

# Annual Report 2022

PALFINGER



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## KEY FIGURES OF THE PALFINGER GROUP

	EUR thousand	2018	2019	2020	2021	2022
<b>Income statement</b>						
Revenue	1,615,628	1,753,849	1,533,864	1,841,533	2,226,241	
EBITDA	196,749	223,643	188,664	243,702	229,555	
EBITDA margin	12.2%	12.8%	12.3%	13.2%	10.3%	
EBIT	126,974	149,015	100,288	155,023	150,399	
EBIT margin	7.9%	8.5%	6.5%	8.4%	6.8%	
Earnings before income tax	111,048	133,124	85,095	143,602	133,682	
Consolidated net result	57,951	80,028	49,789	86,563	71,372	
<b>Balance sheet</b>						
Net working capital (average)	334,786	352,681	348,278	361,991	423,408	
Capital employed (average)	1,048,266	1,113,102	1,084,139	1,051,982	1,187,463	
Equity	555,726	629,092	616,449	613,857	674,873	
Equity ratio	36.4%	38.3%	39.6%	36.3%	34.5%	
Net debt	515,739	525,647	397,088	476,569	609,627	
Gearing	92.8%	83.6%	64.4%	77.6%	90.3%	
<b>Cash flows and investments</b>						
Cash flows from operating activities	126,502	156,031	224,669	87,408	46,148	
Free cash flow	46,775	112,355	173,319	(42,097)	(29,443)	
Net investments <sup>1)</sup>	95,674	90,846	68,171	121,820	129,038	
Depreciation, amortization and impairment	69,774	74,628	88,376	88,679	79,156	
<b>Value creation</b>						
ROCE	8.5%	9.9%	6.9%	11.2%	9.4%	
ROE	14.4%	16.5%	10.1%	17.6%	15.4%	
EVA	31,551	43,391	10,776	51,623	45,492	
WACC	5.5%	6.0%	5.9%	6.3%	5.6%	
<b>Employees</b>						
Number of employees <sup>2)</sup>	10,780	11,126	10,824	11,733	12,210	
Percentage of women	13.0%	13.6%	13.7%	13.3%	13.6%	
Employee turnover	18.7%	16.8%	14.7%	17.1%	16.5%	
<b>Environment</b>						
CO2 emissions from production in tonnes	55,039	36,588	30,796	31,204	31,758	
Direct emissions from combustibles and fuels (Scope 1)	20,368	20,168	18,419	20,160	18,850	
Indirect emissions from electricity and purchased energy sources (Scope 2)	34,671	16,421	12,377	11,044	12,908	
<b>Share</b>						
Market capitalization <sup>4)</sup>	834,570	1,099,603	973,665	1,293,208	889,081	
Price as at year-end (EUR)	22.20	29.25	25.90	34.40	23.65	
Earnings per share (EUR)	1.54	2.13	1.32	2.31	2.05	
Dividend per share (EUR)	0.51	0.35	0.45	0.77	0.77 <sup>3)</sup>	

1) From 2019 including additions from leases (IFRS 16).

2) Reporting date figures of consolidated Group companies without equity investments and without contingent workers.

3) Proposal to the Annual General Meeting.

4) Calculation based on total number of shares.

# PALFINGER at a Glance

## The PALFINGER Group

Headquarter in Bergheim near Salzburg, Austria

**1932** founded as a family business

Best **service network** & optimal **solutions**

**Technology & innovation leader** in its industry

On the stock exchange since **1999**

**EUR 2,226** million in revenue

**83** Companies

**12,210** Employees

**33** Countries

**31** Production & assembly locations

## Sales and service network

$\approx$  **5,000** Service centres

$>$  **130** Countries

$\approx$  **200** Independent general importers

## Product Solutions



LOADER CRANES



TIMBER/ RECYCLING



HOOKLIFTS & SKIPLOADERS



TAIL LIFTS



TURNKEY SOLUTIONS



PASSENGER SYSTEMS



ACCESS PLATFORMS



TRUCK MOUNTED FORKLIFTS



RAILWAY SYSTEMS



MARINE CRANES



OFFSHORE CRANES



WIND CRANES



DAVITS



BOATS



WINCHES

# Significant Events 2022



## First sustainable financings

PALFINGER underlines its focus on sustainability by raising the first sustainable financing in the amount of EUR 280 million. The terms and conditions are linked to sustainability indicators, with a maturity of up to six years and an amortizing structure.



## Russia's war

Russia's attack on Ukraine on February 24th resulted in a humanitarian crisis as well as massive economic repercussions. In accordance with all sanction regulations of the European Union, PALFINGER completely stopped its imports and exports to and from Russia. Since then, the CIS region has been operating autonomously and independently. Shortages of trucks and semiconductors as well as rising material and energy costs led to significant delivery delays and cost increases.



## Gas and energy crisis

PALFINGER reacted to the emerging gas and energy crisis by continuously monitoring developments on the gas and energy markets. In this context, measures to substitute gas in production and to save energy within the entire Group were developed.



## Access platform turntable Löbau

As part of its Vision & Strategy 2030, PALFINGER is focusing on the potentials of its access platform product line. To this end, the European hub for access platforms was established in Löbau, Saxony. The site was substantially expanded and took over the assembly contents of the Krefeld site.



## New headquarters NAM in Chicago

In 2022 PALFINGER signed the contract for the construction of the new NAM headquarters in Schaumburg/Chicago. After the renovation, which is scheduled for completion in 2023, the new headquarters will also serve as a demo and training center.

# Letter from the Executive Board

## Dear readers,

2022 was characterized by a sequence of crises. In particular, the Russian war on Ukraine led to further, severe disruptions in global supply chains, an energy crisis in Europe and high inflation rates. We were not spared from the effects. Nevertheless, we look back on a successful financial year. After 2021, we also generated record sales of EUR 2.2 billion in 2022, with an operating result of EUR 150.4 million being slightly below that of the previous year. The number of employees worldwide rose to 12,210.

As in 2020 and 2021, the GLOBAL PALFINGER ORGANIZATION (GPO) proved to be crucial in its ability to respond quickly and flexibly to the changed circumstances brought about by the war in Ukraine and its aftermath. In addition to the GPO, our established task forces played a key role. For example, the supply of electronic components was successfully secured and measures for gas substitution and energy security for production were worked out. Nevertheless, the delivery difficulties resulted in high inventories, which had a negative impact on cash flow and the balance sheet structure.

In view of the rapid cost increases and high inflation, the pricing policy proved to be a key challenge for PALFINGER in 2022. With Dynamic Pricing, we have implemented a flexible pricing model. As a result, we are able to respond quickly to both rising and falling costs and guarantee maximum transparency as well as the immediate passing on of cost developments.

In 2022, we implemented numerous future initiatives with a view to Strategy 2030. Together with the two strategic pillars "Go for Solutions" and "Go Digital", we are pursuing the goal of maximum customer proximity, sustainable and profitable growth, as well as the expansion of our market leadership. This growth can be clearly seen in the electrification of the product portfolio and the digitalization of all areas. Furthermore, with the new technology center in Köstendorf, we are strengthening the development of essential key components and guaranteeing their global availability.

We were represented at the leading trade shows IAA and bauma with our completely redesigned loader crane, the new aerial work platforms and digital innovations, Smart Solutions and Smart Services. Once again, we proved that our company, as a global innovation leader, is shaping the industry and opening up new areas of business.

We therefore remain in line with our strategy of making targeted investments in the qualifications of our employees, future-oriented structures and research and development. By 2027, sales are expected to rise to EUR 3.0 billion with an EBIT margin of 10 percent. Optimal use of non-current and current assets is also expected to generate a return on capital employed of 12 percent by 2027. Together with our employees, investors, customers and partners, we generate added value every day. Thank you for joining us on this journey.

Ing. Andreas Klauser  
CEO

Dr. Felix Strohbachler  
CFO

DI Martin Zehnder, MBA  
COO

# INVESTOR RELATIONS

- Share price falls in 2022 by 31.25 percent (ATX: -19.03 percent)
- Dividend of EUR 0.77 per share will be proposed to the Annual General Meeting on March 30, 2023
- Own shares in the amount of 2,828,516 piece

PALFINGER places great importance on transparent communication and continuous dialogue with its investors and the national and international financial community.

As a result of Covid-19, investors and analysts were provided with extensive information on business developments by the Executive Board and the Investor Relations team, particularly in the first quarter of 2022, through calls and digital roadshows. From the second quarter onwards, numerous face-to-face meetings were increasingly held and investor conferences attended. In addition, PALFINGER was represented at Invest in Stuttgart, Börsentag München, Gewinnmesse in Vienna and at the "Geldtag" of Oberösterreichische Nachrichten in Linz where questions from numerous private shareholders were answered.

On October 28, 2022, the Capital Markets Day took place at bauma, the world's leading trade fair for construction machinery, in Munich. At PALFINGER's largest trade fair stand to date of around 2,500 m<sup>2</sup>, investors and analysts could not only see PALFINGER's latest product innovations, but were also informed by PALFINGER's management team about current and future developments.

## PALFINGER SHARES

PALFINGER AG's shares are listed on the prime market on the Vienna Stock Exchange. In Germany, they are traded over the counter in Frankfurt, Stuttgart, Berlin, Munich and Dusseldorf. PALFINGER shares are included in the ATX Prime and ATX Global Players indices as well as in the Austrian sustainability index VÖNIX. PALFINGER AG shares have been included in the MSCI Global Small Cap Index since 2018.

Based on the price of EUR 34.40 at the end of 2021, PALFINGER shares had a weak start to the stock market year at the beginning of January 2022. This was caused by the ad hoc profit warning for the first quarter and the first half of 2022, issued on January 20 2022. This was triggered by significant cost increases which, due to the record order backlog, could not be passed on to the market immediately. Then, on February 24, Russia invaded Ukraine and stock prices around the world came under pressure. The war in Ukraine also aggravated the availability problems for trucks and chips, which is why PALFINGER had to publish another profit warning for the whole of 2022 on March 21.

From August 2022, the central banks continuously increased their key interest rates and fears of rising inflation and recession grew. This led to further uncertainty on the capital markets. In addition, supply chain problems and cost increases, which were also priced into the stock markets, continued to be the focus in the summer of 2022. At the beginning of September 2022, the potential energy crisis unsettled the capital markets, which again put pressure on prices. In October 2022, there was speculation about the further development of the construction industry and in the middle of the month, the PALFINGER share briefly fell below EUR 19.00. From the end of October, the mood on the stock exchanges was more positive again. PALFINGER shares also went up.

On December 31, 2022, the closing price was EUR 23.65. This corresponds to a drop in price of EUR 31.25 percent in 2022. In comparison, the ATX was down by 19.03 percent. The average daily trading volume of PALFINGER shares fell by 11.77 percent in 2022 compared to the previous year.

## Shareholder information as at 31 December 2022

ISIN	AT0000758305
Number of shares issued	37,593,258
Own shares	2,826,516
Shares outstanding	34,766,742
Listing on the Vienna Stock Exchange	Prime market
OTC listing	Frankfurt, Stuttgart, Berlin, Munich, Dusseldorf
Ticker symbols	Reuters: PALF.VIE; Bloomberg: PALF:AV; Vienna Stock Exchange: PAL

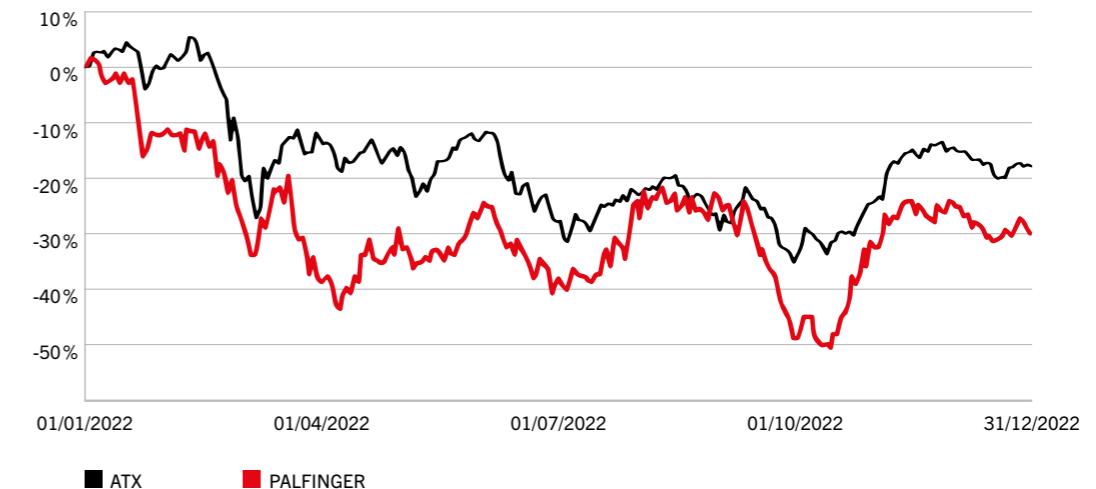
EUR	2020	2021	2022
Low	15.40	25.60	18.78
High	30.50	40.00	35.50
Average exchange rate	22.29	35.38	24.94
Price at year-end	25.90	34.40	23.65
Earnings per Share <sup>1)</sup>	1.32	2.31	2.05
Operating cash flows per share <sup>1)</sup>	5.98	2.53	1.33
Dividend per share	0.45	0.77	0.77 <sup>2)</sup>
Dividend yield in relation to the average share price	2.0%	2.2%	3.1%
Market capitalization as at year-end (EUR million) <sup>3)</sup>	973.67	1,293.21	889.08

<sup>1)</sup> Calculated using the weighted average number of shares outstanding.

<sup>2)</sup> Proposal to the Annual General Meeting.

<sup>3)</sup> Calculation based on total number of shares.

## SHARE PRICE DEVELOPMENT IN 2022



## RESEARCH REPORTS

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

## ANALYSES

As of 31 December 2022, seven analysts covered PALFINGER AG shares. The analyst consensus on the price target was EUR 30.86 at year-end. In the course of these analyses, five buy recommendations, one accumulate recommendation and one hold recommendation were issued for the PALFINGER share.

## RATINGS

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

The VÖNIX sustainability index rated PALFINGER, as in the previous year, B+ as a sustainable company in 2021. After 2021, the Carbon Disclosure Project (CDP) 2022 survey resulted in a D rating. This results from the revision and restructuring of reporting and the entire sustainability area.

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

## DIVIDENDS

PALFINGER AG pursues a continuous dividend policy. Under this policy, approximately one-third of annual profit is to be distributed to shareholders. In 2022, the consolidated net profit of PALFINGER AG amounted to EUR 71.4 million. Based on this, the PALFINGER Executive Board and Supervisory Board will propose a dividend of EUR 0.77 (2021: 0.77 EUR) per share at the Annual General Meeting on March 30, 2023.

## OWNERSHIP STRUCTURE

PALFINGER AG has a stable core shareholder in the Palfinger family, which directly or indirectly holds around 56.4 percent of the shares and is also represented on the Supervisory Board. In 2022, the dissolution of the mutual capital linkage with the SANY Group, which held 7.5 percent of PALFINGER AG, was settled. As a result, PALFINGER now holds 7.5 percent of its own shares. The remaining 36.1 percent of the shares are in free float. To the company's knowledge, private shareholders hold a significant proportion of the free float. The majority of the retail shares are held by institutional investors, which are primarily located in continental Europe.

# Group

# Management

# Report

# GROUP MANAGEMENT REPORT

## STRATEGY AND CORPORATE MANAGEMENT

### STRATEGY

- Position as leading supplier for crane and lifting solutions expanded
- Implementation of Strategy 2030 driven forward
- Adapted financial goal up to 2027

### Vision and Strategy 2030

Global megatrends constantly present PALFINGER with new challenges. Sustainability, social change and digitalization have been identified as particularly relevant for the company and its customers.

For decades PALFINGER has proactively and successfully used changing market conditions to expand its position as an innovative technology leader. With its Vision and Strategy 2030, PALFINGER formulates answers to current and future challenges.

PALFINGER's Mission Statement is Lifting Value – Creating Momentum. PALFINGER offers its customers future-oriented lifting solutions at the highest level – responsibly and with a positive impact on people, the planet and the success of PALFINGER. As a technology company, PALFINGER creates added value for its customers from the specific challenges they face.

Based on this vision, PALFINGER developed its Strategy 2030, which is based on two strategic pillars: Go for Solutions and Go Digital. PALFINGER is thus strengthening its position as a leading global manufacturer of innovative crane and lifting solutions and is gearing up for sustainable profitable growth. The strategy aims to increase sales and earnings across all products in all customer segments and regions.

PALFINGER is an extremely stable company with dependable value:

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

This sound basis enables PALFINGER to implement its Strategy 2030 and make the necessary significant investments. In addition to strengthening its core business in Europe, the Middle East and Africa (EMEA), and North America (NAM), PALFINGER is focusing on the growth markets in Latin America (LATAM), and Asia and the Pacific (APAC). The long-standing and proven value creation principle 'in the region, for the region' enables PALFINGER to operate in the procurement, production and sales markets in the best possible way.

As a global player, PALFINGER generates part of its consolidated revenue in the Commonwealth of Independent States (CIS). Since the outbreak of Russia's war on Ukraine, the CIS region has been operating autonomously and continues to be run as an independent unit without any transfer of know-how or supplies of products or components from the rest of the group. The geopolitical situation, particularly with regard to regulatory restrictions, is being evaluated on a continuous basis.

### Strategic Pillars

**Go for Solutions:** As part of its Strategy 2030, PALFINGER is consistently driving forward the company's development into a complete solutions provider with an even stronger customer focus. This requires ongoing fundamental development of the group in all areas (R&D, procurement, production, distribution, etc.) and is thereby contributing to a substantial evolution of the PALFINGER brand. The strategic pillar Go for Solutions can be divided into eight central fields of action:

1. Maximum customer focus: Thanks to its broad and qualitative sales & service network, PALFINGER is close to its customers and is available to them as a central contact for all steps in the product lifecycle.
2. One-stop shop for customers: PALFINGER assumes full system responsibility and offers its customers integrated lifting solutions, avoiding complex technical coordination.
3. Digital Customer Journey: Digital tools help target any gaps along the customer journey and support customer touchpoints, maximizing the efficiency of solutions.
4. Hardware and software from a single source: Combinations of physical and digital components bring innovative solutions to the market for simplifying operations and making them more efficient.
5. Seamless interaction of mobile/stationary installations and lifting solutions: The optimal connection of all systems in the overall solution is crucial for maximizing the benefits of new drive technologies,
6. Autonomous functions: Assistance systems and autonomous functions not only increase customer productivity, they also maximize safety.
7. Ecologically effective solutions: Together with sustainable drive types, PALFINGER's solutions make an important contribution to an emission-free future.
8. A strong ecosystem of partners: To achieve our ambitious goals, trusting partnerships along a customer-oriented, adaptable and resilient value chain are essential

**Go Digital:** PALFINGER's second strategic pillar is closely linked to the first. It focuses on the digital transformation of solutions, services and business processes. Here, too, the focus of digitalization initiatives is on customers, partners and employees.

Digitalization opens a wide range of opportunities for PALFINGER to further increase organizational efficiency. The focus is on digital processes as well as on a data architecture that form the basis for effective information management and for all digitalization initiatives in the organization. This aspiration applies to PALFINGER's entire value chain.

In addition to internal processes, the central application area for digitalization is the broad portfolio of solutions and associated services. Product as well as process innovations enable PALFINGER to offer its customers smarter, easier-to-use, and safer solutions.

PALFINGER proactively and systematically seeks out new technologies whose commercial use promises strategic added value for the group's portfolio. The focus here is on data-based business models, digital platforms, and smart services that also have revenue potential.

## Business models

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

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

## STRATEGIC OBJECTIVES

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

Focusing on own strengths and leveraging synergies secures the position as the global number 1 for innovative crane and lifting solutions. The market position in growth products and in growth regions will be further expanded. To realise the optimum potential offered by synergies, improvements are being driven forward with a global approach in all product areas while taking universal standards and the highest quality requirements into account.

### Financial targets

The outstanding revenue development over the last two fiscal years makes it necessary to formulate a new financial target.

Organic growth: PALFINGER continues to steadily pursue its growth course. Based on the positive revenue development, sales are expected to increase organically to EUR 3.0 billion by 2027, irrespective of developments in the CIS region. In addition to inflation, the above-average growth in the NAM and LATAM regions are decisive factors for PALFINGER.

10% EBIT margin: PALFINGER's goal is to achieve an EBIT margin of 10 percent by 2027. Key factors include achieving synergies through the GPO, the implementation of dynamic pricing, the further development of shared service centers, and the optimization of globally located functions. In addition, professionalized processes and activities together with the bundling of competencies safeguards PALFINGER's successful operation as a leading supplier in the global environment.

12% ROCE: The PALFINGER Group conducts stringent current capital management and focuses on assets that serve its core business. This ensures optimal use of non-current and current assets and serves to achieve a return on capital employed of 12 percent by 2027.

## Non-financial targets

A comprehensive materiality analysis was carried out in 2021 and the sustainability strategy was defined. This is based on environmental, social and governance criteria. With regard to the environment, the focus is on reducing energy consumption and emissions both within the company and along the upstream and downstream value chain. The safety of PALFINGER's products is a central issue for social affairs, as is the health and safety of the company's employees, in addition to training and continuing education, staff turnover, diversity, and staff development. The topic of governance includes anti-corruption and corporate governance objectives. Concrete target values will be set in 2023 through a detailed analysis of the available data.

## Implementation of the strategy in 2022

Strategy implementation was initiated in 2021 and intensified in the current reporting year:

**Go for Solutions:** The implementation of this strategic pillar required a very high level of investment in technology, customers and employees. The expansion of the Köstendorf Technology Center (Austria) into a global innovation and development center will allow core elements such as control, regulation and drive technology to be developed centrally and thereby uniformly. PALFINGER World in Lengau (Austria) was further expanded for the optimal presentation of solutions, products and the PALFINGER values. As part of the revised global strategy for aerial work platforms, the Löbau (Germany) site will be substantially expanded as the main assembly plant for this product line in EMEA.

An important component of this pillar is the technical integration of product and vehicle into a complete unit. The interfaces between all components and systems are crucial for achieving the best possible performance and customer orientation. PALFINGER controls these processes in a targeted way and offers its customers complete solutions via several assembly centers. An integrated and standardized complete timber crane solution was successfully developed for the European short timber market. The most important innovations – including eWorX, a joint solution with ZF Friedrichshafen and Mercedes for bodies on e-trucks, and Smart Loading Assist, a product innovation for hooklifts – were presented at IAA and bauma 2022.

Customer proximity is a central element in PALFINGER's strategy. Accordingly, the network of sales and service partners has been steadily expanded and developed.

**Go Digital:** The transformation program to strengthen the digitalization of products, processes and business models was further expanded in 2022. In the process, the already established collaboration between the global core functions responsible for digital topics was further strengthened in the "Go Digital" Steering Committee. In addition, a regular exchange in the Digitalization Committee of the Supervisory Board illustrates the importance of and support for digital transformation at all levels.

By means of a "Digital Cockpit", the overview of all initiatives was professionalized in 2022.

Security of data availability and cybersecurity along the entire value chain are key prerequisites for implementing the digitalization strategy. This includes an integrated system and application architecture with an intelligent mix of cloud and on-premises systems, which make work possible regardless of location. To further standardize and digitalize Group processes (e.g., through the rollout of SAP S/4 Hana), process and data topics have been cross-functionally bundled within the organization.

Thanks to its innovative strength and cooperation with selected partners in the field of digitalization, PALFINGER offers its customers smart functions and services along their entire customer journey. Examples include the product configurator, the digitally supported crane control system "Smart Control" and the smart service approaches within the framework of "PALFINGER Connected". In addition, various initiatives were launched in production and research and development in order to increase the efficiency of PALFINGER's production sites by means of digital tools on the one hand and to further promote end-to-end digital product development on the other.

A major milestone in the area of "Go Digital" was the creation of a new, dedicated product line, the "Digital Product Line". This line complements and expands PALFINGER's existing portfolio by offering new, innovative, digital products and services with data-driven business models. Based on a deep understanding of customer needs, the Digital Product Line assumes responsibility for the entire digital product life cycle. In addition, existing digital services and digital business models are being driven forward in a targeted manner.

The Infrastructure Lifecycle Hub of STRUCINSPECT, a PALFINGER joint venture with VCE - Vienna Consulting Engineers and the ANGST Group, was further developed in the reporting year and was able to win two renowned international customers for a multi-year cooperation.

### **Outlook: Medium-term implementation of the strategy through 2025**

To secure PALFINGER's future growth, the high level of investment activities will be continued. As part of the digital transformation and Go for Solutions strategy, the focus through 2025 will include the following topics:

- Consistent implementation of the sustainability strategy
- Expansion of technology leadership through the development of fully integrated and networked solutions
- Further development of the dealer and partner network as the basis for a strong global market presence
- Increased employee training and development
- Modernization of production facilities and strengthening of the supply chain and supplier network to safeguard supply chains
- Process optimization in all functions and regions

## **CORPORATE GOVERNANCE**

- **Good corporate governance through organizational and procedural measures**
- **Quality organization successfully restructured**
- **Set-up of additional taskforces**

### **Structural and process organization**

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

Global functions manage directly with disciplinary responsibility all the way down to the regions and local units. Corporate functions act as centers of excellence with responsibility for group-wide governance and technical leadership down to the local units. Both functions create and develop strategies, processes, tools and group policies. These measures ensure uniform global standards. The global value creation structure is used across products and regions.

PALFINGER's process organization clearly defines the competences and responsibilities within the group. The aim is to drive processes forward in terms of standardization, innovation and automation, to leverage synergies across the group. In 2022, the process template was further developed as part of two process releases. More than 80 process innovations and improvements were introduced across all areas of the company. The group-wide rollout of the SAP S/4 HANA ERP system continued. PALFINGER AG has been working with the new system since January 1, 2023. More go-lives will follow throughout the year. A Global Business Services Center (GBS) also contributes directly to efficiency gains.

PALFINGER's quality organization was successfully restructured in 2022. As a result, quality management at PALFINGER is managed independently of Procurement, Operations and PLM&E in organizational terms. In preparation for a group-wide ISO certification, a new global certification partner (LRQA) was selected and corresponding re-certifications were carried out in the EMEA region.

Where appropriate, PALFINGER implements permanent steering committees. The Sustainability Council, for example, is responsible for the sustainability strategy and drives the corresponding measures within the organization. In the course of the Covid-19 pandemic, an additional taskforce steering committee was established to focus on the topic and enable direct and global steering across all functions. In this way, the task forces support and supplement the regular organization in crisis situations. Both the Sustainability Council and the task forces report directly to the Executive Board.

### **Corporate planning and controlling**

To achieve the strategic financial goals, a multi-phase financial planning process has been established. A distinction is made between short-term planning and medium and long-term planning instruments. Strategic planning covers a period of five years. As part of this process, market trends are analyzed, business models within a region are defined or adjusted, and changes are made within the framework of PALFINGER's overall strategy. The strategic planning process takes place every two years and is coordinated by Global Controlling and Business Development. In the intervening years, medium-term planning is prepared, also for five-year periods. This reflects PALFINGER's organic evolution in light of changing circumstances (e.g. Covid-19 pandemic). Short-term planning is carried out on a monthly basis by simulating the development of sales and earnings for the current year based on global sales and production planning, which combines sales demand and production-side supply capacity on a monthly basis. In addition, the simulation is prepared in more detail each quarter at a local level and the main parameters are validated. As part of this, current structural costs are also planned.

### **Risk and crisis management**

PALFINGER's risk management identifies, assesses and monitors risks and defines the implementation of corresponding mitigation measures. This process is managed and coordinated by Corporate Risk Management.

The risk catalog includes strategic and material operational risks. PALFINGER defines risk as the possibility of a positive or negative deviation from planned results. Risks are therefore evaluated and prioritized in accordance with their deviation from the plan. The risk management process actively supports PALFINGER in meeting its targets.

A strategy for all material risks is defined on the basis of the prioritized risks. The measures defined for mitigation are monitored centrally by Corporate Risk Management, which reports regularly to the Executive Board and quarterly to the Supervisory Board. The design and adequacy of the group-wide risk management process are reviewed and assessed annually by an external auditor in accordance with Rule 83 of the Austrian Code of Corporate Governance (ÖCGK).

In addition, Corporate Risk manages crisis management. PALFINGER defines a crisis as a serious incident with significant potential impact. The declaration of a crisis is the responsibility of the Board of Management, which instructs Corporate Risk Management to form a task force.

PALFINGER met the challenges of Russia's war on Ukraine with the Sanctions Development task force in early 2022 and was additionally challenged by the strained resource and supply chain situation. Due to the looming energy crisis in Europe, the Gas Emergency Readiness task force was also established to prepare the company for a potential gas shortage. The successful set-up ensured rapid responsiveness, proactive management and definition of effective actions in these areas.

## Governance and Internal Control System

PALFINGER's top priority is to achieve its corporate goals based on corporate vision and values. In doing so, PALFINGER ensures transparent corporate governance that meets internal and external requirements. The PALFINGER Group Policy System, a framework of group policies, strengthens group-wide governance and promotes compliance.

As a central platform, the PALFINGER Group Policy System forms the basis of the PALFINGER Group's governance model, including the internal control system. Corporate Governance & Compliance ensures the maintenance of the system and supports the global/corporate functions in the development of new group policies. These are published via the central PALFINGER Group Policy System and communicated to employees by Corporate Governance & Compliance. The respective management is responsible for the content, topicality and implementation of the group policies. Corporate Internal Audit reviews policy design and implementation on a risk-oriented basis.

Based on this, processes are defined and process risks and controls are addressed. To ensure that essential key controls are implemented in all companies and processes, reporting on accounting-relevant controls is carried out on a quarterly basis.

The PALFINGER organization acts in accordance with the principles of the dual control principle and the separation of functions. The internal approval process as well as external signing authorizations are governed by a separate group policy.

In the year under review, the following Group policies were newly developed or substantially adapted: Performance & Development Review, Learning, Export Control & Sanctions, Process & Data Organization, Digital Marketing, Brand Management & Media Production, Treasury and Financial Risk Management.

## Compliance

PALFINGER pursues the goal of achieving profitable and sustainable growth. As a global company, it ensures that all business activities are conducted in accordance with the same Code of Conduct. Moral, ethical and legal standards relating to human rights are defined together with business ethics and environmental standards. All employees and business partners, such as suppliers and PALFINGER dealerships, are obliged to comply with the Code of Conduct and to act in accordance with it.

The updated Code of Conduct has been valid since January 2021 and is published on PALFINGER's corporate website. For selected topics, the Code of Conduct is specified in additional group guidelines.

Internal training increases awareness of compliance issues. Corporate Governance & Compliance uses existing internal communication channels to share current compliance topics and innovations within the company.

PALFINGER defines a multi-level catalog of measures to prevent and detect violations of laws and group policies. An integrity hotline on the corporate website enables anonymous reporting of possible violations of Corporate Governance & Compliance. Reported violations are evaluated by Corporate Internal Audit, the level of process compliance is identified and potential for improvement is highlighted. Together, Corporate Internal Audit and the responsible managers define concrete measures to increase process compliance. Implementation of the measures is reviewed by Corporate Internal Audit.

As in previous years, there were no confirmed cases of corruption at PALFINGER in 2022, nor were there any legal proceedings related to corruption against the Company or its employees.

To fulfill its monitoring function, the Supervisory Board receives an annual overall report on anti-corruption measures.

## Internal Audits

Corporate Internal Audit acts as the central point of contact for the Executive Board and as a body for independent and objective reviews of the effectiveness of the group-wide risk management, control and steering processes and the operational organization. These activities promote organizational and process improvements. As part of the process, PALFINGER follows a standardized audit methodology.

Key audit priorities are derived annually from risk management, evaluated and prioritized. Once the plan has been approved by the Audit Committee, in addition to planned audits, Corporate Internal Audit carries out ad hoc and special audits in accordance with the structured audit process.

The results are presented to the relevant PALFINGER Group management, and improvement measures are jointly defined. Their implementation is monitored by Corporate Internal Audit. Reporting on audit results and measures is made to the full Executive Board.

In fiscal year 2022, the focus was on reviewing the accounting process and implementing new group policies in procurement of indirect materials/investments and services and inventory management. In addition to the ad hoc audit of a strategic project, process risks and controls in the processing of incoming invoices in GBS were reviewed.

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

The Executive Board is responsible for establishing an appropriate internal control and risk management system for the accounting process. To this end, PALFINGER AG's Executive Board has adopted binding group guidelines throughout the group and has installed a corresponding accounting system and an internal control system. The separation of functions and the dual control principle are essential components of this. Risks relating to the preparation of the balance sheet and measures to minimize risks are described in the risk report.

Group Accounting is a corporate function responsible globally for accounting within the group. It defines group-wide standards and policies, and, as a center of excellence with expert knowledge, supports the locally responsible Finance Business Partners and GBS functions in implementing the requirements.

The IFRS group manual sets out uniform rules for recording, posting and accounting for business transactions in the context of the preparation of annual financial statements. This ensures the implementation of the accounting and valuation methods in accordance with IFRS standards in the group. The group manual is updated on an ongoing basis by Group Accounting and is applied and implemented independently by the individual companies within the group.

The IT systems take the principles of the internal control system into account, for example, the appropriate allocation of user access rights. Access to sensitive data is limited to the group of employees who need the data to perform their duties.

The Supervisory Board audit committee is responsible for monitoring the accounting process and the effectiveness of the internal control and risk management system. The Executive Board presents the most important data, events and facts at the regular meetings of the Supervisory Board. This ensures that the Supervisory Board is provided with all necessary information and is informed about ongoing business at regular intervals.

## FINANCIAL HIGHLIGHTS

- **Despite difficult general conditions, PALFINGER once again achieved record revenues**
- **Delays and bottlenecks in external supply chains led to high inventories**
- **Significant energy and raw material price increases posed challenges and reduced profitability**

PALFINGER measures progress of the group's development over the long term based on financial and non-financial indicators. The increase in value is reflected in revenue and good profitability despite major challenges. The massive increases in raw material and energy costs as a result of the Russian war on Ukraine weighed on profitability compared with the previous year. Indicators of medium and long-term success include tied-up capital, employee health and environmentally conscious business practices. The key figures for PALFINGER in 2022 were:

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

PALFINGER strives for long-term profitable growth. Therefore, the focus is on the development of the key figures in the long term. In the reporting year 2022, sales volumes, driven by price increases and exchange rate effects, increased by 20.9 percent compared to the previous year, which was characterized by the global economic upswing following the first waves of the pandemic. The EBIT margin fell to 6.8 percent as a result of higher costs, which could only be passed on with a delay in the form of price increases due to the high order backlog. Average capital employed increased to EUR 1,187.5 million due to the challenges in the global supply chains and the simultaneously high production volume as well as the extensive investment program. ROCE reached 9.4 percent in the reporting period. Free cash flow in 2022 was EUR -29.4 million following EUR -42.1 million in 2021. The increase in working capital had a negative impact on net financial debt, which therefore increased from EUR 476.6 million in the previous year to EUR 609.6 million in 2022.

## REPORT ON THE DEVELOPMENT OF THE BUSINESS AND THE ECONOMIC SITUATION

### MACROECONOMIC CONDITIONS

- **Russia's war on Ukraine significantly influenced world economy**
- **Massive increase in the cost of steel and energy**
- **Average inflation rate in EU at 8.4 percent**

In 2022, the recovery of the global economy from the Covid-19 pandemic was slowed in many countries by the war in Ukraine and its aftermath. The war has led to both a humanitarian and an economic crisis with global repercussions. These include massive supply chain bottlenecks, significant increases in raw material and energy costs, high financial market volatility, and uncertainties in investment decisions. Because of its high dependence on Russian energy, the effects of the war were particularly felt in the EU.

According to the European Commission, the euro zone grew by 3.5 percent in 2022 following growth of 5.4 percent in the previous year. Germany recorded growth of 1.8 percent, Spain and Italy of 5.5 and 3.9 percent respectively, and Austria achieved growth of 4.8 percent. The USA achieved economic growth of around 2.1 percent, with much stronger growth in the third and fourth quarter than in the first half of the year.

The impact of global development on average GDP growth was similar in emerging and developing countries. The World Bank put growth within this group at 3.4 percent in 2022, significantly lower than the average between 2011 – 2019 of 4.8 percent.

India and Saudi Arabia stood out as the biggest growth drivers, with increases of 6.9 percent and 8.3 percent respectively, while China recorded growth of 2.7 percent. Factors contributing to the development in India and Saudi Arabia included government stimulus packages, high oil prices and strong economic growth through infrastructure projects.

### Demand for steel products and steel price trend

For PALFINGER, developments affecting steel are of major importance.

The war affected metal and steel production in different regions and economies differently, depending on how closely linked they were in direct trade with Russia and Ukraine. The high energy and, above all, gas prices had a major impact on steel production worldwide.

In 2022, global steel demand was 1.85 billion tons, representing growth of 0.4 percent. In 2022, Asia and Oceania once again had the highest demand for steel. In 2023, demand is expected to reach 1.9 billion tons, which would represent 2.2 percent growth. Steel demand in the EU is expected to be 153 million tons.

After the start of the war, steel prices rose by around 50 percent, but the trend has since reversed. Due to the weak economic forecasts, the ongoing war situation and weak demand on the world market, prices fell again towards the end of 2022. After the rapid rise in the price of iron ore in 2021, costs fell significantly in 2022. DMTU iron ore was trading at around USD 110 per tonne in December 2022, down from USD 151 in mid-2022. The main reason for this was oversupply in the market due to weak demand and fears of falling output from the industry. Demand from China also fell due to the Chinese government's continued strict Covid-19 policy.

## Foreign exchange and inflation

The international nature of the group means that payment flows in various currencies. The US dollar (USD) had the greatest impact on PALFINGER AG's business development. The main currency in the primary steel business is the USD. For example, the steel price on the London Metal Exchange is quoted in USD. In addition to the purchase prices of primary steel, other essential raw materials are also priced in USD. The USD generally benefited from a recovering American economy. It rose sharply against the euro as Europe was more affected by the Russian war of aggression in Ukraine. While the USD rose significantly against the euro in September, it approached near parity with the euro again in the final months of the year.

The war-related rise in commodity prices and the resulting price pressure caused inflation to increase worldwide. In advanced economies, inflation reached an average of 6.9 percent, the highest level in the 1980s. In 2022, the Austrian inflation rate averaged 8.7 percent.

The HWI price index as an indicator of price developments on the world commodity markets has also risen continuously since the fall of 2021, but falling market demand has led to a convergence to the level of the previous year.

As a global company, PALFINGER was not spared from market developments. Supply chain bottlenecks and increases in raw material as well as transport costs posed major challenges. As a result, measures were taken to counteract these critical developments. The following report details these effects as well as the business development in 2022.

## SALES AND SERVICE

- **Record sales influenced by price increase and exchange rate effects**
- **Persistent delivery delays adversely affected delivery reliability**
- **Development and expansion of e-commerce**

The global function Sales & Service is responsible for PALFINGER'S sales and service business and is organized into regions. In each region, the Sales & Service function is headed by a regional Sales & Service manager.

Distribution is mainly carried out by PALFINGER Group's own sales representatives as well as independent general agents and dealers. PALFINGER's global sales and service partner network comprises around 200 general importers and dealers as well as over 5,000 sales and service partners in more than 130 countries.

Sales & Service's goal is to provide the best possible customer care, from the first contact with PALFINGER through to after-sales service for the products. In addition to individual product solutions, PalDrive offers complete vehicles that are available immediately – these are complete packages consisting of truck, PALFINGER product and body solution.

The digitalization of sales and service processes is being continuously expanded. Orders are increasingly submitted to PALFINGER by dealers or general importers via the product configurator tool. This helps to manage the complexity of customer requests and avoid errors in the quotation process. It significantly shortens the time from inquiry to order entry and underlines the expansion of digitalization at PALFINGER. The PALFINGER Connected app supports end-user fleet management. Based on telematics data, the applications enable both fleet managers and operators to view the PALFINGER fleet and its operating status.

## Significant events in 2022

The high order intake in the EMEA, NAM and LATAM regions, particularly at the beginning of the year, led to a record order backlog in the first half of the year, which was largely maintained until the end of the year. Influenced by price increases and exchange rate effects, PALFINGER achieved record sales of EUR 2.2 billion.

While demand in EMEA declined from the 2nd quarter due to Russia's war in Ukraine and the associated weakened economic expectations, NAM and LATAM established themselves as growth markets. Demand in APAC stagnated due to ongoing Covid-19 restrictions in China. The MARINE business benefited from the upturn in offshore wind farm projects.

With the removal of most Covid-19 restrictions (with the exception of China), service business in the marine sector returned in full during the year and was in strong demand. As a result, maintenance and service were again carried out on site and customer proximity was intensified.

Maintaining delivery reliability was a major challenge due to the massively disrupted supply chains worldwide. Lack of availability of trucks and electronic components led to considerable delays and thus to high levels of finished goods inventory at PALFINGER. Measures such as intensive communication with customers and a targeted increase in spare parts inventories to compensate for fluctuations in supplier delivery reliability counteracted these effects. In addition, the availability of PalDrive solutions was increased in order to cover short-term customer requirements.

