which entails a communicative benefit for PALFINGER. Sponsorship does not cover advertising expenses (promotion material, catering, etc.).

Data Annex for Chapter 1.2 Development of Employment

The reporting date for all staff-related data was 31 December 2007.
The data were extrapolated to full-time employees.

Development of employment – Group (incl. temporary workers)	2005	2006	2007
PALFINGER staff	3,326	3,622	4,185
Temporary workers	239	236	294
Total head count (incl. temporary workers)	**3,565**	**3,858**	**4,479**
Share of temporary workers in total head count in %	6.7%	6.1%	6.6%

Employment trend broken down by region (incl. temporary workers)		2005	2006	2007
	PALFINGER staff	1,740	1,806	1,946
Western Europe:	Temporary workers	90	166	194
	Total	**1,830**	**1,972**	**2,140**
	PALFINGER staff	1,111	1,255	1,492
Eastern Europe:	Temporary workers	61	65	90
	Total	**1,172**	**1,320**	**1,582**
	PALFINGER staff	129	158	150
North America:	Temporary workers	0	0	0
	Total	**129**	**158**	**150**
	PALFINGER staff	385	391	461
South America:	Temporary workers	1	3	0
	Total	**386**	**394**	**461**
	PALFINGER staff	n/a	14	24
Asia:	Temporary workers	0	0	0
	Total	**0**	**14**	**24**

The sum total of the data reported for the regions deviates slightly from the total number of employees. The chart includes all Austrian staff as well as the staff of all international assembly and manufacturing sites. Data from smaller distribution sites were not taken into consideration.

Types of employment	2005	2006	2007
Share of fixed-term employees in the total workforce	0.60%	0.92%	0.81%
Number of permanent staff		3,555	4,003
Number of fixed-term employees or temporary workers	20	33	33
Share part-time employees in the total workforce in %	n/a	2.01%	1.86%
Number of part-time employees (extrapolated to full-time employees)	n/a	73	76

The quality of the data on fixed-term and permanent employment is somewhat faulty – this shows up in the fact that the sum total of employees does not exactly correspond to the head counts. However, data quality improved between 2005 and 2007. In 2007 all data on fixed-term and/or permanent employments regarding the individual sites corresponded to the sum totals. Due to poor data quality, no figures on part-time employees in 2005 were presented.

Labour turnover (including all employees leaving the Company)

Number of staff leaving the Company	2006	2007
AG – Kasern (AT)	0	3
PEU – Kasern, Lengau, Köstendorf (AT)	20	41
PSB – Lengau, Köstendorf (AT)	11	28
Elsbethen (AT)	1	6
Ainring (DE)	11	5
Löbau (DE)	5	4
Cadelbosco (IT)	3	5
Caussade (FR)	22	19
Welwyn Garden City (GB)	37	25
Maribor (SLO)	38	62
Cherven Brjag (BG)	72	94
Tenevo (BG)	63	74
Niagara Falls (CA)	20	14
Tiffin (US)	14	17
Caxias do Sul (BR)	99	111
Singapore (SG)	0	5
Shenzhen (CN)	0	6

At PALFINGER labour turnover is defined as the sum total of the termination of all employment contracts and all dismissals. In accordance with the definition of the GRI the table includes the entire labour turnover (terminations, dismissals, retirements, etc.). As the reporting system was still being developed due to PALFINGER's dynamic growth, the data for 2005 are not included due to the poor data quality.

Works council (WC)	Works council (WC) Option	WC elected by the staff
Kasern (AT)	Yes	Yes
Lengau (AT)	Yes	Yes
Köstendorf (AT)	Yes	Yes
Elsbethen (AT)	Yes	No
Ainring (DE)	Yes	Yes
Löbau (DE)	Yes	No
Cadelbosco (IT)	Yes	Yes
Caussade (FR)	Yes	Yes
Welwyn Garden City (GB)	Yes	No
Maribor (SLO)	Yes	Yes
Cherven Brjag (BG)	Yes	No
Tenevo (BG)	Yes	No
Niagara Falls (CA)	Yes	No
Tiffin (US)	Yes	No
Caxias do Sul (BR)	Yes	Yes
Singapore (SG)	No	-
Shenzhen (CN)	No	-