To compensate for cost fluctuations faster and more transparently in pricing, PALFINGER introduced index-based dynamic price management. The profitability of the PALFINGER Group will, as a result, be more predictable with effect from January 2023 and secured against future cost increases.

As part of the PALFINGER Event Week in May 2022, distribution partners were presented with sales and service strategies for the coming years. More than 10 events such as Bodyworx Meeting, EMEA Sales Conference and Training Days were held. In September and October, PALFINGER presented solutions and products that set new standards in user-friendliness at the IAA and bauma trade fairs, which were held again for the first time after the Covid-19 pandemic. By increasing the degree of automation, PALFINGER also increases safety and counteracts the shortage of skilled workers.

Based on the Go Digital strategic pillar, e-commerce activities were specifically expanded. The e-commerce store for spare parts is linked to PALFINGER's digital service world center and has handled all spare parts orders from general agents in EMEA since June 2022. This will be rolled out to the end customer in further steps. The tool is connected to SAP in order to directly link PALFINGER's service partners with spare parts stocks.

In parallel, the solution configurator was presented at IAA 2022 as part of the Go for Solutions strategic pillar. Complete product solutions can be configured with it and ordered digitally. In the first step, lifting platforms were added to the configurator with the aim of successively integrating further product lines.

## Development in the regions

### EMEA

In addition to the dealer and general agent network, some products and solutions for original equipment manufacturers (OEMs) and key accounts are sold directly. The core industries in the EMEA region are construction, transport and logistics, rental and leasing, agriculture and forestry, waste management, and railroads and government organizations.

In 2022, new lifting solutions such as the EPSILON Generation 3 timber crane or the Load Crane Tec generation with PALTRONIC 180 control electronics were successfully launched. Ready-to-use, turnkey vehicles were increasingly in demand and added to OEM sales programs. At the beginning of the year, the economic upswing in the wake of the waning Covid-19 pandemic was well exploited and resulted in a high order backlog. The Russian war on Ukraine dominated the rest of the year in EMEA. From the 2nd quarter onwards, there was increasing uncertainty in the market and demand was more subdued.

With the expansion of the product configurator to include aerial work platforms, hookloaders and skiploaders, it now covers all product divisions. In 2022, its almost universal use led to a significant increase in the efficiency of sales processes. The operational sales, service and marketing teams were digitally supported by the further implementation of the global CRM system.

In addition, the maintenance and service contract portfolio was successfully established in the core industries. The PALFINGER Connected telematics solution makes maintenance events more plannable and more cost effective for customers. Thanks to the integrated oil monitoring program, up to 1,500 liters of lubricant can be saved in the first five years of a crane's operation, thereby avoiding large quantities of waste oil.

The newly opened spare parts center in Bremen (DE) complements the two centers in Lengau (AT) and Toulouse (FR). This completes the hub network in Europe and ensures the maximum availability of PALFINGER solutions through optimized spare parts stocks.

Plus, in June, the 40 percent minority share in Palfinger comércio e aluguer de máquinas, S.A. (PALFINGER Portugal) was acquired. The acquisition contributes to the implementation of Strategy 2030 and enables us to respond even more quickly and efficiently to market developments in Portugal.

### NAM

In addition to its independent general agents and dealers in the US, PALFINGER owns and operates its own dealership network covering a large area in the Midwest and Southeast. PALFINGER's product and service offering there includes a mobile fleet of nearly 100 service vehicles at over 10 locations, providing strong market access, customer proximity and added value for the customer. The most important sectors are the construction industry, waste management and, within the infrastructure sector, the energy supply and telecommunications industries in particular.

In 2022, NAM established itself as a strong growth market. Demand for existing products such as the rental of aerial work platforms continued to develop very positively. In addition, the recently launched new FHS series of truck-mounted forklifts met with great interest, especially in the construction materials sector and generated additional growth.

PALFINGER expanded its presence in NAM with a new regional headquarters in Schaumburg, IL – a suburb of Chicago. The opening of the new regional headquarters, which will also serve as a demonstration and training center for the region, is planned for the first half of 2023.

### LATAM

The construction and civil engineering (especially mining), energy supply, and agriculture and forestry sectors were the main growth drivers for LATAM in 2022, leading to the highest growth in the Group in percentage terms and reinforcing the positive trend in the core markets of Brazil, Argentina, Chile and Peru.

The distortions on international markets led to bottlenecks in the supply chains in LATAM. The presidential elections in Brazil also caused uncertainty among customers. Against these general conditions, PALFINGER continued its growth course and expanded its sales and service network throughout Latin America.

The expansion of direct sales in Brazil and Argentina resulted in a higher order intake. The Network Development Program was advanced further in the reporting period. It proved to be an important competitive advantage for PALFINGER in terms of standardization, cooperation, and growth. To optimize internal sales processes and provide customers and partners with the best possible support, digitalization tools such as customer relationship management and market analyses were further developed and improved.

A new showroom was opened in Rio Tercero (Argentina) and a new service installation site in Sao Paolo (Brazil).

### APAC

In the APAC region, PALFINGER strengthened its direct sales activities in 2022 and, in addition to the existing dealer structure, operated in some markets directly. The launch of new products and the development of new markets and customer segments were all successful. For PALFINGER, the most important industries in the region are construction and infrastructure, transport and logistics, railroads, waste management, agriculture and forestry, and government organizations.

With the exception of China, all economic sectors in the region recorded growth, which was reflected in increased demand despite inflation, price increases and disrupted supply chains. In 2022, specific sectors such as railroads, logistics, construction, government tenders and recycling recorded a significant upturn.

In China, PALFINGER faced strong headwinds with its joint venture with Sany. The government's zero-Covid policy severely affected the largest economy throughout 2022. In addition, the severely strained real estate sector had a negative impact on demand. In India and South Korea, PALFINGER won significant orders as part of major railroad projects. In South Korea, the recycling industry was also characterized by significant growth. In Thailand, PALFINGER received another major order from the public sector. In Japan, stability in the forestry sector ensured good business development.

### CIS

The Russian war on Ukraine in February 2022 caused significant economic turmoil. PALFINGER complies with all sanction regulations of the European Union and has completely stopped its imports and exports to and from Russia. The region operates self-sufficiently and independently, serving the Russian market exclusively through local production while maintaining financial reporting.

The fiscal year was primarily influenced by inflation and exchange rate effects. Core products remained loading, forestry and recycling cranes. The second half of the year saw a negative development in the forestry sector.

## MARINE

PALFINGER's product portfolio primarily serves the offshore (oil, gas and wind), passenger and cruise, navy and coast guard, aquaculture and fisheries, as well as trade and transport industries.

2022 was marked by the global upturn in the wind industry as well as the return of cruise shipping after the Covid-19 pandemic subsided. Increasing government budgets for investments in wind farms in EMEA, NAM and LATAM also had a positive impact on the order situation. In parallel, the offshore oil and gas industry saw increased investment in equipment, service and new builds for production in the wake of the energy crisis. In general, the service business picked up again, with maintenance work on cruise ships playing a major role.

The unbroken upturn in the wind industry resulted in increased demand for wind cranes, boats and davits for crew transfer. A major order for an offshore wind farm was won for the first time in Vietnam. The new PF crane series, which plays an essential role in the daily supply chain, was presented at WindEnergy 2022. High interest was also shown in Offshore Passenger Transport Systems (OPTS) – acquired in 2021. In 2022, PALFINGER received an order from Norway's Aker BP to supply state-of-the-art offshore cranes and to further develop remote-controlled crane technology.

In September, PALFINGER expanded its partnership with the Greek general agent ELTRAK. This enables ELTRAK to market, distribute and service PALFINGER's product portfolio not only for land-based solutions but also for the entire marine portfolio. PALFINGER's products and services are now united under one roof in Greece, making the general agent a one-stop shop and service hub in the Mediterranean.

## Outlook

In 2023, the general conditions are expected to remain volatile. However, the high order backlog provides a high level of visibility into the third quarter. In parallel with the introduction of dynamic pricing, the latest price increases will affect earnings. In EMEA, the war in Ukraine is expected to weaken the construction industry. In part, this potential shortfall could be offset by infrastructure projects. Continued strong growth is expected in NAM and LATAM due to improved framework conditions.

## PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

- **Massively impacted supply chains**
- **Extreme cost increases due to Russian war on Ukraine**
- **Expansion of strategic partnerships with suppliers**

The global function Procurement is divided into the categories Raw Materials, Cylinders, Control Systems & Mechatronics, Hydraulic & Equipment and Indirect Spend & Investment. It is responsible for PALFINGER's entire purchasing volume, which amounted to around EUR 1.3 billion in 2022.

PALFINGER applies various measures in procurement to reduce the risk of unstable supply chains. The practice of double/multiple sourcing minimizes the risk of supplier failure. PALFINGER also reduces its ecological footprint and contributes to local value creation through the procurement principle 'in the region, for the region' using local partnerships preferably with globally operating suppliers.

To reduce complexity in the procurement of components, cut process costs and, above all, increase flexibility, PALFINGER increasingly uses digital interfaces with its suppliers.

PALFINGER classifies 700 of its 7,000 suppliers worldwide as strategic partners. Annual requirement plans are drawn up as part of long-term supply contracts. This allows costs to be fixed and future volume requirements, especially for critical items, to be ensured.

## Significant events in 2022

In early 2022, the Covid-19 situation in China proved to be an extreme liability. Due to the Chinese government's strict zero-Covid policy, there were massive delays and failures both in production and in the supply chains inside and outside of the People's Republic. As a transport alternative to the sea route, cost-intensive air freight or rail had to be used for electronic components and parts such as cylinders. This situation improved slightly in the second half of the year.

Since the end of February, the Russian war on Ukraine further impacted already unstable supply chains. In addition, the war led to a shortage of important raw materials such as steels, which had previously been sourced from Ukraine. This development resulted in significant cost increases. At the same time, energy costs – especially for gas – rose exorbitantly. The war also directly affected the supply of cable harnesses from Ukraine for European truck production. This once again led to serious delivery delays. Although the situation eased slightly in the course of the year, delivery commitments still proved unreliable even in the 4th quarter.

Not only trucks were affected by the massive delivery delays, but also the electronic components that are critical for production. The shortages presented a challenge throughout 2022. Securing the replenishment of electronic components is one of the tasks of the Supply Chain & Operations Resilience task force. Thanks to the bundled management of supply, the bottlenecks were largely compensated for by purchases on the spot market and the procurement of alternative suppliers.

In addition to bottlenecks, 2022 was characterized by cost increases for raw materials, energy and components. Compared to 2019, costs increased significantly. The cost of steel peaked in the middle of the year and subsequently settled at a level that remained elevated compared with pre-pandemic times. Energy costs represented another uncertainty factor and were a major driver of materials and component costs throughout the year.

PALFINGER consistently pursues a make-or-buy approach with a tendency in the direction of buy. In addition to investments in our own plant network, expanded cooperation with strategic suppliers is essential to ensure future growth. Closer cooperation with suppliers is already being sought in the development phase of products and solutions.

The extent to which close ties and cooperation with suppliers have proven their worth was demonstrated by the fact that PALFINGER was given high priority by many of them, especially in times of crisis. It was therefore possible to cushion the effects of bottlenecks in the year under review. In May, as part of PALFINGER's 90th anniversary event week, a Supplier Day was held in Salzburg to exchange ideas between PALFINGER and its suppliers and to provide an outlook.

The Go Digital strategic pillar also has a direct impact on how PALFINGER works with its suppliers. Further suppliers were connected directly to the PALFINGER system in 2022, which made it possible to automate their orders. This results in shorter delivery times and better plannability.

## Outlook

An easing of the cost of raw materials is not expected before the 2nd half of 2023. In the first months of 2023, PALFINGER also expects persistent supply bottlenecks for electronic components and trucks. Covid-19 will continue to be a source of uncertainty for suppliers and subcontractors, particularly in the China region.

## OPERATIONS

- **Good output despite strained supply chains**
- **Gas Emergency Readiness taskforce**
- **Implementation of the strategic pillars in the production plants**

Operations is a global function responsible for production at PALFINGER. This includes all production plants of the PALFINGER Group and is organized into regions. With over 6,000 employees, half of PALFINGER's total workforce is employed in production.

Within the function, the globally oriented Operations Excellence department works with the plants to drive forward the optimization and standardization of manufacturing and business processes. In addition, the digital transformation along the value chain is centrally controlled, tested and implemented in the production network. In this way, digital data consistency is being developed step by step.

The value-added principle 'in the region, for the region' promotes the production of regional products and solutions close to the customer. In this way, PALFINGER ensures greater geographical proximity to its customers, benefits optimally from shorter delivery routes as well as cost advantages in best-cost countries, and also enables a rapid response to changing market volumes.

### Significant events in 2022

Following adverse effects in the first quarter, Covid-19, which was the dominant issue in 2020 and 2021, no longer posed a significant challenge in the rest of the year. Only in China was there another sharp increase in Covid-19 infections at the end of 2022.

On the other hand, the war in Ukraine led to considerable difficulties. The additional problems in the already strained global supply chains weighed on output throughout the year and also led to high inventory levels. In addition, the global shortage of skilled workers had a significant impact on production. Nevertheless, a high level of output was generated in 2022, in which the flexibility of the employees played a significant role.

In view of the looming energy crisis, PALFINGER established a Gas Emergency Readiness task force. Its mission and goal is to evaluate and implement opportunities for natural gas substitution as well as energy reduction. In EMEA, this includes switching from gas to oil for heating, proactive stockpiling of gas, preparation for energy limitations, supply bottlenecks and blackout scenarios as well as group-wide energy-saving measures.

As part of Go for Solutions, the development of in-house competencies in the design of e-trucks and their testing in prototypes was implemented on an ongoing basis. The focus was on achieving the necessary qualifications for employees in the production plants to work in the high-voltage area.

To counteract the noticeable shortage of skilled labor, which is expected to increase in the future, PALFINGER is also increasingly relying on automation in its manufacturing plants.

Based on the second strategic pillar, Go Digital, the implementation of various digitalization projects was started. The central element is the application of an Internet of Things platform, which was introduced at the Maribor plant following a pilot phase at the Lengau plant. Furthermore, applications for the support of direct and indirect production areas were put into operation. All of the above initiatives are aimed at optimizing and standardizing production, procurement and inventory management processes.

## Development in the regions

### EMEA

The plants in the EMEA region are a central element in the global production network and also supply sales units and plants outside Europe. Material supply problems from various sources, but especially in the area of electronics and hydraulics, led to bottlenecks throughout the year and thus to a tense inventory situation. Due to the war in Ukraine, output in EMEA was partially reduced and supply flows reorganized. Short-term changes in product designs, the establishment of alternative suppliers and extra shifts compensated for the bottlenecks and quickly reduced backlogs. With a view to the future, increased outsourcing activities and additional internal capacities are aimed at reducing delivery times.

In May, PALFINGER AG acquired the 35 percent minority shareholding in Guima Palfinger S.A.S. (Guima) from Compagnie Générale Vincent S.A.S., so that PALFINGER now holds 100 per cent of the shares. Guima is the central production site for hookloaders and skiploaders located in Caussade (France) with a significant market share in the EMEA region and a high export share to the NAM region.

### NAM

In NAM, the focus was on further stabilizing production of aerial work platforms, total solutions and automation of welding processes.

### LATAM

The production plants in LATAM were able to meet rising market demand by adjusting capacity accordingly. At the Rio Tercero (ARG) and Caxias do Sul (BRA) plants, the overall plant concepts were revised. Based on this, the first changes were made, such as the renewal of the plant machinery in an optimized value stream and factory layout.

### APAC

After setting output records in 2021, the production site in Rudong, China (SPV), a joint venture with SANY, had to cope with huge declines in demand. The heavily modernized plant in Qingdao (China) delivered fiberglass boats with a solid performance and largely took over the product portfolio from the divested Olve (NOR) plant. The plant in Hanoi (VIE) successfully served the demand for davit systems and special aluminum boats.

### CIS

With the war situation in Ukraine and the associated sanctions, the options for managing business from a group perspective in CIS are severely limited. Accordingly, the production network in Russia is also operated autonomously.

### Outlook

2023 will continue to be characterized by the management of unstable supply chains. The main goal is to expand capacities in the core product families in order to significantly reduce delivery times.

## RESEARCH AND DEVELOPMENT

- **Reorganization of research and development structure**
- **Köstendorf Center of Excellence and The HUB Vienna opened**
- **New Digital product line**

Research & development contribute significantly to PALFINGER's positioning as a globally innovative technology company. The global function of Product Line Management & Engineering bundles all research and development activities for this purpose and has around 700 employees at 24 locations. Within this function, three centers of excellence focus on System Management & Engineering, Mechatronics and Vehicle Integration. In 2022, PALFINGER spent EUR 84.4 million on research and development (Cash-out) (2021: EUR 74.7 million), which corresponds to 3.8 percent of total revenue (2021: 4.0 percent).

As an independent, exploratory corporate unit, P21st, the corporate incubator, complements the company's innovation activities. By focusing on external market developments and their impact on the future needs of end customers as well as the development of new solutions with disruptive potential, P21st creates sustainable strategic value and growth potential for PALFINGER. In close cooperation with the internal research and development teams, P21st drives forward topics such as scouting, customer orientation, competence building in the environment of new technologies, and the development of new business models. In addition, P21st promotes a culture of innovation within the group and cooperation between PALFINGER and external partners and research institutions.

### Significant Events in 2022

Smart Loading Assist (Go Digital) and electric elevating work platforms (Go for Solutions) exemplify the results of the two strategic pillars. Smart Loading Assist adds a 3D camera system, sensors and a high-performance computing unit to roll-off tippers. Similar to an optical parking aid, it supports the driver in correctly approaching and precisely detecting the container. The integrated Obstacle Detection solution detects possible obstacles and people in the danger zone. Aerial work platforms enable safe and fast operations in narrow, densely built-up streets as well as on uneven terrain. Their electrification combines the important benefits of being pollution-free and low-noise. The prototypes of the mobile and retrofittable eDrive Battery Packs prove the flexibility of electrification: They enable quick and easy conversion to zero-emission operation.

Strategy 2030 also led to a reorganization of PALFINGER's research and development structure. In the process, the Köstendorf site was expanded and upgraded to become a global technology center. Here, core elements such as control, regulation and drive technology are developed uniformly and centrally. They are integrated into the global system development via product lines and integrated into the vehicles in the regional installation centers on a regional and application-specific basis. In addition, a working environment was created in Köstendorf that follows the principles of the Future Way of Work and promotes joint, interdisciplinary work.

Taking this further, PALFINGER opened 'The HUB Vienna' at the Vienna Austria Campus - a future-oriented location that is not only intended to facilitate access to young talent but also acts as another central hub in PALFINGER's global innovation network. The Austrian capital's position as a European metropole, the proximity to university networks and research institutions such as the Vienna University of Technology or the Austrian Institute of Technology (AIT) as well as to the lively start-up scene are important considerations.

As part of the Go Digital strategic pillar, a new product line, the 'Digital Product Line', has been created and work started on ramping it up within the organization. PALFINGER is thereby shaping the digitalization of its products to further increase the efficiency and performance of its lifting solutions. The data obtained can be used to create added value for customers along the entire value chain. In addition, digital product functions and the data obtained from them enable the development of new products and features as well as data-based business models. In future, the product line will be the basis for the commercial exploitation of digital products and solutions that complement the existing PALFINGER portfolio.

Following the pandemic years, PALFINGER was strongly represented at the return of the critically important trade fairs IAA in Hanover and bauma in Munich. Product innovations such as the PK 250 TEC loader crane and the latest generation of GENERATION 3 forestry and recycling cranes were met with just as much interest from the public as smart solutions and smart services that exploit the potential of digitalization along the entire customer journey. These include the PALFINGER product configurator, the eCommerce store, the IMPACT service app for tail lifts, and PALFINGER Connected, two digital platforms for fleet managers and crane operators.

In 2022, P21st initiated the establishment of a company-internal innovation network, which was anchored within the core organization in the System Management & Engineering center of excellence. Furthermore, new strategic partnerships with universities were created to establish collaborations in the field of research and to attract young talent as employees. Another focus was the development of virtual-reality training simulators. These provide a safe, cost-effective and efficient tool for training and instruction of crane operators, making it easy for newcomers to get to know and master a wide variety of work situations.

### Important partnerships with business partners, research institutes, and universities

PALFINGER maintains partnerships and cooperations with universities, research institutions and partners from industry to develop new technologies, innovations and integrated solutions. These enable PALFINGER to offer its customers the most efficient, innovative and best product solutions. Thanks to the innovation network, PALFINGER also increases its attractiveness as an employer for qualified specialists.

As part of the three-year partnership with Graz University of Technology, work in 2022 included a project on the topic of 'digital simulation models'. The resulting digital simulation of the steel structure at the Lengau production facility allows the effectiveness of changes in production to be simulated in detail. Thanks to the successful cooperation, the partnership with the Institute for Innovation and Industrial Management at Graz University of Technology was extended for another three years.

At the end of 2022, PALFINGER and the Vienna University of Technology entered into a cooperation agreement to work with students in areas such as digitalization, electrification, mechatronics, mechanical engineering and sustainability.

The successful completion of a cooperation with the Austrian Institute of Technology (AIT) on the automation of loading processes for truck-mounted forklifts led to a follow-up project focusing on forestry cranes.

PALFINGER developed eWorX in close cooperation with ZF Friedrichshafen AG and Mercedes-Benz Trucks. This means that any PALFINGER product can be mounted and used on a high-voltage truck.

With the company EcoLog, the forwarder crane integrated into forestry machines was equipped with Smart Control.

### Outlook

A global excellence program aims to reduce the complexity of the product offering and maximize synergies across all product lines. In addition, PALFINGER is implementing a long-term roadmap for remote and autonomous lifting systems for customers and their applications.

## OTHER SIGNIFICANT CHANGES WITHIN THE PALFINGER GROUP

### PALFINGER and SANY finalize reversal of cross-shareholding

On June 24, 2022, PALFINGER AG announced the acquisition of 7.52 percent of its own shares based on the dissolution of the cross-shareholding with SANY. The completion of the transaction and the transfer of the 2,826,516 treasury shares from SANY EUROPE GmbH took place on July 28, 2022. The transfer of the treasury shares of PALFINGER AG, together with an additional cash payment of approximately 15 million EUR, represents the consideration for the transfer of the stake in Sany Automobile Hoisting Machinery Co. Ltd. The acquisition was made in accordance with the agreement of December 2021 at a price of EUR 35.20 per share. The buyback has no effect on the stock exchange listing of PALFINGER AG.

### Supervisory Board

At the Annual General Meeting on March 24, 2022, Hannes Bogner was elected to the Supervisory Board for a further five years. On September 23, 2022, Ellyn Shenglin Cai resigned from the Supervisory Board with immediate effect.

### Further company law-related changes in the PALFINGER Group

In February 2022, Palfinger proizvodnja d.o.o. in Nis, Serbia was founded as a 100 percent subsidiary of Palfinger EMEA GmbH.

On 11 May, 2022, PALFINGER acquired the 35 percent minority interest in the French company Guima PALFINGER S.A.S. (Guima) from Compagnie Général Vincent S.A.S., so that PALFINGER now holds 100 percent of the shares.

On June 28, 2022, Palfinger Ibérica Maquinaria, S.L. L. acquired another 40 percent of the shares in the Portuguese Palfinger Comércio e Aluguer de Máquinas, S.A.. PALFINGER thereby holds 100 percent of the shares in the company.

On July 8, 2022, PALFINGER AG acquired 10 percent of KESTRELEYE GmbH. In addition, PALFINGER AG's share in Palfinger Structural Inspection GmbH was increased to 82.2 percent.

Effective November 1, 2022, Palfinger Tail Lifts GmbH was renamed Palfinger Deutschland Beteiligungs GmbH. The operational business was spun off to PTL eins GmbH, which was then renamed Palfinger Tail Lifts GmbH.

On December 9, 2022, a new company was created, Palfinger Marine Norway Holding AS, which holds 100 percent of the shares in each of Palfinger Marine Norway AS and Palfinger Marine Safety AS as an intermediate holding company.

## FINANCIAL PERFORMANCE INDICATORS REPORT

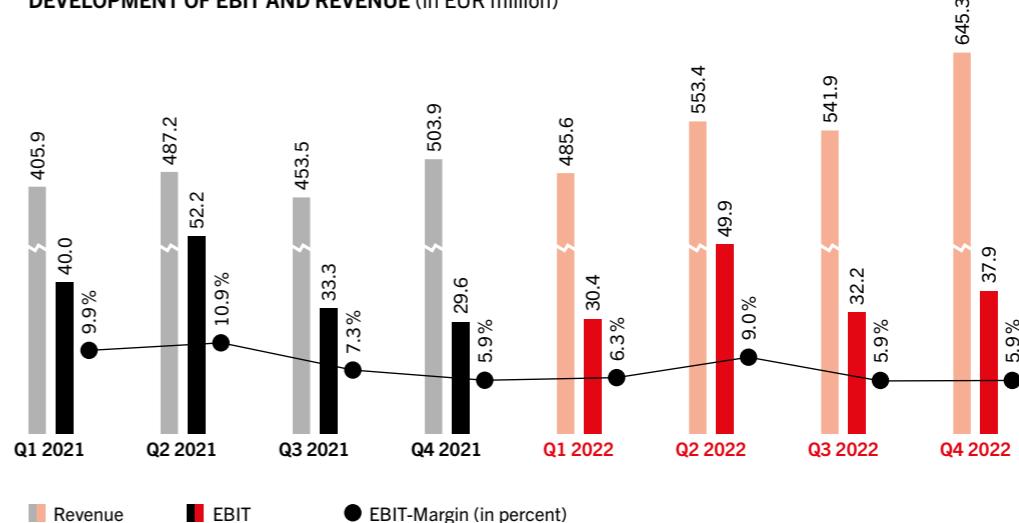
### BUSINESS PERFORMANCE 2022

The subsiding Covid-19 pandemic and the associated economic upturn were felt in all regions at the beginning of the year. By contrast, the Russian war on Ukraine had a major impact on the rest of the year due to massive cost increases for materials and energy and strained supply chains. Despite all the adverse effects, record sales EUR 2,226.2 million were achieved. Compared with 2021 sales of EUR 1,841.5 million, this represents an increase of 20.89 percent. This was mainly due to price increases and exchange rate effects, particularly for the USD.

While the EMEA region stagnated, considerable growth was recorded in NAM and LATAM. Order intake rose sharply at the beginning of the year and levelled off somewhat over the course of the year due to the volatile economic situation. Nevertheless, an order backlog was generated that extends into the 3rd quarter and partially beyond of 2023.

The profitability of PALFINGER's operating business decreased to EUR 155.0 million compared to the previous year due to the massive increase in costs, which could only be passed on with a delay by means of price increases due to the high order backlog. The EBITDA decreased from EUR 243.7 million to EUR 229.6 million and the EBITDA margin was 10.31 percent compared to 13.23 percent in fiscal year 2021.

DEVELOPMENT OF EBIT AND REVENUE (in EUR million)



## NET ASSETS

### CONDENSED CONSOLIDATED BALANCE SHEET

EUR million	12/31/2020	12/31/2021	12/31/2022
<b>Assets</b>			
Non-current assets	757.1	826.5	878.9
Current assets	799.8	866.2	1,079.2
	<b>1,556.9</b>	<b>1,692.6</b>	<b>1,958.2</b>
<b>Equity and liabilities</b>			
Equity	616.4	613.9	674.9
Non-current liabilities	536.1	442.8	620.6
Current liabilities	404.4	636.0	662.7
	<b>1,556.9</b>	<b>1,692.6</b>	<b>1,958.2</b>

■ Consolidated financial statements, consolidated balance sheet, p. 95,

Notes on the consolidated balance sheet, p.122

Total assets increased from EUR 1,692.6 million as at December 31, 2021 to EUR 1,958.2 million as at balance sheet date December 31, 2022. Non-current assets increased from EUR 826.5 million to EUR 878.9 million. The main reason for this was the extensive investment program. Current assets also increased from EUR 866.2 million in 2021 to EUR 1,079.2 million in fiscal year 2022 due to the huge increase in working capital.

Equity increased from EUR 613.9 million to EUR 674.9 million as of December 31, 2022, mainly due to currency effects and the consolidated result. The equity ratio dropped from 36.3 percent to 34.5 percent as at the balance sheet date due to the increase in total assets.

Non-current liabilities increased from EUR 442.8 million in the previous year to EUR 620.6 million at the end of 2022. This was mainly due to the raising of sustainability financing of EUR 280 million to finance the increased working capital. Current liabilities also increased from EUR 636.0 million to EUR 662.7 million. As of December 31, 2022, 96.4 percent of total capital employed of was secured long-term. At EUR 609.6 million, net debt increased significantly compared to the previous year due to increased capital requirement.

The gearing ratio (net debt in relation to equity) was 90.33 percent as at December 31, 2022, compared to 77.64 percent on the reporting date of the previous year. Net investments in the reporting period amounted to EUR 129.0 million and were thus higher than the previous year's figure of EUR 121.8 million.

## FINANCIAL POSITION

EUR million	Jan–Dec 2020	Jan–Dec 2021	Jan–Dec 2022
Cash flows from operating activities	224.7	87.4	46.1
Cash flows from investing activities	(60.5)	(137.4)	(85.8)
	<b>164.2</b>	<b>(50.0)</b>	<b>(39.7)</b>
Adjusted interest on borrowings after tax	9.1	7.9	10.2
<b>Free cash flow</b>	<b>173.3</b>	<b>(42.1)</b>	<b>(29.4)</b>

■ Consolidated financial statements, consolidated statement of cash flows, p. 98

Cash flows from operating activities fell in the year 2022 to EUR 46.1 million in 2022 after EUR 87.4 million in 2021. The main reason for this was the significant increase in working capital. Cash flows from investment activities amounted to EUR -85.8 million in 2022 compared to EUR -137.4 million in the previous year's reporting period. The positive change was primarily due to the largest investment program in the company's history in 2021. Free cash flow increased to EUR -29.4 million as of the reporting date compared to EUR -42.1 million in 2021.

The cash flow from the financing sector was EUR 60.5 million in 2022 compared to EUR -16.0 million in the same period of the previous year and increased primarily due to the increased financing requirements. The return on equity decreased from 17.6 percent at year-end 2021 to 15.4 percent as of December 31, 2022. The return on capital employed was below the previous year's figure of 11.2 percent at 9.4 percent. The weighted average cost of capital (WACC) decreased to 5.6 percent in 2022 due to the decrease in market capitalization and despite the increase in interest on borrowings, compared to the previous year's value (2021: 6.3 percent). These developments led to a decrease in economic value added from EUR 51.6 million to EUR 45.5 million in reporting year 2022.

EUR million	Jan–Dec 2020	Jan–Dec 2021	Jan–Dec 2022
<b>NOPLAT</b>			
EBIT	100.3	155.0	150.4
Adjusted income tax	(25.9)	(37.6)	(39.0)
	<b>74.4</b>	<b>117.4</b>	<b>111.4</b>
<b>Capital employed<sup>1)</sup></b>			
Inventories	331.6	378.4	512.5
Trade receivables	252.3	260.3	319.4
Trade payables	(154.2)	(181.3)	(233.5)
Payments received on account of orders	(29.7)	(36.3)	(44.3)
<b>Current capital</b>	<b>400.0</b>	<b>421.0</b>	<b>554.1</b>
Other current receivables and assets	93.4	112.5	78.8
Income tax receivables	5.9	2.2	6.7
Current provisions	(28.5)	(33.2)	(39.4)
Current liabilities	(114.6)	(129.3)	(162.6)
Income tax liabilities	(7.9)	(11.1)	(14.1)
<b>Net working capital<sup>1)</sup></b>	<b>348.3</b>	<b>362.0</b>	<b>423.4</b>
Non-current operating assets	819.0	777.4	840.0
Non-current provisions	(64.8)	(69.8)	(57.4)
Deferred tax liabilities	(9.7)	(7.6)	(7.3)
Liabilities from puttable non-controlling interests	-	(0.2)	(0.2)
Other non-current liabilities	(8.8)	(9.9)	(11.1)
	<b>1,084.1</b>	<b>1,052.0</b>	<b>1,187.5</b>
<b>ROCE</b>	<b>6.9%</b>	<b>11.2%</b>	<b>9.4%</b>

1) Annual average.

## Cash and liquidity management

Treasury adheres to the principle of ensuring sufficient liquidity at all times, both for payment obligations as well as for further corporate growth. The most important source of financing is cash inflows from operating activities. Liquidity planning has been one of PALFINGER's central management tools since 2020.

Liquidity as well as currency and interest rate risks of PALFINGER are managed centrally by Corporate Treasury. Financial management is based on uniform principles applied globally across the group. At the subsidiary level the local Finance Business Partners are responsible for ensuring compliance with treasury guidelines.

Within the PALFINGER Group, the principle of internal financing applies. The financing requirements of subsidiaries are covered by the in-house bank concept and internal loans wherever possible. PALFINGER uses surplus cash and cash equivalents to reduce external financing requirements and net interest expenses. Intra-group transactions are settled via clearing accounts, thus reducing bank transactions and fees. Centralized management of group financing allows the group's credit rating to be used to finance group companies and secure the necessary liquidity at low cost.

In day-to-day liquidity management, PALFINGER uses cash management systems to utilize liquidity surpluses of individual group companies to cover the financial needs of others (cash pooling).

PALFINGER has access to extensive committed credit lines provided by the core banks currently financing the group. This further secures PALFINGER's solvency at all times. Financing requirements were covered in 2022 by taking out sustainable loans totaling EUR 280 million. The financing lines, which are held as a liquidity reserve and are also used to finance working capital, were increased in 2022 to more than EUR 300 million.

Factoring programs exist in Europe and the USA. As of the balance sheet date December 31, 2022, the receivables sold in this way totaled EUR 79.4 million (2021: EUR 48.0 million). The opportunities and risks associated with the receivables sold were neither fully nor retained. According to IFRS, receivables for which risks and rewards have not been fully transferred or retained must be accounted for based on a specific suspicion within the company. The receivables were therefore not fully derecognized. The assessment of the risks arising from the receivables sold is fundamentally based on the default risk and the late payment risk.

Additional suppliers were integrated into the existing reverse factoring structure in 2022. As of December 31, 2022, this affected trade accounts payable totaling EUR 55.2 million (2021: EUR 53.4 million).

## RESULTS OF OPERATIONS

Sales increased by 20.9 percent to EUR 2,226.2 million in fiscal year 2022 (2021: EUR 1,841.5 million), primarily driven by exchange rate changes and price increases. In 2022, the EMEA region was the most important market, accounting for 58.6 percent of revenue, followed by NAM at 23.2 percent and CIS at 5.5 percent. Exchange rate changes (especially the USD) had a positive effect of EUR 93.2 million on revenue development.

### RESULT OVERVIEW

EUR million	Jan–Dec 2020	Jan–Dec 2021	Jan–Dec 2022
Revenue	1,533.9	1,841.5	2,226.2
EBITDA	188.7	243.7	229.6
EBITDA margin	12.4%	13.2%	10.3%
EBIT	100.3	155.0	150.4
EBIT margin	6.5%	8.4%	6.8%
Consolidated net result	49.8	86.6	71.4
Earnings per share (EUR)	1.32	2.31	2.05
Dividend per share (EUR)	0.45	0.77	0.77 <sup>1)</sup>

1) Proposal to the Annual General Meeting.

▪ [Consolidated financial statements, Consolidated income statement, p. 93](#),  
[Notes on the consolidated income statement, p. 112](#)

As a result of the sales growth and the massive cost increases, the cost of sales increased from EUR -1,393.6 million to EUR -1,714.7 million, with the relative cost of materials also above the previous year's level. Variable personnel costs increased from EUR -202.5 million to EUR -227.8 million and were below the level of 2021 in relation to revenue. Gross profit increased from EUR 447.9 million to EUR 511.5 million in comparison to the same period of the previous year. The gross profit margin was 23.0 percent as at the reporting date and was below the figure of 24.3 percent in 2021.

Structural costs (including costs for research and development, distribution and administration) increased from EUR -338.7 million to EUR -378.3 million. The main contributors to the increase in costs in 2022 were the continued structural development of the organization for future growth and expenditure on groupwide future-oriented projects. Compared to the same period of the previous year, structural costs as a percentage of revenue reduced from 18.4 percent to 17.0 percent.

EBITDA decreased by -5.8 percent from EUR 243.7 million in 2021 to EUR 229.6 million in 2022. The reduction is a direct effect of the massive cost increases for materials, raw materials as well as energy in combination with the delayed effect of the implemented price increases. The EBITDA margin was 10.3 percent compared to 13.2 percent in the previous year. The operating result (EBIT) was also significantly affected by the above factors and fell from EUR 155.0 million in 2021 to EUR 150.4 million in 2022. The EBIT margin also decreased from 8.4 percent in 2021 to 6.8 percent in 2022.

Compared to the previous year, the net financial result fell by EUR -5.3 million from EUR -11.4 million to EUR -16.7 million. This development is due to increased borrowing, higher interest rates as well as currency change rates. Due to the expansion of production capacities and the increase in inventories as a result of the growing tension in the supply chain and the associated increase in working capital, as well as the extensive investment program, net financial debt increased significantly from EUR 476.6 million by around 27.9 percent to EUR 609.6 million. Absolute expenses for income tax were slightly the previous year's figure and amounted to EUR -34.8 million in the reporting period compared to EUR -35.1 million in 2021. The tax rate increased to 26.0 percent. At EUR 71.4 million, the consolidated net result for 2022 was -17.5 percent below the previous year's figure of EUR 86.6 million. Earnings per share decreased from EUR 2.31 in the previous year to EUR 2.05 in the reporting period. In line with PALFINGER's dividend policy, the Executive Board and Supervisory Board will propose to the Annual General Meeting that a dividend of EUR 0.77 be distributed for fiscal year 2022 (2021: EUR 0.77).

## PERFORMANCE BY SEGMENT

- Price increases and exchange rate effects drive revenue in the Sales & Service segment
- Tailwind from the market in manufacturing for third parties in the Operations segment
- A sharp rise in raw material prices and tension in the supply chain have a negative impact on the Operations segment's profitability

PALFINGER's business is divided into Sales & Service and Operations segments. In addition, the HOLDING unit acts as a cost pool for group administration and strategic future projects.

EUR thousand	SALES & SERVICE	OPERATIONS <sup>1)</sup>	HOLDING	Consolidation	PALFINGER Group
Revenue	2,022,627	203,613	-	-	2,226,241
Revenue share	90.9%	9.1%	-	-	-
EBITDA	162,434	89,323	(22.2)	-	229,555
EBITDA margin	8.0%	-	-	-	10.3%
EBIT	138,913	48,633	(37,147)	-	150,399
EBIT margin	6.9%	-	-	-	6.8%

<sup>1)</sup> Margins not displayed for Operations due to minor revenues in the segment.

### SALES AND SERVICE SEGMENT

Segment Sales & Service comprises the sales and service units.

#### Business performance in 2022

Segment revenue increased from EUR 1,705.1 million in 2021 to EUR 2,202.6 million in fiscal year 2022. The biggest increase was in the regions NAM and LATAM where the strong economic environment was particularly well exploited.

Segment EBITDA decreased from EUR 205.1 million to EUR 162.4 million in 2022. The EBIT margin also dropped from 9.8 percent in 2021 to 6.9 percent in 2022.

EUR thousand	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenue	378,580	445,343	417,620	463,562	433,776	497,663	487,667	603,521
EBITDA	46,285	53,467	51,567	53,801	22,234	50,156	42,595	47,449
EBIT	39,437	43,101	42,295	41,663	16,464	44,387	36,727	41,335

The slowdown in the global economy was also felt by PALFINGER. The associated impact was cushioned by the introduction of price increases, positive exchange rate effects and strong growth in NAM and LATAM. Similar to the previous year, the product lines loader cranes, service cranes as well as timber and recycling cranes recorded the strongest development. Due to the high order intake combined with the tensions in the supply chain and the shortage of raw materials, delivery times increased significantly over the course of the year.

Income statement (EUR thousand)	2021	2022	in % of Group
External revenue	1,705,105	2,022,627	90.9%
EBITDA	205,121	162,434	70.8%
Depreciation, amortization and impairment	38,656	23,521	29.7%
EBIT	166,465	138,913	92.4%
EBIT margin	9.8%	6.9%	

### OPERATIONS SEGMENT

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

#### Business Performance 2022

External segment revenue in 2022 was a record EUR 203.6 million significantly above the previous year's figure of EUR 136.4 million. Segment EBITDA increased from EUR 56.8 million in the same period in 2021 to EUR 89.3 million in the reporting period. Segment EBIT reached EUR 48.6 million compared to EUR 20.3 million in fiscal year 2021.

EUR thousand	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Revenue	27,318	32,882	35,890	40,337	51,821	55,737	54,268	41,788
EBITDA	19,140	25,609	6,296	5,711	28,212	22,063	16,356	22,692
EBIT	10,895	16,746	(2,741)	(4,569)	18,846	12,174	5,965	11,648

The clear focus is on producing maximum output as efficiently as possible with the available raw materials and materials. Availability of material and personnel throughout the year were limiting factors that led to major challenges. In addition, the sharp rise in raw material prices weighed on the profitability of the segment.

Third-party manufacturing, in which PALFINGER provides customers with production know-how and capacities, recorded a new record revenue in the 2022 financial year. In addition to additional sales, manufacturing for third parties ensures optimized capacity utilization, increases competitiveness and supports the improvements of internal processes.

Income statement (EUR thousand)	2021	2022	in % of Group
External revenue	136,428	203,613	9.1%
EBITDA	56,756	89,323	38.9%
Depreciation, amortization and impairment	36,425	40,690	51.4%
EBIT	20,331	48,633	32.3%

### HOLDING UNIT

The HOLDING unit includes the group functions pooled at headquarters and the strategic project costs incurred by the holding company.

#### Business performance in 2022

EBITDA in the HOLDING unit amounted to EUR -22.2 million in 2021 after EUR -18.2 million in fiscal year 2021, while EBIT for the unit was EUR -37.1 million after EUR -31.8 million in the previous year. The successful course and Group-wide initiatives from 2021 were continued. The focus was on digitalization and innovation, employee development, and aligning the organization for further growth.

EUR thousand	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
EBITDA	(6,948)	(4,340)	(2,648)	(4,240)	(1,313)	(3,064)	(6,642)	(11,182)
EBIT	(10,296)	(7,676)	(6,298)	(7,505)	(4,902)	(6,725)	(10,436)	(15,084)

Income statement (EUR thousand)	2019	2020	in % of Group
EBITDA	(18,175)	(22,202)	(9.7%)
EBIT	(31,773)	(37,147)	(24.7%)

## RISK REPORT

### RISK MANAGEMENT SYSTEM

- **Russia's war against Ukraine shapes risk position**
- **Proactive risk and crisis management to manage the consequences of the Ukraine war, strained resource and supply chains, and the latent energy crisis**
- **PALFINGER counteracts the lack of qualified employees by creating future-oriented jobs**

PALFINGER's risk management system identifies, assesses and monitors risks within the PALFINGER Group in a timely and comprehensive manner and to ensure that appropriate mitigation measures are defined and implemented. Risk management supports the achievement of operational and strategic goals. Corporate Risk Management manages and coordinates the risk management process and reports directly to the Executive Board. The risk management process is documented in a group-wide policy.

Risk identification: PALFINGER defines risk as the possibility of a positive or negative deviation from targets that may occur due to unforeseeable future events. Strategic and operational risks are discussed by Corporate Risk Management and the relevant management and experts, and identified risks are documented in a standardized risk catalog.

Risk assessment: Strategic and operational risks are assessed in consultation with the global and corporate functions and experts from the respective areas. The assessment dimensions include the probability of occurrence and the financial impact on the group's earnings. On this basis, the relevance and materiality of the individual risks for the PALFINGER Group are also determined.

Risk Reporting: The group's risk position is presented as part of the planning process and reported to management. The Executive Board and Supervisory Board are regularly informed about the material risks facing the group.

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

To ensure the implementation of risk mitigation measures by the respective management and the control of risks, central monitoring is carried out by Corporate Risk Management. The relevant reports are submitted to the Executive Board. In addition, a report on the overall risk position is regularly submitted to the Supervisory Board so that it can monitor the risk management process.

The design and adequacy of the group-wide risk management process are reviewed and assessed annually by an external auditor in accordance with Rule 83 of the Austrian Code of Corporate Governance (ÖCGK).

For strict and effective management of risks that lead to crises, crisis management is performed by Corporate Risk Management through dedicated task forces. Corporate Risk Management thus combines proactive risk and crisis management in a single function. PALFINGER defines a crisis as a serious incident with significant potential impact. A group policy defines the crisis situation and procedures for crisis management. In addition to the impact of the Russian war against Ukraine, both the strained resource and supply chain situation and the energy crisis in 2022 were managed by crisis task forces.

### RISK EXPOSURE

The actual risk exposure is strongly influenced by Russia's war on Ukraine. In addition, there are further geopolitical risks, particularly with regard to China and Taiwan, which could potentially impact global supply chains in the supply of electronic components.

The effects of the war on Ukraine pose major challenges for PALFINGER (in particular the developments in the CIS region and the general dependence on gas supplies from Russia, among others). From a risk perspective, the problematic situation PALFINGER is confronted with has been well managed so far. The volatile developments of the ongoing war and the possible effects on PALFINGER's ongoing business operations are being monitored by a task force and, where necessary, appropriate measures are being taken. It is difficult to predict how the Russian government will behave toward foreign investors. Expropriation of foreign investors cannot be ruled out. In addition, there is a risk of deconsolidation due to a potential loss of control or a change in prevailing opinion on the full consolidation of Russian subsidiaries.

Due to the EU's sanctions with international partners against Russia and Russia's countersanctions, as well as the halt in deliveries of Russian goods to Europe, there is an increased risk of further increases in European energy prices or general cost inflation. In addition, further bottlenecks may occur in some places in the procurement of raw materials and supplies, which on the one hand further increases the inflation risk and on the other hand jeopardizes the safeguarding of material availability and production.

PALFINGER is also affected by the ongoing implications of the pandemic as well as the tense supply situation in the supply chains. In addition, the lack of qualified employees represents a further strategic risk, which was also taken into account in the risk evaluation. From an employer's perspective, the current tight labor market situation is having a negative impact on employee retention and recruitment. The main effects are described below.

The risks identified and assessed in the course of the enterprise risk management process are essentially grouped into the following categories: Strategy & organization, product development & innovation, sales & service, purchasing & supply chain, production, IT & communication management, legal & compliance, human resources, finance & taxes, balance sheet risks. Sustainability risks within these categories are also taken into account in the process and reporting to ensure that data on climate and environmental protection, social and employee concerns, human rights, and preventing corruption is systematically recorded and their effects taken into account in the overall risk position. In the course of the risk management process, implications resulting from climate change were taken into account in the relevant individual risks.

The main strategic and operational risks of the PALFINGER Group are described in more detail in the following table:

Risk category	Risk description	Risk minimization measures
<b>Strategy &amp; organization</b>		
<b>Dependence on JV partners</b>	<ul style="list-style-type: none"> <li>The dependency in terms of performance, integrity and loyalty of the partners represents a significant risk.</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence when choosing a partner</li> <li>Continual coordination of control in the regular steering committee</li> </ul>
<b>Fraud and gaps in the ICS</b>	<ul style="list-style-type: none"> <li>Gaps in the ICS can lead to financial losses.</li> <li>The establishment of remote working has further increased the risk of fraud (such as CEO fraud or manipulation).</li> </ul>	<ul style="list-style-type: none"> <li>Organizational strengthening of the governance and compliance organization at corporate level</li> <li>Evaluation of process-integrated controls in process design and control development</li> <li>The basis of the internal control system is the group-wide group policy system</li> <li>Standardization of processes and systems is constantly being promoted, for example through the roll-out of S4/HANA. Ongoing process improvements are driven by the process &amp; data organization</li> <li>Internal audits and ad hoc reviews of root cause cases address risk and strengthen governance and process compliance</li> </ul>
<b>Product development &amp; innovation</b>		
<b>Technological leadership</b>	<ul style="list-style-type: none"> <li>Product development projects can be costly and complex or require higher upfront costs and/or longer development time.</li> <li>Changes in legal and regulatory requirements, including those relating to climate change, may delay product development or result in additional development costs.</li> <li>Lack of qualified employees can lead to the postponement of innovation projects.</li> </ul>	<ul style="list-style-type: none"> <li>Group-wide implementation of a standardized development process for continuous development work and innovation projects started</li> <li>Expansion of the Köstendorf development site as a new research and development center</li> <li>Close project controlling for cost and project management</li> <li>Requirements management implemented to ensure that legal and regulatory requirements are met</li> <li>Project prioritization to maintain technology leadership in the medium and long term</li> <li>Investment in research and development</li> <li>Product development towards eco-efficient products</li> </ul>
<b>Disruptive technologies</b>	<ul style="list-style-type: none"> <li>In addition to opportunities, disruptive technologies and current trends in digitalization also entail risks for PALFINGER, such as loss of existing markets.</li> <li>Customer behavior may change due to sustainability requirements such as eco-efficient solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of a Digital Transformation Officer and a Digital product line</li> <li>P21st as an incubator of innovation for new business models and to drive forward digital transformation</li> <li>Focus on developing digital solutions that cover the customer's entire value chain</li> <li>Focus on development of sustainable products</li> </ul>

Risk category	Risk description	Risk minimization measures
<b>Sales &amp; Service</b>		
<b>Sales market development</b>	<ul style="list-style-type: none"> <li>The increase in key interest rates in several currency areas leads to a higher probability of recession.</li> <li>The volatile market environment is also characterized by geopolitical as well as country-specific political influences and potential effects of the Covid-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>An established reporting system and coordination in regular management meetings enable short-term control, for example in the sales and operations planning cycle</li> <li>A concept of measures to be taken in the event of a drop in sales</li> </ul>
<b>Market consolidation</b>	<ul style="list-style-type: none"> <li>Mergers of competitors or customers can lead to steady market consolidation and increase the market power of competitors or the bargaining power of customers.</li> </ul>	<ul style="list-style-type: none"> <li>Building strategic partnerships</li> </ul>
<b>Dependence on external partners</b>	<ul style="list-style-type: none"> <li>Dependence on external dealerships</li> </ul>	<ul style="list-style-type: none"> <li>Strategic partnerships with dealerships</li> <li>Establishment of dealer standards for long-term quality improvement</li> </ul>
<b>Bad debt</b>	<ul style="list-style-type: none"> <li>Due to a potential recession, the increased risk of bad debts remains.</li> </ul>	<ul style="list-style-type: none"> <li>Continuation of increased and close monitoring of receivables in 2023</li> <li>Establishment of a uniform process and reporting for the preventive reduction of credit risks through the management of payment terms and defined credit limits</li> <li>Credit insurance in targeted areas</li> </ul>
<b>Export and customs regulations</b>	<ul style="list-style-type: none"> <li>Economic sanctions as well as import and export restrictions can reduce existing market potential.</li> <li>Changes in customs regulations may lead to additional fees and higher costs, and thus to lower demand in export markets.</li> </ul>	<ul style="list-style-type: none"> <li>Expand processes to identify and avoid economic sanctions</li> <li>Additional monitoring and control through the Sanctions Development task force newly established in 2022</li> <li>Strategic alignment: Cultivate markets as a global player with local production</li> </ul>

Risk category	Risk description	Risk minimization measures	Risk category	Risk description	Risk minimization measures
<b>Procurement &amp; supply chain</b>					
<b>Cost fluctuations</b> The cost structure is heavily dependent on material prices.	<ul style="list-style-type: none"> <li>In certain cases, purchasing costs for raw materials, components and energy are subject to strong fluctuations. The war in Ukraine and the resulting potential oil and gas shortages are leading to a sharp rise in costs.</li> <li>Developments in recent months have caused capacity bottlenecks in the availability of raw materials and components. The cost structure is negatively affected by these developments.</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of the existing Pricing Committee and establishment of an analysis tool</li> <li>Establishment of dynamic pricing</li> <li>Longer-term supply contracts</li> <li>Close cooperation with strategic suppliers and rolling demand planning</li> </ul>	<b>Production</b>	<b>Product quality and liability</b> PALFINGER focuses on high product quality and has a quality management system in accordance with ISO 9001.	<ul style="list-style-type: none"> <li>The good order situation together with partial interruption or delay in deliveries of raw materials and components is resulting in high capacity utilization in assembly and production plants. This can increase the susceptibility to errors and subsequently lead to additional costs for rework.</li> <li>In the longer term, the outsourcing strategy leads to increasing volumes and higher dependence on external suppliers. There is a risk that the implementation of quality assurance standards and processes will not be maintained as the company expands.</li> </ul>
<b>Production downtime, missed deliveries / failures and capacity bottlenecks</b> PALFINGER's output is influenced by the supply and raw materials situation as well as capacity bottlenecks in production.	<ul style="list-style-type: none"> <li>The shortage of raw materials, the war in Ukraine, and the ongoing Covid 19 pandemic are impacting the availability of purchased parts and raw materials. In addition, possible gas supply stoppages by Russia could have a negative impact. This could lead to delays and disruptions in national and international supply chains and subsequently reduce planned output.</li> </ul>	<ul style="list-style-type: none"> <li>Close monitoring in 2023 by management and the individual task forces</li> <li>Implementation of multiple procurement options</li> <li>Value creation principle 'in the region, for the region'</li> <li>Performance monitoring of suppliers is carried out with the help of selection, risk management and supplier management systems</li> </ul>	<b>Machine failures</b> The main stages of PALFINGER's value chain are manufacturing and assembly.	<ul style="list-style-type: none"> <li>Machines and production tools can be out of operation for a short time and lead locally to interruptions in production processes and additional costs.</li> <li>Long-term machine failures, especially at strategically important locations, can lead to significant delays in the entire production chain and the associated increased costs.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of measures such as ongoing renewal of machinery and optimization of production systems</li> </ul>
<b>Import and customs regulations</b> PALFINGER operates as an international company and is subject to import regulations formalities.	<ul style="list-style-type: none"> <li>The current situation surrounding the war in Ukraine is leading to changes in import and customs regulations, resulting in delays in cross-border shipments or higher costs.</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of the supply chain and further development of the 'in the region, for the region' value creation principle</li> <li>Additional monitoring and control through the Sanctions Development task force newly established</li> </ul>	<b>Natural disasters caused by climate change</b> Among other things, climate change has led to an increase in natural disasters. As a global player, PALFINGER is inevitably affected by this.	<ul style="list-style-type: none"> <li>Natural disasters such as earthquakes, floods, etc. can cause great damage to strategically important PALFINGER sites.</li> </ul>	<ul style="list-style-type: none"> <li>Health, safety and environment (HSE) checks when constructing or purchasing new sites</li> <li>Site analysis with regard to climate risks in the course of the annual risk management process</li> </ul>
<b>Energy</b>					
<b>Energy</b>			<b>Energy supply</b> As an industrial manufacturing company, PALFINGER is highly dependent on a constant and secure energy supply.	<ul style="list-style-type: none"> <li>The current energy crisis may potentially lead to a partial energy shortage in the winter of 2022/23. This could result in potential production downtime, interruptions and delays, which could subsequently jeopardize output and revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of alternative energy supplies and conversion options.</li> <li>Site-based monitoring</li> <li>Analysis of potential gas saving measures</li> <li>Establishment of Gas Emergency Readiness taskforce</li> </ul>
<b>Lack of infrastructure, pandemics, hazards and strikes</b> The main stages of PALFINGER's value chain are manufacturing and assembly.			<b>Lack of infrastructure, pandemics, hazards and strikes</b> The main stages of PALFINGER's value chain are manufacturing and assembly.	<ul style="list-style-type: none"> <li>A lack of electricity, gas and water supplies, as well as IT system failures, can lead to business interruptions and additional costs.</li> <li>Climate change can lead to more intense hot and cold spells, which can lead to high fluctuations in energy demand and high costs.</li> <li>Political discontent in general, in our industry, or with PALFINGER in particular may lead to strikes and thus to production stoppages and efficiency losses.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of a tool for monitoring legal requirements at sites, e.g. fire safety regulations</li> <li>Establishment of a comprehensive central insurance program</li> <li>Fair remuneration and creation of an attractive working environment</li> </ul>

Risk category	Risk description	Risk minimization measures
<b>IT &amp; communication management</b>		
<b>System failure and data availability</b>	<ul style="list-style-type: none"> <li>Failure of systems and processes can lead to operational downtime.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous implementation of further technical security and protection measures as part of the cybersecurity package of measures to minimize risks of data loss</li> </ul>
Operational and strategic management decisions depend on information generated by IT systems.	<ul style="list-style-type: none"> <li>Temporary limited data availability as well as data loss can lead to inadequate information for operational and strategic management decisions.</li> <li>Ongoing maintenance and improvement of the ICT infrastructure</li> <li>Physical intrusion into production facilities, headquarters or data centers can lead to theft or damage of hardware, resulting in data loss and increased costs.</li> <li>As remote working increases, so does the risk of system failures.</li> </ul>	
<b>Cybercrime</b>		
Companies that operate internationally are targets of cybercrime.	<ul style="list-style-type: none"> <li>Cybercrime and associated targeted attacks on companies' IT systems are increasing massively worldwide. This can result in system failures and temporary restrictions in data availability.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing investments to further improve cybersecurity</li> <li>Center of excellence for data security</li> <li>Implementation of awareness initiatives such as training, newsletters</li> </ul>
<b>Legal &amp; compliance</b>		
<b>Compliance</b>	<ul style="list-style-type: none"> <li>Violations of laws and international standards, fraud and corruption can lead to heavy fines as well as significant reputational damage.</li> <li>Sanctions regimes are becoming increasingly complex globally. This can be seen in the example of the Russian war against Ukraine. PALFINGER consistently complies with all sanction regulations that have been and are being issued against Russia and other countries.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of an annual comprehensive report on anti-corruption measures to the Executive Board and Supervisory Board</li> <li>Local data protection officers; implementation of processes regarding sanctions and export controls</li> <li>Binding Code of Conduct forms the basis for employees and PALFINGER partners</li> <li>Group policy for the implementation of compliance-relevant topics, e.g. anti-corruption</li> <li>Group-wide training program on compliance topics to raise employee awareness</li> <li>Internal audits that address compliance risks</li> <li>Implementation and continual development of an export control and sanctions process incl. business partners and sanctions audit</li> <li>Handover of management of the operating business to the Russian management while maintaining financial reporting</li> </ul>
<b>Loss of control due to government intervention</b>	<ul style="list-style-type: none"> <li>In connection with the current crisis situation in Russia, there is a risk that the Russian companies may be taken over by an external administrator by law.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing monitoring of business activities, sanctions as well as countersanctions, among others, by the "Sanctions Development" task force</li> </ul>
<b>Legal proceedings and litigation</b>	<ul style="list-style-type: none"> <li>Legal proceedings and litigation may unexpectedly turn out to be disadvantageous for PALFINGER and lead to higher penalties and costs than expected.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing legal proceedings are managed centrally via corporate counsels</li> </ul>

Risk category	Risk description	Risk minimization measures
<b>Human resources</b>		
<b>Shortage of qualified personnel</b>	<ul style="list-style-type: none"> <li>For PALFINGER, its employees are a key success factor. A lack of qualified employees inhibits the company's continuous growth and jeopardizes its position as a market and innovation leader.</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new future-oriented jobs through the Köstendorf development site, which was opened and expanded in 2022</li> <li>Positioning as an attractive employer through health services, flexible working time models, etc.</li> <li>Establishment of additional measures for employee training and development, e.g. training centers for apprentice training, management development</li> <li>Attractive and fair pay as an essential contribution to employee satisfaction (collective agreements, voluntary social benefits, etc.)</li> <li>PALFINGER creates appealing packages to attract and retain specialists and managers in the long term</li> <li>Establishment of comprehensive talent management</li> <li>Implementation of a uniform process for performance appraisal and further development of employees</li> </ul>
<b>Personnel costs</b>	<ul style="list-style-type: none"> <li>Collective bargaining or the local need to increase wages and salaries can cause personnel costs to rise more than planned.</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of a standardized process and central control of wage and salary increases for the entire Group</li> <li>Ongoing monitoring of personnel costs and the working environment</li> </ul>
<b>Occupational health and safety</b>	<ul style="list-style-type: none"> <li>Occupational accidents can damage PALFINGER's reputation and lead to financial costs.</li> <li>The ongoing Covid-19 pandemic continues to pose a threat to employee health. Due to the high risk of Covid-19 infection, there is a risk of further spread among employees and their families.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of a comprehensive and group-wide package of measures regarding Covid-19 through HSE to protect the health and safety of employees as well as possible</li> <li>Roll out of group-wide standards for occupational safety</li> <li>Continuous further development of PALfit, the company health management system</li> <li>Strict monitoring by managers and HR of compliance with worker protection regulations, such as maximum working hours and rest periods</li> </ul>

Risk category	Risk description	Risk minimization measures	Risk category	Risk description	Risk minimization measures
<b>Finance &amp; taxes</b>					
<b>Foreign currency risks</b>	Fluctuations in exchange rates, especially currently the USD, may lead to losses. Natural hedges, i.e. settlement of payment obligations and cash inflows from operating activities in the same currency reduce the foreign currency risk.	<ul style="list-style-type: none"> <li>Risk positions are analyzed, monitored and limited by implementing appropriate hedging strategies</li> <li>Regular meetings with the Executive Board to adjust the hedging strategy as needed</li> </ul>	<b>Disclosure and estimates</b>	Changes in accounting regulations in the national or international environment may lead to errors in the consolidated financial statements or corrections to figures already reported.	<ul style="list-style-type: none"> <li>The group manual, which defines the essential accounting and valuation approaches at PALFINGER, ensures a standardized process and thus minimizes the risk of different approaches within the group</li> </ul>
<b>Liquidity risk</b>	PALFINGER's international activities give rise to receivables and liabilities in foreign currencies. PALFINGER relies on group-wide cash reporting to control the efficient use of financial resources.	<ul style="list-style-type: none"> <li>Liquidity bottlenecks may increase refinancing costs and result in outstanding liabilities not being settled on time.</li> <li>The market situation and the increased risk of loss of receivables mean that liquidity remains a primary consideration.</li> </ul>	<b>Central control by the company's internal treasury; intra-group financial balancing is carried out via cash pooling and central clearing</b>	Early coordination of liquidity requirements using medium and long-term planning	<ul style="list-style-type: none"> <li>Estimation risks may arise from the inclusion of acquisitions in the balance sheet and the necessary assessment of circumstances. Merging different accounting logics involves a certain disclosure risk.</li> </ul>
<b>Interest rate risk</b>	Group-wide financing requirements are covered by short-term and long-term financing instruments.	<ul style="list-style-type: none"> <li>There is a risk of change in variable interest rates.</li> </ul>	<b>Central management of interest rate risk by the corporate treasury for the entire Group</b>	Hedging of variable interest rates through the use of derivative financial instruments	
<b>Tax risks</b>	With its international operations, PALFINGER is subject not only to Austrian but also to local tax laws in other countries.	Tax regulations in an international context are not always clear; tax legislation changes over time, especially in less developed countries. Audits by local tax authorities may result in back taxes from previous years.	<b>Tax compliance ensured by group-wide and local officers</b>		
<b>Accounting risks</b>					
<b>Deconsolidation of the Russian business</b>	PALFINGER is exposed to the risk of deconsolidation of the Russian business due to accounting rules.	Due to a potential loss of control or a change in prevailing opinion on the full consolidation of Russian subsidiaries, there is a risk of deconsolidation.	<b>Impairments</b>	<ul style="list-style-type: none"> <li>If the market situation deteriorates, there is a risk that individual assets will have to be adjusted to reflect a changed valuation or that investments will not be amortized as planned.</li> <li>Russia's escalating war on Ukraine and key interest rate hikes in several currency areas are leading to a deteriorating market situation as well as increasing risk.</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and identification of indications of impairment</li> </ul>

## FURTHER LEGAL INFORMATION

### DISCLOSURES PURSUANT TO § 243A UGB

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

On June 24, 2022, PALFINGER AG announced the acquisition of 7.52 percent of its own shares based on the termination of the cross-shareholding with SANY. The acquisition took place in accordance with the agreement of December 2021 at a price of EUR 35.20 per share.

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

The completion of the transaction and the transfer of 2,826,516 treasury shares from SANY EUROPE GmbH took place on July 28, 2022. The buyback has no effect on PALFINGER AG's listing on the stock exchange.

	treasury shares	proportion of the share capital in %	proportion of the share capital in EUR thousand
<b>Balance as of 2021/31/12</b>	-	-	-
Accruals in 2022	2,826,516	7.5	2,827
Outflows in 2022	-	-	-
<b>Balance as of 2022/31/12</b>	<b>2,826,516</b>	<b>7.5</b>	<b>2,827</b>

According to Section 65 (5) AktG, the company is not entitled to any rights from its own shares.

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

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

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

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

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

## EXPECTED DEVELOPMENT OF THE COMPANY

- **Sales and EBIT record for 2023 targeted**
- **Expectation of slight relaxation in the supply chains**
- **Uncertainties remain due to Russian war of aggression against Ukraine**

PALFINGER starts 2023 with confidence. The high order backlog, which extends into the 3rd quarter of 2023 and beyond, offers good visibility. The implementation of dynamic pricing will also affect earnings from the first quarter of 2023. Due to this good starting point, a sales and EBIT record is being aimed for in 2023.

At the same time, PALFINGER expects that the situation in global supply chains will continue to ease over the course of the year, which will allow the high inventories to be reduced. These developments would have an immediate positive impact on cash flow and balance sheet structure.

PALFINGER will continue to push the implementation of the Vision and Strategy 2030. The main focus is on a profitable growth path in the NAM region.

However, the war in Ukraine and its consequences remain major uncertainties. Delivery bottlenecks and cost increases cannot be ruled out due to the unforeseeable developments of the war.

To achieve its growth targets, PALFINGER is planning a further significant increase in CAPEX in 2023. By 2027 already, revenue is expected to reach EUR 3.0 billion with an EBIT margin of 10 percent, irrespectively of the development in the CIS region. The optimal use of non-current assets and current assets will help to achieve a planned return on capital employed of 12 percent by 2027.

## CONSOLIDATED NON-FINANCIAL REPORT

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

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

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

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

Within the framework of its membership of the Austrian sustainability network respACT, PALFINGER took on the role of respACT coordinator for the province of Salzburg in August 2019. Furthermore, PALFINGER is, among others, a member of the BDE (Federal Association of the German Waste Management, Water and Raw Materials Industry), the BDSV (Federal Association of German Steel Recycling and Waste Management Companies), the BSK (Bundesfachgruppe Schwertransporte und Kranarbeiten e.v.), etc. Further information can be found on the PALFINGER website (<https://www.palfinger.com/de-de/ueber-palfinger/verbandsmitgliedschaften>).

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

# Consolidated Non-financial Statement

## ORGANIZATIONAL INTEGRATION OF SUSTAINABILITY AND DUE DILIGENCE PROCESS

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

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

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

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

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

## STAKEHOLDERMANAGEMENT

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

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

## MATERIALITY ANALYSIS

In 2021, a comprehensive materiality analysis was carried out and material environmental, social and governance issues were identified in a multi-stage process. This materiality analysis remains valid for the year 2022. Employee concerns, respect for human rights, prevention of corruption and bribery, and diversity issues were also taken into account. The various relevant topics were identified along the entire value chain, taking into account global trends as well as requirements regarding current issues and legislation. In addition to the ongoing stakeholder dialog, qualitative interviews were conducted with internal and external stakeholders as well as stakeholder representatives to ascertain the significance of the topics from their point of view. The Management Board, Supervisory Board, top management and employees, shareholders and debt investors, customers and dealers, suppliers, OEMs, and strategic cooperation partners were surveyed. The interviews were weighted according to the influence on PALFINGER and the interest in PALFINGER of the respective stakeholders, with all stakeholder groups giving extremely homogeneous answers.

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

Area	Material topics with relevant aspects from the stakeholder analysis	Topics according to NaDiVeG	Sustainable Development Goals
<b>For the living planet we all depend on (Environment)</b>	<b>Less emissions</b>	Environmental concerns	SDG 13
	<ul style="list-style-type: none"> <li>Energy consumption and GHG-emissions in production and at PALFINGER sites</li> </ul>		
<b>For all the people we touch (Social)</b>	<b>Positive impact on the value chain</b>	Environmental concerns	SDG 13
	<ul style="list-style-type: none"> <li>GHG-emissions from product use</li> <li>Environmental impact in the value chain</li> </ul>		
<b>For a future-oriented entrepreneurial action (Governance)</b>	<b>Safe and healthy on every level</b>	Social issues Employee concerns	SDG 8, SDG 13
	<ul style="list-style-type: none"> <li>Safety of PALFINGER products and applications</li> <li>Employee health and safety</li> </ul>		
	<b>A qualified and diverse workforce</b>	Social issues Employee concerns Diversity Plan	SDG 5, SDG 8
	<ul style="list-style-type: none"> <li>Attracting and retaining experts/talents as well as employee development including training and continuing education</li> <li>Diversity and equal opportunities</li> </ul>		
	<b>Committed to our values</b>	Prevention of corruption and bribery Human rights	SDG 8
	<ul style="list-style-type: none"> <li>Compliance with and leadership commitment to values, legal, and ethical standards</li> </ul>		
	<b>Focus on governance and transparency</b>	Prevention of corruption and bribery Human rights	SDG 8, SDG 12
	<ul style="list-style-type: none"> <li>Clear internal guidelines and standardized processes</li> <li>Transparency and accurate reporting</li> <li>Dealing with megatrends</li> </ul>		

## SUSTAINABILITY STRATEGY

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

PALFINGER's Sustainability Mission Statement states:

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

Our **employees are the backbone** and driving force to transform and overcome future challenges.

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

Because we care!

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

### For the living planet we all depend on.

#### LESS EMISSIONS

As part of the global movement in industry, we make lower CO2 emissions one of our priorities. That's why our operations are increasingly powered by renewable energy and characterized by efficient material use - to deliver positive impact.

#### POSITIVE IMPACT ON THE VALUE CHAIN

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

### For all the people we touch.

#### SAFE AND HEALTHY AT ALL LEVELS

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

#### A QUALIFIED AND DIVERSE WORKFORCE

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

### For a future-oriented entrepreneurial action.

#### COMMITTED TO OUR VALUES

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

#### FOCUS ON GOVERNANCE AND TRANSPARENCY

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

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

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

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

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

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

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

## FOR THE LIVING PLANET WE ALL DEPEND ON

### LESS EMISSIONS

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

The Health, Safety & Environment (HSE) department manages eco-efficient production within the Global Function Operations. The group policy package on HSE topics was developed or updated in 2021. During the reporting period, as part of the planned revision of the environmental guideline, the HSE Audit Standard was drawn up, which defines in 19 chapters how, among other things, the topics of occupational safety and environmental protection are implemented at the individual PALFINGER locations and what measures are taken. The effectiveness of the defined measures in the environmental and HSE area is continuously monitored. Furthermore, the finalization of PALFINGER's environmental protection guideline will be finalized in the first half of 2023. It will reflect the integrated management approach based on the HSE Audit Standard.

PALFINGER is pursuing the long-term goal of reducing production-related CO2 emissions across the Group. The climate strategy is being developed on the basis of the science-based target initiative for a 1.5-degree economy.

From a process perspective, the greatest energy consumption in the PALFINGER Group occurs in production, primarily through the operation of painting and electroplating systems. All other manufacturing processes have moderate energy consumption in comparison, with energy primarily required for heating and ventilating production halls. PALFINGER has set itself the goal of increasing energy efficiency and also reducing energy consumption, for which measures are being taken on an ongoing basis. In 2023, an analysis of the energy savings potential at the 10 largest production sites will be carried out with an external partner, from which targeted measures to reduce energy consumption will be derived. The centrally recorded fuel consumption is included in the presentation of energy efficiency. Most transport is outsourced to logistics companies rather than carried out by PALFINGER itself, although the transport mix of trucks and ships is determined (As a result, these transport emissions do not fall under Scope 1).

In addition to the survey of Scope 1 and Scope 2 emissions, energy consumption has been identified as one of the relevant control variables in continuously driving the reduction of GHG-emissions at PALFINGER's sites. In the reporting year, absolute energy consumption was reduced slightly to 222.1 million kWh (2021: 222.3 million kWh) despite higher production volumes due to an increase in energy efficiency in production. Most of the energy consumption occurred in the EMEA region. The corresponding energy consumption within the organization was significantly reduced in the reporting period to 99.8 MWh /mEUR sales (2021: 120.5 MWh/mEUR sales), with this being attributable in particular to higher sales with a slight increase in production volume.

PALFINGER reports internal production-related CO2 emissions (Scope 1 and 2) in two categories: direct emissions from fuels and indirect emissions from electricity and district heating. PALFINGER generated 18,850 metric tons of CO2 equivalents in 2022 (2021: 20,160 metric tons of CO2 equivalents) in direct emissions from fuels – natural gas, diesel, gasoline, liquefied petroleum gas, butane, propane, and heating oil. In terms of indirect emissions (Scope 2 market-based) from electricity and district heating, PALFINGER caused 12,908 tons of CO2 equivalents in 2022 (2021: 11,044 tons). The slight increase in emissions for Scope 1 and Scope 2 in 2022 to 31,758 t CO2 (2021: 31,204 t) is primarily due to higher energy-related emissions in the CIS region. The intensity of GHG- emissions for Scope 1 and 2 in the reporting year 2022 was 14.27 t CO2e/mEUR (2021: 16.94 t CO2e/mEUR ).

The target of increasing the share of renewable electricity across the group to 75 percent by 2022 was already achieved in 2021 with 76.4 percent. The share of green electricity was increased slightly across the group in the reporting year to 76.6 percent (2021: 76.4 percent) due to increased electricity demand, particularly at sites that already purchase green electricity.

in MWh	2020	2021	2022
<b>Electricity</b>			
Electricity from renewable sources	106,051	124,978	127,593
	<b>106,051</b>	<b>124,978</b>	<b>127,593</b>
<b>Heating</b>			
Natural gas	61,940	68,216	60,589
Propane	3,214	3,201	2,967
Butane	895	905	3,520
LPG	4,203	5,190	5,164
Heating oil	408	1,434	1,311
District heating	4,980	4,883	4,965
	<b>75,640</b>	<b>83,829</b>	<b>78,516</b>
<b>Fuels</b>			
Diesel	12,376	12,302	12,696
Petrol	1,304	1,206	3,319
Kerosene	0	0	0
	<b>13,679</b>	<b>13,508</b>	<b>16,015</b>
<b>Energy consumption broken down by energy source</b>			
	<b>195,371</b>	<b>222,315</b>	<b>222,124</b>

	2020	2021	2022
<b>Direct emissions from fuels (Scope 1)</b>	<b>18,419</b>	<b>20,160</b>	<b>18,850</b>
<b>Indirect emissions from electricity and purchased energy sources (Scope 2)</b>	<b>12,377</b>	<b>11,044</b>	<b>12,908</b>
<b>Production-dependent CO<sub>2</sub> emissions</b>	<b>30,796</b>	<b>31,204</b>	<b>31,758</b>

1) The conversion of direct and indirect CO<sub>2</sub> equivalents is largely based on the IEA 2018 database, reference year 2016. Emissions data include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O), as well as the correction value for import and export. The remaining Kyoto gases are not produced during direct combustion, so the figures can be considered complete. The direct emission factors (Scope 1) of gasoline, diesel, liquefied petroleum gas and heating oil are from the Federal Environment Agency Austria. The conversion for coal as an energy source is based on the specific carbon content (Scope 1). The district heating conversion factors are country-specific and come directly from the supplier.

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

## POSITIVE IMPACT ON THE VALUE CHAIN

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

When ascertaining emissions along the entire value chain, PALFINGER found that the most significant share of CO<sub>2</sub> emissions originates in the deployment phase of PALFINGER products, which means that it is here that PALFINGER has the greatest potential to contribute to achieving the 1.5-degree target. Consequently, PALFINGER has set itself the goal of reducing GHG-emissions along the entire value chain, especially when using PALFINGER products and solutions. In future, PALFINGER's efforts will therefore focus increasingly on "external" GHG-emissions, in particular from product use. The individual product lines follow specific approaches for sustainable product design. As part of the EcoEfficiencyScoping, PALFINGER introduced a structured process to reduce the impact of the products on the environment, which was set up in accordance with the principles of SBTi for Scope 3 "product in use". After a thorough analysis of the past years, the results are integrated into the product development strategy in order to optimize the portfolio step by step. This will help customers reduce their carbon footprint and therefore their total cost of ownership.

The development of the climate strategy is based on the Science-Based Target initiative towards a 1.5-degree economy and takes into account GHG-emissions and CO<sub>2</sub> savings potentials along the entire upstream and downstream value chain.

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

PALFINGER can also influence the environmental impact in the value chain. For example, the Code of Conduct, which also sets minimum standards in the environmental area, is mandatory for suppliers and business partners.

In the year under review, PALFINGER worked intensively on developing a suitable methodology for calculating Scope 3 emissions, focusing in particular on the Use of Sold Products category, as the use of PALFINGER products clearly accounts for the largest share of GHG- emissions. When calculating the value for 2022, the CIS region was not taken into account, as corresponding detailed figures for determining the emission values were not available due to the limited reporting.. For 2022, Scope 3 emissions for the Use of Sold Products category were 2,154,210 t CO<sub>2</sub>e. Corresponding calculation methods will be defined for the other relevant Scope 3 categories in 2023.

## FOR ALL THE PEOPLE WE TOUCH

### SAFE AND HEALTHY ON EVERY LEVEL

#### Safety of PALFINGER products and applications

At PALFINGER, product safety comes first.

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

PALFINGER has set itself the goal of "zero accidents with PALFINGER products". All accidents in which PALFINGER products were involved are included in the corresponding key figure if the accident caused personal injury (excluding accidents at work). These are recorded independently of a question of fault.

There were 13 reported accidents in the field with PALFINGER products in the reporting year (2021: 9). Use of PALFINGER products led to 11 injuries of varying degrees (2021: 7) and to 6 fatal accidents (2021: 3). In the reporting year, PALFINGER initiated product recalls in 9 instances (2021: 20) as internal testing and ongoing quality assurance revealed a need for improvement in each case.

Accidents with PALFINGER products	2020	2021	2022
Reported accidents	14	9	13
Fatalities <sup>1)</sup>	3	3	6
Injuries of varying severity <sup>1)</sup>	12	7	11
Penalties imposed by court due to accidents	0	0	0
Pending complaints (in negotiation) on grounds of accidents with products (as at December 13)	7	5	6
Convictions	0	0	0

1) Irrespective of fault.

In reporting year 2022 there were no convictions of PALFINGER for non-compliance with safety regulations. Irrespective of the question of fault, PALFINGER nevertheless examines all incidents involving PALFINGER products in which persons are injured. The majority of these incidents stem from errors in operation, as a result of which no legal claims can be brought against PALFINGER. In these cases, a good network, and an understanding of safety awareness in the countries concerned are a prerequisite for PALFINGER's being notified of these incidents. All accident-related information is then evaluated internally. All PALFINGER products are assessed with regard to their effects on the health and safety of the operators, and any opportunities for further development identified in the course of these assessments are continuously implemented.

## Employee health and safety

The safety and health of employees is of the highest importance to PALFINGER.

In the GPO, the PALfit global health program is anchored in the human resources global function, while the other safety topics in HSE are anchored in the operations global function. The management of occupational safety and health protection aspects at PALFINGER is regulated according to ISO 45001 (OHSAS 18001) and the corresponding certifications. In 2022, 37 percent excluding CIS (2021: 43 percent including CIS) of employees worked at locations with this certification. Due to the current situation, the key figure had to be collected excluding the CIS region. From 2023, cross-site certifications will be sought, whereby the corresponding control will also be evaluated in the area of safety and adjusted if necessary.

With regard to safety, PALFINGER has set itself the goal of reducing work-related accidents with injuries to a minimum. Control is based on the Total Recordable Injury Rate (TRIR), which measures work-related accidents with injuries per 1 million hours worked. A targeted program of measures improved the TRIR slightly to 11.36 in 2022 (2021: 11.74). It should be noted in this context, however, that in 2022 accident reporting was restarted and the basis for calculating TRIR was revised in order to determine the data basis even more precisely. Although numerous improvements in the area of occupational safety were achieved through the program of targeted measures, the more detailed calculation of TRIR only led to a smaller improvement in the value. In the course of revising the basis for calculation, a target value of the TRIR was also defined at 10.5 by 2027. There were no fatalities due to occupational accidents in the reporting year (2021: 0 fatalities) and 2 injuries with serious consequences (0,085 injuries with serious consequences per 1 million hours worked).

Information on work-related injuries <sup>1)</sup>	2022
Deaths	0
Injuries with serious consequences	2
Documentable injuries	268
Hours worked	23,589,856.79

1) Distinction between white-collar workers and blue-collar workers not available due to lack of data.

Number of injuries by injury type	2022
Hematoma, bruise	63
Sprain and strain	41
Light cut	37
Closed fracture	36
Contusions	23
Lacerations	17
Bad cut	17
Penetration wound	11
Type of injury unknown	10
Grazes	8
Burns and scalds	4
Concussion	2
N/A	2
Open fracture	1
Internal injuries	1
Traumatic amputations (loss of a body part)	1

When starting work, employees receive a documented safety briefing on the hazards and risks in the workplace as part of their general training. These safety instructions are repeated at regular intervals, when procedures and workplaces are changed and on an ad hoc basis, e.g. in the event of accidents. The Learning Management System (LMS) organizes and provides online workplace and activity-based safety training. In the reporting period, about 50 HSE training courses were prepared for all PALFINGER sites, which will be made available globally in 15 languages in 2023. PALFINGER strives to continuously improve safety training. Safety experts, occupational physicians and the works council are involved in the regular occupational safety committee meetings to represent the interests of the employees and ensure their participation.

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

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

## A QUALIFIED AND DIVERSE WORKFORCE

Attracting and retaining experts/talent as well as training and further education are important aspects for PALFINGER. The availability of qualified staff, especially in technical professions such as welders, is a challenge worldwide. As retaining experts and attracting talent is of central importance to PALFINGER, fluctuation as well as employment structure play a major role. In order to better understand the background and motivation of employees who have decided to leave PALFINGER, exit interviews will be held with them.

As a matter of principle, PALFINGER has set itself the Group-wide target of keeping staff turnover at around 15 percent on a rolling average of 3 years. In addition to this benchmark, voluntary fluctuation with a target value of 8 percent, also on a rolling average of 3 years, will be used as a control parameter as of 2021.