Data Annex for Chapter 1.3 Financial Security of Employees

Total expenses for wages and salaries broken down by site in TEUR	**2006**	**2007**
Austria (AT)	61,937	72,410
France (FR)	13,184	13,870
Germany (DE)	10,923	11,826
Slovenia (SLO)	7,835	9,346
Brazil (BR)	6,625	8,192
Great Britain (GB)	8,070	8,043
Bulgaria (BG)	4,774	6,710
USA (US)	3,573	3,343
Canada (CA)	2,928	3,216
Italy (IT)	2,889	3,058
Croatia (HR)	0	640
Singapore (SG)	144	401
China (CN)	3	127
Total	**122,885**	**141,182**

Data Annex for Chapter 1.4 Purchasing

Purchasing expenses per site in TEUR	**2006**	**2007**
Austria (AT)	313,994	378,838
Germany (DE)	34,241	43,427
France (FR)	26,646	29,896
Brazil (BR)	19,500	28,786
Canada (CA)	5,752	4,939
USA (US)	4,639	4,780
Bulgaria (BG)	-	-
Italy (IT)	-	-
Great Britain (GB)	-	-
Singapore (SG)	-	-
China (CN)	-	-
Slovenia (SLO)	-	-
Total	**404,772**	**490,666**

Expenses per site usually include payments to suppliers, non-strategic investments, and licence fees. Minor deviations from operating expenses are due to site investments included in the reported figures from the individual sites.

In the Sustainability Report 2005 only the share of expenses per site that were paid to national suppliers was reported. In the Sustainability Report 2006/2007 we presented all expenses of the individual sites – regardless of the countries in which the suppliers are located.

Data Annex for Chapter 1.6 Fair Taxes

Income tax expense per site in TEUR	**2006**	**2007**
Austria (AT)	15,650	21,553
Germany (DE)	2,826	3,064
Italy (IT)	941	1,232
France (FR)	29	38
Croatia (HR)	0	24
USA (US)	17	10
Brazil (BR)	– 522	8
Slovenia (SLO)	364	0
China (CN)	0	0
Bulgaria (BG)	0	0
Singapore (SG)	0	– 2
Great Britain (BG)	87	– 73
Canada (CA)	177	– 76
Total	**19,569**	**25,778**

Slight deviations from the figure for total income tax paid by the Group are due to deferred taxes.

Group	**2006**	**2007**
Tax expense (income tax) in EUR	19,651,221	25,782,196

Data Annex for Chapter 3.2 The Health and Safety of our Staff

Definition of staff absence: Absence time due to sickness, accident, doctor's appointment, nursing leave in percent of the planned working time (taking into consideration holidays, public holidays, etc.)

Staff absence is measured according to the definitions provided for by the respective national legislations. For this reason, the data are only comparable to a certain extent. It is, however, possible to derive trends as compared to the previous year.

Data Annex for Chapter 4 Education and Further Training

Hours spent on education and further training per staff member broken down by site	2006	2007
AG (AT)	6.4	6.7
PSB (AT)	16.4	17.5
PEU (AT)	6.1	6.1
Elsbethen (AT)	0.0	0.0
Ainring (DE)	4.2	10.8
Löbau (DE)	8.9	9.1
Cadelbosco (IT)	20.0	20.0
Caussade (FR)	14.8	15.3
Welwyn Garden City (GB)	0.0	0.0
Maribor (SLO)	7.3	7.6
Cherven Brjag (BG)	48.0	21.0
Tenevo (BG)	0.0	18.2
Niagara Falls (CA)	13.0	8.0
Tiffin (US)	15.9	20.2
Caxias do Sul (BR)	53.3	71.4
Singapore (SG)	0.0	0.0
Shenzhen (CN)	0.0	0.0

Data Annex for Chapter 5.2 Generations

Age structure Group	Number 2007	Share 2007	Number 2006	Share 2006
Total <30 years	1,074	25.90%	801	24.81%
Total 30–50 years	2,384	57.50%	1,921	59.51%
Total >50 years	688	16.59%	506	15.68%
Total	**4,146**	**100%**	**3,228**	**100%**

Age structure wage earners	Number 2007	Share 2007	Number 2006	Share 2006
Wage earners <30 years	644	26.06%	493	26.22%
Wage earners 30–50 years	1,434	58.03%	1,121	59.63%
Wage earners >50 years	393	15.91%	266	14.15%
Total	**2,471**	**100%**	**1,880**	**100%**

Staff broken down by age group in 2007	Total <30 years	Total 30–50 years	Total >50 years
AG (AT)	4	22	1
PSB (AT)	56	165	40
PEU (AT)	222	431	91
Elsbethen (AT)	37	23	3
Ainring (DE)	26	87	14
Löbau (DE)	35	80	52
Cadelbosco (IT)	8	43	10
Caussade (FR)	37	176	58
Welwyn Garden City (GB)	21	71	86
Maribor (SLO)	107	360	32
Cherven Brjag (BG)	116	268	116
Tenevo (BG)	143	278	72
Niagara Falls (CA)	20	39	16
Tiffin (US)	13	47	18
Caxias do Sul (BR)	220	282	79
Singapore (SG)	1	6	0
Shenzhen (CN)	8	6	0
Total	**1,074**	**2,384**	**688**

Data Annex for Chapter 5.3 Gender

Diversity – Gender – Women	2006	2007
AG (AT)	7	10
PSB (AT)	49	56
PEU (AT)	50	54
Elsbethen (AT)	4	4
Ainring (DE)	28	31
Löbau (DE)	15	20
Cadelbosco (IT)	7	7
Caussade (FR)	29	30
Welwyn Garden City (GB)	18	17
Maribor (SLO)	18	16
Cherven Brjag (BG)	42	52
Tenevo (BG)	n/a	50
Niagara Falls (CA)	13	14
Tiffin (US)	n/a	10
Caxias do Sul (BR)	27	32
Singapore (SG)	2	2
Shenzhen (CN)	1	4
Total	**310**	**409**

Data Annex for Chapter 5.4 Staff with Disabilities

Diversity – staff with disabilities	2005	2006	2007
AG (AT)	0	0	0
PSB (AT)	0	0	1
PEU (AT)	10	14	13
Elsbethen (AT)	0	0	0
Ainring (DE)	1	1	1
Löbau (DE)	2	3	5
Cadelbosco (IT)	2	2	4
Caussade (FR)	16	19	15
Welwyn Garden City (GB)	n/a	n/a	3
Maribor (SLO)	10	11	13
Cherven Brjag (BG)	0	0	1
Tenevo (BG)	0	0	0
Niagara Falls (CA)	0	0	0
Tiffin (US)	0	0	0
Caxias do Sul (BR)	0	0	13
Singapore (SG)	n/a	0	0
Shenzhen (CN)	n/a	0	0
Total	**41**	**50**	**69**

Data Annex for Chapter 6.1 Climate Protection as Applied to Products

Weight of purchased steel *

	≤ S460	LN 600 = STE 600	S690/S700	S890/S900	S930/S960	S1100	Total steel purchased
2005	4,272 t	2,532 t	24,300 t	2,800 t	1,600 t	705 t	36,209 t
2006	6,514 t	2,510 t	17,730 t	6,200 t	3,100 t	960 t	37,014 t
2007	8,466 t	2,106 t	22,581 t	8,315 t	3,879 t	2,173 t	47,521 t

* central purchasing (AT) incl. purchasing Caxias do Sul (BR)

Data Annex for Chapter 6.2 Climate Protection in Production

Total energy consumption	2005	2006	2007
Electricity consumption KWh	31,950,569	43,196,496	50,168,289
Diesel consumption litre	712,341	734,697	760,816
Petrol consumption litre	78,907	101,385	93,234
Natural gas m^3	3,010,898	4,042,108	3,507,243
LPG litre	24,467	28,857	48,252
Heating oil litre	389,234	334,222	227,096
Butane kg	16	14	16
Propane kg	273,263	313,760	291,128