Fluctuation in the reporting year 2022 was influenced by different and, in part, opposing effects. The rolling average of employee turnover decreased slightly from 17.5 to 15.9 percent in 2022. In the reporting period, many vacancies, including long-term ones, were filled and more than 2,000 employees were employed. Voluntary fluctuation amounted to 6.0 percent (2021: 5.5 percent).

Number and percent	2020	2021	2022	% <sup>1)</sup>
Gender				
Female	195	225	224	12,9%
Male	1,264	1,371	1,517	87,1%
Age				
0–29	282	359	525	30,2%
30–50	826	824	897	51,5%
50+	351	413	319	18,3%
Voluntary fluctuation <sup>2)</sup>				
PALFINGER Group	N/A	550	641	36,8%
Regions				
EMEA	544	623	779	44,7%
NAM	242	384	380	21,8%
LATAM	67	152	174	10,0%
APAC	53	42	36	2,1%
CIS	170	122	160	9,2%
MARINE	279	220	149	8,6%
HOLDING	104	53	63	3,6%
Employee exits <sup>3)</sup>	1,459	1,596	1,741	16,5%

1) The key figure is related to the total number of employee exits in 2022.

2) For integrated SuccessFactors companies only. Includes self-termination, self-termination during probationary period, unauthorized self-termination, voluntary termination.

3) The employee exits, and the following tables represent the key employee figures of the PALFINGER Group. With regard to the collection of the key figures, it should be noted that companies or sites acquired or established in the course of the reporting year are not required to report specific employee figures until the beginning of the following year.

Number and percent	2020	2021	2022	% <sup>1)</sup>
Gender				
Female	200	365	356	14.1%
Male	980	2,235	1,951	85.9%
Age				
0–29	447	887	932	35.8%
30–50	615	1,422	1,155	54.1%
50+	118	291	220	10.1%
Regions				
EMEA	542	1,209	1,113	49.7%
NAM	140	461	364	16.9%
LATAM	176	370	225	10.6%
APAC	50	37	39	0.4%
CIS	93	176	153	13.0%
MARINE	100	219	254	7.0%
HOLDING	79	128	159	2.4%
<b>Employee entries</b>	<b>1,180</b>	<b>2,600</b>	<b>2,307</b>	<b>22.3%</b>

1) The ratio is based on the total number of employees entering the company in 2022.  
2) PALFINGER only reports entries and exits for its own employees of companies that are integrated into the HR system SuccessFactors, otherwise a non-data protection compliant transfer of Employee detail data would be necessary.

To find and retain experts in the long term, PALFINGER focuses on staff development, comprehensive training and further education measures. This includes a Performance and Development Review (PDR) process in a unified tool. At the end of March 2022, the PDR process was fully completed for the first time. For the 2021, 87.2 percent of the employee reviews were recorded in the system. In addition, there is an extensive e-learning program for all employees, as well as the globally implemented learning management system as a technical basis, that bundles all future learning, development activities and measures in one system environment. Every PALFINGER employee has the opportunity to spend two hours of their working time per month on digital learning content relevant to the company. In the case of more comprehensive training measures, this is done in consultation with the respective manager. There are also tailored management development programs. The ability to work remotely and the "New Way of Work" on company premises provide a higher degree of flexibility for employees and thus contribute to a better work-life balance.

PALFINGER attaches particular importance to apprentice training both in and outside Austria. In 2022, the new PALFINGER Campus was completed, which is expected to significantly increase the number of apprentices and to continue the success story of PALFINGER apprenticeship training. This was reflected in Austria during the reporting period, among other things by numerous victories and top rankings in apprentice competitions. In addition, the "Study and Work" training program was launched in Austria in 2022, which enables employees to complete academic training alongside their professional activity. In addition, the training program in China was continued and again in 2022 numerous apprentices, who receive dual apprenticeship training based on the Austrian model, were trained.

PALFINGER is an important employer in various regions. At the end of 2022 12,210 people (2021: 11,733) were employed by PALFINGER. In addition, as of year-end 2022 468 (2021: 612) leased workers were employed.

Number	2020	2021	2022	% <sup>1)</sup>
<b>Permanent employment contract</b>				
Gender				
Female	1,231	1,305	1,378	13.0%
Male	8,234	8,791	9,214	87.0%
Regions				
EMEA	5,275	5,722	5,983	56.5%
NAM	998	1,027	1,003	9.5%
LATAM	620	769	788	7.4%
APAC	268	256	309	2.9%
CIS	841	1,494	919	8.7%
MARINE	1,078	409	1,110	10.5%
HOLDING	385	419	480	4.5%
	<b>9,465</b>	<b>10,096</b>	<b>10,592</b>	<b>97.8%</b>
<b>Temporary employment contract</b>				
Gender				
Female	18	30	57	24.4%
Male	141	218	177	75.6%
Regions				
EMEA	101	157	205	87.6%
NAM	1	0	0	0.0%
LATAM	0	0	26	11.1%
APAC	0	2	0	0.0%
CIS	34	52	0	0.0%
MARINE	16	22	2	0.9%
HOLDING	7	15	1	0.4%
	<b>159</b>	<b>248</b>	<b>234</b>	<b>2.2%</b>
<b>Core workforce</b>	<b>10,824</b>	<b>11,733</b>	<b>12,210</b>	
Apprentices and interns	209	228	226	1.9%
<b>Core workforce</b>	<b>10,824</b>	<b>11,733</b>	<b>12,210</b>	
SuccessFactors integrated	9,624	10,344	10,826	88.7%
Not SuccessFactors integrated	1,200	1,389	1,384	11.3%
<b>Contingent workers</b>	<b>571</b>	<b>383</b>	<b>612</b>	<b>3.8%</b>
<b>PALFINGER Group</b>	<b>11,207</b>	<b>12,345</b>	<b>12,678</b>	<b>100.0%</b>

1) The ratio is in relation to the total number of employees in 2022.  
2) PALFINGER reports details such as age, gender and employment status for key figures only for companies that are integrated into the SuccessFactors HR System, otherwise a non-data protection compliant transfer of employee detail data would be necessary.  
3) Until 2021, trainees and interns were reported together in this indicator. From 2022, only trainees will be reported in relation to a global apprenticeship strategy (comparative value under this definition 2021: 188 and 2020: 180).

As a rule, PALFINGER's employees are permanent and the number is not subject to seasonal fluctuations. Fixed-term employment contracts (beyond a locally defined probationary period) are not common, apart from some project work, professional internships and in interim management. In the 2022 financial year, 96.0 percent of employees worked full-time, while around 4.0 percent (2021: 2.9 percent) of employees worked part-time. In addition, "temporary workers" (leasing personnel) are used primarily in the production processes at PALFINGER locations. In 2022 there was no significant fluctuation in the leased workers.

PALFINGER generally makes no distinction in the awarding of company benefits with regard to employment relationship and length of service or temporary employment relationships and treats all employees fairly and in a comparable manner. This includes benefits such as company health promotion (PALfit) and comprehensive training programs (LMS, Udemy, Rosetta Stone) as well as monetary benefits such as the cost-of-living bonus in 2022. Exceptions where benefits can only be guaranteed on a pro rata basis exist in a few individual cases, and then only locally where the benefit is tied to the length of employment with the company for tax reasons. One example of this is annual passes for public transport, which can only be issued if the employee has been in service for at least 12 months.

Number	2020	2021	2022	% <sup>1)</sup>
<b>Full-time employment</b>				
Gender				
Female	1,064	1,154	1,229	11.8%
Male	8,187	8,818	9,161	88.2%
	<b>9,251</b>	<b>9,972</b>	<b>10,390</b>	<b>96.0%</b>
<b>Part-time employment</b>				
Gender				
Female	185	181	206	1.9%
Male	188	191	230	2.1%
	<b>373</b>	<b>372</b>	<b>436</b>	<b>4.0%</b>
<b>Core workforce</b>	<b>9,624</b>	<b>10,344</b>	<b>10,826</b>	<b>100.0%</b>

<sup>1)</sup> The ratio is in relation to the total number of employees in 2022.

<sup>2)</sup> PALFINGER reports details such as age, gender and employment status for key figures only for companies that are integrated into the SuccessFactors HR System, otherwise a non-data protection compliant transfer of employee detail data would be necessary.

PALFINGER aims to find the best person for each position. Diversity and equal opportunities play a key role in this. In 2022, diversity strategy within the Group was redefined. The currently valid diversity concept is included in the Corporate Governance section of the report.

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

At the end of 2022, 22.2 percent of the members of PALFINGER AG's Supervisory Board were women (2021: 30.0 percent) and no women were members of the Management Board. At year-end 2022, 8.3 percent (2021: 7.2 percent) of the positions in the Global Management Team were held by women. The general proportion of women at PALFINGER was 13.3 percent in 2022 (2021: 13.3 percent). The share of international staff at headquarters was 21.7 percent (2021: 20.7 percent).

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

## FOR A FUTURE-ORIENTED ENTREPRENEURIAL ACTION

### COMMITTED TO OUR VALUES

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

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

PALFINGER considers human rights violations and corruption to be unacceptable. They contradict the organization's corporate values and are harmful to the economy – and consequently also to PALFINGER. PALFINGER takes immediate action whenever any irregularities are suspected. PALFINGER has defined a catalog of multi-stage actions to prevent or, if need be, investigate any violations. An annual report on anti-corruption measures is submitted to the Supervisory Board annually, enabling it to fulfill its supervisory obligations. As in previous years, there were no confirmed cases of corruption at PALFINGER in 2022, nor were there any legal proceedings in connection with corruption against the Company or its employees.

No instances of child labor or forced or compulsory labor were identified at any of PALFINGER's sites in 2022, nor were any young employees subjected to dangerous work. Suspected violations of the Code of Conduct or other Group guidelines are evaluated and, if substantiated, they are investigated by Corporate Internal Audit and appropriate improvement measures are defined with the responsible management. Likewise, PALFINGER did not have to pay any fines for violations of legal provisions. Moreover, there are no lawsuits pending against PALFINGER for anti-competitive behavior.

### FOCUS ON GOVERNANCE AND TRANSPARENCY

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

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

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

There are no indications that violations of environmental laws and regulations, laws, and regulations in the social and economic area, in connection with health and safety impacts of products and services, with product and service information or labeling occurred, nor are there any indications that regulatory violations in connection with marketing and communication measures occurred on the part of PALFINGER in the 2022 financial year.

## DISCLOSURE PURSUANT TO ARTICLE 8 TAXONOMY REGULATION

With the EU taxonomy, the EU has established a classification system for defining "environmentally sustainable" business activities. For fiscal year 2022, taxonomy-compliant revenues, capital expenditures (CapEx), and operating expenditures (OpEx) must, for the first time, be collected for environmental goals 1 and 2. For this purpose, PALFINGER carried out an analysis of the economic activities in a first step and linked these to the descriptions in the Taxonomy Ordinance (TaxonomieVO) to determine taxonomy eligibility. For this purpose, the respective potentially taxonomy-eligible sales, CapEx and OpEx are collected from employees in the countries and checked at group level to determine whether taxonomy eligibility actually exists. These are then assigned to one of the two environmental targets valid in 2022 in a second step. Compliance with the technical evaluation criteria and "Do No Significant Harm" criteria is verified by the sustainability manager with the support of the respective departments. The climate risk analysis conducted to assess the "Do No Significant Harm" criteria was carried out separately according to relevant taxonomy-capable economic activities, taking into account the IPCC standard scenarios and the climate hazards specified in Annex A of Delegated Regulation (EU) 2021/2139. In a final step, compliance with the minimum protection was analyzed and the existing due diligence process assessed for suitability for this purpose.

To ensure compliance with the minimum level of protection in accordance with Article 18 (EU) 2020/852, the due diligence process already implemented as standard at PALFINGER was analyzed. Within the company, the processes already described in the corporate governance report and the non-financial statement were applied. A multi-stage procedure was introduced to ensure compliance with the minimum level of protection in the supply chain. Pursuant to PALFINGER's general terms and conditions of purchase ("EKB"), suppliers are contractually obliged by EKB to adhere to the Code of Conduct published on the homepage. In addition, PALFINGER installed a whistleblower system ("Integrity Line") on its website, which can also be used by third parties to report any shortcomings along the supply chain. The information received is then subjected to an evaluation by Corporate Governance & Compliance or an investigation by Corp. internal audit if the situation requires it. In addition to event-related supplier audits, PALFINGER regularly carries out supplier audits on the basis of an annual risk-based audit plan, in which the aspects of the environment, sustainability, human rights and occupational safety are also examined in addition to quality and procurement issues. With the package of measures described, PALFINGER ensures compliance with minimum protection within the company and along the entire supply chain.

Based on the requirements of the German Taxonomy Ordinance (TaxonomieVO), revenues from taxonomy-eligible business activities are reported as a percentage of total group sales in accordance with IAS 1.82a. For the calculation of the CapEx figure, the total additions (before depreciation, amortization, impairment losses and revaluations) of intangible assets and property, plant and equipment, including additions of rights of use in accordance with IFRS 16, are included in the denominator. Additions resulting from business combinations are included in CapEx. In addition to capitalized expenditures for assets from taxonomy-compliant sales, the figure also includes expenditures for the purchase of products from taxonomy-compliant economic activities and individual measures to reduce GHG-emissions that were implemented and put into operation within 18 months. The existing group-wide reporting system was expanded to determine the CapEx figure.

In the course of the analysis, PALFINGER identified revenue from the sale of wind cranes as an economic activity eligible for taxonomy and assigned it to item "3.1. Production of renewable energy technologies". Due to the FAQs on the Taxonomy Regulation published by the EU Commission in February and December 2022 and the clarifications contained therein with regard to the analysis of taxonomy-eligible economic activities, the sale of wind cranes and the sales generated with them are no longer shown as taxonomy-eligible in 2022, since wind cranes is not directly a renewable energy technology. No other revenue-generating economic activities were identified that make a significant contribution to either of the two environmental targets valid for the reporting year 2022. For the 2022 reporting year, there were no taxonomy-compliant or taxonomy-eligible revenue reported.

Due to the Taxonomy Ordinance, which is currently still in development, PALFINGER assumes that PALFINGER's sales-related economic activities will become more extensive, particularly as a result of the publication of the other four environmental goals and the inclusion of further economic activities in the EU taxonomy, which has already been announced by the EU Commission be found in the EU taxonomy.

Economic activites (1)	Criteria for a substantial contribution				DNSH-criteria ("No significant impairment")				Taxonomy-compliant share turnover, year N (18)	Taxonomy-compliant share turnover, year N-1 (19)							
	Code(s) (2)	Absolute CapEx (3)	Share CapEx (4)	Climate protection (5)	Adaption to climate change (6)	Water- and marine resources (7)	Circular economy (8)	Environmental pollution (9)	Biodiversity and ecosystems (10)	Climate protection (11)	Adaption to climate change (12)	Water- and main resources (13)	Circular econmomy (14)	Environmental pollution (15)	Biodiversity and ecosystems (16)	Minimum protection (17)	

### A. TAXONOMY ACTIVITIES

#### A.1. Ecologically sustainable activities (taxonomy-compliant)

7.6. Installation, maintenance and repair of renewable energy technologies	F43.2	3,257	2.33%	100%	0	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	Y	2.33%	n/a	E
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and on car parks belonging to buildings)	F43.2	133	0.09%	100%	0	n/a	n/a	n/a	n/a	Y	n/a	n/a	n/a	n/a	Y	0.09%	n/a	E
CapEx of environmentally sustainable activities (taxonomy-compliant) (A.1)		3,390	2.36%	100%	0	n/a	n/a	n/a	n/a							2.36%	n/a	

#### A.2 Taxonomy-eligible but not environmentally sustainable activities (non taxonomy-eligible activities)

7.3. Installation, maintenance and repair of energy-efficient appliances	F43.2	160	0.11%															
7.5. Installation, maintenance and repair of equipment for measuring, regulating and controlling the energy performance of buildings	F43.2	43	0.03%															
CapEx of taxonomy-eligible but not environmentally sustainable activities (non taxonomy eligible activities) (A.2)		203	0.14%															
Total (A.1 + A.2)		3,593	2.50%															

### B. NON-TAXONOMY ACTIVITIES

CapEx of non taxonomy-eligible activities (B)	139,861	97.50%
Total (A + B)	143,454	100%

For the collection of potentially taxonomy-eligible CapEx, the Group-wide reporting system was supplemented by an input mask with individual measures that can be assigned to the framework, thereby enabling the corresponding data collection. The marked investments from individual measures were then analyzed by the sustainability manager with the respective departments for taxonomy conformity. The taxonomy-eligible CapEx individual measures are the economic activities "7.3 Installation, maintenance and repair of energy-efficient devices", "7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking lots belonging to buildings)", "7.5. Installation, maintenance and repair of equipment for measuring, regulating and controlling the energy performance of buildings" and "7.6 Installation, maintenance and repair of renewable energy technologies". All taxonomy-capable and taxonomy-compliant CapEx are additions to property, plant and equipment. A CapEx plan in accordance with Delegated Regulation (EU) 2021/2178, Annex I, Point 1.1.2.2. was not available in the 2022 reporting period..

The investments falling under 7.3 in 2022 are local renovation measures on and in buildings, i.e. expenses for windows, doors, renewal of building insulation, lamps and heating or heating pipes. Those investments attributable to 7.5 include expenses for new air filtration and ventilation systems and controls for energy savings. The investments that can be assigned to these two economic activities will be shown as eligible for taxonomy in 2022. It was not possible to establish taxonomy conformity due to a lack of evidence required to meet the technical assessment criteria.

The investments under 7.4 relate to expenses for newly installed charging stations at the Salzburg location. 7.6 includes the installation of a new photovoltaic system at the site in Nimet, Romania. The technical evaluation criteria were met for both economic activities. The location-related climate risk and vulnerability analyzes necessary to avoid the significant impairment of the second environmental goal were also carried out, with the worst-case climate scenario RCP8.5 and the RCP4.5 climate scenario being used as a basis for the analyses. Significant risks that would require appropriate plans for adaptation solutions were not identified. Further "Do No Significant Harm" criteria were not required for economic activities 7.4 and 7.6, since no corresponding requirements are specified in Delegated Regulation (EU) 2021/2139.

In the reporting year, suitable investments resulted from individual measures amounting to EUR 3,390.0 thousand, which corresponds to a share of 2.36 percent of the total additions to the group.

When determining the OpEx indicator, the non-capitalized direct expenses for research and development, building renovations, short-term leases, maintenance and repairs and all other direct expenses related to the day-to-day maintenance of property, plant and equipment are to be used in the denominator. The counter is to be determined in the same way as the CapEx for non-capitalized expenditure. In 2021, the OpEx key figure was not included due to a lack of granularity in the reporting systems and immateriality in the reporting. In 2022, the materiality was checked again and continued to be immaterial. An integration of the OpEx key figure will be evaluated after the publication of the other four environmental goals and the inclusion of new economic activities in the EU taxonomy announced by the EU Commission and, if necessary, included in the reporting in a following year.

## GRI CONTENT INDEX

GRI-Standard	GRI-Disclosure UN Global Compact	Page	Omission	Notes
<b>GENERAL DISCLOSURES</b>				
<b>Organizational profile</b>				
<b>GRI 2: General Disclosures 2021</b>				
<b>2-1: Organizational profile</b>	10, 191-192			
<b>2-2: Entities that are included in the sustainability reporting of the organization</b>	171-172			Audit scope corresponds to report scope.
<b>2-3: Reporting period, reporting frequency and contact point</b>	182			Reporting period 1.1.2022 - 31.12.2022, annual publication.
<b>2-4: Correction or restatement of information</b>	-			No corrections of previous year's figures required.
<b>2-5: External examination</b>	180			
<b>2-6: Activities, value chain and other business relationships</b>	3-7, 12-31			
<b>2-7: Employees</b>	63-66			
<b>UNGC 3-6</b>				
<b>2-8: Staff members who are not employees</b>	64-66			PALFINGER reports details such as age, gender and employment relationship on key figures only for companies that are integrated into the HR system SuccessFactors, as otherwise a transfer of employee detail data that does not comply with data protection would be necessary.
<b>2-9: Governance structure and composition</b>	79-85			
<b>2-10: Nomination and selection of the highest supervisory organ</b>	79-85			The nomination and selection procedures for the highest supervisory organ and its committees are governed by section 87 para 2 AktG and rule 43 of the OGK. The consideration of criteria is also regulated in § 87 para 2 AktG. The election is held for 5 years by the general meeting, thus the interests of the shareholders and owners are safeguarded.
<b>2-11: Chairperson of the supreme supervisory organ</b>	80-85			
<b>2-12: Role of the highest governance organ in overseeing the management of impacts</b>	53-54, 79-85			
<b>2-13: Delegation of responsibility for the management of impacts</b>	40-41, 53-55, 79-85			
<b>2-14: Role of the highest governance organ in sustainability reporting</b>	40-41, 53-55, 79-85			
<b>2-15: Conflicts of interest</b>	8-10, 32, 79-85			

GRI-Standard	GRI-Disclosure UN Global Compact	Page	Omission	Notes
	<b>2-16:</b> Transmission of critical concerns	18-19, 67, 79-85	Regarding 2-16b, no systematic survey was conducted in the reporting year; the implementation of the requirement will be evaluated in 2023 and will take place at the earliest with the 2024 reporting year.	
	<b>2-17:</b> Accumulated knowledge of the highest supervisory organ	12-20, 53-55, 79-85	Ongoing reporting to the Executive Board and Supervisory Board regarding regulatory developments and resulting requirements.	
	<b>2-18:</b> Assessment of the performance of the highest governance body	-	In accordance with Rule 36 of the Austrian Code of Corporate Governance, the Supervisory Board conducts an annual self-evaluation. Measures derived from this evaluation included, in particular, improving the organization of Supervisory Board meetings and the preparation of meeting documents. No other processes or measures were in place in 2022.	
	<b>2-19:</b> Remuneration policy	79-85	Die Vergütungspolitik ist des Weiteren auf der Webseite <a href="http://www.palfinger.ag">www.palfinger.ag</a> veröffentlicht.	
	<b>2-20:</b> Procedure for determining the remuneration	79-85	The remuneration policy is also published on the website <a href="http://www.palfinger.ag">www.palfinger.ag</a> .	
	<b>2-21:</b> Ratio of total annual remuneration	-	Data and benchmarks are currently not available in this level of detail; by 2024, systems will be adapted so that an evaluation is possible.	
	<b>2-22:</b> Application statement on the Sustainable Development Strategy	7, 12-20, 53-55		

GRI-Standard	GRI-Disclosure UN Global Compact	Page	Omission	Notes
	<b>2-23:</b> Declaration of Commitment on Principles and Action <b>UNGC 10</b>	12-20, 53-55, 67-70, 79-85		The group guidelines are approved by Corporate GRC. The Code of Conduct can be found at: <a href="https://www.palfinger.ag/en/code-of-conduct">https://www.palfinger.ag/en/code-of-conduct</a>
	<b>2-24:</b> Inclusion of political commitments	12-20, 53-54, 67-70, 79-85		
	<b>2-25:</b> Procedure for the elimination of negative impacts	12-20, 39, 40-51, 53-70, 79-85		The due diligence process is presented for each material topic, further information can be found in the risk report and a complaints mechanism has been set up by the Integrity Line.
	<b>2-26:</b> Procedure for seeking advice and reporting concerns	18-19, 67-69		An Integrity Line allows concerns and advice to be submitted anonymously.
<b>GRI 2:</b> General information 2021	<b>2-27:</b> Compliance with laws and regulations	68, 18-20		No fines or cases of non-compliance with laws.
	<b>2-28:</b> Membership in associations and interest groups	53		
	<b>2-29:</b> Approach to stakeholder engagement	54-56		
	<b>2-30:</b> Collective agreements	-		Information on how many employees are not covered by a collective agreement is not currently collected. The corresponding survey is planned for 2024.

#### Disclosure of material issues

<b>GRI 3:</b> Material topics 2021	<b>3-1:</b> Procedure for determining material topics	53-56
	<b>3-2:</b> List of material topics	53-56
	<b>3-3:</b> Management of material issues	53-56

#### TOPIC-SPECIFIC STANDARDS

GRI-Standard	GRI-Disclosures UN Global Compact	Page	Omission	Notes
<b>ENVIRONMENT</b>				
Material Aspect: <b>Energy Consumption and Emissions in Production and at PALFINGER Sites</b>				
<b>GRI 3:</b> Wesentliche Themen 2021	<b>3-3:</b> Management of material issues	53-56, 59-60		
<b>GRI 302:</b> Energie 2016	<b>302-1:</b> Energy consumption within the organization <b>UNGC 7-9</b>	59-60		Not applicable: PALFINGER has no cooling energy or steam consumption and does not sell energy.

GRI-Disclosure				
GRI-Standard	UN Global Compact	Page	Omission	Notes
	<b>302-3:</b> Energy intensity	59-60		
	<b>302-4:</b> Reduction of energy consumption	-	A direct allocation to individual initiatives to reduce energy consumption (fuel, electricity, heating) is not possible for 2022 due to the large number of individual measures. The data will probably be available from 2023 onwards.	
<b>GRI 305:</b> Emissionen 2016	<b>305-1:</b> Direct THG emissions (Scope 1) <b>UNGC 7-9</b>	59-60	Not applicable: PALFINGER does not produce any biogenic CO2 emissions.	
	<b>305-2:</b> Indirect energy-related THG emissions (Scope 2) <b>UNGC 7-9</b>	59-60	Location-based Scope 2 emissions are not relevant to control: For PALFINGER, the practical application of the market-based approach makes more sense.	
	<b>305-4:</b> THG emission intensity <b>UNGC 7-9</b>	59-60		
	<b>305-5:</b> Reduction of THG-emissions	-	Analogous to the reduction of energy consumption, it is not possible to allocate the reduction of GHG emissions to individual initiatives and there is also no overall recording. The data will probably be available from 2023.	
Material Aspect: <b>Emissions in Product Application and Environmental Impacts in the Value Chain</b>				
<b>GRI 3:</b> Material topics 2021	<b>3-3:</b> Management of material issues	53-56, 61		
	<b>302-5:</b> Reducing the energy demand for products and services	61	The process for measuring the reduction of energy consumption of PALFINGER products was only rolled out in 2022; the collection of specific data can probably be started in 2023 or 2024.	
<b>GRI 305:</b> Emissions 2016	<b>305-3:</b> Other indirect THG-emissions (Scope 3) <b>UNGC 7-9</b>	61		
<b>SOCIAL</b>				
Material aspect: <b>Safety of PALFINGER products and applications</b>				
<b>GRI 3:</b> Material topics 2021	<b>3-3:</b> Management of material issues	53-56, 62		
<b>GRI 416:</b> Customer health and safety 2016	<b>416-1:</b> Assessing the health and safety impacts of different categories of products and services	62	Regardless of fault, every incident is documented and investigated. Due to PALFINGER's business model, service incidents are not recorded separately.	

GRI-Disclosure				
GRI-Standard	UN Global Compact	Page	Omission	Notes
	<b>416-2:</b> Violations related to the health and safety impacts of products and services	62		
<b>Specially defined</b>	Accidents in connection with PALFINGER products	62		
Material aspect: <b>health and safety of employees</b>				
<b>GRI 3:</b> Material topics 2021	<b>3-3:</b> Management of material issues	53-56, 62-64		
<b>GRI 403:</b> Occupational safety and health protection 2018	<b>403-1:</b> Management system for occupational safety and health protection	62-64		
	<b>403-2:</b> Hazard identification, risk assessment and incident investigation	62-64		
	<b>403-3:</b> Occupational health services	62-64		
	<b>403-4:</b> Employee participation, consultation and communication on occupational health and safety	62-64		
	<b>403-5:</b> Employee training on occupational safety and health protection	62-64		
	<b>403-6:</b> Promoting the health of employees	62-64		
	<b>403-7:</b> Avoidance and minimisation of occupational health and safety impacts directly related to business relationships	62-64		
	<b>403-8:</b> Employees covered by an occupational health and safety management system	62		
	<b>403-9:</b> Work-related injuries	62-63	All accidents at PALFINGER sites are included; no distinction is made between employees (403-9a) and non-employees (403-9b). There is no systematic listing of work-related hazards and the measures taken to eliminate them, but this will probably be possible from 2024 onwards in the course of the expansion of ISO 45001.	
	<b>403-10:</b> Work-related diseases	-	Data not available, as a systematic and complete survey is not possible due to different local legislations and different definitions of occupational diseases.	
Material aspect: <b>education and training, attracting and retaining experts/talent</b>				
	<b>3-3:</b> Management of material issues	53-56, 64-67		
<b>GRI 401:</b> Beschäftigung 2016	<b>401-1:</b> Newly hired employees and employee turnover <b>UNGC 3-6</b>	64-65		
	<b>401-2:</b> Company benefits offered only to full-time employees, but not to temporary or part-time employees	66-67		

GRI-Disclosure				
GRI-Standard	UN Global Compact	Page	Omission	Notes
	<b>401-3:</b> Parental leave	-	Currently not collected, as a global comparison is not possible due to different legal regulations. In addition, for data protection reasons, it is not actively collected which employees have become parents.	
<b>GRI 404:</b> Education and training 2016	<b>404-1:</b> Average number of hours for education and training per year and employee	-	Will be reported from the 2023 financial year onwards. In 2022, the Learning Management System (LMS) for HR was implemented, which enables the evaluation of training and development hours.	
	<b>404-2:</b> Programmes to improve employees' skills and transitional assistance	65-66	At PALFINGER, there are currently no standardised transition assistance programmes.	
	<b>GRI 404-3:</b> Percentage of employees receiving regular performance and career development reviews	64		
<b>Material Aspect: Diversity and Equal Opportunities</b>				
<b>GRI 3:</b> Material topics 2021	<b>3-3:</b> Management of material issues	53-56, 67-68		
<b>GRI 405:</b> Diversity and equal opportunities 2016	<b>405-1:</b> Diversity in supervisory organs among employees	67		
	<b>405-2:</b> Ratio of women's basic salary and remuneration to men's basic salary and remuneration	<b>UNGC 3-6</b>	Data cannot currently be analysed from systems with sufficient granularity; work is currently underway to implement this and it is expected to be possible by 2024.	

GOVERNANCE		
Material Aspect: <b>Compliance with and Leadership Commitment to Values, Legal and Ethical Standards</b>		
<b>49-51, GRI 3:</b> Material topics 2021	<b>3-3:</b> Management of material issues	53-56
<b>GRI 205:</b> Fighting corruption 2016	<b>205-1:</b> Operating sites audited for corruption risks	-

GRI-Disclosure				
GRI-Standard	UN Global Compact	Page	Omission	Notes
	<b>205-2:</b> Communication and training on anti-corruption policies and procedures	-	All employees and members of the controlling organ are informed about anti-corruption measures, and PALFINGER's suppliers are required to accept the Code of Conduct. In the year under review, there was no systematic survey of the training courses completed by staff members; corresponding data will probably be available for the year 2023.	
	<b>205-3:</b> Confirmed incidents of corruption and measures taken	18		
	<b>UNGC 10</b>			
Material aspect: <b>Clear internal policies, standardized processes</b>				
<b>GRI 3:</b> Material topics 2021	<b>3-3:</b> Management of material issues	53-56, 60-61		
Material aspect: <b>transparency and correct reporting</b>				
<b>GRI 3:</b> Material topics 2021	<b>3-3:</b> Management of material issues	49-51, 67-68		
<b>GRI 419:</b> Socio-economic compliance 2016	<b>419-1:</b> Non-compliance with laws and regulations in the social and economic sphere	18-19, 60-61		
	<b>UNGC 1</b>			
Material aspect: <b>Deal with megatrends</b>				
<b>GRI 3:</b> Material topics 2021	<b>3-3:</b> Management of material issues	49-51, 67-68		

Bergheim, February 23, 2023

**Ing. Andreas Klauser .**  
CEO

**Dr. Felix Strohbachler**  
CFO

**DI Martin Zehnder, MBA**  
COO

# Consolidated Corporate Governance Report

## CONSOLIDATED CORPORATE GOVERNANCE REPORT

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

PALFINGER is committed to the standards of the Austrian Code of Corporate Governance ([www.corporate-governance.at](http://www.corporate-governance.at)), satisfies the requirements of the binding L-rules (legal requirements), and adheres to nearly all C-rules (comply or explain) of the Code.

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

PALFINGER AG does not fully adhere to rule no. 53 because criteria for the independence of the Supervisory Board have not been defined.

With the Palfinger family, which directly or indirectly holds around 56.4 percent of the shares, PALFINGER AG has a stable core shareholder who is also represented on the Supervisory Board. HP Immobilien GmbH is a 100 percent subsidiary of the PALFINGER private foundation. Hubert Palfinger and Hannes Palfinger are beneficiaries of the PALFINGER private foundation. PALFINGER AG rents commercial space at the Kasern location from HP Immobilien GmbH and consequently has a business relationship with it.

Gerhard Rauch is the managing partner of Walser GmbH and Chairman of the Board of Directors of Walser Schweiz AG. Walser Schweiz AG is a PALFINGER authorized dealer for Switzerland and Liechtenstein.

All members of the Supervisory Board of PALFINGER AG were elected by the Annual General Meeting. The performance of the members of the Supervisory Board to date has made a significant contribution to the success of PALFINGER AG in recent years. The balanced composition of the Supervisory Board, the prudent selection of the individual members based on professional and personal characteristics, and their knowledge of the company and the entire industry were of great importance.

If members of the Supervisory Board have conflicts of interest, they must immediately disclose this to the Chairman of the Supervisory Board in accordance with Rule 46 ÖCGK. No conflicts of interest were reported in the 2022 financial year.

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

In accordance with Rule No. 48, three agreements with supervisory boards or with companies in which a supervisory board has a significant economic interest were submitted to the Supervisory Board for approval in 2022. In August 2022, the Supervisory Board approved the takeover of credit lines from PALFINGER Privatstiftung on terms and conditions that were advantageous for PALFINGER AG. The takeover was effected upon payment of an amount of 180,000 EUR to PALFINGER Private Foundation. Hubert Palfinger and Hannes Palfinger are beneficiaries of the PALFINGER Private Foundation. In November 2022, the Supervisory Board approved an early repayment of the outstanding final installment from a letter of indemnity issued by Hubert Palfinger and Hannes Palfinger for a claim of the Company against the estate of Hubert Palfinger Senior. For the early repayment by Hubert Palfinger and Hannes Palfinger and other guarantors, a discount of less than half of the interest advantage resulting for the Company was granted. The total repayment amount therefore decreased from EUR 3.806.014,68 to EUR 3.765.014,68. In December 2022, the conclusion of a new standard dealer agreement with Walser Schweiz AG was approved by the Supervisory Board. Gerhard Rauch is the managing partner of Walser GmbH and Chairman of the Board of Directors of Walser Schweiz AG. The dealer agreement does not provide for any remuneration in the narrower sense, but PALFINGER's authorized dealers are usually granted a dealer discount on the purchase of contract goods, which could be regarded as remuneration.

[www.palfinger.ag/en/investors/corporate-governance](http://www.palfinger.ag/en/investors/corporate-governance); [www.corporate-governance.at](http://www.corporate-governance.at)

## GOVERNING BODIES OF THE COMPANY AND FUNCTIONING OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD PURSUANT TO SECTION 243C(2) AND SECTION 267B OF THE UGB

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

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

In accordance with Rule 36 ÖCGK, the Supervisory Board deals annually with the efficiency of its activities, in particular with its organization and working methods (self-evaluation).

### EXECUTIVE BOARD

The Executive Board of PALFINGER AG comprised three people over the entire fiscal year 2022.

Name	Initial appointment	End of the term of office	Diversity factors <sup>1)</sup>
Andreas Klauser	(CEO)	6/1/2018	5/31/2028 male; born in 1965; AT
Felix Strohbachler	(CFO)	10/1/2017	12/31/2027 male; born in 1974; AT
Martin Zehnder	(COO)	1/1/2008	12/31/2023 male; born in 1967; CH

<sup>1)</sup> Diversity factors include gender, age, and nationality.

#### Andreas Klauser

CEO – CHIEF EXECUTIVE OFFICER (SINCE JUNE 1, 2018)

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

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

#### Felix Strohbachler

CFO – CHIEF FINANCIAL OFFICER (SINCE OCTOBER 1, 2017)

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

#### Martin Zehnder

COO – CHIEF OPERATING OFFICER (SINCE JANUARY 1, 2008)

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

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

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

[Group Management Report, Remuneration of the Executive Board and Supervisory Board, page 76](http://www.palfinger.ag/en/group-management-report)

## SUPERVISORY BOARD

In 2022, the Supervisory Board of PALFINGER AG initially consisted of seven members elected by the Annual General Meeting and three members delegated by the Works Council. At the Annual General Meeting held on 24 March 2022, Mr. Hannes Bogner was elected to the Supervisory Board for another five years. On September 23, 2022, Ms. Cai resigned from the Supervisory Board with immediate effect. The Supervisory Board was chaired by Hubert Palfinger. His deputies were Gerhard Rauch and Hannes Palfinger.

Six Supervisory Board meetings (four ordinary meetings, one constituent meeting and one extraordinary meeting) were held in 2022. The main topics of the Supervisory Board meetings in 2022 were: the current business development, as well as the effects of the challenging economic conditions in connection with Covid 19, the Ukraine war and the difficult situation on the procurement and energy markets. Other focal points included measures to reduce costs and capital employed, integration, restructuring and expansion projects, risk management and the internal control system as well as anti-corruption measures, sustainability priorities and the strategic orientation of the PALFINGER Group for the coming years.

Group Management Report, Report of the Supervisory Board, p. 170

Name	Initial appointment	End of the term of office	Diversity factors <sup>2)</sup>
<b>Hubert Palfinger</b> (Chairman of the Supervisory Board since 12/10/2013)	4/13/2005	AGM 2025	male; born in 1969; AT
<b>Gerhard Rauch</b> (First Deputy Chairman since 6/6/2016)	3/9/2016	AGM 2026	male; born in 1963; AT
<b>Hannes Palfinger</b> (Second Deputy Chairman since 12/10/2013)	3/30/2011	AGM 2026	male; born in 1973; AT
<b>Hannes Bogner</b>	3/8/2017	AGM 2027	male; born in 1959; AT
<b>Ellyn Shenglin Cai</b>	3/7/2018	Mandate resigned 9/23/2022	female; born in 1986; CN
<b>Isabel Diaz Rohr</b>	8/5/2020	AGM 2025	female; born in 1967; ESP/GER
<b>Sita Mazumder</b>	7/4/2021	AGM 2026	female; born in 1970; CH
<b>Johannes Kücher<sup>1)</sup></b>	2/6/2015	<sup>1)</sup>	male; born in 1963; AT
<b>Alois Weiss<sup>1)</sup></b>	2/13/2006	<sup>1)</sup>	male; born in 1962; AT
<b>Erwin Asen<sup>1)</sup></b>	12/20/2017	<sup>1)</sup>	male; born in 1971; AT

<sup>1)</sup> Delegated by the works council.

<sup>2)</sup> Diversity factors include gender, age, and nationality.

### Hubert Palfinger

Chairman of the Supervisory Board

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

### Gerhard Rauch

First Deputy Chairman

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

### Hannes Palfinger

Second Deputy Chairman

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

### Other positions held by members of the Supervisory Board

#### Hannes Bogner

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

#### Ellyn Shenglin Cai

In addition to being a member of the Supervisory Board of PALFINGER AG, Ellyn Shenglin Cai is Secretary of the Board of Directors and Head of Securities Investment Office of Sany Heavy Industry Co., Ltd and a member of the supervisory board of Putzmeister Holding GmbH.

#### Isabel Diaz Rohr

In addition to her function as a member of the Supervisory Board of PALFINGER AG, Isabel Diaz Rohr has also been a member of the Shareholders' Committee of Voith Management GmbH since 1 October, 2021, and a member of the Supervisory Board of Voith GmbH & Co. KGaA since 7 December, 2021.

#### Sita Mazumder

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

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

In accordance with Rule No. 58 of the Austrian Corporate Governance Code, it is pointed out that Ms. Cai did not attend the three (out of a total of six) meetings of the Supervisory Board in 2022 until her departure from office.

 [www.palfinger.ag/en/company/management](http://www.palfinger.ag/en/company/management)

 [Remuneration of the Executive Board and Supervisory Board, p. 76](#)

## SUPERVISORY BOARD COMMITTEES

### Audit Committee

The decision-making authority of the Audit Committee of PALFINGER AG complies with the provisions of the AktG. In 2022, the Audit Committee held three meetings dealing with the 2022 financial statements, the internal control system, risk management, IFRS/accounting topics, internal audits, and cooperation with the independent auditor.

The following were members of the Audit Committee in 2022: Hannes Bogner (Chairman, financial expert), Hubert Palfinger, Gerhard Rauch, Hannes Palfinger, and Johannes Kücher.

### Nomination Committee

The election to the Supervisory Board by the Annual General Meeting is preceded by an election proposal by the Supervisory Board to the Annual General Meeting. This election proposal is based on a nomination by the nomination committee. If they are not elected for a shorter period of office, the members of the Supervisory Board are elected for the period up to the end of the Annual General Meeting that decides on the discharge for the fourth financial year after the election, not counting the financial year in which the election took place. When electing members of the Supervisory Board, the general meeting must pay attention to the professional and personal qualifications of the members in accordance with Section 87 (2a) AktG and to a professionally balanced composition of the Supervisory Board with regard to the structure and business area of the company. Furthermore, aspects of the diversity of the Supervisory Board with regard to the representation of both genders and the age structure as well as with regard to the internationality of the members must be adequately taken into account. Care must also be taken to ensure that no one is elected to the Supervisory Board who has been convicted of a criminal act that calls into question his or her professional reliability.

The Nomination Committee held two meetings in 2022. The following topics were discussed in particular: the cooperation and working methods of the Executive Board, the extension of Mr. Strohbichler's Executive Board mandate beyond December 31, 2022, the extension of Mr. Klauser's Executive Board mandate beyond May 31, 2023, and the preparation of proposals for filling a vacant Supervisory Board mandate in the course of the 2022 Annual General Meeting.

The following were members of the Nomination Committee in 2022: Hubert Palfinger (Chairman), Gerhard Rauch, Hannes Palfinger, Hannes Bogner (as of April 2022) and Isabel Diaz Rohr (as of December 2022).

### Remuneration Committee

At its three meetings in 2022, the Remuneration Committee dealt with the remuneration of Executive Board members and held feedback discussions with each member of that Board. Furthermore, the Remuneration Committee 2022 was involved in the preparation of a new long-term-incentive-program for the Executive Board as well as the remuneration report for the Annual General Meeting 2022.

The following were members of the Remuneration Committee in 2022: Hubert Palfinger (Chairman), Gerhard Rauch, Hannes Palfinger, Hannes Bogner (as of April 2022) and Isabel Diaz Rohr (as of December 2022).

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

### Project Committee

The Project Committee is entrusted with the in-depth examination of research and development projects and the preparation of related reporting and resolution items for the Supervisory Board. In its two meetings in 2022, the Project Committee dealt in particular with the organization of Product Line Management & Engineering and the current projects in both the product lines and the Centers of Excellence.

Members of the Project Committee in 2022 were: Hubert Palfinger (Chairman), Hannes Palfinger, Isabel Diaz Rohr, Johannes Kücher.

### Digital Committee

The Digital Committee focuses in detail on digital technologies and the preparation of items for reports and resolutions on this issue for the Supervisory Board. In its two meetings in 2022, the Digital Committee in particular undertook ongoing monitoring of existing projects and digitalization initiatives in the business units and shed light on data protection organization and compliance.

Members of the Digital Committee in 2022: Sita Mazumder (Chair), Isabel Diaz Rohr, Hannes Palfinger, Johannes Kücher.

## AUDITOR

PwC Wirtschaftsprüfung GmbH, Vienna, was proposed by the Supervisory Board as the auditor of the 2022 financial statements and consolidated financial statements of PALFINGER AG and elected by the Annual General Meeting on March 24, 2022.

 Auditor's reports, p. 163

## DIVERSITY PLAN

PALFINGER understands diversity to include not only primary dimensions such as origin, cultural background, gender, and generations, but also secondary dimensions such as a person's working style, values, knowledge, and skills.

PALFINGER is convinced that diversity, as part of its corporate culture, benefits all stakeholders and employees.

When proposing candidates to the Annual General Meeting for Supervisory Board mandates and when nominating Executive Board members, care is taken to achieve a balance according to professional and diversity-related aspects. This approach helps to ensure the professional and successful work of the Supervisory Board and Executive Board. In addition to professional and personal qualifications, criteria such as age structure, origin, gender, education and experience background are also taken into account. In its diversity strategy, PALFINGER defines specific goals and initiatives to increase diversity within the Group by 2022. These include: English as the common Group language, internationalization and intercultural understanding of the staff, family-friendly framework conditions, and a global transfer of knowledge.

In 2021, PALFINGER defined global "mobile working principles" and thus a new standard for mobile and more flexible working at PALFINGER. This flexibility as an integral part of day-to-day corporate practice allows rapid responses to achieve a better balance between professional, private, and family issues. At PALFINGER, mobile working is possible for up to 100 days a year, provided it makes sense in the context of the task. The mobile working principles should be seen as a guide framework that has to be adapted according to the circumstances in a given country.

Two defined quantitative targets underpin this diversity plan: The share of representatives of other nationalities at corporate headquarters in Austria should increase considerably so that PALFINGER can benefit more from the numerous advantages provided by a diverse environment. PALFINGER intends to achieve a 20 percent share of international employees at its headquarters by 2022. However, PALFINGER's commitment to its Austrian roots remains undiminished. In addition, by 2022, the same proportion of women is to be reached at the top management levels as prevails in the PALFINGER Group as a whole.

In 2022, the previous diversity strategy within the Group was redefined. The setting of the corresponding targets will take place in 2023 and 2024.

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

There are currently no women on PALFINGER's Management Board. Three women were involved in the Supervisory Board and five top management positions in the Global Management Team were held by women in the 2022 fiscal year. In 2022, the share of women in the Group was 13.3 percent, compared to a share of women in top management of 8.3 percent. At the levels below, the share of female managers roughly corresponds to the gender ratio of the Group as a whole. PALFINGER specifically addresses female high potentials at job fairs, is involved in women's networks on a selective basis and supports, for example, the "Mini Girls Day" and "Neugierig ins Leben" (Curious about Life) organized by the province of Salzburg. PALFINGER is increasingly trying to recruit women for new and follow-up management positions.

## REMUNERATION OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD

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

☞ [www.palfinger.ag/en/investors/corporate-governance](http://www.palfinger.ag/en/investors/corporate-governance)

## EXTERNAL EVALUATION

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

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

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

Bergheim, February 23, 2023

**Andreas Klauser**  
CEO

**Felix Strohbachler**  
CFO

**Martin Zehnder**  
COO

☞ Konzernabschluss, Angaben über Geschäftsfälle mit nahestehenden Unternehmen und Personen, Seite 166  
☞ [www.palfinger.ag/en/investors/corporate-governance](http://www.palfinger.ag/en/investors/corporate-governance)

# DEFINITION OF METRICS AND KEY PERFORMANCE INDICATORS

## FINANCES

<b>Capital Employed</b>	Reflects capital investment and is calculated as: <ul style="list-style-type: none"> <li>• Intangible assets</li> <li>• Plus property, plant and equipment, equity interests and net working capital</li> </ul>
<b>Current Capital</b>	Current capital is composed of inventories and trade receivables on the assets side and trade payables and advances received on the liabilities side.
<b>EBT</b>	(Earnings before taxes) are the company's earnings before deduction of income tax.
<b>EBIT</b>	(Earnings before interest and taxes) is the company's operating result.
<b>EBITDA</b>	(Earnings before interest, taxes, depreciation, and amortization) is the operating result before amortization of intangible assets and depreciation of property, plant and equipment.
<b>Earnings per share</b>	The ratio of consolidated profit or loss for the period to the weighted average number of shares in circulation.
<b>EVA</b>	(Economic value added) indicates the increase in the value of the company. ROCE minus WACC multiplied by average capital employed.
<b>Free Cashflow</b>	Indicates the amount of cash available, for example to distribute to shareholders or to service debt: <ul style="list-style-type: none"> <li>• Cash flows generated from operating and investing activities</li> <li>• Plus interest on borrowings</li> <li>• Minus tax-deductible interest expenses</li> </ul>
<b>Gearing Ratio</b>	The indicator of the company's debt. The ratio of net financial debt to equity in percent.
<b>Net financial debt</b>	Calculated as: <ul style="list-style-type: none"> <li>• noncurrent and current financial liabilities</li> <li>• less</li> <li>• long-term and short-term securities</li> <li>• long-term loans</li> <li>• cash and cash equivalents</li> </ul>
<b>Net investment</b>	capital expenditures in intangible assets, property, plant and equipment, investment property and share holdings, minus disposals.

<b>CAPEX</b>	(Capital Expenditure) denotes capitalized expenditures, i.e. capital expenditures for property, plant and equipment and intangible assets.
<b>Net Working Capital</b>	The absolute surplus of current assets over current liabilities.
<b>NOPLAT</b>	(Net operating profit less adjusted taxes) is calculated as: <ul style="list-style-type: none"> <li>• EBIT</li> <li>• Minus taxes on EBIT</li> </ul>
<b>ROCE</b>	(Return on capital employed) indicates the rate of return generated on capital invested in the company. Ratio of NOPLAT and average capital employed (from the prior-year reporting date to current reporting date) in percent
<b>ROE</b>	(Return on equity) is a measure of the company's profitability that presents the result in relation to the equity deployed. Ratio of NOPLAT and average capital employed (from the prior-year reporting date to current reporting date) in percent
<b>WACC</b>	(Weighted average cost of capital) is a measure of the average cost of capital employed (debt and equity).
<b>EMPLOYEES</b>	
<b>Full-time equivalent</b>	An employee's total hours worked as stipulated in the employment contract in relation to the number of hours worked in a regular full-time schedule. A full-time equivalent of 1.0 is a full-time employee.
<b>Turnover</b>	Defined as the number of employees that have left the company in a twelve-month period, including retirees. Turnover is the number of departures expressed as a percentage of the total headcount at the end of the previous year. This ratio does not take into consideration any new employees joining the company.
<b>Downtime due to accidents</b>	Staff absences due to accidents are directly measured in hours and include all degrees of severity. They are calculated in relation to the regular working time and full-time equivalents of the company's employees. This rule is taken as the uniform mode of calculation, regardless of the calculation rules in the country concerned.
<b>TRIR (Total Recordable Injury Rate)</b>	In addition to fatalities and accidents with lost time, the incident frequency also takes into account medical treatment and accidents with restricted working capacity. The number of fatalities, accidents with downtime, accidents with medical/medical treatment, accidents with restricted working capacity in relation to hours worked.
<b>Percentage of women at management level</b>	All female employees with functional management responsibilities ("GPO functional line") in relation to the total number of executives.

## ENVIRONMENT

### Index: Energy consumption in relation to sales

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

### Index: Hazardous waste in relation to sales

This index shows the intensity of hazardous waste produced in relation to the local revenue of the individual site (volume in 2015 = 100%). In calculating Group-wide indices, the various production sites are weighted by the volume of waste produced in the reporting period. The index is not adjusted for inflation.

# Consolidated

## Financial

## Statement

as at December 31, 2022

# CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

## CONSOLIDATED INCOME STATEMENT

	EUR thousand	Note	Jan-Dec 2021	Jan-Dec 2022
Revenue	15, 67	1,841,533	2,226,241	
Cost of sales	17, 23, 24, 25	(1,393,591)	(1,714,694)	
<b>Gross profit</b>		<b>447,942</b>	<b>511,547</b>	
Other operating income	16	36,859	35,587	
Research and development costs	18, 24, 25	(56,049)	(60,992)	
Distribution costs	19, 24, 25	(147,623)	(164,118)	
Administrative costs	20, 24, 25	(135,049)	(153,154)	
Other operating expenses	21	(19,011)	(29,936)	
Income from companies reported at equity	22	27,954	11,465	
<b>Earnings before interest and taxes - EBIT</b>		<b>155,023</b>	<b>150,399</b>	
Interest income	26	2,923	1,956	
Interest expenses from financial liabilities	26	(9,002)	(12,699)	
Other interest expenses	26	(1,695)	(1,522)	
Exchange rate differences	26	(2,430)	(4,420)	
Other financial result	26	(1,218)	(32)	
<b>Financial result</b>		<b>(11,421)</b>	<b>(16,717)</b>	
<b>Earnings before income tax</b>		<b>143,602</b>	<b>133,682</b>	
Income tax	27, 66	(35,082)	(34,787)	
<b>Result after income tax</b>		<b>108,520</b>	<b>98,895</b>	
attributable to shareholders of PALFINGER AG (consolidated net profit or loss for the period)		<b>86,563</b>	<b>71,372</b>	
attributable to non-controlling interests		<b>21,955</b>	<b>27,523</b>	
<b>EUR</b>				
Earnings per share (undiluted and diluted)	44	2.31	2.05	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	Jan-Dec 2021	Jan-Dec 2022
<b>Result after income tax</b>		<b>108,520</b>	<b>98,895</b>
<b>Amounts that will not be reclassified to the income statement in future periods</b>			
Remeasurement according to IAS 19	50	2,420	8,374
Deferred taxes thereon		(666)	(2,187)
		<b>1,754</b>	<b>6,187</b>
<b>Amounts that may be reclassified to the income statement in future periods</b>			
Unrealized gains (+) / losses (-) from foreign currency translation of foreign subsidiaries		13,545	7,774
Unrealized gains (+) / losses (-) from foreign currency translation of entities reported at equity/non-current assets held for sale	31	3,543	(180)
Realized gains (+) / losses (-) from foreign currency translation of entities reported at equity/non-current assets held for sale		(4,229)	-
Unrealized gains (+) / losses (-) from foreign currency translation of long-term loans to foreign subsidiaries (pursuant to IAS 21.15)		6,581	8,746
Deferred taxes thereon		(1,315)	(1,104)
Effective taxes thereon		(331)	(876)
Gains + (losses -) on cash flow hedges	46		
Changes in unrealized profits (+) / losses (-)		322	4,397
Deferred taxes thereon		(334)	(1,341)
Effective taxes thereon		208	206
Realized gains (-) / losses (+)		855	3,014
Deferred taxes thereon		78	(60)
Effective taxes thereon		(320)	(563)
		<b>18,604</b>	<b>20,013</b>
<b>Other comprehensive income after income tax</b>		<b>20,358</b>	<b>26,200</b>
<b>Total comprehensive income</b>		<b>128,878</b>	<b>125,095</b>
attributable to shareholders of PALFINGER AG		<b>106,245</b>	<b>97,736</b>
attributable to non-controlling interests		<b>22,633</b>	<b>27,359</b>

## CONSOLIDATED BALANCE SHEET

EUR thousand	Note	12/31/2021	12/31/2022
<b>Non-current assets</b>			
Intangible assets	1, 2, 3, 28, 59	256,694	257,751
Property, plant and equipment	2, 29, 30, 60	459,584	524,406
Interest in entities reported at equity	5, 22, 31	64,596	57,767
Other non-current assets	34	6,145	5,165
Deferred tax assets	9, 32, 66	25,223	22,423
Non-current financial assets	33, 55, 63	14,232	11,430
		<b>826,474</b>	<b>878,942</b>
<b>Current assets</b>			
Inventories	8, 35, 61	444,962	580,025
Trade receivables	6, 36, 55, 36, 63	264,255	311,157
Contract assets from customer contracts	36, 63	27,153	36,204
Other current receivables and assets	38	77,427	77,068
Income tax receivables	27, 66	2,985	10,430
Current financial assets	13, 37, 55, 63	6,420	3,242
Cash and cash equivalents	39, 55, 63	39,834	61,120
		<b>863,036</b>	<b>1,079,246</b>
Non-current assets held for sale	29, 31	3,128	-
		<b>866,164</b>	<b>1,079,246</b>
<b>Assets</b>		<b>1,692,638</b>	<b>1,958,188</b>
<b>Equity</b>			
Share capital	40	34,767	34,767
Share premium	41	86,844	86,844
Treasury stock	42	(96,667)	(96,667)
Retained earnings	44, 45, 46	604,801	645,645
Currency translation reserve	43	(71,513)	(56,951)
<b>Total equity attributable to shareholders of PALFINGER AG</b>		<b>558,232</b>	<b>613,638</b>
Non-controlling interests	47	55,625	61,235
		<b>613,857</b>	<b>674,873</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	4, 30, 48, 55, 63	347,580	563,824
Non-current purchase price liabilities from acquisitions	12, 49, 55, 63	12,864	1,126
Non-current provisions	10, 50, 64, 65	71,429	43,353
Deferred tax liabilities	32, 66	6,911	7,607
Non-current contract liabilities from customer contracts	54	3,608	4,281
Other non-current liabilities	51	88	395
		<b>442,780</b>	<b>620,586</b>
<b>Current liabilities</b>			
Current financial liabilities	4, 55, 63	189,398	121,417
Current purchase price liabilities from acquisitions	12, 49, 55, 64	300	13,112
Current provisions	11, 52, 65	30,858	34,598
Income tax liabilities	27, 66	15,390	12,816
Trade payables and other current liabilities	53, 55, 64	355,412	430,061
Current contract liabilities from customer contracts	54	44,642	50,725
		<b>636,000</b>	<b>662,729</b>
<b>Equity and liabilities</b>		<b>1,692,638</b>	<b>1,958,188</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Equity attributable to the shareholders of PALFINGER AG		Equity attributable to the shareholders of PALFINGER AG					Total	Equity		
				Retained earnings				Currency translation adjustments				
		Share capital	Share premium	Treasury Stock	Other retained earnings	Remeasurement according to IAS 19	Valuation reserve according to IFRS 9					
As at 1/1/2021		37,593	86,844		-	549,814	-15,388	-1,392	-88,799	568,672	47,777	616,449
<b>Total comprehensive income</b>												
Result after income tax		-	-		-	86,563	-	-	-	86,563	21,956	108,519
Other comprehensive income after income tax												
Unrealized gains (+)/losses (-) from foreign currency translation	44	-	-		-							
Remeasurement according to IAS 19	50	-	-		-					17,286	17,286	509
Gains (+)/losses (-) from cash flow hedge	46	-	-		-	1,585	-	-	-	1,585	169	1,754
					-		809	-	-	809	-	809
					-	1,585	809	17,286	19,680	677	20,357	
<b>Transactions with shareholders</b>					-	86,563	1,585	809	17,286	106,243	22,633	128,877
Dividends	45	-	-		-	-16,917	-	-	-	-16,917	-9,140	-26,057
Addition of non-controlling interests		-	-		-	-	-	-	-	-	500	500
Disposal of non-controlling interests		-	-		-	-274	-	-	-	-274	-6,147	-6,421
Additions in treasury shares	40,42	-2,827	-		-96,667	-	-	-	-	-	-99,494	-99,494
Other changes	42	-	-		-	3	-1	-	-	2	2	4
		-2,827	-		-96,667	-17,188	-1	-	-	-116,682	-14,785	-131,467
<b>As at 12/31/2021</b>		34,767	86,844		-96,667	619,189	-13,804	-584	-71,513	558,232	55,625	613,857
<b>As at 1/1/2022</b>		34,767	86,844		-96,667	619,189	-13,804	-584	-71,513	558,232	55,625	613,857
<b>Total comprehensive income</b>												
Result after income tax		-	-		-	71,372	-	-	-	71,372	27,523	98,895
Other comprehensive income after income tax												
Unrealized gains (+)/losses (-) from foreign currency translation	44	-	-		-	-	-	-		14,562	14,562	-201
Remeasurement according to IAS 19	50	-	-		-	-	6,149	-	-	6,149	38	6,187
Gains (+)/losses (-) from cash flow hedge	46	-	-		-	-	-	5,653	-	5,653	-	5,653
					-	6,149	5,653	14,562	26,364	-163	26,200	
					-	71,372	6,149	5,653	14,562	97,736	27,359	125,095
<b>Transactions with shareholders</b>												
Dividends	45	-	-		-	-26,770	-	-	-	-26,770	-15,557	-42,327
Addition of non-controlling interests <sup>1)</sup>		-	-		-	-666	-	-	-	-666	966	300
Disposal of non-controlling interests <sup>2)</sup>		-	-		-	-14,891	-	-	-	-14,891	-7,158	-22,049
Other changes		-	-		-	-3	-	-	-	-3	-	-3
		-	-		-	-42,330	-	-	-	-42,330	-21,749	-64,079
<b>As at 12/31/2022</b>		34,767	86,844		-96,667	648,231	-7,655	5,069	-56,951	613,638	61,235	674,873

## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Jan-Dec 2021	Jan-Dec 2022
<b>Cash flows from operating activities</b>		
Result before income tax	143,602	133,682
Depreciation, amortization and impairment losses (+)/ reversal of impairment losses (-) on non-current assets	89,897	79,257
Gains (-)/losses (+) on the disposal of non-current assets	16,21	(1,965)
Interest income (-)/interest expenses (+)	26	7,774
Income from companies reported at equity	22,31	(27,954)
Non-cash change in purchase price liabilities	49	1,661
Other adjustments for non-cash items		(1,557)
Increase (-)/decrease (+) in assets		(188,900)
Increase (+)/decrease (-) in provisions		11,959
Increase (+)/decrease (-) in liabilities		94,034
<b>Net cash flow from operating activities</b>	<b>128,551</b>	<b>82,749</b>
Interest received	2,129	1,855
Interest paid	(8,501)	(10,569)
Dividends received from companies reported at equity	31	4,065
Cash payments for the acquisition of subsidiaries in prior years		(7,278)
Income taxes paid		(31,558)
	<b>87,408</b>	<b>46,148</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales of intangible assets and property, plant and equipment	3,617	5,709
Purchase for the acquisition of intangible assets and property, plant and equipment	(128,795)	(116,135)
Cash receipt from the sale of subsidiaries	223	-
Cash payments for the acquisition of subsidiaries net of cash acquired <sup>1)</sup>	(10,221)	-
Cash payments for the acquisition of business operations <sup>1)</sup>	-	(4,670)
Cash payments for the acquisition of subsidiaries in prior years	(5,534)	(560)
Cash receipts for the disposal of entities reported at equity in prior year	-	15,136
Cash payments for the acquisition of entities reported at equity	31	(854)
Cash payments for the acquisition of investments and other financial assets		-
Cash receipts for other assets	4,136	14,832
	<b>(137,428)</b>	<b>(85,799)</b>
<b>Cash flows from financing activities</b>		
Dividends to shareholders of PALFINGER AG	45	(16,917)
Dividends to non-controlling shareholders	47	(9,139)
Cash payments for the acquisition of non-controlling interests <sup>1)</sup>	47	(6,122)
Repayment of financing for the acquisition of investments		(23,783)
Capital increase minority shares	500	-
Raising of long-term financing	-	290,395
Repayment of maturing/terminated promissory note loans	(35,000)	(71,000)
Repayment of current financing	-	(182,164)
Raising of short-term financing	89,883	110,215
Repayment of lease liabilities	(12,628)	(12,343)
Cash payments for/cash receipts from other financial liabilities		(2,781)
	<b>(15,987)</b>	<b>60,494</b>
<b>Total cash flows</b>	<b>(66,007)</b>	<b>20,843</b>
<b>Free cash flow<sup>2)</sup></b>	<b>(42,097)</b>	<b>(29,443)</b>

1) See scope of consolidation

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

EUR thousand	Notes	2021	2022
Funds as at 1/1	39	104,198	39,834
Effects of changes in exchange rates		1,643	443
Total cash flows		(66,007)	20,843
<b>Funds as at 12/31</b>	<b>39</b>	<b>39,834</b>	<b>61,120</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

### GENERAL INFORMATION

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

The consolidated financial statements of PALFINGER AG as at December 31, 2022 have been compiled in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as applicable in the European Union (EU). In accordance with sec. 245a of the Business Code, these consolidated financial statements have an exempting effect under Austrian law; all additional requirements of sec. 245a (1) of the Business Code have been met.

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

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

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

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

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

## SIGNIFICANT EVENTS

The Russian war on Ukraine led to both a humanitarian and an economic crisis with global repercussions in the first half of the year. Consequences of the war continue to be rising energy prices, supply chain bottlenecks and greater volatility on the financial markets. The war in Ukraine led to major challenges that were addressed through a task force. As part of this, PALFINGER's Russian subsidiaries have been organizationally separated from the rest of the group and act autonomously and independently.

There are no material circumstances that would lead to a change in the scope of consolidation.

Based on current forecasts, there are no significant indications of a reduction in the value of the cash-generating units that contribute to the group's value. In addition, no requirement for a reduction in the value assets or cash-generating units has been identified as a result of the war in Ukraine.

To address the increased risk of credit default by Russian customers, the allowance for losses on loans and advances (ECL) was evaluated and adjusted accordingly.

## CONSOLIDATION POLICIES

### Scope of consolidation

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

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

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

## RESTRUCTURINGS

### The following restructurings had no effect on the scope of consolidation:

Effective July 26, 2022, OYT Mulder Holding S.L., Spain, was merged into PALFINGER Ibérica Maquinaria, S.L., Spain.

Furthermore, the operation of Palfinger Tail Lifts GmbH, Germany, was transferred to the newly established PTL eins GmbH, Germany, with effect from November 1, 2022. PTL eins GmbH was founded on June 7, 2022 as a 100 percent subsidiary of Palfinger Tail Lifts GmbH. As part of the restructuring, Palfinger Tail Lifts GmbH was renamed Palfinger Deutschland Beteiligungs GmbH and PTL eins GmbH was renamed Palfinger Tail Lifts GmbH.

## START-UPS

On February 14, 2022, Palfinger Palfinger Proizvodnja d.o.o. Beograd was founded in Serbia as a 100 percent subsidiary of Palfinger EMEA GmbH.

On December 09, 2022, Norway Holding AS, Norway, was founded as a 100 percent subsidiary of Palfinger Marine GmbH, Austria.

## LIQUIDATIONS

In November 2022, PALFINGER Marine Panama Inc., Panama, was liquidated. The deconsolidation result amounts to EUR -3 thousand.

## ACQUISITIONS 2021/2022

### Non-controlling interests

On 11 May 2022, PALFINGER acquired the remaining 35 percent minority interests in Guima Palfinger S.A.S. from Compagnie Générale Vincent S.A.S. PALFINGER thus holds 100 percent of Guima as of May. The difference between the disposal of the non-controlling interests and the purchase price amounted to EUR -14,430 thousand and was recognized directly in equity in accordance with IFRS 10.B96.

Furthermore, the remaining 40 percent minority interests in Palfinger comércio e aluguer de máquinas, S.A. were acquired from ÁREAMPLA, S.A. on 28 June 2022. PALFINGER thus holds 100 percent of the company as of June. The difference between the disposal of the non-controlling interests and the purchase price amounted to EUR -461 thousand and was recognized directly in equity in accordance with IFRS 10.B96. The transaction includes an earnout that will be paid out in the financial year 2025.

At Palfinger Structural Inspection GmbH, Austria, two capital increases were undertaken in the 2022 financial year. In the course of the capital increases, PALFINGER AG acquired a share in the company corresponding to a fully paid-in capital contribution of EUR 329 thousand. The amounts plus a premium of EUR 4,421 thousand in total EUR 4,750 thousand, were paid in March and September 2022. The shareholding increased from 65.3 percent to 82.2 percent. The put option of the minority shareholders valid until 2022 was not exercised.

## TSK Kran- und Wechselsysteme (Palfinger Duisburg)

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

TSK Kran- und Wechselsysteme has been an important partner for sales and service in northern Germany for over 20 years. PALFINGER expects the acquisition to strengthen its presence in the German market. The Duisburg plant will be expanded to become the central sales and service location in the region. The purchase price allocation based on the fair values determined at the acquisition date was as follows:

	TSK
Purchase price paid in cash	4,670
Purchase price not yet paid	738
Conditional consideration	220
<b>Subtotal</b>	<b>5,628</b>
Net Assets	(5,550)
<b>Goodwill</b>	<b>78</b>

EUR thousand	TSK
<b>Non-current assets</b>	
Intangible assets and other than goodwill	215
Property, plant and equipment	4,585
	<b>4,800</b>
<b>Current assets</b>	
Inventories	823
	<b>823</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities	73
	<b>73</b>
<b>Current liabilities</b>	
<b>Net Assets</b>	<b>5,550</b>

EUR thousand	TSK
Net cash flow from operating activities	
Transaction expenses	(506)
Cash flows from investing activities	
Purchase price paid in cash	(4,670)
Cash and cash equivalents	-
<b>Net cash flow from acquisition</b>	<b>(5,176)</b>

Since the date of initial consolidation, the acquisitions have contributed sales of EUR 9,838 thousand to consolidated sales and a contribution of EUR -962 thousand to consolidated net income. If the acquisition had taken place on January 1st of the fiscal year, sales and consolidated earnings recorded would have been the same.

## INTERESTS IN EQUITY ACCOUNTING COMPANIES

On December 15, 2021, PALFINGER and SANY HEAVY INDUSTRIES signed a Share Sale and Purchase Agreement ("SPA") for the 7.5 percent stake in Sany Automobile Hoisting Machinery ("SAHM"). The closing condition, i.e. the achievement of a closing price of at least EUR 34.68 for the PALFINGER share listed on the Vienna Stock Exchange, was met on 16 December 2021. When the target course was reached, all opportunities and risks were transferred and the investment was disposed of in the 2021 financial year. The actual transfer took place in the 2022 financial year for a consideration consisting of 2,826,516 Palfinger shares and an additional cash payment of EUR 15 million.

Group management report, Significant changes within the PALFINGER Group;  
Consolidated financial statements, List of shareholdings, p. 176

## Consolidation method

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

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

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

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

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

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

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

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

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

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

## Foreign currency translation within the Group

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

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

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

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

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

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

1 euro equals	Reporting date rate		Average exchange rate	
	12/31/2021	12/31/2022	Jan-Dec 2021	Jan-Dec 2022
BRL	6.3101	5.6386	6.3782	5.4748
CAD	1.4393	1.4440	1.4868	1.3757
GBP	0.8403	0.8869	0.8615	0.8537
NOK	9.9888	10.5138	10.1874	10.1027
RMB	7.1947	7.3582	7.6388	7.0836
RUB	85.3004	76.7058	87.6479	72.8380
USD	1.1326	1.0666	1.1851	1.0563

## SEGMENTS

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

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

Group management report, Performance by segment, p. 34

### SEGMENT SALES & SERVICE

Segment Sales & Service comprises the sales and service units.

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

### SEGMENT OPERATIONS

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

## HOLDING UNIT

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

### Carrying amounts

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

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

Group management report, financial position, cash flows, and results of operations p.30

### Transfer pricing

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

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

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

Jan–Dec 2021<sup>1)</sup>

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

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

Jan–Dec 2022

EUR thousand	SALES & SERVICE	OPERATIONS	HOLDING	Consolidation	Total
External revenue	2,022,627	203,613	-	-	2,226,241
Intra-group revenue	47	1,339,970	-	(1,340,017)	-
<b>Total revenue</b>	<b>2,022,674</b>	<b>1,543,583</b>	-	<b>(1,340,017)</b>	<b>2,226,241</b>
Depreciation, amortization and impairment	(23,521)	(40,690)	(14,946)	-	(79,156)
thereof impairment	(55)	(523)	-	-	(578)
Income from companies reported at equity	11,656	(191)	-	-	11,465
EBIT	138,913	48,633	(37,147)	-	150,399
Segment assets	1,243,502	1,006,722	1,031,230	(1,323,266)	1,958,188
thereof shares from companies reported at equity	36,571	21,196	-	-	57,767
Segment liabilities	721,780	737,869	1,061,016	(1,237,351)	1,283,315

Revenues by product group are broken down as follows:

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Crane	1,024,705	1,198,091
Hydraulic Systems	417,134	488,427
Service	263,057	335,807
Made-to-order	136,428	203,613
Others	209	303
<b>Revenue</b>	<b>1,841,533</b>	<b>2,226,241</b>

The Crane product group consists primarily of the Loader Crane, Stiff Boom Crane, Timber and Recycling Cranes, and Marine and Wind Cranes products. In the Hydraulic Systems product group, products include taillift, platforms, hooklift, truck mounted forklift and railway, as well as marine products such as davits, boats and offshore. The Service unit combines the service business for all other product groups. Contract manufacturing relates to the external sales reported in the Operations segment.

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

Revenue broken down by geographical area is presented in Note (15).

 Notes to the consolidated income statement, (15) Revenue p. 112

## INFORMATION ON GEOGRAPHICAL AREAS

Non-current assets are broken down as follows:

EUR thousand	12/31/2021	12/31/2022
<b>Intangible assets</b>		
Germany	30,030	29,588
France	16,291	16,340
Austria	91,167	99,377
Netherlands	4,849	13,055
Norway	48,788	34,675
Remaining foreign countries	7,671	6,940
Romania	5,689	5,579
Russia	14,413	15,708
Sweden	9,530	8,185
Spain	4,993	4,441
USA	7,945	8,096
United Arab Emirates	15,327	15,766
	<b>256,694</b>	<b>257,750</b>
<b>Property, plant and equipment</b>		
Brazil	6,405	11,628
Bulgaria	62,338	69,636
Germany	32,108	41,804
France	5,944	5,979
Austria	145,628	161,439
Italy	5,221	5,623
Canada	3,969	4,511
Korea	151	117
Norway	3,980	3,200
Poland	13,562	13,276
Remaining foreign countries	21,892	26,760
Romania	32,220	39,244
Russia	38,313	39,715
Sweden	6,595	6,076
Slovenia	30,316	33,444
Spain	4,155	3,348
USA	46,787	58,606
	<b>459,584</b>	<b>524,406</b>
<b>Other non-current assets</b>		
Brazil	4,423	3,417
Denmark	21	21
Germany	114	96
France	74	74
India	53	50
Austria	208	198
Remaining foreign countries	740	835
Russia	220	177
Spain	240	209
USA	53	88
	<b>6,145</b>	<b>5,165</b>

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

The following new, revised and/or supplemented IASB Standards and IFRS IC Interpretations must be applied for the first time in the fiscal year 2022. The new regulations did not have any material impact on the consolidated financial statements.

Standards/Interpretations	Mandatory application in the EU	Endorsement Status
Amendments to IFRS 3, Business Combinations; IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and Annual Improvements 2018-2020	January 1, 2022	endorsed in June 2021

Various new accounting standards and interpretations have been published but are not mandatory for the reporting period ending December 31, 2022 and have not been applied early. The effects of these new regulations on current or future reporting periods as well as foreseeable future transactions are not considered material in the Group.

They are therefore not relevant for these consolidated financial statements:

Standards/Interpretations	Mandatory application
Amendments to IAS 8 Accounting policies: Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (published in February 2021)	January 1, 2023
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (published in May 2021)	January 1, 2023
IFRS 17 Insurance Contracts (Veröffentlichung: Mai 2017), including Amendments to IFRS 17 (published in June: Juni 2020)	January 1, 2023
Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information (published in December 2021)	January 1, 2023
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (published in January 2020) and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (published in October 2022)	January 1, 2024
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (published in February 2021)	January 1, 2023
Amendments to IFRS 16 Leases: Lease Liabilities in a Sale and Leaseback (published in September 2022)	January 1, 2024

## USE OF ESTIMATES AND DISCRETIONARY DECISIONS

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

### (1) Purchase price allocations

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

### (2) Impairment of non-financial assets

The impairment tests performed by PALFINGER with respect to goodwill, intangible assets with indefinite useful lives and unfinished capitalized development projects are based on calculations of value in use, for the purpose of which a discounted cash flow method was applied. The recoverable amount depends highly on the discount rates used under the discounted cash flow model and the expected future cash inflows. Impairment losses on non-financial assets are reported in accordance with the cost of sales structure. More details on the impairment of non-financial assets are provided in Note (28) Intangible assets and Note (29) Property, plant and equipment.

### (3) Development costs

Development costs are capitalized in accordance with the presented accounting policies. The initial capitalization of costs is based on the management's assessment that technical and economic feasibility has been demonstrated. As a rule, this is the case if a product development project has reached a certain milestone in an existing project management model. For the purpose of determining the amounts to be capitalized, the management makes assumptions regarding the volume of future cash flows expected from the project, the discount rates to be applied, and the period in which the flow of future benefits is expected. The capitalized development costs relate primarily to development activities in the areas of Cranes, Platforms, Tail Lifts, Services, Railway Systems, Offshore Cranes, Davits, and Boats. The impairment test is based on the use of the individual asset regardless of the profit expectations of the unit as a whole. Further details on capitalized development costs can be found under Note (28) Intangible assets.

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

The Group determines the duration of the lease based on the non-cancelable base term of the lease as well as by factoring in the periods arising from an option to extend the lease if it is sufficiently certain that the Group will exercise such an option, or the periods arising from an option to terminate the lease if it is sufficiently certain that the Group will not exercise such an option. The Group has entered into multiple leases that include options to extend and terminate the lease.

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

Please refer to Note (30) Leases for details regarding potential future lease payments for periods occurring after the date on which the option to extend or terminate a lease is exercised that are not factored into the lease term.

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

## **(5) Interests in entities reported at equity**

Assumptions and estimates are made with respect to the assessment of impairment in the case of interests in entities reported at equity. The recoverability of interest in entities held in connection with SANY (Sany Palfinger SPV Equipment, and Palfinger Sany International Mobile Cranes Sales) reported at equity depends on the development of the Chinese economy, the success of the internationalization strategy, and the economic development of the sales markets of Palfinger Sany International Mobile Cranes Sales. In China, the recoverability of these interests is influenced primarily by the development of the construction industry. Increasing urbanization, the resulting necessary infrastructure projects, the increase in wage costs, and the increased profitability of the automation of lifting, loading, and unloading operations will play a vital role in this regard. In the international markets, there are various political and macroeconomic risks that might have an impact on the recoverability of interest held in connection with the partnership with SANY (also see in this regard Scope of consolidation). The shares held in entities reported at equity in connection with SANY (Sany Palfinger SPV Equipment Co., Palfinger Sany International Mobile Cranes Sales GmbH) are joint ventures; management of the companies is exercised jointly and no property rights exist. The carrying amounts and further details regarding interests in entities reported at equity can be found in Note (31) Interests in entities reported at equity.

## **(6) Measurement of receivables**

In addition to the standardized measurement of receivables based on an analysis of historical data and an assessment of future developments, taking into account the number of days overdue and country risk, the likelihood of receiving payment is assessed for the application of specific valuation allowances on receivables. Previous experience with specific customers, their creditworthiness, and any collateral provided are taken into account here. Impairment losses on receivables and contract assets are presented in Note (36) Trade receivables and contract assets from contracts with customers. Uncollectible receivables are de-recognized.

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

Revenue from contract manufacturing and the rendering of services is reported based on the percentage of completion method. When applying this method, PALFINGER estimates the percentage of services already rendered by the balance sheet date in proportion to the overall scope of the orders and the order costs yet to be incurred. Further details on revenue recognition from contract manufacturing and the rendering of services can be found under Note (15) Revenue and Note (36) Trade receivables and contract assets from contracts with customers.

## **(8) Measurement of inventories**

A standardized obsolescence measurement method has been implemented in order to account for the risk of obsolescence. In addition to actual and planned consumption, minimum inventories, and inventory range specifications, this method also takes into account alternative uses of materials. Furthermore, the economic benefit of inventories on hand is also reviewed on a case-by-case basis and, if necessary, additional allowances are recorded on the basis of long-term storage, limited distribution channels, or defects in quality. In addition, a systematic review of finished goods is carried out with a view to achieving loss-free measurement, which is basically characterized by the expected sales prices, currency developments, the date of sale, and the costs yet to be expected. Further details on allowances for inventories can be found under Note (35) Inventories.

## **(9) Deferred tax assets**

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is likely that taxable income will be available for this purpose so that the loss carry-forwards can in fact be used. In the case of loss carry-forwards not subject to expiration, their usability within the next five years is taken as the decisive factor. Important discretionary decisions must be made by the management with respect to the anticipated time of occurrence and the amount of future taxable income as well as future tax planning strategies when determining the amount of the deferred tax assets that can be capitalized. Further details regarding deferred taxes can be found in Note (32) Deferred tax assets and liabilities.

## **(10) Pensions, severance payments and anniversary bonuses**

Expenses for defined benefit plans and statutory obligations upon the termination of employment as well as entitlements to anniversary bonuses are determined on the basis of actuarial calculations. The actuarial assessment is based on assumptions regarding discount rates, future increases in wages and salaries, mortality, and future increases in pension payments. All assumptions are reviewed at the end of every reporting period. PALFINGER management uses long-term market interest rates when determining an adequate discount rate. The mortality rate is based on publicly available mortality tables for the corresponding country. Future increases in wages and salaries as well as pensions are based on the future inflation rates expected for the country in question. Further details regarding the assumptions used are presented in Note (50) Non-current provisions.

## **(11) Provisions for guarantee and warranty expenses**

When forming provisions for guarantee and warranty expenses, guarantee and warranty obligations are taken into consideration using a standardized method. This method is significantly influenced by the timing of warranty claim, specific product replacement campaigns, reimbursement rates for suppliers, the development of the revenue subject to warranty, and assumptions regarding gross profit margins on the basis of the warranty process implemented. Provisions for guarantee and warranty expenses are presented in Note (52) Current provisions.

## (12) Purchase price liabilities from acquisitions

Purchase price liabilities from business acquisitions include purchase price portions not yet payable that depend on the future development of the earnings of the acquired entities. Therefore, a change in the expected underlying values can lead to an adjustment of the carrying amounts recognized in profit or loss. These estimates are based on the PALFINGER Group's strategic corporate planning for the medium term. Details are provided in Note (49) Purchase price liability from acquisitions and in Note (55) Financial instruments.

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

EUR thousand	2021	2022
Within one year	20,424	35,808
More than one year	6,729	396
<b>Expected future revenue</b>	<b>27,153</b>	<b>36,204</b>

## (13) Cash flow hedge

With respect to the accounting treatment of cash flow hedges for future cash flows, it is assumed that these cash flows are highly likely to occur. Hedge accounting is discontinued if the expected transaction is no longer expected to occur. Details can be found in Note (55) Financial instruments.