Direct and indirect CO_2 emissions broken down by site

CO_2 in t		Heat	Electricity consumption	Fuel
Kasern (AT)	2007	338	414	58
	2006	478	473	61
	2005	482	470	60
Lengau (AT)	2007	2,317	3,807	230
	2006	4,197	3,369	269
	2005	2,568	3,068	284
Köstendorf (AT)	2007	722	496	92
	2006	825	403	99
	2005	776	380	55
Elsbethen (AT)	2007	44	104	12
	2006	31	72	11
	2005	34	64	10
Ainring (DE)	2007	156	202	523
	2006	202	207	601
	2005	192	182	505
Löbau (DE)	2007	570	566	70
	2006	502	452	69
	2005	640	405	57
Cadelbosco (IT)	2007	302	495	45
	2006	241	447	40
	2005	194	412	39
Caussade (FR)	2007	1,286	190	63
	2006	1,077	179	73
	2005	1,105	191	67
Welwyn Garden City (GB)	2007	427	577	298
	2006	381	556	317
	2005	471	636	327
Maribor (SLO)	2007	2,407	7,704	123
	2006	2,122	6,539	96
	2005	1,350	3,076	97
Cherven Brjag (BG)	2007	802	3,037	153
	2006	953	2,184	151
	2005	809	1,762	153
Tenevo (BG)	2007	425	4,828	77
	2006	486	4,124	95
	2005	401	2,990	111
Niagara Falls (CA)	2007	66	291	3
	2006	63	269	3
	2005	117	235	3
Tiffin (US)	2007	160	393	273
	2006	137	416	216
	2005	142	380	140
Caxias do Sul (BR)	2007	162	408	545
	2006	97	389	432
	2005	82	397	491
Singapore (SG)	2007	0	18	0
	2006	0	7	0
	2005	0	0	0
Shenzhen (CN)	2007	0	32	22
	2006	0	0	0
	2005	0	0	0
Total	**2007**	**10,186**	**23,563**	**2,589**
Total	**2006**	**11,792**	**20,084**	**2,533**
Total	**2005**	**9,364**	**14,647**	**2,400**

The CO_2 data for the Sustainability Report 2005 are not consistent with those of the current Sustainability Report. This is due to the application of a more sophisticated calculation method according to the international ECOINVENT® database, the extension of reporting limits, and the refinement of the reporting system.

a) **Recalculation according to the ECOINVENT® database:**
In the Sustainability Report 2005 the figures reported for CO_2 emissions included exclusively direct emissions. For instance, regarding the consumption of heating oil or diesel only CO_2 emissions that were directly generated in the burning process were presented. In the current Sustainability Report upstream emissions of the respective energy sources were also taken into consideration. In the case of heating oil or diesel this would be emissions produced by transport and refinement. In addition, in the Sustainability Report 2005 a uniform electricity mix was assumed for all sites whereas now the electricity mix of the individual countries was taken into consideration when calculating the indirect CO_2 emissions caused by electricity consumption.

b) **Extension of reporting limits:**
The production site for EPSILON in Elsbethen (DE) was added to the reporting scope. The RATCLIFF production site in Welwyn Garden City (GB) was added to PALFINGER on 31 July 2005 so that in the Sustainability Report 2005 emissions were calculated on a pro-rata basis only. In the current Sustainability Report, all emissions produced at the site in Welwyn Garden City (GB) in 2005 were allocated to PALFINGER AG.

c) **Refinement of the reporting system:**
As the environmental reports of the Bulgarian site in Cherven Brjag and the US site in Tiffin were still at the development stage, no energy indicators were yet available for the Sustainability Report 2005. The data were provided at a later point in time and included in the current report. The figures on electricity disclosed in the Sustainability Report 2005 for the site in Kasern (AT) were corrected for the current Sustainability Report; data on heat energy demand were added. The natural gas consumption data for Ainring and Tenevo for the year 2005 were corrected. Diesel consumption data from 2005 for the site in Cadelbosco di Sopra (IT) were also added.