EUR thousand	Operations	Sales & Service	
	Jan–Dec 2021	Jan–Dec 2022	Jan–Dec 2021
Revenue from the sale of products	136,428	203,613	1,634,471
Revenue from contract manufacturing and rendering of services	-	-	1,972,034
<b>Revenue</b>	<b>136,428</b>	<b>203,613</b>	<b>1,705,104</b>
			2,022,627

## (14) Changes in estimates

No material changes were made to estimates in fiscal year 2022.

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

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### (15) Revenue

Jan–Dec 2021

EUR thousand	Sales & Service	Operations	PALFINGER Group
EMEA	1,042,914	105,685	1,148,599
NAM	363,494	6,018	369,512
LATAM	76,317	8,392	84,709
CIS	121,200	11,091	132,291
APAC	95,891	5,243	101,134
<b>Revenue from contracts with customers (IFRS 15)</b>	<b>1,699,817</b>	<b>136,428</b>	<b>1,836,246</b>
Revenue other	5,287	-	5,287
<b>Revenue total</b>	<b>1,705,105</b>	<b>136,428</b>	<b>1,841,533</b>

Jan–Dec 2022

EUR thousand	Sales & Service	Operations	PALFINGER Group
EMEA	1,148,962	154,367	1,303,328
NAM	497,955	13,060	511,016
LATAM	123,790	13,193	136,983
CIS	141,716	18,237	159,953
APAC	105,667	4,757	110,423
<b>Revenue from contracts with customers (IFRS 15)</b>	<b>2,018,090</b>	<b>203,613</b>	<b>2,221,704</b>
Revenue other	4,537	-	4,537
<b>Revenue total</b>	<b>2,022,627</b>	<b>203,613</b>	<b>2,226,241</b>

The split up by geographical area is based on the location of customers' registered offices. Other revenue consists primarily of income from the rental business. Revenue was generated in the amount of EUR 89,502 thousand (previous year: EUR 89,268 thousand) in Austria, PALFINGER's country of origin.

### (16) Other operating income

EUR thousand

	Jan–Dec 2021	Jan–Dec 2022
Income from the disposal of intangible assets and property, plant and equipment	2,656	1,677
Income from charges for services	2,293	1,275
Exchange rate differences	13,357	18,997
Income from reimbursements under insurance policies	6,674	3,081
Rental income	311	375
Income from the sale of advertising material	7	5
Income from business transactions with employees	1,276	2,214
Income from other grants	4,714	615
Refund other taxes	1,472	650
Miscellaneous other operating income	4,101	6,698
<b>Other operating income</b>	<b>36,859</b>	<b>35,587</b>

For information on exchange rate differences, please refer to Note (55) Financial Instruments, item 3 Foreign currency risk. Other grants include COVID-19 support funding amounting to EUR 312 thousand (previous year: EUR 4,385 thousand).

**(17) Cost of sales**

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Changes in inventories and other work performed by entity and capitalized	(29,077)	(534)
Cost of materials and purchased services	(900,214)	(1,176,104)
Employee expenses	(308,356)	(351,504)
Depreciation, amortization and impairment expenses	(42,846)	(46,340)
Outgoing freight costs	(30,398)	(35,514)
Guarantees and warranties	(22,573)	(18,192)
Repair and maintenance expenses	(15,426)	(20,151)
Rentals and leases	(2,668)	(3,877)
Commission expenses	(2,993)	(1,038)
Contingent workers and other third-party services	(9,928)	(14,710)
Energy costs	(12,873)	(25,569)
Travel expenses	(2,079)	(3,713)
Vehicles	(2,472)	(3,532)
Consultancy services	(3,573)	(3,057)
Office and IT expense	(3,199)	(4,145)
Insurance expense	(1,532)	(2,039)
Taxes other than income tax expenses	(2,025)	(2,544)
Miscellaneous other operating expenses	(1,359)	(2,133)
<b>Cost of sales</b>	<b>(1,393,591)</b>	<b>(1,714,694)</b>

Cost of sales increased at a slightly higher rate than revenues. Gross profit margin decreased slightly to 23 percent (previous year: 24 percent).

**(18) Research and development costs**

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Changes in inventories and other work performed by entity and capitalized	19,389	12,751
Cost of materials and purchased services	(2,071)	(1,777)
Employee expenses	(53,908)	(60,413)
Depreciation, amortization and impairment	(11,035)	(2,025)
Income from research grants	2,773	3,874
Consultancy services	(6,270)	(7,492)
Contingent workers and other third-party services	(2,678)	(2,169)
Travel expenses	(425)	(1,288)
Office and IT expenses	(807)	(1,133)
Miscellaneous other expenses	(1,018)	(1,319)
<b>Research and development costs</b>	<b>(56,049)</b>	<b>(60,992)</b>

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

The depreciation, amortization and impairment of the development costs in the amount of EUR 12,842 thousand (previous year: EUR 21,047 thousand) are reported in the cost of sales. The total research and development costs therefore amounted to EUR 73,834 thousand (previous year: EUR 77,096 thousand).

**(19) Distribution costs**

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Changes in inventories and other work performed by entity and capitalized	(2)	(55)
Cost of materials and purchased services	(2,095)	(2,220)
Employee expenses	(96,690)	(104,947)
Depreciation, amortization and impairment	(17,714)	(13,305)
Advertising, representation and market expenses	(8,429)	(16,785)
Travel expenses	(3,899)	(6,245)
Contingent workers and other third-party services	(2,283)	(2,517)
Vehicle fleet	(2,018)	(2,872)
Transport costs	(2,057)	(668)
Consultancy services	(4,223)	(5,215)
Commission expenses	(1,163)	(1,151)
Office and IT expenses	(2,021)	(2,490)
Rentals and leases	(1,088)	(1,204)
Repair and maintenance	(1,633)	(1,796)
Miscellaneous other operating expenses	(2,306)	(2,649)
<b>Distribution costs</b>	<b>(147,623)</b>	<b>(164,118)</b>

**(20) Administrative costs**

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Changes in inventories and own work capitalized	26	7,433
Cost of materials and purchased services	(658)	(124)
Personnel expenses	(67,200)	(79,506)
Depreciation, amortization and impairment	(17,084)	(17,486)
Consultancy services	(13,396)	(18,423)
Contingent workers and other third-party services	(9,510)	(12,219)
Office and IT expenses	(11,029)	(12,564)
Travel expenses	(1,144)	(2,537)
Vehicle fleet	(833)	(803)
Advertising, representation and market costs	(1,831)	(3,566)
Rentals and leases	(793)	(1,177)
Taxes other than on income	(1,658)	(1,984)
Insurance	(4,307)	(5,247)
Bank charges	(1,028)	(1,655)
Repair and maintenance	(2,842)	(2,005)
Miscellaneous other expenses	(1,762)	(1,291)
<b>Administrative costs</b>	<b>(135,049)</b>	<b>(153,154)</b>

**FEES CHARGED BY THE AUDITOR**

The following fees for the services provided in the fiscal year 2020 by the auditors of the consolidated financial statements, PwC Wirtschaftsprüfung GmbH and the companies of the global PwC network have been recorded as expenses:

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Audit of the consolidated financial statements and related certification services (including reviews) thereof PwC Wirtschaftsprüfung GmbH	(800)	(735)
Tax advice	(402)	(367)
Other services	(53)	(26)
<b>Auditors Remuneration</b>	<b>(922)</b>	<b>(834)</b>

**(21) Other operating expenses**

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Losses on the disposal of intangible assets and property, plant and equipment	(691)	(2,227)
Losses on receivables and impairment allowances	(305)	(3,278)
Exchange rate differences	(10,052)	(17,126)
Expenses of claims	(333)	(257)
Expenses in connection with other income	(122)	0
Allocation provision purchase price liabilities	(1,822)	0
Expenses for legal proceedings	(916)	(889)
Contractual and other penalties	(86)	(140)
Allocation to provision for the recovery of a grant	(48)	0
Membership fees and subscriptions	(508)	(424)
Miscellaneous other operating expenses	(4,128)	(5,595)
<b>Other operating expenses</b>	<b>(19,011)</b>	<b>(29,936)</b>

**(22) Income from companies reported at equity**

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

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Share in the net result for the period	13,961	11,465
Income from disposal	9,764	-
Gain on exchange from the recycling of currency translation gains from OCI	4,229	-
<b>Income from companies reported at equity</b>	<b>27,954</b>	<b>11,465</b>

The income from disposal and gain on exchange rates from the recycling of currency translation gains from OCI in the reporting year 2021 relate to the disposal in SANY Automobile Hoisting Machinery.

**(23) Cost of materials and purchased services**

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Cost of materials	(827,435)	(1,113,035)
Cost of purchased services	(77,602)	(87,336)
<b>Cost of materials and purchased services</b>	<b>(905,037)</b>	<b>(1,200,371)</b>

Regarding impairment losses on inventories included in the cost of materials, please refer to Note (35) Inventories. The cost of materials mainly relates to metal components such as sheet, plate, piping and profile sections as well as bought-in components and electrical and hydraulic components.

**(24) Personnel expenses**

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Wages and salaries	(409,018)	(459,606)
Expenses for severance payments	(6,634)	(4,730)
Pension expenses	(3,014)	(3,508)
Expenses for statutory social security contributions, payroll-related levies and mandatory contributions	(85,191)	(98,570)
Other social expenses	(22,298)	(29,958)
<b>Employee expenses</b>	<b>(526,155)</b>	<b>(596,370)</b>

Expenses for severance payments include expenses from defined contribution plans amounting to EUR 2,000 thousand (previous year: EUR 1,634 thousand). This includes the cost of services to company employee pension funds in the amount of EUR 2,000 thousand (previous year: EUR 1,634 thousand).

Pension expenses include expenses from defined contribution plans amounting to EUR 3,253 thousand (previous year: EUR 2,726 thousand).

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

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Depreciation and amortization	(76,441)	(78,578)
Impairment losses	(12,237)	(578)
<b>Depreciation of property, plant and equipment, investment property, amortization of intangible assets and impairment expenses</b>	<b>(88,679)</b>	<b>(79,156)</b>

Regarding the development of depreciation, amortization and impairment, please refer to Notes (28) Intangible assets, (29) Property, plant and equipment and (30) Leases.

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

## (26) Net interest income and other financial result

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

Jan–Dec 2021	EUR thousand	Financial instruments according to IFRS 9		Financial instruments according to IFRS 9			Non-current provisions acc. to IAS 19 <sup>1)</sup>	Leases pursuant to IFRS 16
		Total	Financial asset at amortized cost	Financial liabilities at amortized cost	Fair Value through OCI	P&L/ Other Derivatives		
Interest income	2,923	2,258	-		-	643	-	21
Interest expenses from financial liabilities	(9,002)	-	(7,943)		-	-	-	(1,059)
Other interest expenses	(1,695)	-	-		-	-	(1,060)	(635)
<b>Net interest income</b>	<b>(7,774)</b>	<b>2,258</b>	<b>(7,943)</b>		-	<b>643</b>	<b>(1,060)</b>	<b>(635)</b>
Write-ups of financial assets	968	934	-		-	34	-	-
Impairment of financial assets	(2,187)	(2,170)	-		-	(15)	-	-
Exchange rate differences	(2,430)	(1,623)	-		-	(807)	-	-
<b>Net profit or loss</b>	<b>(3,648)</b>	<b>(2,859)</b>	<b>-</b>		-	<b>(789)</b>	<b>-</b>	<b>-</b>
<b>Financial result</b>	<b>(11,422)</b>	<b>(601)</b>	<b>(7,943)</b>		-	<b>(145)</b>	<b>(1,060)</b>	<b>(635)</b>
								<b>(1,037)</b>

Jan–Dec 2022	EUR thousand	Financial instruments according to IFRS 9		Financial instruments according to IFRS 9			Non-current provisions acc. to IAS 19 <sup>1)</sup>	Leases pursuant to IFRS 16
		Total	Financial asset at amortized cost	Financial liabilities at amortized cost	Fair Value through OCI	P&L/ Other Derivatives		
Interest income	1,956	1,931	-		-	-	-	25
Interest expenses from financial liabilities	(12,699)	-	(11,747)		-	-	-	(952)
Other interest expenses	(1,522)	-	-		-	-	(837)	(686)
<b>Net interest income</b>	<b>(12,265)</b>	<b>1,931</b>	<b>(11,747)</b>		-	-	<b>(837)</b>	<b>(686)</b>
Income from the disposal of financial assets	48	48	-		-	-	-	-
Loss from the disposal of financial assets	-	-	-		-	-	-	-
Write-ups of financial assets	28	-	-		-	28	-	-
Impairment of financial assets	(107)	-	-		-	(107)	-	-
Exchange rate differences	(4,420)	(6,603)	-		-	2,183	-	-
<b>Net profit or loss</b>	<b>(4,452)</b>	<b>(6,555)</b>	<b>-</b>		-	<b>2,103</b>	<b>-</b>	<b>-</b>
<b>Financial result</b>	<b>(16,717)</b>	<b>(4,624)</b>	<b>(11,747)</b>		-	<b>2,103</b>	<b>(837)</b>	<b>(686)</b>
								<b>(927)</b>

 For details on exchange rate differences in the net financial result, see p. 159

## (27) Income tax

The tax rate applicable to the parent company PALFINGER AG remains unchanged at 25 percent compared to 2021. As part of the 2022 eco-social tax reform, the Austrian government decided to gradually reduce the corporate tax rate to 24 percent from 2023 and to 23 percent from 2024.

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Effective tax expense (–) / income (+)	(35,926)	(34,970)
thereof from previous years	702	274
thereof from the use of previously unused tax loss carry forwards	1,121	3,223
Deferred income tax expense (–) / income (+)	844	183
thereof from previous years	(287)	1,634
thereof from the recognition of tax loss carry-forwards from previous years	-	123
thereof due to tax rate changes	(3)	(541)
thereof from the adjustment of tax loss carry-forwards	(2,310)	(306)
<b>Income tax</b>	<b>(35,082)</b>	<b>(34,787)</b>

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

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Earnings before income tax	143,602	133,682
Tax rate of the Group	25.0%	25.0%
<b>Calculated tax expense</b>	<b>35,900</b>	<b>33,420</b>
<b>Adjustment to foreign tax rates</b>	<b>(2,119)</b>	<b>(4,378)</b>
<b>Tax reduction due to</b>		
Research and education allowances	(750)	(992)
Investment grants and other government aid	(714)	(1,120)
Tax rate changes	(235)	(3,168)
Tax-free income from investments reported at equity	(6,988)	(2,866)
Reversal of non-taxable provisions	(1,527)	(140)
Other tax-reducing factors	(761)	(871)
Recognition and use of loss carry-forwards from previous years	(1,868)	(3,152)
Taxes not related to an accounting period	(1,645)	(3,313)
Other tax effects (currency translation)	(22)	0
Reversal of allowances on deferred taxes	(41)	0
Valuation of investments and intra-group valuation of receivables	(4,851)	(968)
	<b>(19,401)</b>	<b>(16,590)</b>
<b>Tax increase due to</b>		
Tax rate changes	145	3,482
Non-capitalized loss carry-forwards	13,661	8,232
Allowances on loss carry-forwards	0	306
Non-tax-deductible expenses	2,833	4,168
Allocation non-taxable provisions	415	119
Minimum taxes	110	87
Taxes not related to an accounting period	2,047	1,372
Non-deductible withholding taxes	796	1,364
Valuation of investments and intra-group valuation of receivables	0	973
Different tax rate	0	394
Other tax-increasing factors	59	123
Allowances for deferred taxes	635	1,713
	<b>20,701</b>	<b>22,335</b>
<b>Income tax</b>	<b>35,082</b>	<b>34,787</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

## (28) Intangible assets

The development of intangible assets is shown below:

EUR thousand	Goodwill	Intangible assets with indefinite useful lives	Brands, customer base and order backlog	Other intangible assets	Prepayments	Total	
<b>Acquisition cost</b>							
As at 1/1/2021	216,890	25,985	130,263	78,913	35,840	40	487,931
Change in scope of consolidation	3,998	-	-	8,961	11	-	12,969
Additions	-	-	19,441	-	4,434	63	23,938
Investment promotion	-	-	-	-	(20)	-	(20)
Disposals	-	-	(5,750)	(1,190)	(4,407)	-	(11,347)
Reclassifications	-	-	-	-	387	(40)	347
Foreign currency translation	7,682	1,171	1,908	3,235	425	-	14,421
<b>As at 12/31/2021</b>	<b>228,569</b>	<b>27,156</b>	<b>145,861</b>	<b>89,919</b>	<b>36,671</b>	<b>63</b>	<b>528,239</b>
As at 1/1/2022	228,569	27,156	145,861	89,919	36,671	63	528,239
Change in scope of consolidation	78	-	-	215	-	-	293
Additions	-	-	20,169	-	3,264	5	23,438
Investment promotion	-	-	(80)	-	(4)	-	(84)
Disposals	-	-	(7,084)	-	(252)	-	(7,335)
Reclassifications	-	-	-	-	596	-	596
Foreign currency translation	(3,022)	1,172	(269)	168	(139)	-	(2,090)
<b>As at 12/31/2022</b>	<b>225,625</b>	<b>28,329</b>	<b>158,597</b>	<b>90,302</b>	<b>40,136</b>	<b>68</b>	<b>543,057</b>
<b>Accumulated depreciation, amortization and impairment</b>							
As at 1/1/2021	77,471	18,297	55,833	60,729	26,926	-	239,256
Amortization	-	3,285	12,109	3,683	3,332	-	22,410
Impairment losses	-	-	8,938	3,285	-	-	12,223
Disposals	-	-	(5,578)	(1,182)	(4,399)	-	(11,159)
Foreign currency translation	3,736	1,034	991	2,757	298	-	8,815
<b>As at 12/31/2021</b>	<b>81,207</b>	<b>22,616</b>	<b>72,293</b>	<b>69,272</b>	<b>26,158</b>	<b>-</b>	<b>271,545</b>
As at 1/1/2022	81,207	22,616	72,293	69,272	26,158	-	271,545
Amortization	-	-	12,272	5,061	3,378	-	20,711
Impairment losses	-	-	570	-	-	-	570
Disposals	-	-	(4,858)	-	(151)	-	(5,008)
Foreign currency translation	(3,928)	1,173	(66)	364	(56)	-	(2,512)
<b>As at 12/31/2022</b>	<b>77,279</b>	<b>23,789</b>	<b>80,211</b>	<b>74,697</b>	<b>29,330</b>	<b>-</b>	<b>285,306</b>
<b>Carrying amounts</b>							
<b>As at 12/31/2021</b>	<b>147,363</b>	<b>4,540</b>	<b>73,568</b>	<b>20,647</b>	<b>10,513</b>	<b>63</b>	<b>256,694</b>
<b>As at 12/31/2022</b>	<b>148,347</b>	<b>4,540</b>	<b>78,386</b>	<b>15,605</b>	<b>10,806</b>	<b>68</b>	<b>257,751</b>

## GOODWILL

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

EUR thousand	12/31/2021	12/31/2022
Sales & Service	112,602	113,268
Operations	34,761	35,079
<b>Goodwill</b>	<b>147,363</b>	<b>148,347</b>

The recoverable sum for the groups of cash-generating units is determined based on a value-in-use calculation using cash flow projections covering a five-year period. The cash flows are then extrapolated using a growth rate. The growth rates used for 2022 were 1.27 percent for Sales & Service (previous year: 1.06 percent) and 1.28 percent for Operations (previous year: 1.12 percent).

A medium-term plan was drawn up in 2022.

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

### Assumption:

### Method used to determine value:

Unit sales volumes

Unit sales volumes were adjusted by the regional sales organizations based on the strategic plan in fall 2019 to reflect the current environment and lower visibility. Business models that are not unit-driven (e.g. service) were taken into account based on past experience and management's expectations for the future.

Sales price

The growth rates taken into account per product line / sales region are already known at the time of planning, as price increases have a relatively long lead time. The price development can therefore be planned relatively accurately. In addition, the dynamic pricing approach in the EMEA and APAC regions was included in the sales price in planning.

Contribution margins

Based on budgeted selling prices for 2023, expected personnel cost increases, and material price changes forecasted by the purchasing department. In future, the assumed contribution margin will additionally be secured using the dynamic pricing approach.

Structural costs

Based on runrates, forecasts and known project plans, limits are defined for all GPO functions.

CAPEX

The investment volume is planned in relation to the group turnover and backed up with individual projects.

Due to the planning uncertainty, three scenarios were included in the calculation of the value in use, with the realistic scenario corresponding to the approved planning. The optimistic scenario assumes a constant slight overperformance in sales and gross margin, with slightly higher structural costs. The pessimistic scenario assumes a significant negative impact on sales and gross margin, particularly in the EMEA region, over the next two years, which will level off towards the end of the medium-term planning period. Structural costs cannot be reduced to the corresponding extent.

Scenarios	Weighting	CAGR external sales average 2022 to 2027	EBIT margin Sales&Service 2023 to 2027 average	EBIT margin Operations 2023 to 2027 average
Optimistic	10%	6.9%	6.9%	7.6%
Realistic	65%	6.5%	6.5%	7.0%
Pessimistic	25%	4.6%	4.6%	4.1%

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

in percent	Pre-tax discount rate	
	2021	2022
Operations	8.4	10.3
Sales & Service	8.8	9.5

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

Due to the Russian war on Ukraine and the resulting global economic impact, impairment tests were calculated for all cash-generating units that do not include goodwill or intangible assets with indefinite useful lives. There are estimation uncertainties in the assumptions on which the calculation of the value-in-use for the cash-generating units is based. The gross profit margins are determined using the values that are incorporated into the rolling planning based on the experience of the current year. Corporate planning is therefore based on past results as well as current assessments of future market developments.

## INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

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

EUR thousand	12/31/2021	12/31/2022
<b>Operations</b>		
Nimet brand	4,540	4,540
<b>Intangible assets with indefinite useful lives</b>	<b>4,540</b>	<b>4,540</b>

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

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

## DEVELOPMENT COSTS

In the fiscal year 2022, PALFINGER capitalized internally generated intangible assets in the form of development costs in the amount of EUR 20,169 thousand (previous year: EUR 19,441 thousand).

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

## (29) Property, plant and equipment

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

EUR thousand	Land and buildings	Right-of-use assets	Undeveloped land	Plant and machinery	Other equipment, operating and office equipment	Prepayments and assets under construction	Total
<b>Acquisition cost</b>							
<b>As at 1/1/2021</b>							
Changes in scope of consolidation	6,069	1,011	-	(172)	(113)	50	6,845
Additions	37,709	8,255	-	11,895	14,974	45,079	117,912
Investment promotion	(16)	-	-	-	(617)	(2,083)	(2,716)
Disposals	(7,620)	(21,117)	-	(13,513)	(14,211)	(1)	(56,462)
Reclassifications	9,846	-	-	16,389	3,433	(34,858)	(5,190)
Foreign currency translation	3,907	1,275	-	4,324	3,172	434	13,112
<b>As at 12/31/2021</b>	<b>324,820</b>	<b>65,793</b>	<b>1,689</b>	<b>293,264</b>	<b>145,369</b>	<b>41,704</b>	<b>872,639</b>
<b>As at 1/1/2022</b>							
Changes in scope of consolidation	4,400	-	-	23	162	-	4,585
Additions	12,202	17,872	380	19,540	19,891	45,253	115,137
Investment promotion	(377)	-	-	(259)	326	1,042	-
Disposals	(441)	(6,246)	-	(8,361)	(12,653)	(34)	(27,735)
Reclassifications	5,604	-	-	20,131	3,555	(29,762)	(473)
Foreign currency translation	3,773	488	-	4,749	2,568	1,297	12,876
<b>As at 12/31/2022</b>	<b>349,982</b>	<b>77,908</b>	<b>2,069</b>	<b>329,086</b>	<b>159,217</b>	<b>59,500</b>	<b>977,762</b>
<b>Accumulated depreciation, amortization and impairment</b>							
<b>As at 1/1/2021</b>							
Change in scope of consolidation	-	19,689	84	182,044	89,738	916	388,662
Depreciation	10,462	11,743	-	15,886	15,939	-	54,031
Impairment losses	14	-	-	-	-	-	14
Disposals	(6,738)	(5,523)	-	(11,527)	(11,596)	-	(35,384)
Write-ups	(14)	-	-	(5)	(30)	-	(49)
Reclassifications	(1,714)	-	-	(44)	44	-	(1,714)
Foreign currency translation	1,663	508	-	3,595	1,988	10	7,764
<b>As at 12/31/2021</b>	<b>99,865</b>	<b>26,418</b>	<b>84</b>	<b>189,778</b>	<b>95,985</b>	<b>926</b>	<b>413,055</b>
<b>As at 1/1/2022</b>							
Changes in scope of consolidation	-	-	-	-	-	-	-
Depreciation	11,514	11,712	-	17,400	17,242	-	57,869
Impairment losses	8	-	-	-	-	-	8
Disposals	(318)	(5,780)	-	(7,827)	(9,512)	-	(23,437)
Write-ups	-	-	-	-	-	-	-
Reclassifications	6	-	-	(20)	14	-	0
Foreign currency translation	1,215	121	-	3,053	1,362	110	5,861
<b>As at 12/31/2022</b>	<b>112,291</b>	<b>32,470</b>	<b>84</b>	<b>202,384</b>	<b>105,091</b>	<b>1,036</b>	<b>453,356</b>
<b>Carrying amounts</b>							
<b>As at 12/31/2021</b>	<b>224,956</b>	<b>39,375</b>	<b>1,605</b>	<b>103,486</b>	<b>49,384</b>	<b>40,778</b>	<b>459,584</b>
<b>As at 12/31/2022</b>	<b>237,691</b>	<b>45,438</b>	<b>1,985</b>	<b>126,702</b>	<b>54,126</b>	<b>58,464</b>	<b>524,406</b>

Additions mainly relate to the expansion of production capacities in Austria and Bulgaria, replacement investments, and the construction of a new representation hub at the Lengau site (Palfinger World).

Land and buildings include land values of developed properties amounting to EUR 49,783 thousand (previous year: EUR 46,897 thousand). Prepayments and assets under construction as at balance sheet date include assets under construction with acquisition and manufacturing costs amounting to EUR 52,791 thousand (previous year: EUR 32,610 thousand).

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

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

In the fiscal year 2022, government grants amounting EUR -731 (previous year: EUR 2,717 thousand) thousand were recognized in accordance with IAS 20 as a reduction of acquisition or production costs.

Non-current assets held for sale in the previous year to the value of EUR 111 thousand related to a property in Russia that was to have been sold in 2022. Due to the current war, the sale has been delayed indefinitely and the assets will be reclassified as non-current in fiscal year 2022. The properties in Korea amounting to EUR 3,017 thousand reported in the previous year were sold as scheduled.

As at December 31, 2022, no property, plant and equipment (previous year: none) has been pledged as collateral for debt.

### (30) Leases

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

#### Rights of use 2021

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

#### Rights of use 2022

in TEUR	Land and buildings	Equipment and machinery	Operating and office equipment	Vehicles	Total
As at 1/1/2022	33,396	445	674	4,860	39,375
Additions	14,230	239	497	2,906	17,872
Depreciation, amortization and impairment	(8,755)	(300)	(107)	(2,550)	(11,712)
Disposals	(213)	0	-	(253)	(466)
Foreign currency translation	373	1	-	(6)	368
<b>As at 12/31/2022</b>	<b>39,031</b>	<b>385</b>	<b>1,064</b>	<b>4,957</b>	<b>45,437</b>

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

#### Leases

EUR thousand	2021	2022
As at 1/1	57,602	40,540
Exchange rate difference	971	277
Additions	9,267	17,872
Disposals	(15,732)	(531)
Interest expenses	1,060	903
Payments	(12,628)	(12,343)
<b>As at 12/31</b>	<b>40,540</b>	<b>46,718</b>
of which current	10,317	12,199
of which non-current	30,223	34,519

The consolidated income statement contains the following amounts from leases:

EUR thousand	2021	2022
Depreciation on right-of-use assets	(11,744)	(11,712)
Interest expenses for lease liabilities	(1,060)	(903)
Expense for leases for which the underlying asset is of low value, accounted for according to IFRS 16.6	(578)	(344)
Expenses for current leases, accounted for according to IFRS 16.6	(1,131)	(1,172)
Income from the subleasing of right-of-use assets	138	132
<b>Recognized in profit or loss</b>	<b>(14,375)</b>	<b>(13,999)</b>

The total cash outflows for leases in the fiscal year 2022 were EUR 13,859 thousand (previous year: EUR 14,337 thousand).

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

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

#### Lease payments from non exercised option

	12/31/2021	12/31/2022
Up to 5 years	4,573	1,871
Up to 10 years	7,572	10,462

As at December 31, 2022, the exercise of the renewal options is not reasonably certain.

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

### (31) Interests in entities reported at equity

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

EUR thousand	2021	2022
As at 1/1	49,944	64,596
Additions	917	-
Increase in capital	366	-
Share in the net result for the period	13,961	11,465
Dividends	(4,135)	(18,113)
Foreign currency translation	3,543	(180)
<b>As at 12/31</b>	<b>64,596</b>	<b>57,768</b>

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

EUR thousand	Palfinger France S.A.S.		Sany Palfinger SPV Equipment Co., Ltd. <sup>1)</sup>	
	Jan–Dec 2021	Jan–Dec 2022	Jan–Dec 2021	Jan–Dec 2022
Revenue	211,748	207,823	79,260	50,589
<b>Total comprehensive income</b>				
Profit (loss)	10,759	16,850	8,266	(381)
Other comprehensive income after income tax	-	-	6,356	(796)
<b>10,759</b>	<b>16,850</b>	<b>14,622</b>	<b>(1,177)</b>	

EUR thousand	Palfinger France S.A.S.		Sany Palfinger SPV Equipment Co., Ltd. <sup>1)</sup>	
	12/31/2021	12/31/2022	12/31/2021	12/31/2022
Non-current assets	7,415	9,079	10,277	11,654
Current assets	104,663	110,651	105,639	54,860
Non-current liabilities	15,870	11,735	(37)	(85)
Current liabilities	43,416	53,111	50,485	24,077
<b>Net assets</b>	<b>52,792</b>	<b>54,884</b>	<b>65,468</b>	<b>42,523</b>

EUR thousand	Palfinger France S.A.S.		Sany Palfinger SPV Equipment Co., Ltd. <sup>1)</sup>	
	2021	2022	2021	2022
Shares/voting rights	49%	49%	50%	50%
<b>Carrying amount as of 1/1</b>	<b>21,498</b>	<b>23,380</b>	<b>25,359</b>	<b>32,670</b>
Impairment loss	-	-	-	-
Share in the net result for the period	5,272	5,266	4,133	(191)
Foreign currency translation	-	-	3,178	(398)
Dividends	(3,390)	(5,879)	-	(10,884)
Reclassification	-	-	-	-
<b>Carrying amount as at 12/31</b>	<b>23,380</b>	<b>22,766</b>	<b>32,670</b>	<b>21,198</b>
thereof goodwill	-	-	-	-
thereof downstream sales	(2,202)	(3,698)	(65)	(69)
thereof pro-rata net assets	25,581	26,464	32,715	21,266

<sup>1)</sup> As at the balance sheet date, the company had cash and cash equivalents of EUR 8,447 thousand (previous year: EUR 1,922 thousand) and no financial liabilities, as well as depreciation and amortization of EUR 967 thousand (previous year: EUR 832 thousand), interest income of EUR 151 thousand (previous year: EUR 183 thousand) and a tax expense of EUR – 408 thousand (previous year: EUR – 406 thousand).

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

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

EUR thousand	Associated companies		Joint ventures	
	2021	2022	2021	2022
Carrying amounts of shares	5,685	11,119	2,861	2,685
<b>Total comprehensive income</b>				
Result after income tax	2,637	6,559	1,920	(167)
Other comprehensive income after income tax	185	226	180	(8)
<b>2,822</b>	<b>6,785</b>	<b>2,100</b>	<b>(175)</b>	

**(32) Deferred tax assets and liabilities**

EUR thousand	12/31/2021	12/31/2022
<b>Non-current assets</b>		
Intangible assets – different useful lives	2,500	2,721
Intangible assets – tax-deductible goodwill	203	246
Property, plant and equipment – different useful lives	797	774
Property, plant and equipment - IFRS 16 effect	155	69
Non-current financial assets – impairment losses on untaxed financial assets	24,763	17,270
Other non-current assets	3	9
	<b>28,422</b>	<b>21,090</b>
<b>Current assets</b>		
Inventories – elimination of intercompany profits, tax-related measurement differences in manufacturing costs	8,907	11,768
Trade receivables – tax-related measurement differences in impairment allowances	2,263	2,278
Other current assets – untaxed severance payments	475	385
	<b>11,645</b>	<b>14,431</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities — Lease liabilities	4,738	5,442
Non-current provisions - different approaches provisions for employee IAS 19	9,755	7,151
Other non-current liabilities	335	243
	<b>14,829</b>	<b>12,837</b>
<b>Current liabilities</b>		
Current financial liabilities – essentially lease financing	4,914	5,448
Current provisions – essentially Warranty provisions recognized at different rates	3,057	2,894
Trade payables and other current liabilities	4,472	3,288
	<b>12,443</b>	<b>11,630</b>
<b>Deferred tax assets</b>	<b>67,339</b>	<b>59,987</b>

EUR thousand	12/31/2021	12/31/2022
<b>Non-current assets</b>		
Intangible assets – acquisitions, development costs	(27,953)	(26,884)
Property, plant and equipment – different useful lives	(6,910)	(7,950)
Property, plant and equipment - IFRS 16 effect	(9,355)	(10,567)
Non-current financial assets	(3,974)	(5,365)
	<b>(48,192)</b>	<b>(50,767)</b>
<b>Current assets</b>		
Inventories – tax-related measurement differences in manufacturing costs	(445)	(583)
Trade receivables – Contract manufacturing (POC)	(1,638)	(1,886)
Other current assets – tax-related measurement differences	(1,161)	(3,816)
	<b>(3,244)</b>	<b>(6,284)</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities — Tax-related measurement differences	(96)	0
Non-current provisions	(230)	(708)
	<b>(327)</b>	<b>(708)</b>
<b>Current liabilities</b>		
Current financial liabilities	(46)	(3)
Current provisions – essentially Warranty provisions recognized at different rates	(288)	(471)
Trade payables and other current liabilities	(294)	(602)
	<b>(628)</b>	<b>(1,077)</b>
<b>Deferred tax liabilities</b>	<b>(52,391)</b>	<b>(58,835)</b>

EUR thousand	12/31/2021	12/31/2022
Deferred tax assets	67,339	59,987
Deferred tax liabilities	(52,391)	(58,835)
Valuation allowance (temporary differences)	0	(1,897)
Deferred tax assets on loss carry forwards	3,364	15,561
<b>Deferred taxes</b>	<b>18,312</b>	<b>14,816</b>
thereof deferred tax assets accounted for	25,223	22,423
thereof deferred tax liabilities accounted for	(6,911)	(7,607)

The Austrian corporate income tax law applicable in the past fiscal year 2022 provides for a statutory tax rate of 25 percent. Given the tax rate reduction in Austria to 24 percent in 2023 and 23 percent in 2024, the average expected tax burden for domestic group companies is between 23 percent and 23.33 percent. Therefore, deferred taxes of domestic companies are measured at an overall tax rate of 23 percent or 23.33 percent as of December 31, 2022. The respective country-specific income tax rates applied to foreign companies range from 7.7 percent to 35.96 percent.

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

EUR thousand	2021	2022
As at 1/1	21,708	18,312
Charged/Credited		
due to profit or loss	844	183
due to other result	(1,657)	(3,593)
directly in equity	-	(13)
Acquisition of subsidy	(2,583)	(73)
<b>As at 12/31</b>	<b>18,312</b>	<b>14,816</b>

The tax loss carry-forwards are composed as follows:

EUR thousand	12/31/2021	12/31/2022	12/31/2021	12/31/2022
One year	1,209	5,926	48	110
Two years	5,795	3,708	449	283
Three years	3,789	8,721	1,006	346
Four years	7,380	12,085	593	366
Five years	6,857	9,698	263	1,080
More than five years	71,893	76,117	99	1,232
<b>Loss carry-forwards subject to expiry</b>	<b>96,922</b>	<b>116,255</b>	<b>2,458</b>	<b>3,417</b>
<b>Loss carry-forwards not subject to expiry</b>	<b>108,929</b>	<b>113,275</b>	<b>9,026</b>	<b>60,979</b>
	<b>205,851</b>	<b>229,530</b>	<b>11,484</b>	<b>64,396</b>

In the Group, no related deferred tax assets of EUR 55,139 thousand (previous year: EUR 49,456 thousand) are recognized for tax loss carryforwards of EUR 229,530 thousand (previous year: EUR 205,851 thousand) because their effectiveness as a final tax relief in the context of medium-term planning is not yet sufficiently assured. Of this amount, non-capitalized deferred taxes mainly relate to the tax group in the USA in the amount of EUR 24,701 thousand (previous year: EUR 20,150 thousand), the companies included in the tax consolidation in Norway in the value of EUR 11,612 thousand (previous year: EUR 12,417 thousand) and the Dutch companies in the amount of EUR 9,968 thousand (previous year: EUR 6,070 thousand). Substantial indications of sufficient taxable income as a result of losses in previous financial years cannot be proven with sufficient certainty as of the reporting date.

For temporary differences in the amount of EUR 619,018 thousand (previous year: EUR 554,324 thousand) from investments in subsidiaries and joint ventures, there are deferred tax liabilities as at December 31, 2022 amounting to EUR 86,100 thousand (previous year: EUR 79,913 thousand). In accordance with IAS 12.39, no deferred tax liabilities are recognized, because PALFINGER is able to control the timing and these temporary differences will not reverse in the foreseeable future.

The capitalization of deferred taxes amounting to EUR 645 thousand (previous year: EUR 129 thousand) on loss carry forwards and interest carry-forwards totaling EUR 2,709 thousand (previous year: EUR 586 thousand) is made in the amount of the taxable temporary differences that exist with respect to the same tax authority and the same taxable entity. The resulting future taxable income is expected to be offset against losses or interest carry-forwards. For all other capitalized deferred taxes on loss and interest carry-forwards, it is assumed based on the taxable results forecast by planning calculations that these loss and interest carry-forwards can be used before they expire.

For tax losses of EUR 61,687 thousand (previous year: EUR 11,484 thousand) and temporary differences, deferred taxes on temporary differences and tax loss carryforwards of EUR 14,915 thousand (previous year: EUR 3,235 thousand) are capitalized without these being offset by deferred tax liabilities in the corresponding amount. After losses in the current financial year or in the previous year, the companies concerned expect positive taxable income in the future. PALFINGER assumes that the companies' future taxable income will probably be sufficient to be able to realize these deferred tax assets. Of this amount, deferred taxes of EUR 11,748 thousand relate to carryforward losses for the Austrian tax group (previous year: EUR 0 thousand) and EUR 2,382 thousand (previous year: EUR 2,280 thousand) for carryforward losses in Brazil, since sufficient positive taxable income can be expected on the basis of planning calculations and taxable profits have already been achieved in previous taxation periods.

### (33) Non-current financial assets

Non-current financial assets are broken down as follows:

EUR thousand	12/31/2021	12/31/2022
Loans	4,908	3,816
Financial receivables from related parties	7,697	-
Securities	1,409	1,274
Deposits at banks	141	73
Other shareholdings	76	178
Interest rate swaps from the CF hedge	-	6,089
<b>Non-current financial assets</b>	<b>14,232</b>	<b>11,430</b>

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

The financial receivables from related parties in the previous year related to a receivable from Hubert and Hannes Palfinger which was repaid early in 2022 see also note 56 Related party disclosures.

### (34) Other non-current assets

The non-current assets are broken down as follows:

EUR thousand	12/31/2021	12/31/2022
Reimbursement rights and other receivables	5,399	4,515
Accrued expenses	746	645
Miscellaneous other non-current assets	0	4
<b>Other non-current assets</b>	<b>6,145</b>	<b>5,165</b>

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

### (35) Inventories

The inventories are composed as follows:

EUR thousand	12/31/2021	12/31/2022
Raw materials, consumables and supplies	218,965	260,631
Work in progress	130,372	178,832
Finished goods and merchandise	88,510	135,046
Prepayments	7,115	5,515
<b>Inventories</b>	<b>444,962</b>	<b>580,025</b>

Inventories amounting to EUR 524 thousand (previous year: EUR 612 thousand) are measured at net realizable value.

In the fiscal year 2022, impairment losses on inventories amounting to EUR 5,763 thousand (previous year: EUR 2,983 thousand) and reversals of impairment losses from inventories deemed obsolete amounting to EUR 2,390 thousand (previous year: EUR 2,585 thousand) were reported in cost of sales.

### (36) Trade receivables and contract assets from customer contracts

The trade receivables are broken down as follows:

EUR thousand	12/31/2021	12/31/2022
Receivables from contract manufacturing and rendering of services	27,153	36,204
Invoiced receivables	264,255	311,157
<b>Trade receivables and contract assets from customer contracts</b>	<b>291,408</b>	<b>347,360</b>

Since 2014, PALFINGER AG and selected Austrian and German subsidiaries of the PALFINGER Group have had a factoring contract with an Austrian bank. This contract was extended in 2019 to include selected Spanish, Portuguese and Romanian subsidiaries and in 2022 to include the French subsidiary. In 2020, a factoring program similar to the one implemented in Europe was introduced in the USA. Five companies are covered by the program. An Austrian banking group was appointed to implement the US program. Within the framework of the factoring contract, trade receivables are sold monthly on

a revolving basis up to a maximum volume of EUR 110,000 thousand (previous year: EUR 90,000 thousand), or USD 50,000 thousand (previous year: USD 50,000 thousand). Receivables sold in connection with the factoring contract as at balance sheet date December 31, 2022 amount to EUR 79,400 thousand (previous year: EUR 47,986 thousand). The receivables were not fully derecognized as all opportunities and risks associated with the receivables sold were neither transferred nor retained. The assessment of the risks resulting from the receivables sold is fundamentally based on the default risk and the late payment risk. PALFINGER continues to bear a risk from credit risk-related defaults up to a contractually defined amount. Palfinger continues to recognize the trade receivables sold to the value of their continuing involvement (EUR 2,900 thousand) (previous year: EUR 0) and recognizes a corresponding associated liability reported as liabilities to banks (EUR 2,900 thousand) (previous year: EUR 0).

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

Trade receivables include receivables in accordance with IFRS 15 amounting to EUR 310,627 thousand (previous year: EUR 262,985 thousand).

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

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

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

a reasonable approximation of the loss rates for contract assets.

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

EUR thousand	2021	2022
<b>As at 1/1</b>	<b>37,808</b>	<b>27,563</b>
Addition due to PoC progress	75,078	81,429
Progress billings	(86,838)	(72,000)
Accumulated adjustment	(227)	-
Foreign currency translation	1,742	(742)
<b>As at 12/31</b>	<b>27,563</b>	<b>36,250</b>
Recorded impairment	(410)	(46)
<b>Contract assets incl. impairments</b>	<b>27,153</b>	<b>36,204</b>

The risk from expected loss rates is accounted for by an allowance amounting to EUR 14,088 thousand (previous year: EUR 12,294 thousand). The allowance relates primarily to trade receivables and contract assets from customer contracts. The development of the valuation allowance is shown below:

EUR thousand	Specific valuation allowances on receivables	General specific valuation allowances on receivables		
	2021	2022	2021	2022
As at 1/1	8,744	7,118	4,825	5,176
Change in Scope	268	-	(1)	-
Allocation	844	1,254	3,644	4,441
Use	(1,662)	(1,200)	(540)	(236)
Reversal	(1,506)	(397)	(2,942)	(1,513)
Reclassification	12	680	(12)	(680)
Foreign currency translation	418	188	202	(743)
<b>As at 12/31</b>	<b>7,118</b>	<b>7,643</b>	<b>5,176</b>	<b>6,445</b>

### (37) Current financial assets

Current financial assets are broken down as follows:

EUR thousand	12/31/2021	12/31/2022
Derivative financial instruments	376	3,189
Receivables from associated companies	1,391	-
Receivables from related parties	4,599	-
Other financing receivables	54	54
<b>Current financial assets</b>	<b>6,420</b>	<b>3,242</b>

The financing to Jetfly Airline GmbH to the value of EUR 1,360 thousand was repaid in full in the financial year 2022. In the previous year, it was reported under receivables from associated companies. In the previous year, receivables from related parties were due from Hubert and Hannes Palfinger (see also note (56)).

### (38) Other current receivables and assets

Other current receivables and assets are broken down as follows:

EUR thousand	12/31/2021	12/31/2022
Receivables relating to social security and other taxes	22,057	27,134
Other receivables	41,000	33,681
Accrued expenses and compensation payments	14,128	16,052
Receivables from entities reported at equity	242	201
<b>Other current receivables and assets</b>	<b>77,427</b>	<b>77,068</b>

Other receivables include receivables from the factor resulting from the sale of trade receivables (see also Note (36) for more information) as well as receivables from public authorities.

### (39) Cash and cash equivalents

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

EUR thousand	12/31/2021	12/31/2022
Cash on hand	150	138
Deposits at banks	39,684	60,982
<b>Cash and cash equivalents</b>	<b>39,834</b>	<b>61,120</b>

As at December 31, 2022, there are restrictions on the disposal of cash and cash equivalents amounting to EUR 5.1 million (previous year: EUR 6.0 million).

### (40) Share capital

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

The development of the shares in circulation is as follows:

Shares	2021	2022
As at 1/1	37,593,258	34,766,742
Addition of own shares	(2,826,516)	-
<b>As at 12/31</b>	<b>34,766,742</b>	<b>34,766,742</b>

### (41) Share premium

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

### (42) Treasury Shares

As at December 31, 2022, the number of treasury shares amounted to 2,826,516 shares (previous year 2,826,516 shares).

The completion of the transaction and the actual transfer of the 2,826,516 treasury shares from SANY EUROPE GmbH took place on July 28, 2022. The acquisition was made in accordance with the agreement of December 2021 at a price of EUR 35.20 per share.

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

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

### (43) Currency translation reserve

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

EUR thousand	2021	2022
AED	471	933
BRL	322	2,635
GBP	58	(70)
NOK	1,207	(386)
RMB	(642)	(500)
RUB	5,439	8,690
USD	10,530	8,271
Other	(99)	(5,011)
<b>Currency translation reserve</b>	<b>17,286</b>	<b>14,562</b>

### (44) Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing consolidated net result by the weighted average number of shares outstanding. The weighted average number of shares outstanding in fiscal year 2022 amounted to 34,766,742 shares (previous year: 37,477,102 shares).

Based on the consolidated net result of EUR 71,372 thousand (previous year: EUR 86,563 thousand), undiluted earnings per share amount to EUR 2.05 (previous year: EUR 2.31). The diluted earnings per share are the same as the undiluted earnings per share.

#### (45) Retained earnings

Accumulated results decreased by EUR -15,557 thousand (prior year: EUR -274 thousand) due to the unilateral capital increases at Palfinger Structural Inspection (EUR -666 thousand), and the purchase of the remaining minorities at Guima Palfinger (EUR -14,430 thousand) and Palfinger Portugal (EUR -461 thousand).

#### DIVIDEND PER SHARE

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

	Total EUR thousand	Number of shares	Dividend per share
Dividend resolved for the fiscal year 2021 (Annual General Meeting of March 24, 2022)	28,947	37,593,258	0.77
Dividend resolved for the fiscal year 2020 (Annual General Meeting of April 7, 2021)	16,917	37,593,258	0.45

The net profit for 2022 reported in the annual financial statement of PALFINGER AG in accordance with the Austrian Commercial Code (UGB) is distributed as follows:

EUR thousand	
Net profit 2022 of PALFINGER AG	11,731
Retained profits brought forward from 2021	220,936
<b>Total net profit</b>	<b>232,667</b>
Proposed dividend (EUR 0.77 per share)	26,770
<b>Remaining accumulated profit</b>	<b>205,897</b>

The dividend to be proposed by the Executive Board and Supervisory Board to the Annual General Meeting on March 30, 2023 will be EUR 0.77 per share.

#### (46) Valuation reserve according to IFRS 9

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

EUR thousand	2021	2022
<b>As at 1/1</b>	<b>(1,392)</b>	<b>(584)</b>
<b>Changes in unrealized profits (+)/losses (-)</b>		
Interest rate swap contracts	(334)	5,669
Currency forward contracts	529	(2,406)
	<b>195</b>	<b>3,263</b>
<b>Changes in realized gains (+)/losses (-)</b>		
Interest rate swap contracts	(180)	264
Currency forward contracts	793	2,126
	<b>613</b>	<b>2,390</b>
<b>Change</b>	<b>808</b>	<b>5,653</b>
<b>As at 12/31</b>	<b>(584)</b>	<b>5,069</b>

#### (47) Non-controlling interests

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

12/31/2021

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Portugal	Nimet Srl	PM Group	Guima Palfinger S.A.S.
<b>Net assets</b>						
Non-current assets	2,777	12,627	645	37,911	30,842	6,528
Current assets	14,798	72,372	7,688	32,211	40,472	33,534
Non-current liabilities	199	1,037	436	785	570	1,533
Current liabilities	9,645	46,284	2,647	22,646	25,683	16,168
	<b>7,732</b>	<b>37,677</b>	<b>5,249</b>	<b>46,691</b>	<b>45,062</b>	<b>22,360</b>
<b>Non-controlling interests</b>						
Shares/voting rights	30%	35%	40%	40%	25%	35%
Carrying amount	1,941	13,878	2,099	18,257	9,647	7,772

12/31/2022

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Nimet Srl	PM Group
<b>Net assets</b>				
Non-current assets	3,272	13,148	44,830	33,546
Current assets	15,833	74,760	53,271	62,228
Non-current liabilities	93	838	925	1,831
Current liabilities	11,435	50,065	23,742	28,360
	<b>7,576</b>	<b>37,005</b>	<b>73,434</b>	<b>65,583</b>
<b>Non-controlling interests</b>				
Shares/voting rights	30%	35%	40%	25%
Carrying amount	1,931	13,790	28,954	14,588

Jan–Dec 2021

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Palfinger Portugal	Nimet Srl	PM Group	Guima Palfinger S.A.S.
<b>Cash flow</b>						
Cash flows from operating activities	2,356	31,757	357	18,027	5,780	5,326
Cash flows from investing activities	(1,314)	(12,844)	(70)	(7,425)	(13,519)	(1,997)
Cash flows from financing activities	(362)	(18,911)	(665)	(10,092)	7,709	(3,176)
<b>Non-controlling interests</b>						
Profit/loss attributable	1,237	9,215	1,022	6,555	2,368	2,220
Share of other comprehensive income	147	16	-	(225)	530	153
Dividends	613	6,802	150	672	-	1,049

Jan-Dec 2022

EUR thousand	Andrés N. Bertotto (Hidro-Grubert)	EPSILON Kran GmbH	Nimet Srl	PM Group
<b>Cash flow</b>				
Cash flows from operating activities	3,954	28,191	28,633	13,128
Cash flows from investing activities	(2,307)	(3,377)	(30,976)	9,036
Cash flows from financing activities	(338)	(24,812)	2,285	(12,099)
<b>Non-controlling interests</b>				
Profit/loss attributable	1,379	9,063	12,907	4,435
Share of other comprehensive income	(822)	38	(32)	506
Dividends	567	9,189	2,178	-

The minority interests in Guima Palfinger S.A.S. and Palfinger comércio e aluguer de máquinas, S.A. reported in the 2021 financial year were acquired in full by Palfinger in the 2022 financial year.

The net worth of EPSILON Kran GmbH is limited to the extent that shares can only be transferred with the consent of the minority shareholder and the existing agreement regarding a linear maximum distribution in relation to the equity ratio can only be deviated from by mutual consent.

In case of the PM group and of the remaining non-significant non-controlling interests, distribution agreements also exist or distributions can only be resolved with the consent of the minority shareholders.

Deferred interest expenses are included in the current financial liabilities. The other current financial liabilities include the associated liability amounting to EUR 2,900 thousand (previous year: EUR 0) recognized pararell to the cointinuing involvement and the liabilities arriving from the hege accounting amounting to EUR 1,890 thousand (previous year: EUR 3,061).

For more information about the equity financing and bilateral loans please see p. 36.

The average interest rate represents the interest burden as at December 31, 2022 after taking into account interest rate hedges as a percentage in relation to the carrying amount of the financial liabilities as at December 31, 2022 and amounts to 2.34 percent (previous year: 1.13 percent).

#### (49) Purchase price liabilities from acquisitions

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

EUR thousand	2021	2022
As at 1/1	12,112	13,164
Allocation	1,270	108
Release	-	(996)
Interest effect	1,059	837
Redemption	(12,420)	(560)
Addition	11,143	1,685
<b>As at 12/31</b>	<b>13,164</b>	<b>14,238</b>

#### (48) Financial liabilities

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

EUR thousand	12/31/2022	Durations
Promissory note loan	195,000	1 - 6 years
Equity financing and bilateral loans	51,953	1 - 6 years
ESG Financing (sustainability linked loan)	281,760	1 - 6 years
Lease liabilities	34,519	1 - 20 years
Other non-current financial liabilities	592	-
<b>Non-current financial liabilities</b>	<b>563,824</b>	

EUR thousand	12/31/2021	12/31/2022
Promissory note loans	73,543	10,000
Equity financing and bilateral loans	98,678	93,213
Lease liabilities	10,317	12,199
Other current financial liabilities	6,860	6,005
<b>Current financial liabilities</b>	<b>189,398</b>	<b>121,417</b>

The additions relate to new and minority acquisitions in the 2022 financial year. There are contingent considerations for the company acquisitions of Hinz, Equipdraulic and TSK as well as the minority acquisition of Palfinger Portugal (Palfinger comércio e aluguer de máquinas, S.A.). The amount paid out is dependant on future earnings before interest and taxes of the units. The Hinz and Equipdraulic purchase price liabilities will be paid in 2023, TSK in 2024 and Palfinger Portugal in 2025. Equipdraulic also has a deferred purchase price receivable that will be paid until 2026. In addition, there is still an outstanding current purchase price liability from the acquisition of the business operations of TSK. The maximum level of payments for the contingent consideration for the acquisition of Hinz and TSK are unlimited.

The book value as of the reporting date is EUR 11,264 thousand for Hinz (previous year: EUR 11,555 thousand), EUR 1,110 thousand for Equipdraulic (previous year: EUR 1,585 thousand), EUR 971 thousand for TSK (previous year: EUR 0 thousand) and EUR 869 thousand for Palfinger Portugal (previous year: EUR 0 thousand).

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

Purchase price liabilities	Valuation method	Inputs
Hinz	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in SEK
Equipdraulic	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in EUR
TSK	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in EUR
Minority acquisition at Palfinger Portugal	Discounted cash flow method	Risk-adjusted interest rate, results of corporate planning in EUR

Sensitivity analysis for significant inputs in determining fair values as at December 31, 2022 and 2021:

**Change in fair value**

EUR thousand	Change in assumption	In the event of an increase		In the event of a decrease	
		2021	2022	2021	2022
Interest rate	+/- 1 %	(149)	(51)	137	52
Forecasted EBIT	+/- 10%	1,155	-	(1,155)	(187)

**(50) Non-current provisions**

Non-current provisions are broken down as follows:

EUR thousand	12/31/2021		12/31/2022	
	2021	2022	2021	2022
Pension provisions	10,772	8,095		
Provisions for severance payments	32,407	26,848		
Anniversary bonus provisions	9,427	7,879		
Other non-current provisions	18,824	531		
<b>Non-current provisions</b>	<b>71,429</b>	<b>43,353</b>		

**PENSION PROVISIONS**

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

The evaluation was based on the following parameters:

	Age of retirement		Interest rate (p.a.)		Pension increase (p.a.)	
	2021	2022	2021	2022	2021	2022
Germany	63-65 years	63-65 years	0.46% - 0.98%	3.13% - 3.19%	1.50%	1.50% - 2.20%
France	65 years	65 years	0.84%	3.19%	2.50%	2.50%
Austria	65 years	65 years	0.76% - 1.00%	3.19%	1.70%	2023: 5.50% 2024+: 1.70%

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

As at December 31, 2022, the average duration of the defined benefit obligations from pension commitments is 11.07 years (previous year: 13.18 years). For the fiscal year 2022, expected contributions to pension obligations amount to EUR 143 thousand (previous year: EUR 214 thousand).

The calculation of the pension provisions as at December 31, 2022 is based on actuarial principles in accordance with the calculation rules of IAS 19. The obligation is measured using the projected unit credit method.

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

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

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

**PROVISIONS FOR SEVERANCE PAYMENTS**

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

Provisions for severance payments are calculated using actuarial principles.

The evaluation is based on the following parameters:

	expected rates of salary increases (p.a.)		Staff turnover allowance (p.a.)	
	Interest rate (p.a.)	(p.a.)	2021	2022
	2021	2022	2021	2022
Austria	0.60% - 0.95%	3.16% - 3.19%	3.00%	2023: 5.50% 2024+: 3.00%
Slovenia	0.93%	3.19%	3.00%	2023: 5.50%; 2024+: 3.00%
Bulgaria	0.71%	3.18%	5.00%	2023: 12.00% 2024+: 5.00%
UAE and Qatar	2.00% - 2.50%	4.00% - 4.40%	2.00% - 3.00%	5.00% to 10.00% (based on length of service)

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

As at December 31, 2022, the average duration of the defined benefit obligations from severance payments is 10.89 years (previous year: 12.56 years). For the fiscal year 2022, expected contributions to severance payments amount to EUR 1,241 thousand (previous year: EUR 1,581 thousand).

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

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

The pension provisions and severance payments are shown below:

EUR thousand	Pensions		Severance payments	
	12/31/2021	12/31/2022	12/31/2021	12/31/2022
Net present value of the obligation	11,556	8,897	32,407	26,848
Fair value of plan assets	(784)	(802)	-	-
<b>Provision</b>	<b>10,772</b>	<b>8,095</b>	<b>32,407</b>	<b>26,848</b>

EUR thousand	Pensions		Severance payments	
	2021	2022	2021	2022
Net present value of the obligation as at 1/1	13,669	11,556	30,885	32,407
Service cost	205	229	3,934	1,680
Interest expenses	45	100	132	250
Gains (–)/losses (+) from re-measurements	(1,641)	(2,292)	(758)	(6,008)
Effective payments	(392)	(461)	(1,857)	(1,323)
Settlements	(334)	(229)	(13)	-
Reclassifications	-	-	-	(231)
Foreign currency translation	4	(6)	84	73
<b>Net present value of the obligation as at 12/31</b>	<b>11,556</b>	<b>8,897</b>	<b>32,407</b>	<b>26,848</b>

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

EUR thousand	2021		2022	
	2021	2022	2021	2022
Fair value of plan assets as at 1/1	755	784		
Expected return on plan assets	2	6		
Gains (+)/losses (–) from re-measurements	22	18		
Foreign currency translation	5	(6)		
<b>Fair value of plan assets as at 12/31</b>	<b>784</b>	<b>802</b>		

The actual sum amounted to EUR 23 thousand (previous year: EUR 24 thousand).

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

EUR thousand	Pensions		Severance payments	
	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022
<b>Employee expenses</b>				
Service cost	(205)	(229)	(3,934)	(1,680)
<b>Interest expenses</b>				
Interest expenses	(43)	(95)	(132)	(250)
<b>Net expenses</b>	<b>(248)</b>	<b>(324)</b>	<b>(4,066)</b>	<b>(1,930)</b>

Re-measurements are broken down as follows:

EUR thousand	Pensions		Severance payments	
	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022
Experience adjustments	(547)	68	1,204	751
Changes in demographic assumptions	-	-	(568)	39
Changes in financial assumptions	(1,094)	(2,360)	(1,394)	(6,798)
Return on plan assets	(22)	(18)	-	-
<b>Gains (–)/losses (+) from re-measurements</b>	<b>(1,663)</b>	<b>(2,310)</b>	<b>(758)</b>	<b>(6,008)</b>

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

#### Change in the net present value of the obligation

EUR thousand	Pensions		Severance payments	
	2021	2022	2021	2022
Interest rate	(774)	(868)	1,067	1,035
Pension increase/salary increase	906	772	(694)	(818)

#### ANNIVERSARY BONUS PROVISIONS

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

Changes in anniversary bonus provisions are shown below:

EUR thousand	2021		2022	
	2021	2022	2021	2022
As at 1/1			9,023	9,427
Allocation			554	(1,423)
Interest effect			33	75
Use			(183)	(200)
<b>As at 12/31</b>			<b>9,427</b>	<b>7,879</b>

#### OTHER NON-CURRENT PROVISIONS

The development of other non-current provisions is shown below:

EUR thousand	2021		2022	
	2021	2022	2021	2022
As at 1/1			15,375	18,824
Allocation			2,920	621
Interest effect			860	58
Usage			(325)	(3)
Reversal			(22)	-
Reclassification			-	(19,047)
Foreign currency translation			16	78
<b>As at 12/31</b>			<b>18,824</b>	<b>531</b>

The bonus agreement with executives and the Executive Board (previous year: 18,237 TEUR) was reclassified to employee liabilities in 2022.

#### (51) Other non-current liabilities

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

## (52) Current provisions

The development of current provisions is shown below:

EUR thousand	Provision for guarantee and warranty expenses		Other current provisions	
	2021	2022	2021	2022
As at 1/1	13,669	21,572	9,484	9,268
Allocation	10,580	5,035	7,803	18,520
Usage	(1,711)	(5,190)	(7,793)	(13,988)
Reversal	(1,221)	(874)	(364)	(121)
Reclassification	-	-	-	-
Foreign currency translation	255	364	156	12
<b>As at 12/31</b>	<b>21,572</b>	<b>20,907</b>	<b>9,286</b>	<b>13,691</b>

The other non-current provisions include provisions for personnel amounting to EUR 2,310 thousand (previous year: EUR 2,443 thousand). These mainly comprise obligations for medical care for employees in the USA and short-term severance claims.

In addition, other current provisions include provisions for anticipated losses from customer contracts in the amount of EUR 4,495 thousand (previous year: EUR 3,345 thousand).

## (53) Trade payables and other current liabilities

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

EUR thousand	12/31/2021	12/31/2022
Trade payables	214,065	249,951
Liabilities to entities reported at equity	1,935	2,312
Liabilities to employees	59,686	76,422
Liabilities relating to social security and other taxes	27,437	34,396
Other liabilities	52,289	66,979
<b>Trade payables and other current liabilities</b>	<b>355,412</b>	<b>430,061</b>

The liabilities to employees amounting to EUR 76,422 thousand (previous year: EUR 59,686 thousand) include accruals for unused vacation, performance bonuses and flexi-time credit as well as liabilities from wage and salary expenses.

Furthermore, the LTI commitments were reclassified from non-current provisions to liabilities to employees. The liability amounts to EUR 19,047 thousand as of December 31, 2022. Payment will be made at the end of the first quarter of 2023.

Other liabilities amounting to EUR 66,979 thousand (previous year: EUR 52,289 thousand) relate to customers with credit balances, liabilities to the factor arising from incoming payments for trade receivables sold (see also Note (36)) and other miscellaneous liabilities.

At the end of 2017, PALFINGER launched a reverse factoring program with individual suppliers to finance their receivables from PALFINGER. Suppliers are permitted to instruct contract banks to pay receivables in advance. The program was expanded in 2020. In such agreements, PALFINGER is not released from its initial obligation and the terms of contract are not significantly modified as a result of quantitative and qualitative reviews. Therefore, the amount stated in the consolidated balance sheet has not been changed. The liability continues to be reported under trade payables as well as in cash flows from operating activities. As at December 31, 2022 the program was used for trade payables amounting to EUR 55,151 thousand (previous year: EUR 53,400 thousand).

## (54) Contract liabilities from customer contracts

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

EUR thousand	2021	2022
As at 1/1	37,694	48,250
Addition	35,927	54,643
Change in the basis of consolidation	172	-
Recognized as revenue	(26,514)	(46,677)
Accumulated adjustment	-	(325)
Foreign currency translation	971	(885)
<b>As at 12/31</b>	<b>48,250</b>	<b>55,006</b>

## (55) Financial instruments

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

EUR thousand	Carrying amount 12/31/2021	No financial instrument/ recognition according to IFRS 10	Measured according to IFRS 16		At amortized cost		Measured according to IFRS 9		Carrying amount of financial instruments 12/31/2021
					Financial asset at amortized cost	Financial liabilities at amortized cost	Recognized in other comprehensive income	At fair value Recognized in profit or loss	
<b>Non-current assets</b>									
Non-current financial assets	14,232	-	-	-	12,746	-	-	-	1,485
thereof Level 1 fair value									1,409
thereof Level 2 fair value									76
<b>Current assets</b>									
Trade receivables	264,255	-	-	-	127,128	-	137,127	-	264,255
thereof Level 3 fair value							137,127		
Contract assets from customer contracts	27,153	27,153	-	-	-	-	-	-	-
Current financial assets	6,420	-	-	-	6,044	-	-	-	376
thereof Level 2 fair value							-	376	6,420
Other current receivables and assets	77,427	36,490	-	-	40,937	-	-	-	40,937
Cash and cash equivalents	39,834	-	-	-	39,834	-	-	-	39,834
<b>Assets</b>	<b>429,321</b>	<b>63,643</b>	<b>-</b>	<b>-</b>	<b>226,689</b>	<b>-</b>	<b>137,127</b>	<b>1,861</b>	<b>365,677</b>
<b>Non-current liabilities</b>									
Liabilities from redeemable non-controlling interests	300	300	-	-	-	-	-	-	-
Non-current financial liabilities	317,357	-	-	-	-	317,338	19	-	317,357
thereof Level 2 fair value							19		
Non-current purchase price liabilities from acquisitions	12,864	-	-	-	-	24	-	12,840	12,864
thereof Level 3 fair value							-	12,840	12,864
Other non-current liabilities	88	88	-	-	-	-	-	-	-
Non-current leasing liabilities	30,223	-	30,223	-	-	-	-	-	30,223
Non-current contract liabilities from customer contracts	3,608	3,608	-	-	-	-	-	-	-
<b>Current liabilities</b>	<b>179,081</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>176,020</b>	<b>854</b>	<b>2,208</b>	<b>179,081</b>
thereof Level 2 fair value							854	2,208	
Current purchase price liabilities from acquisitions	300	-	-	-	-	300	-	-	300
thereof Level 3 fair value								-	
Trade payables and other current liabilities	355,412	87,123	-	-	-	268,289	-	-	268,289
Current lease liabilities	10,317	-	10,317	-	-	-	-	-	10,317
Current contract liabilities from customer contracts	44,642	44,642	-	-	-	-	-	-	-
<b>Liabilities</b>	<b>954,192</b>	<b>135,761</b>	<b>40,540</b>	<b>-</b>	<b>-</b>	<b>761,971</b>	<b>873</b>	<b>15,048</b>	<b>818,431</b>

EUR thousand	Carrying amount 12/31/2022	No financial instrument/ recognition according to IFRS 10	Measured according to IFRS 16	At amortized cost				Measured according to IFRS 9		Carrying amount of financial instruments 12/31/2022	
				Financial asset at amortized cost	Financial liabilities at amortized cost	Recognized in other comprehensive income		At fair value through profit or loss/ Other derivatives			
						Hedging Derivatives/ Fair value OCI	At fair value				
<b>Non-current assets</b>											
Non-current financial assets	11,430	-	-	3,889	-	6,089	1,453	11,430			
thereof Level 1 fair value								1,274			
thereof Level 2 fair value								178			
<b>Current assets</b>											
Trade receivables	311,157	-	-	133,922	-	177,235	-	311,157			
thereof Level 3 fair value								117,235			
Contract assets from customer contracts	36,204	36,204	-	-	-	-	-	-	-		
Current financial assets	3,242	-	-	54	-	1,598	1,591	3,242			
thereof Level 2 fair value								1,598	1,591		
Other current receivables and assets	77,068	43,678	-	33,390	-	-	-	33,390			
Cash and cash equivalents	61,120	-	-	61,120	-	-	-	61,120			
<b>Assets</b>	<b>500,221</b>	<b>79,882</b>	<b>-</b>	<b>232,375</b>	<b>-</b>	<b>184,921</b>	<b>3,044</b>	<b>420,340</b>			
<b>Non-current liabilities</b>											
Liabilities from redeemable non-controlling interests	-	-	-	-	-	-	-	-	-		
Non-current financial liabilities	529,304	-	-	-	529,304	-	-	-	529,304		
thereof Level 2 fair value											
Non-current purchase price liabilities from acquisitions	1,126	-	-	-	24	-	1,102	1,126			
thereof Level 3 fair value	12,840	-	-	-	-		1,102	1,102	1,102		
Other non-current liabilities	395	395	-	-	-	-	-	-	-		
Non-current leasing liabilities	34,519	-	34,519	-	-	-	-	-	34,519		
Non-current contract liabilities from customer contracts	4,281	4,281	-	-	-	-	-	-	-		
<b>Current liabilities</b>											
Current financial liabilities	109,219	-	-	-	107,329	650	1,240	109,219			
thereof Level 2 fair value						650	1,240				
Current purchase price liabilities from acquisitions	13,112	0	-	-	978	-	12,134	13,112			
thereof Level 3 fair value	-	-	-		-	-	12,134	12,134			
Trade payables and other current liabilities	430,061	110,819	-	-	319,242	-	-	319,242			
Current lease liabilities	12,199	-	12,199	-	-	-	-	-	12,199		
Current contract liabilities from customer contracts	50,725	50,725	-	-	-	-	-	-	-		
<b>Liabilities</b>	<b>1,184,941</b>	<b>166,220</b>	<b>46,718</b>	<b>-</b>	<b>956,878</b>	<b>650</b>	<b>14,475</b>	<b>1,018,721</b>			

The fair value of currency forwards is determined by calculating the present value of cash flows on the basis of current yield curves for the respective currencies from observable market data as well as on the current exchange rates on the valuation date. In the case of interest rate swaps, the fair value is determined by calculating the present value of the cash flows based on current yield curves of the respective currencies from observable market data. Securities are valued at the current exchange rate on the valuation date. The fair value of the receivables from L&L is determined taking into account the probability of default and the potential level of default of these current assets.

Significant risks of non-performance for financial assets and liabilities are taken into account in the form of a discount from the calculated value, which is based on ratings. The book value of current assets and liabilities, which are measured in the balance sheet at amortized cost, corresponds to the market value, as these are either due in the short term or have variable interest rates. Default risks are accounted for by appropriate valuation allowances. The book values of the non-current financial liabilities to the value of 529,304 TEUR (Previous year: 317,357 TEUR) also roughly correspond to the market values (level 2) of 520,227 TEUR (Previous year: 322,162 TEUR).

Income from the disposal of securities in the fiscal year 2022 amounted to EUR 48 thousand (previous year: EUR 0 thousand) and is reported as other financial result (see Note 26 net interest income and other financial result).

The development of Level 3 fair values is shown below:

EUR thousand	2021	2022
As at 1/1	12,088	12,840
Additions	10,843	947
Accrued interest	1,059	837
Redemption	(12,420)	(500)
Decrease through profit and loss	-	(996)
Increase through profit and loss	1,270	108
<b>As at 12/31</b>	<b>12,840</b>	<b>13,236</b>

#### Result in the income statement

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Other interest expenses	(1,059)	(837)
Other operating expenses/income	(1,270)	888
<b>Unrealized gain/loss for financial instruments held on the balance sheet date</b>	<b>(2,329)</b>	<b>51</b>

As at December 31, 2022, the Level 3 fair values consist of the liability related to the contingent purchase price liability from the acquisition of Hinz, Equipdraulic, TSK and the minority acquisition at Palfinger Portugal, see also Note (49) Purchase price liabilities from company acquisitions.

#### Capital management

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

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

PALFINGER manages its capital structure taking into account changes in the economic environment, fixed strategic projects and internal targets in terms of equity ratio and gearing ratio. For long-term guidance, an equity ratio of more than 40 percent and a gearing ratio (the ratio of net debt to equity) of less than 70 percent are regarded as benchmarks. The equity ratio fell due to the strong growth in total assets. At the end of 2022 the equity ratio was 34.46 Prozent (previous year: 36.27 Prozent). The gearing ratio was 90.33 Prozent due to the increased net financial debt (Previous year: 77.64 Prozent). Net financial debt increased to 609,627 TEUR due to the increased working capital financing requirements (previous year: 476,569 TEUR) and comprises non-current and current financial assets and cash and cash equivalents as well as non-current and current financial liabilities (including leases in accordance with IFRS 16). Equity corresponds to the equity reported in accordance with IFRS amounting to EUR 674,873 thousand (previous year: EUR 613,857 thousand).

In order to maintain capital structure, a steady dividend policy is pursued based on the consolidated net result of the previous year. In accordance with PALFINGER's long-term dividend policy of distributing around one third of net profit to its shareholders, a dividend of EUR 0.77 (previous year: EUR 0.77) per share was proposed for fiscal year 2022.

#### Financial risks

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

##### 1. LIQUIDITY RISK

Liquidity risk describes the necessity of having sufficient funds available at all times in order to meet payment obligations and to ensure further growth of the business. The objective therefore lies in analyzing exposure to liquidity risk as well as consistently safeguarding liquidity by means of liquidity planning, arranging sufficient lines of credit, and the sufficient diversification of lenders.

Managing liquidity risk is the core task of Corporate Treasury, which uses efficient cash management systems for this purpose. Company-wide cash reporting ensures the transparency necessary to facilitate the systematic management of financial resources. Medium-to-long-term planning allows PALFINGER to identify any financial need that may arise and coordinate this with its banking partners. Efficient management and distribution of the required liquidity are ensured thanks to the Group's internal financing structure and the use of cash pooling solutions in Europe and America.

The existing promissory note loan contracts and credit arrangements contain contractual agreements stipulating the observance of financial covenants that provide for compliance with a consolidated equity ratio of at least 25 percent in accordance with IFRS. Noncompliance with this financial covenant entitles the lender to terminate the particular financing agreement. At the end of 2022, equity ratio was 34.46 percent (previous year: 36.27 percent) and therefore far above the externally stipulated threshold value.

To refinance maturing loans and finance the increased working capital requirements, three bilateral "sustainable loans" totaling EUR 280 million were concluded with three core banks in 2022. The loans with a residual term of 5 years on average have 2 sustainability KPI's (KPI 1: Reduction of CO2 greenhouse gas emissions, KPI 2: Reduction of the annual accident rate measured as Total Recordable Injury Rate). Target values have been defined for both KPIs, with under or overachievement resulting in a condition adjustment of +/- 0.025% when the target is measured annually.

An additional action to ensure liquidity is the maintenance of long-term undrawn credit lines at banking partners. The existing financing agreements are distributed across several core banking partners and currently have terms of up to one year.

The contractual remaining term to maturity of undiscounted cash flows are as follows:

	< 1 year	1–5 years	> 5 years	12/31/2021
EUR thousand				
<b>Trade payables and other liabilities</b>				
Trade payables	215,548	-	-	215,548
Other liabilities for financial instruments	52,741	-	-	52,741
	<b>268,289</b>	-	-	<b>268,289</b>
Financial liabilities	180,996	307,573	18,870	507,439
Lease liabilities	10,395	23,161	9,003	42,559
Liabilities from cash flow hedges	728	1,035	-	1,763
Liabilities from derivatives held for trading	2,388	-	-	2,388
Purchase price liabilities from acquisitions	300	13,855	-	14,155
<b>Undiscounted cash flows</b>	<b>463,096</b>	<b>345,624</b>	<b>27,873</b>	<b>836,593</b>

	< 1 year	1–5 years	> 5 years	12/31/2022
EUR thousand				
<b>Trade payables and other liabilities</b>				
Trade payables	251,541	-	-	251,541
Other liabilities for financial instruments	67,701	-	-	67,701
	<b>319,242</b>	-	-	<b>319,242</b>
Financial liabilities	122,494	473,941	86,642	683,077
Lease liabilities	12,325	28,299	9,449	50,073
Liabilities from cash flow hedges	887	-	-	887
Liabilities from derivatives held for trading	1,703	-	-	1,703
Purchase price liabilities from acquisitions	11,469	1,211	1,100	13,780
<b>Undiscounted cash flows</b>	<b>468,120</b>	<b>503,451</b>	<b>97,191</b>	<b>1,068,762</b>

## 2. CREDIT RISK

Credit risk refers to the risk of default or non-payment by contractual partners. The Group counters this risk by establishing internal limits for contractual partners - determined through solvency analyses - and taking out adequate insurance. Credit risk is limited to the amounts of the uninsured receivables reported in the balance sheet.

All overdue receivables are written down using standardized flat rates for specific valuation allowances on receivables. For the purpose of measuring expected credit losses, trade receivables and contract assets were aggregated on the basis of common credit risk characteristics and days overdue.

Trade receivables are derecognized when they are no longer reasonably expected to be realized.

Under a factoring agreement, trade receivables are sold monthly on a revolving basis up to a maximum volume of EUR 110,000 thousand and USD 50,000 thousand (see comments in Note (37) for more information).

The values of trade receivables and contract assets are shown below:

	12/31/2021			
EUR thousand	Carrying amount	Gross carrying amount	Allowance	expected loss rates
<b>Receivables not yet due</b>	<b>222,006</b>	<b>223,715</b>	<b>1,709</b>	<b>1%</b>
<b>Receivables due</b>				
Overdue less than 30 days	31,200	31,484	284	1%
Overdue more than 30 days but less than 60 days	13,221	13,341	120	1%
Overdue more than 60 days but less than 90 days	8,437	8,560	123	1%
Overdue more than 90 days but less than 120 days	3,984	4,287	303	7%
Overdue more than 120 days	12,560	21,905	9,345	43%
	<b>69,402</b>	<b>79,577</b>	<b>10,175</b>	
<b>Trade receivables and contract assets</b>	<b>291,408</b>	<b>303,292</b>	<b>11,884</b>	

	12/31/2022			
EUR thousand	Carrying amount	Gross carrying amount	Allowance	expected loss rates
<b>Receivables not yet due</b>	<b>247,136</b>	<b>250,366</b>	<b>3,230</b>	<b>1%</b>
<b>Receivables due</b>				
Overdue less than 30 days	59,675	60,200	524	1%
Overdue more than 30 days but less than 60 days	17,541	17,811	270	2%
Overdue more than 60 days but less than 90 days	7,680	7,903	223	3%
Overdue more than 90 days but less than 120 days	4,041	4,323	282	7%
Overdue more than 120 days	11,288	20,401	9,114	45%
	<b>100,225</b>	<b>110,638</b>	<b>10,413</b>	
<b>Trade receivables and contract assets</b>	<b>347,361</b>	<b>361,004</b>	<b>13,643</b>	

The remaining allowances relate to other receivables.

Close attention is paid to good credit ratings when investing financial resources at banks. Credit risk is limited in the amounts reported in the balance sheet.

## 3. FOREIGN CURRENCY RISK

Foreign currency risk arises as a result of exchange rate fluctuations. The value of a financial instrument may be affected by changes in the exchange rate.

Internationalization of the Group leads to payment transactions in various currencies. Surpluses in foreign exchange positions are minimized by adding value at local level (natural hedge). Any resulting material foreign exchange exposure is hedged by means of appropriate hedging instruments. Some foreign currency cash flows from ongoing operations are hedged using currency forwards (cash flow hedges).

The Group's internal supply of finished products and components in countries with currencies other than the euro creates a risk that is not covered by natural hedges. This aspect is continuously analyzed to provide a basis for establishing a hedging strategy that is evaluated in regular meetings.

Financial transactions may only be entered into if they are based on appropriate underlying transactions. Speculative transactions (i.e. transactions unrelated to cash flows from operations) are prohibited.

Foreign exchange differences at financial statement level are reported in EBIT and/or the net financial result, depending on their origin.

Foreign exchange differences have the following effects on the income statement:

EUR thousand	Jan–Dec 2021	Jan–Dec 2022
Foreign currency gains	13,357	18,997
Foreign currency losses	(10,052)	(17,126)
Exchange rate differences in the result from entities reported at equity	(174)	(1,439)
<b>Profit (loss) from operating activities</b>	<b>3,130</b>	<b>432</b>
Exchange rate differences in the net financial result	(2,430)	(4,420)
<b>Result from exchange rate differences</b>	<b>700</b>	<b>(3,988)</b>

## Sensitivity analysis currency risk:

Transactions that are carried out in a currency other than the respective functional currency may have an effect on foreign currency risks. In the case of fair value and cash flow hedges, changes in the value of the underlying transaction and hedging transaction caused by changes in the exchange rate are nearly entirely balanced out in the same period in the income statement. Accordingly, these financial instruments are not associated with currency risks having the potential to affect net income or equity.

The effects of a hypothetical foreign exchange movement on net income or equity are described within the framework of a sensitivity analysis. This analysis assumes that the major exchange rates increase or decrease by 10 percent against the euro on the balance sheet date with all other variables remaining constant. The table below shows the effects of a 10 percent appreciation or depreciation of the most important currencies against the euro:

12/31/2021	+10% recognized in profit or loss	Total effect	(10%) recognized in profit or loss	Total effect
EUR thousand	recognized in profit or loss	recognized directly in equity	recognized in profit or loss	recognized directly in equity
AED	(16)	(16)	20	20
ARS	(2)	(2)	2	2
AUD	-	-	-	-
BRL	(411)	(720)	(1,132)	503
CAD	(524)	247	(277)	640
CNY	509	-	509	(622)
CZK	16	-	16	(20)
DKK	(135)	-	(135)	165
GBP	(152)	(216)	(368)	186
HKD	(36)	-	(36)	44
HRK	69	-	69	(85)
INR	(645)	-	(645)	788
JPY	43	-	43	(52)
KRW	(300)	(317)	(617)	367
VND	63	-	63	(77)
NOK	716	(1,455)	(739)	(876)
PLN	33	-	33	(40)
RON	130	-	130	(159)
RUB	(397)	(639)	(1,037)	485
SEK	(42)	-	(42)	51
SGD	(104)	-	(104)	127
USD	(4,612)	(3,541)	(8,152)	5,636
<b>Foreign currency sensitivities</b>	<b>(5,795)</b>	<b>(6,642)</b>	<b>(12,438)</b>	<b>7,083</b>
				<b>8,118</b>
				<b>15,202</b>

12/31/2022	recognized in profit or loss	+10% recognized directly in equity	Total effect	recognized in profit or loss	(10%) recognized directly in equity	Total effect
EUR thousand	recognized in profit or loss	recognized directly in equity	recognized in profit or loss	recognized directly in equity	recognized in profit or loss	recognized directly in equity
AED	(29)	-	(29)	35	-	35
ARS	2	-	2	(2)	-	(2)
AUD	1	-	1	(2)	-	(2)
BRL	(832)	(806)	(1,639)	1,017	985	2,003
CAD	(326)	-	(326)	399	-	399
CNY	1,448	(15)	1,433	(1,769)	18	(1,751)
CZK	18	-	18	(22)	-	(22)
DKK	(53)	-	(53)	65	-	65
GBP	(137)	(205)	(342)	168	251	419
HKD	(37)	-	(37)	45	-	45
HRK	-	-	-	-	-	-
INR	(160)	-	(160)	195	-	195
JPY	465	-	465	(568)	-	(568)
KRW	(301)	(34)	(334)	367	41	408
VND	(47)	-	(47)	58	-	58
NOK	544	(1,532)	(986)	(665)	1,872	1,207
PLN	127	-	127	(156)	-	(156)
RON	-	-	-	-	-	-
RUB	(414)	-	(414)	506	-	506
SEK	14	(1,039)	(1,025)	(17)	1,270	1,253
SGD	(105)	-	(105)	128	-	128
USD	(4,848)	(2,350)	(7,198)	5,925	2,872	8,797
<b>Foreign currency sensitivities</b>	<b>(4,670)</b>	<b>(5,981)</b>	<b>(10,651)</b>	<b>5,707</b>	<b>7,309</b>	<b>13,016</b>

The calculation is made on the basis of the primary and derivative financial instruments denominated in non-functional foreign currencies on the balance sheet date before taxes. Foreign currency effects from intra-group accounts receivable and payable are reported in profit or loss, while any effects from non-current intra-group receivables that are a part of the net investment in foreign operations (IAS 21.15) as well as any changes in the cash flow hedging reserve are recognized directly in equity. Foreign currency translation effects caused by the translation of the financial statements of international subsidiaries into the Group currency, i.e. the euro, are not taken into account.