Data Annex for Chapter 6.3 Climate Protection in Transport

tkm per year	2006	2007
Truck transports	39,458,610	59,498,964
Rail transports	23,408,305	30,905,339
Ocean freights	5,057,914	6,016,868
Air freights	1,418,440	852,330
Total	**69,343,270**	**97,273,501**

These data include transports between PALFINGER plants that are outsourced to freight carriers as well as all European steel transports from steel plants to Cherven Brjag (BG). Transports of steel to Caxias do Sul (BR) and transports by the numerous Italian suppliers, which are partly organised by PALFINGER, are not included. Transports to customers and suppliers as well as business trips are not included in the statistics either. The figures cannot be compared to the figures reported between 2003 and 2005 as in those years only tonnes per year were surveyed without indicating the kilometres covered and the system limits of the data basis were different.

CO_2 calculations were made on the basis of the ECOINVENT database. For truck traffic, the following was included in the calculation: transports of trucks between 16 and 32 tonnes in the EURO4 class including operation, production, maintenance, and disposal of the truck and construction, maintenance,and disposal of roads.

The calculation of rail transports includes the following factors: operation, production, maintenance, and disposal of the locomotive and the railway cars as well as construction, maintenance, and disposal of the railway routes.

When calculating the impact of air transports, the following was included: operation and production of the aeroplane as well as construction, land consumption, operation, maintenance and disposal of the airport.

Regarding ocean transports the following aspects were included in the calculation: operation and production of the ship as well as construction, land consumption, operation, maintenance, and disposal of harbours.

Data Annex for Chapter 7.2 Resource Management in Production

Waste cuttings

At Lengau (AT) quantities of waste cuttings were calculated in accordance with the records on CC steel construction. Exact calculations were also made in Maribor (SLO). In Löbau (DE), Caussade (FR), Cherven Brjag (BG), and Tiffin (US) the data on waste cuttings were based on qualified estimates. In Caxias do Sul (BR) the waste cutting volumes were determined by deducting the amounts of scrap produced from the steel quantities purchased.

Waste

Waste	Scrap/discarded metal			Hazardous waste			Non-hazardous waste		
in t	2005	2006	2007	2005	2006	2007	2005	2006	2007
Waste volume	8,040	11,636	15,705	1,330	1,551	1,519	1,975	2,252	2,608

Scrap/discarded metal is composed primarily of steel waste (incl. chips). Sometimes the waste contains small quantities of copper, which are separated for recycling.

Exact calculations of waste data were made at the following sites: Kasern (AT), Köstendorf (AT), Lengau (AT), Ainring (DE), Caussade (FR), Cadelbosco di Sopra (IT), Maribor (SLO), Cherven Brjag (BG), discarded metal in Tiffin (US), Caxias do Sul (BR).

At the following sites, the waste volumes were estimated: Elsbethen (AT), Löbau (DE), and Niagara Falls (CA). All data indicated are based on estimates.

Hazardous waste volumes for 2007 and non-hazardous waste figures for 2005 and 2006 were estimated in Welwyn Garden City (GB) and Tenevo (BG). In Tiffin (US) hazardous and non-hazardous waste figures for all three years were based on estimates. No data for Shenzhen (CN) and Singapore (SG) are available yet.

Water consumption

Water consumption per site in m³	2005	2006	2007
Kasern (AT)	2,031	2,226	2,279
Lengau (AT)	7,444	7,551	8,396
Köstendorf (AT)	1,505	1,380	1,670
Elsbethen (AT)	1,455	1,491	1,669
Ainring (DE)	597	586	620
Löbau (DE)	1,963	2,302	2,197
Cadelbosco (IT)	740	873	965
Caussade (FR)	3,889	11,423	6,547
Welwyn Garden City (GB)	4,617	3,789	5,285
Maribor (SLO)	14,760	15,833	10,430
Cherven Brjag (BG)	8,302	8,968	9,552
Tenevo (BG)	9,754	15,990	17,947
Niagara Falls (CA)	1,095	1,251	1,581
Tiffin (US) Brunnen	4,640	4,640	4,640
Caxias do Sul (BR) publ. water system	1,608	3,925	3,822
Caxias do Sul (BR) well	5,940	5,760	5,790
Singapore (SG)	-	-	-
Shenzhen (CN)	-	-	870
Total	**70,340**	**87,988**	**84,260**

The data are either based on the water bills from local water supply companies and/or obtained from exact water consumption meters. In Tiffin (US) the water volume was determined by averaging the data from the meter readings over the three years under review. In Caxias do Sul (BR) the groundwater consumption was estimated on the basis of the well capacity and the daily volume of water filled into the wells.

In some cases, the data for 2005 deviate from those for 2007. This is partly due to an improved reporting system: For instance, unlike in the Sustainability Report for 2005, the water consumption of the sites in Elsbethen (AT), Tiffin (US), and Cherven Brjag (BG) were reported. In addition, the Brazilian site Caxias do Sul no longer only reports water supplies from the public system but also water volumes taken from wells. The sites in Cadelbosco di Sopra (IT) and Maribor (SLO) corrected their previous figures.

Imprint

PALFINGER AG
Franz-Wolfram-Scherer-Strasse 24
5101 Bergheim, Salzburg
Austria

Sustainability Core Team
Daniela Werdecker
PALFINGER Sustainability Management
Corporate Communications
Phone: + 43 662 4684-2219
d.werdecker@palfinger.com

Hannes Roither
Company Spokesperson
Head of Corporate Communications

Oswin Prodinger
Global Supplier Quality Management (GSQM)

Consulting
Karl Resel, denkstatt
www.denkstatt.at

Design
Rahofer Werbeagentur
www.rahofer.com

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These PALFINGER staff members took a hand in preparing this report:

Brian Bates
Lucija Ankon
Wolfgang Bachl
Siegfried Bauer
Marija Beras
Andreas Bohrer
Angelina Ivanova
Heinrich Gollegger
Hans Maier
Karl Oberreiter
Michael Berger
Matheus Almeida
Barbara Bertolini
Jürgen Armstorfer
Harald Böhaker
Sabrina Daxer
Maria Borisova Blageva
Herbert Karly
Harald Hauser
Johann Mair
Paul Addis
Thomas Schlader
Michael Ernst
Martin Rehling
Essl Herbert
Reinhard Natter
Bernhard Wieder
Michael Gruböck
Julia Gebetsberger
Balthasar Gwechenberger
Amy Hu
Hans-Fritz Hitzenberger
Josef Fesel
Margarita Ivanova Tsotsova
Gunther Fleck
Roland Dhomare
Roland Sams
Norbert Karrer
Lisane Malfatti
Ed Gerken
David Brunette
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Peter Müller
Franz Messner
Geraldine Myles
Thomas Petran
Gernot Pichorner
Karin Hertz
Wilma Heihsler
Goran Starcevic
Manja Noak
James Hannah
Gerald Reidinger
Gustavo Rigon
Hannes Roither
Robert Laimer
Sabine Schweinschwaller
Maria Paula
Simone Husli
Renate Unterrainer
Thomas Wauer
Patrick Klein
Christine Court
Sébastien Jolliet
Oliver Butel
Hristo Stefanov
Daniela Werdecker
Anton Graf
Erwin Haas
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Dagmar Stöckl
Norbert Rückenbach
Manfred Rendl
Carole Rey-Marcov
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Uwe Leopold
Thomas Perkmann
Sandra Traintinger
Mitch Taylor
Franz Thaller
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Christoph Kaml
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Tony Reser
Josef Windsperger
Deborah Lee
Alfred Konrad
Christoph Rauch
Ricky Li
Lucia Frais
Jutta Wiegmann
Radoslavka Petkova Krasteva
Jack Wong
Vessislava Hristova Assenova
Hristo Iliev Iliev
Valeri Dimitrov Nikolov
Andreas Resch
Thomas Scheidweiler
Stefan Oberleitner
Oswin Prodinger

As of 31 December 2007

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