## 4. INTEREST RATE RISK

Fluctuating interest rates have an influence on the value of financial instruments (in particular when interest rates are locked in for a longer term) as well as on net interest (income or expenses) resulting from these financial instruments. This influence describes interest rate risk in its two forms: fair value risk and net interest risk.

Fair value risk has the effect of a devaluation of financial assets or an appreciation of financial liabilities. Changes in value have a more pronounced effect when interest rates are locked in for long periods of time than with variable interest.

Net interest risk has the effect of higher interest expenses for financial liabilities and lower interest income on financial assets. This risk mainly relates to financial instruments for which variable (short-term) interest rates have been agreed.

Variable-rate financing is hedged with interest rate swaps amounting to EUR 95.0 million (previous year: EUR 20.0 million).

The sensitivity analysis is carried out based on PALFINGER's financial liabilities bearing interest at variable rates. A hypothetical change in variable interest rates of 100 basis points or one percentage point per year would lead to a change in PALFINGER's interest expenses of EUR 3.2 million (previous year: EUR 20.0 million). A hypothetical increase in interest rates of 100 basis points would lead to an increase in other comprehensive income of EUR 9,968 thousand (previous year: EUR 310 thousand), whereas a decrease of 100 basis points would lead to a decrease in other comprehensive income of EUR 4,131 thousand (previous year: EUR 1,631 thousand).

**Protective actions****HEDGING OF FUTURE CASH FLOWS**

PALFINGER AG's currency risks result primarily from accounts receivable from Group companies and accounts payable to Group companies denominated in foreign currencies as well as from the international project business. Most of this exposure is reduced by means of intra-group foreign currency netting or is hedged with currency forwards and currency swaps. PALFINGER's hedging activities are guided exclusively by the underlying transaction. The credit risk with respect to both PALFINGER as well as the counter-parties has no impact on the fair value of currency forwards or currency swaps and therefore is likewise not a source of hedge ineffectiveness.

The supply of finished products and components primarily from EMEA to NAM, LATAM and APAC exposes PALFINGER to risk – in particular in USD and BRL – that is not hedged by natural hedges. These risk positions are analyzed, monitored and limited by implementing an appropriate hedging strategy. These hedging strategies are discussed at regular meetings with the CFO and adjusted as necessary.

Project-related currency risk, in particular in the Marine and Offshore sector, is transferred to the central treasury department and hedged on a project-to-project basis if invoicing in the local currency is not an option.

The sale of foreign currencies using currency forwards constitutes a hedge of operating cash inflows in foreign currencies. The result of the underlying transaction is balanced out by the inverse result of the currency forward. Outstanding hedges are measured and analyzed with respect to their risk on an ongoing basis (mark-to-market valuation). The hedging of foreign currency risks relates in each case to cash flows that are expected within a maximum of twelve months or are aligned with the project term.

The existing interest rate swaps hedge against the risk of interest rate changes in the case of loans bearing interest at variable rates. Negative impacts on the financial result due to unforeseeable interest rate fluctuations are limited by such interest rate hedges.

Interest rate risk is managed for the entire PALFINGER Group by the Corporate Treasury department. In recent years, the need for more financing has increased the effect fluctuations in interest rates have on the PALFINGER Group's financial result. The risk of changes in variable interest rates is limited through the use of derivative financial instruments (interest rate swaps) and exchanged for financing with fixed interest rates. Due to the current rise in interest rates, the hedging of interest rate risks again became very important in 2022.

Changes in the fair value of interest rate swaps classified as a cash flow hedge are recognized in other comprehensive income as revaluation reserve. When interest rate payments are made on the hedged underlying transaction, the revaluation reserve is reclassified from other comprehensive income and recognized in profit or loss as net interest income.

	in thousands	Notional value in contract currency		Mark-to-market valuation (EUR)	Maximum duration/maturity
		12/31/2021	12/31/2022		
<b>Currency forwards</b>					
sell CAD/buy USD	CAD 3.910	CAD 0	46	-	
sell EUR/buy NOK	EUR 2.003	EUR 265	62	5	21.07.2023
sell EUR/buy SEK	EUR 0	EUR 11.500	-	(82)	13.04.2023
sell EUR/buy CNY	EUR 0	EUR 165	-	(2)	19.01.2023
sell USD/buy EUR	USD 30.751	USD 44.426	(332)	460	17.11.2023
sell USD/buy NOK	USD 5.135	USD 8.005	59	(439)	15.12.2023
			(164)	(58)	
Interest rate swaps	EUR 20.000	EUR 95.000	(630)	7,094	28.06.2027
<b>Cash flow hedge</b>					
			(794)	7,036	

The fair value of the hedges is reported as a cash flow hedge in accordance with IFRS 9. Valuation gains or losses as of the balance sheet date are to be reported accordingly in equity. As soon as the underlying transactions have been realized, the cumulative gains or losses are reversed from other comprehensive income and recognized in the income statement under exchange losses or gains in other income and expenses.

Amounts recorded in other comprehensive income as well as amounts that have been realized for cash flow hedges can be found in the consolidated statement of comprehensive income. Further details can be found in Note 46 Valuation reserve according to IFRS 9.

**SAFEGUARDING OF FINANCIAL RESOURCES**

Derivative financial instruments that the Group employs for the safeguarding of financial resources and the hedging of foreign currency risks that do not meet the requirements for hedge accounting in accordance with IFRS 9 in terms of documentation and effectiveness are classified as fair value recognized in profit or loss. Changes in the fair value of these financial instruments are recognized in profit or loss in the income statement.

	in thousands	Notional value in contract currency		Mark-to-market valuation (EUR)	Maximum duration/maturity
		12/31/2021	12/31/2022		
<b>Currency swap contracts</b>					
sell AED/buy EUR	AED 53.300	AED 58.500	119	(42)	15.06.2023
sell CNY/buy EUR	CNY 22.700	CNY 27.700	(166)	207	16.02.2023
sell GBP/buy EUR	GBP 450	GBP 430	(28)	4	16.03.2023
sell JPY/buy EUR	JPY 480.000	JPY 680.000	60	(99)	15.06.2023
sell NOK/buy EUR	NOK 425.000	NOK 706.400	(1,618)	1,291	16.03.2023
sell PLN/buy EUR	PLN 39.000	PLN 49.000	(90)	(109)	15.06.2023
sell RUB/buy EUR	RUB 550.000	RUB 0	(146)	-	
sell SEK/buy EUR	SEK 74.500	SEK 57.650	32	(109)	15.06.2023
sell USD/buy EUR	USD 34.875	USD 82.800	3	(794)	15.06.2023
			(1,833)	349	
Currency swap contracts			(1,833)	349	

Changes in value from currency swaps amount to EUR 2,183 thousand (previous year: EUR -807 thousand) and are included in the net financial result under exchange rate differences in the amount of EUR 2,183 thousand (previous year: EUR -807 thousand).

Changes in value from interest rate swaps amount to EUR 0 thousand (previous year: EUR 643 thousand) and are included in the net financial result under interest expenses in the amount of EUR 0 thousand (previous year: EUR 643 thousand).

**Other financial obligations**

As of December 31 2022 there is an obligation to cover losses of JETFLY Airline GmbH to the extent of the 33.33% share. The proportionate obligation amounts to EUR 0 thousand as of the reporting date (previous year: EUR 21.8 thousand).

## NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

The indirect method is used for the presentation of cash flows from operating activities in the consolidated statement of cash flows. Cash and cash equivalents corresponds to cash-in-hand and short-term financial resources.

Cash flow from operations reached EUR 46.1 million in 2022 compared to EUR 87.4 million in 2021. The main reason for this was the significant increase in working capital.

Other non-cash income and expenses include exchange rate differences and valuation effects.

The positive change in cash flow from investing activities was mainly due to the historically largest investment program in 2021, as well as the cash inflow from the sale of the at equity shares in Sany Automobile Hoisting Machinery in the previous year in 2022.

Additions of intangible assets and property, plant and equipment include non-cash capital expenditures in the amount of EUR 11,511 thousand (previous year: EUR 6,294 thousand).

The reconciliation of changes in cash flows from financing activities is shown below:

EUR thousand	Promissory					Total
	note loans	Equity financing	ESG Financing	Lease liabilities	Other financing	
<b>As at 1/1/2021</b>	<b>309,000</b>	<b>86,350</b>	<b>-</b>	<b>57,602</b>	<b>68,711</b>	<b>521,663</b>
<b>New lease contracts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,267</b>	<b>-</b>	<b>9,267</b>
<b>Lease contract disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,732)</b>	<b>-</b>	<b>(15,732)</b>
<b>Changes in cash flows from financing activities</b>						
Issue of promissory note loans	-	-	-	-	-	-
Raising of loans for the acquisition of investments	-	-	-	-	-	-
Repayment of financing for the acquisition of investments	-	(23,783)	-	-	-	(23,783)
Non-current refinancing of redemptions and maturing current loans	-	-	-	-	-	-
Repayment of maturing/terminated loans	-	-	-	-	-	-
Repayment of current bridge financing loans for the acquisition of investments	-	-	-	-	-	-
Repayment of maturing/terminated promissory note loans	(35,000)	-	-	-	-	(35,000)
Repayment of maturing/terminated lease liabilities	-	-	(12,628)	-	(12,628)	
Raising of short-term financing	-	-	-	-	89,883	89,883
Repayment of current financing	-	-	-	-	-	-
Cash payments for/cash receipts from other financial liabilities	-	-	-	-	(2,781)	(2,781)
	<b>(35,000)</b>	<b>(23,783)<sup>0</sup></b>	<b>-</b>	<b>(12,628)</b>	<b>87,102</b>	<b>15,691</b>
<b>Acquisition/change in scope of consolidation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign currency translation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>277</b>	<b>(27)</b>
<b>Accrued interest</b>	<b>2,543</b>	<b>6</b>	<b>-</b>	<b>1,060</b>	<b>(1,714)</b>	<b>1,895</b>
<b>As at 12/31/2021</b>	<b>276,543</b>	<b>62,573</b>	<b>-</b>	<b>40,540</b>	<b>154,242</b>	<b>533,898</b>

EUR thousand	Promissory	note loans	Equity financing	ESG Financing	Lease liabilities	Other financing	Total
<b>As at 1/1/2022</b>	<b>276,543</b>	<b>62,573</b>	<b>-</b>	<b>-</b>	<b>40,540</b>	<b>154,242</b>	<b>533,898</b>
<b>New lease contracts</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,872</b>	<b>-</b>	<b>17,872</b>
<b>Lease contract disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(531)</b>	<b>-</b>	<b>(531)</b>
<b>Changes in cash flows from financing activities</b>							
Issue of promissory note loans	-	-	-	-	-	-	-
Raising of loans for the acquisition of investments	-	-	-	-	-	-	-
Raising of ESG loans	-	-	-	280,000	-	-	280,000
Repayment of financing for the acquisition of investments	-	(8,783)	-	-	-	-	(8,783)
Non-current refinancing of redemptions and maturing current loans	-	-	-	-	-	10,395	10,395
Repayment of maturing/terminated loans	-	-	-	-	-	-	-
Repayment of current bridge financing loans for the acquisition of investments	-	-	-	-	-	-	-
Repayment of maturing/terminated promissory note loans	(71,000)	-	-	-	-	-	(71,000)
Repayment of maturing/terminated lease liabilities	-	-	-	-	(12,343)	-	(12,343)
Raising of short-term financing	-	-	-	-	-	110,215	110,215
Repayment of current financing	-	-	-	-	-	(182,165)	(182,165)
Cash payments for/cash receipts from other financial liabilities	-	-	-	-	-	-	-
	(71,000)	(8,783) <sup>0</sup>	-	280,000	(12,343)	(61,555)	126,319
<b>Acquisition/change in scope of consolidation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign currency translation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>277</b>	<b>(27)</b>	<b>250</b>
<b>Accrued interest</b>	<b>2,543</b>	<b>6</b>	<b>-</b>	<b>1,060</b>	<b>(1,714)</b>	<b>1,895</b>	<b>5,543</b>
<b>As at 12/31/2022</b>	<b>205,000</b>	<b>53,788<sup>0</sup></b>	<b>-</b>	<b>281,760</b>	<b>46,718</b>	<b>96,085</b>	<b>683,351</b>

The total column in the table above corresponds to the sum of current and non-current financial liabilities, excluding derivative financial instruments.

## OTHER DISCLOSURES

### (56) Disclosures of business transactions with related parties

At PALFINGER, related parties are grouped into associated companies and joint ventures, key management, and other related parties. Associated companies and joint ventures can be found in the list of shareholdings. The Supervisory Board and Executive Board of PALFINGER AG are subsumed under the term "key management". Information on the remuneration of the Executive Board is included in Note 57 Disclosures regarding governing bodies and employees. Other related parties primarily include companies that are controlled by the key management.

All transactions with associated companies and joint ventures result from the ordinary exchange of goods and services. Transactions carried out with the Supervisory Board result from their remuneration as members of the Supervisory Board in accordance with the resolution adopted at the Annual General Meeting on March 24, 2022. Transactions carried out with other related parties relate primarily to the delivery of goods and rentals.

Transactions with related parties are carried out at typical arm's length terms and conditions.

The following table shows transactions with associated companies and joint ventures disclosed in full. Transactions with Executive Board members are not included in the table below; for more information, please refer to the Note entitled "Disclosures regarding governing bodies and employees".

EUR thousand	Associated companies		Joint ventures		Supervisory Board		Other	
	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022
Receivables	12,349	15,296	1,622	1,089	-	-	13,751	1,819
Liabilities	758	775	2,686	2,085	362	439	215	3,639
Revenue	128,397	155,184	129	53	-	-	8,960	15,050
Other operating income	96	124	240	607	-	-	52	48
Purchased services	-	-	(750)	(111)	(362)	(439)	(1,570)	(896)
Cost of materials	(20)	(18)	(3,312)	(3,863)	-	-	-	-
Interest income / expense	-	27	7	-	-	-	(199)	88
Allowances	(175)	(490)	-	-	-	-	-	-

Receivables from associated companies and joint ventures include trade receivables in the amount of EUR 16,174 thousand (previous year: EUR 12,014 thousand). The short-term loan to Jetfly Airline GmbH in the amount of EUR 1,360 thousand was fully paid back in 2022.

As part of PALFINGER AG's 33.33% stake in JETFLY Airline GmbH, PALFINGER AG has undertaken to ensure that any losses of JETFLY Airline GmbH reported in the annual financial statements for the respective financial year are offset by the injection of equity and/or by granting qualified subordinated shareholder loans by June 30 at the latest of the following financial year insofar as the minimum capitalization of at least EUR 300 thousand is not reached. For PALFINGER AG, this obligation to cover losses is proportional to 33.33%.

As of November 30, 2022, JETFLY Airline GmbH reported a profit for the period of EUR 363 thousand. There is therefore no obligation to inject capital. The loss for the period reported by JETFLY Airline GmbH as of November 30, 2021 amounted to EUR 66 thousand. The pro rata obligation for PALFINGER AG to inject capital thus amounted to EUR 22 thousand in the previous year.

Of the liabilities to associated companies and joint ventures amounting to EUR 2,860 thousand (previous year: EUR 3,444 thousand), EUR 1,590 thousand (previous year: EUR 1,483 thousand) resulted from the provision of goods and services.

For a claim against the estate of Hubert Palfinger senior in the amount of EUR 18,143 thousand, there were securities in the amount of EUR 18,000 thousand as of the balance sheet date December 31 2020 in the form of personal letters of undertaking from Hubert Palfinger and Hannes Palfinger, see also Note 34.

In the course of bankruptcy proceedings over the assets of Hubert Palfinger Senior's estate, a claim including interest was filed in the amount of EUR 18,217 thousand. The claim was asserted in bankruptcy proceedings amounting to EUR 16,132 thousand. An amount of EUR 2,085 thousand was disputed. According to the recommendation in a statement by the company's legal representative, PALFINGER AG refused to initiate an audit claim and reached an agreement with the default guarantors Hubert Palfinger and Hannes Palfinger, as a consequence of which the default guarantors accept a 50% share of the difference between the identified part of the claim and the maximum amount of liability in accordance with the default guarantee declaration to reduce PAG's loss of receivables. Payments of a bankruptcy rate actually made to the company reduce the default guarantee. A payment plan has been set up for the total amount, which provides for redemption by 2023. The accounting for the receivable takes into account a standard market discount.

The corporate headquarters in Bergheim near Salzburg, Austria, which was leased from HP Immobilien GmbH in previous years, was acquired on September 30, 2021 at a purchase price of EUR 26,885 thousand based on a valuation commissioned by the company. The existing lease contract was terminated.

In December 2022, the conclusion of a new standard dealership agreement with Walser Schweiz AG was approved by the Supervisory Board. Gerhard Rauch is Managing Partner of Walser GmbH and Chairman of the Board of Directors of Walser Schweiz AG. In the dealership agreement, no remuneration in the narrower sense is agreed, but a PALFINGER dealer is usually granted a discount on the purchase of contract goods, which could be regarded as remuneration.

### (57) Disclosures regarding governing bodies and employees

#### EMPLOYEES

The average number of company employees including apprentices and interns for the Group in fiscal year 2022 is 12,145 people (previous year: 11,321 people). As at the balance sheet date, the number of employees in the PALFINGER Group is 12,210 people (previous year: 11,733 people).

#### SUPERVISORY BOARD

The following individuals were either appointed or delegated by the Works Council to serve as members of the Supervisory Board in fiscal year 2022:

- Hubert Palfinger, Chair<sup>1)</sup>
- Gerhard Rauch, 1st Deputy Chair<sup>1)</sup>
- Hannes Palfinger, 2nd Deputy Chair<sup>1)</sup>
- Sita Monica Mazumder<sup>3)</sup>
- Hannes Bogner<sup>1)2)</sup>
- Isabel Diaz Rohr<sup>1)3)4)</sup>
- Ellyn Shenglin Cai (up to 20 September 2022)
- Johannes Kücher (worker council)<sup>2)3)4)</sup>
- Alois Weiss (worker council)
- Erwin Asen (worker council)

<sup>1)</sup> Member of the Audit, Nomination and Remuneration Committees.

<sup>2)</sup> Member of the Audit Committee.

<sup>3)</sup> Member of the Digital committee

<sup>4)</sup> Member of the Project Committee

## EXECUTIVE BOARD

- Andreas Klauser, Chief Executive Officer
- Felix Strohbachler, Chief Financial Officer
- Martin Zehnder, Chief Operating Officer

The regular current remuneration of the Executive Board consists of several components and can be broken down as follows:

EUR thousand	Non-performance-related		Performance-based	
	Jan-Dec 2021 <sup>1)</sup>	Jan-Dec 2022	Jan-Dec 2021 <sup>1)</sup>	Jan-Dec 2022 <sup>1,2)</sup>
Andreas Klauser	685	711	670	579
Felix Strohbachler	470	520	351	325
Martin Zehnder	525	522	424	325
<b>Current remuneration</b>	<b>1,680</b>	<b>1,753</b>	<b>1,445</b>	<b>1,229</b>

1) Includes a special bonus for Andreas Klauser amounting 200 thousand EUR

2) Corresponds to the amount of the provision.

There are liabilities amounting to EUR 1,029 thousand (previous year: EUR 1,245 thousand) for the current performance-based remuneration of the members of the Executive Board.

In addition, non-current performance-based remuneration is shown below:

In the second quarter of 2018, a new bonus agreement was entered into with the Executive Board based on a long-term increase in enterprise value. The new agreement lasts until 2022, and the bonus is expected to be paid out in 2023. In February 2020, an adjustment was made to the parameters for calculating enterprise value. For this purpose, provisions were recognized in profit or loss amounting to EUR 2,598 thousand in the fiscal year 2022 (previous year: EUR 1,613 thousand).

Expenses for severance payments and pensions at PALFINGER AG amount to EUR -77 thousand (previous year: EUR -14 thousand) for members of the Executive Board and senior executives and EUR 1 thousand (previous year: EUR 386 thousand) for the remaining employees.

Expenses for severance payments include payments made to contribution-based pension plans in the amount of EUR 48 thousand (previous year: EUR 40 thousand) for members of the Executive Board.

## (58) Significant events after the balance sheet date

As of January 11, a purchase agreement for the acquisition of a property in Poing, Germany, was concluded at a purchase price of EUR 15,033 thousand. Furthermore, no events of particular significance occurred after the end of the fiscal year 2022 which would have resulted in a different presentation of the group's net assets, financial position and results of operations.

## ACCOUNTING POLICIES

The accounting policies applied during the preparation of the consolidated financial statements of the PALFINGER Group are discussed below.

Note	Balance sheet item	Accounting policies	Standard
(59)	<b>Intangible assets</b>		
	Intangible assets with indefinite useful lives	Amortized cost Straight-line depreciation over useful life: In general 2–15 years Capitalized customer relationships 5–10 years An impairment test is conducted whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 36 IAS 38
	Intangible assets with indefinite useful lives and intangible assets under development	Impairment-only approach: Periodic amortization charges are not recognized; instead, an impairment test is carried out once a year and whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 36 IAS 38
	Goodwill	Impairment-only approach (see above) In order to carry out impairment tests, goodwill is allocated to cash-generating units. The essential standard applied for determining whether a production unit qualifies as a cash-generating unit is the assessment of its technical and economic independence for the generation of income. The Group's impairment test of the cash-generating unit is carried out by comparing the current carrying amount (including the allocated goodwill) with the higher of either the fair value minus costs to sell, or the value-in-use. The value in use is calculated as the present value of the related estimated future pre-tax cash flows over the next four to five years on the basis of medium-term corporate planning data. The medium-term corporate planning is prepared annually due to the volatile market environment. The underlying assumptions are therefore checked for plausibility and updated annually, and the estimated cash flows are adjusted on this basis. The initiatives defined in the strategic corporate planning are included in the annually updated medium-term planning. After the detailed planning period of 5 years, a perpetual annuity is calculated based on the assumptions of the previous year. The discount rate is derived from a weighted average cost of capital customary in the market and adjusted to the specific risks on the basis of externally available capital market data. Externally available capital market data were used in determining the weighted average cost of capital. If the calculated amount is less than the carrying amount, an impairment loss amounting to the difference is allocated primarily to reduce the goodwill. Any additional impairment loss is then to be allocated to the remaining assets of the cash-generating units in proportion to their carrying amounts. The impairment test is carried out for the entire capitalized goodwill. If non-controlling interests are recognized at their fair values in the course of a business acquisition, the impairment loss is distributed over the individual groups of shareholders. The distribution takes place on the basis of the same logic that is also applied when distributing the earnings of the particular subsidiary among the shareholders. In accordance with IAS 36, once goodwill has been written down due to an impairment loss, the impairment loss may not be reversed in later periods.	IFRS 3 IAS 36

Note	Balance sheet item	Accounting policies	Standard
	Research and development	Research expenses are recognized in profit and loss as soon as they are incurred. Development expenses incurred with the intention of a major further development for a product or a process are capitalized if the product or process is feasible both from a technological and economic point of view, the development is marketable, the expenses can be measured reliably, and PALFINGER has sufficient resources to complete the development project. All other development expenses are recognized in profit and loss when they are incurred. Capitalized development expenses for completed projects are reported at cost minus accumulated depreciation, amortization and impairment. As long as a development project is not yet completed, the recoverability of the accumulated capitalized amounts is tested annually or more frequently if circumstances indicate that an impairment loss might have occurred.	IAS 36 IAS 38
(60)	<b>Property, plant and equipment</b>	Amortized cost In addition to direct costs, production costs also include an appropriate share of material and production overheads as well as borrowing costs in the case of qualifying assets. General administrative expenses are not capitalized. Straight-line depreciation over useful life: Own buildings and investments (in third-party buildings) 20–50 years Plants and machinery 3–15 years Operating and office equipment 3–10 years In the case of asset disposals, the difference between the carrying amounts and the net realizable value is recognized in profit and loss as either other operating income or other operating expenses. An impairment test is carried out whenever there is any indication of impairment. If the reasons for an impairment loss no longer apply, the impairment loss is reversed accordingly up to the amortized cost.	IAS 16 IAS 36
	Government grants	Reductions of acquisition or manufacturing costs for investment grants Grants for research are recognized as income in research and development costs. A government grant is not recognized until there is reasonable assurance that the the conditions attached to it will be fulfilled, and that the grant will be received.	IAS 20
	Leases as lessee	Assets (rights to use leased assets) and liabilities are recognized in the balance sheet in accordance with IFRS 16. Lease liabilities are recognized at the present value of the outstanding lease payments and right-of-use assets at the amount of the recognized lease liability, adjusted for advance payments and accrued lease payments. Low-value leased assets (printers, laptops, cellular phones, and other office equipment) and short-term leases with a term of less than twelve months are not capitalized, but instead recognized as expense proportionately over time. In addition, IFRS 16 is not applied to intangible assets. Lease agreements can include both lease components and non-lease components. The Group allocates the contractually stipulated compensation based on the relative standalone selling price of the lease components and the aggregated standalone selling price of the non-lease components to the individual lease components. For leases of land, the Group practices not allocating to non-lease and lease components and instead, accounting for each lease component, and as a consequence all related non-lease components, as a single lease component.	IFRS 16
	Borrowing costs	Capitalization upon acquisition or production of a qualifying asset.	IAS 23

Note	Balance sheet item	Accounting policies	Standard
(61)	<b>Inventories</b>	Acquisition or production cost (see (60) Property, plant and equipment) or lower net realizable value at the balance sheet date Raw materials, consumables and supplies as well as merchandise: moving average price method Work in progress and finished goods: standard production costs, reviewed regularly and adjusted if necessary	IAS 2
(62)	<b>Contract assets from customer contracts</b>	Revenue is realized based on the percentage of completion, which is determined using the cost-to-cost method or the milestone method. When applying the cost-to-cost method, revenue and order results are recognized based on the manufacturing costs actually incurred in relation to the expected total costs. Reliable estimates of the total costs of the contracts, the selling prices, and the actual costs incurred are available on a monthly basis. When applying the milestone method, the percentage of completion is determined on the basis of certain defined milestone events. For technological and financial risks that might occur during the remainder of the project, a separate estimate is made for each contract and a corresponding amount is recognized as part of the expected total costs. Expected losses are immediately realized as expense if the total contract costs are likely to exceed the contract revenue.	IFRS 15
(63)	<b>Financial instruments</b>	Financial assets are measured at fair value when they are initially recognized. In the case of financial investments that are not recognized at fair value in profit or loss, transaction costs that are directly attributable to the acquisition of the assets are also taken into account. Fair value is determined based on the market information available on the balance sheet date. The values listed may differ from the values realized later in light of varying factors of influence. The fair value of financial assets and liabilities reflects the effects of the risk of nonperformance on the part of the counterparty. When determining the fair value of a financial asset, the banks' credit risks are taken into account based on their ratings. When determining the fair values of financial liabilities, the company's own credit risk is taken into account on the basis of the ratings made by the banks. Market values are available for all derivative financial instruments and securities. The fair values of all other financial instruments are determined based on the discounted expected cash flows. Acquisitions or disposals of financial assets are recognized at the trade date. Impairment losses for all financial instruments are recognized in profit or loss. If the reason for impairment no longer applies, the impairment losses are reversed in the income statement.	IFRS 7 IFRS 9 IFRS 13 IAS 32
	Securities and other shareholdings	"Fair value through profit or loss": Measurement subsequent to initial recognition at fair value.	
	Loans	"At amortized cost": Measurement subsequent to initial recognition at amortized cost applying the effective interest method minus any impairment loss.	

Note	Balance sheet item	Accounting policies	Standard
Receivables		<p>“At amortized cost”: Measurement subsequent to initial recognition at amortized cost, less any impairment losses recorded in allowance accounts.</p> <p>“Fair value through OCI”: Refers to trade receivables in receivables portfolios where it is still uncertain which receivables will be sold to the factor and when.</p> <p>PALFINGER applies the simplified impairment model for trade receivables and contract assets from customer contracts, taking into account lifetime expected losses. General specific valuation allowances on receivables are recognized based on an assessment matrix, which is based on the results of an analysis of the losses occurring over the past five years as well as an assessment of future developments and takes into account days overdue and country risk.</p> <p>The likelihood of receiving payment is assessed for specific valuation allowances on receivables. Previous experience with specific customers, their creditworthiness, and any collateral provided are taken into account here. Uncollectible receivables are de-recognized.</p>	
Cash and cash equivalents		Mark-to-market	
Liabilities		“At amortized cost”: Measurement subsequent to initial recognition at amortized cost applying the effective interest method.	
Purchase price liabilities from acquisitions		<p>Deferred purchase price liabilities from acquisitions are measured at amortized cost.</p> <p>Contingent purchase price liabilities from acquisitions are measured at fair value. The fair value is calculated internally using generally accepted calculation models based on market interest rates in line with the respective maturities. Specifically, the amount payable is derived from strategic corporate planning and discounted to the balance sheet date.</p>	
Derivative financial instruments		Derivative financial instruments that do not fulfill the criteria in IFRS 9 for hedge accounting are classified as fair value through profit or loss in accordance with IFRS 9 and recognized at fair value in profit or loss.	
Cash flow hedge		In order to minimize the risk of fluctuations with respect to payments received in the future, expected foreign currency income and interest risks are hedged in the PALFINGER Group using currency forwards and interest swaps. In order to offset the effects of the hedged transaction and the hedging instrument in the income statement on an accrual basis, the special provisions on hedge accounting in IFRS 9 are applied. The fair values resulting on the balance sheet date after accounting for deferred taxes are recognized in other comprehensive income and reported under reserves in accordance with IFRS 9. The reserve is recognized as reversed in profit or loss in proportion to the future proceeds generated in the corresponding fiscal year.	

Note	Balance sheet item	Accounting policies	Standard
(64)	Long-term personnel obligations		IAS 19
	Defined benefit plans	Defined benefit plans relate to pension commitments in Austria, France, Norway and Germany as well as severance obligations in Austria, Slovenia, Bulgaria, South Korea, Qatar and the United Arab Emirates.	
		Provisions for pensions and similar obligations as well as severance payments and service anniversary bonuses are valued by an actuary as at the respective balance sheet date in the form of an actuarial report using the projected unit credit method. The discount rate matching the maturity is determined based on the yield of senior fixed-interest corporate bonds, i.e. a rating of AA or higher.	
		In accordance with IAS 19, remeasurements are recognized in other comprehensive income if they relate to provisions for pensions and other post-employment benefits or to severance payments.	
	Defined contribution plans	Defined contribution plans have been introduced at various Group companies on the basis of statutory obligations. In addition, individual pension agreements have been entered into.	
		Contributions are recognized as expenses in the period for which they are paid.	
	Other long-term employment benefits provisions	Other long-term employment benefits relate primarily to collective bargaining commitments for the payment of anniversary bonuses depending on years of service for the employees of Austrian and Slovenian companies and to bonus agreements entered into with the members of the Executive Board and other executives.	
		In accordance with IAS 19, remeasurements are recognized in profit or loss as provisions for anniversary bonuses under personnel expenses.	
(65)	Other provisions		
		Provisions are recognized at the expected settlement amount; non-current provisions are recognized at present value.	IAS 37
(66)	Income tax		
		Tax receivables and tax liabilities are netted when they relate to the same tax authority and the company has a right to offset the items.	IAS 12
		Deferred taxes are recognized according to the liability method. The respective country's applicable tax rate is applied for calculating the deferred taxes. Deferred tax assets are only recognized if it is likely that the corresponding tax advantages will actually be realized.	
		Deferred tax is calculated using the tax rate expected to apply on the balance sheet date when the temporary differences reverse. As a general rule, changes in taxes result in tax expenses and/or tax income. Taxes on items recognized in other comprehensive income are recognized in other comprehensive income. Taxes on items recognized directly in equity are recognized directly in equity.	

Note	Balance sheet item	Accounting policies	Standard
(67)	Revenue recognition	<p>Sale of products</p> <p>Revenue from the sale of series products is recognized when control of the goods is transferred to the customer in accordance with the terms and conditions of delivery. Revenue is recognized at that point in time provided that both revenue and cost can be reliably determined, the consideration is likely to be received, and the performance obligation has been fulfilled. The performance obligation is normally fulfilled upon transfer of ownership in accordance with the INCOTERMS.</p> <p>Some contracts have multiple components, meaning that in addition to governing the sale of series products, they also include additional performance obligations such as extended warranties and service type warranties, service and maintenance, or commissioning. In accordance with IFRS 15, the consideration is allocated to the components according to their relative standalone selling prices.</p> <p>Contract manufacturing and rendering of services</p> <p>IFRS 15 defines criteria for recognizing revenue over a specified time period. Almost all project business contracts meet the criteria for satisfying a performance obligation over a specified time period because the assets produced have no alternative use and PALFINGER has a right to payment for the performance completed at any time during the term of the respective contract. PALFINGER's project business consists of railway systems projects in the EMEA region as well as projects involving offshore cranes, winches, davits and boats.</p> <p>In the case of contracts for the provision of long-term services, revenue is recognized over a specified time period because the customer receives the benefits from the services while they are being performed.</p> <p>Significant financing components with terms longer than twelve months are accounted for separately from revenue. Installment plans are set up for this purpose in most cases.</p> <p>Significant costs incurred during the phase of contract formation are only capitalized for contracts with terms longer than twelve months. At present, no significant costs are incurred during the phase of contract formation. Variable consideration and repurchase commitments only apply in rare cases.</p>	IFRS 15

## FAIR VALUE MEASUREMENT

PALFINGER measures financial instruments such as derivatives, contingent purchase price obligations as well as liabilities from puttable non-controlling interests at fair value on a recurring basis. The fair values of financial instruments accounted for at amortized cost are quoted in the Note "Financial instruments".

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the valuation date. When measuring fair value, it is assumed that the transaction in the course of which the asset is sold, or the liability transferred, takes place either on the principal market for the asset or liability or, if there is no principal market, on the most advantageous market. PALFINGER measures fair value by taking into account all assumptions that the market participants would use as a basis for pricing. The assumption is that the market participants act in their own best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits through the highest and best use of the asset.

When determining fair value, PALFINGER applies valuation methods appropriate in the circumstances and for which sufficient data are available to measure the fair value, using observable inputs whenever possible.

The fair values accounted for or stated are categorized on the basis of the lowest level of input applied as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities that the company can access at the measurement date.

Level 2 - inputs other than quoted market prices included in Level 1 that are to be observed for the asset or liability, either directly or indirectly.

Level 3 - inputs that are not observable for the asset or liability.

# LIST OF SHAREHOLDINGS

Company, registered office	Parent company <sup>1)</sup>	Direct investment <sup>2)</sup> (in percent)		Indirect investment <sup>3)</sup> (in percent)		FC <sup>4)</sup>		
		2021	2022	2021	2022			
<b>Consolidated entities</b>								
<b>Company, registered office</b>								
PALFINGER AG, Bergheim (AT)						EUR		
Andrés N. Bertotto S.A.I.C. (Hidro-Grubert), Río Tercero (AR)	PAM	70.00	70.00	70.00	70.00	ARS		
Elesa centro de montaje y servicios S.A., Madrid (ES)	PIB	100.00	100.00	100.00	100.00	EUR		
EPSILON Kran GmbH, Salzburg (AT)	EMEA	65.00	65.00	65.00	65.00	EUR		
Equipdraulic SL, Barcelona (ES)	EMEA	100.00	100.00	100.00	100.00	EUR		
Equipment Technology, LLC, Oklahoma City (US)	PUSH	100.00	100.00	100.00	100.00	USD		
Guima Palfinger S.A.S., Caussade (FR)	EMEA	65.00	100.00	65.00	100.00	EUR		
Hinz Bunsön 7:1, Borlänge (SE)	HINZ	100.00	100.00	100.00	100.00	SEK		
Hinz Fastighets AB, Borlänge (SE)	HINZ	100.00	100.00	100.00	100.00	SEK		
INMAN AO, Ischimbai (RU)	EMEA	100.00	100.00	100.00	100.00	RUB		
Madal Palfinger S.A., Caxias do Sul (BR)	PAM	99.85	99.85	99.85	99.85	BRL		
Mega Repairing Machinery Equipment LLC, Dubai (AE)	PSYSU	100.00	100.00	100.00	100.00	AED		
Megarme Inspection & Engineering Services LLC, Dubai (AE)	PSYSU	100.00	100.00	100.00	100.00	AED6)		
Megarme General Contracting Company LLC, Abu Dhabi (AE)	PSYSU	100.00	100.00	100.00	100.00	AED		
Nimet Srl, Lazuri (RO)	PPT BG	60.00	60.00	60.00	60.00	RON		
Noreq BV, Houten (NL)	PALM AS	100.00	100.00	100.00	100.00	EUR		
Omaha Standard, LLC, Council Bluffs (US)	PUSH	100.00	100.00	100.00	100.00	USD		
Palfinger AB, Borlänge (SE)	EMEA	100.00	100.00	100.00	100.00	SEK		
OYT Mulder Holding, S.L.U., Madrid (ES)	EMEA	100.00	-	100.00	-	EUR		
Palfinger Americas GmbH, Salzburg (AT)	PAUG	100.00	100.00	100.00	100.00	EUR		
Palfinger Area Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR		
Palfinger Asia Pacific Pte. Ltd., Singapore (SG)	PAUG	100.00	100.00	100.00	100.00	EUR		
Palfinger Canarias Maquinaria S.L., Las Palmas de Gran Canaria (ES)	PIB	100.00	100.00	100.00	100.00	EUR		
Palfinger comércio e aluguer de máquinas S.A., Samora Correira (PT)	PIB	60.00	100.00	60.00	100.00	EUR		
Palfinger Crane Rus OOO, St. Petersburg (RU)	EMEA	100.00	100.00	100.00	100.00	RUB		
Palfinger Cranes India Pvt. Ltd., Chennai (IN)	PAUG	100.00	100.00	100.00	100.00	INR		
Palfinger Denmark AS, Middelfart (DK)	EMEA	100.00	100.00	100.00	100.00	DKK		
Palfinger Deutschland Beteiligungs GmbH, Ganderkesee-Hoykenkamp (DE)	EMEA	100.00	100.00	100.00	100.00	EUR		
Palfinger Duisburg, Ainring (DL)	PD	-	100.00	-	100.00	EUR		
Palfinger EMEA GmbH, Bergheim (AT)	PAG	100.00	100.00	100.00	100.00	EUR		
Palfinger Equipment (Nantong) Co. Ltd., Nantong (CN)	PAP	100.00	100.00	100.00	100.00	CNY		
Palfinger Europe GmbH, Salzburg (AT)	EMEA	100.00	100.00	100.00	100.00	EUR		
Palfinger GmbH, Ainring (DE) <sup>5)</sup>	PP	100.00	100.00	100.00	100.00	EUR		
Palfinger Hayons S.A.S., Silly en Gouffern (FR)	EMEA	100.00	100.00	100.00	100.00	EUR		
Palfinger Ibérica Maquinaria S.L., Madrid (ES)	EMEA	100.00	100.00	100.00	100.00	EUR		
Palfinger Japan K.K., Yokohama (JP)	PAP	100.00	100.00	100.00	100.00	JPY		
Palfinger Kama Cylinders OOO, Neftekamsk (RU)	EMEA	51.00	51.00	51.00	51.00	RUB		
Palfinger Korea Co., Ltd., Seongnam-si (KR)	PAP	100.00	100.00	100.00	100.00	KRW		
Palfinger Lifting Solutions Italy S.r.l., Bolzano (IT)	PEU	100.00	100.00	100.00	100.00	EUR		
Palfinger Marine Canada Inc., Langley (CA)	PALM AS	100.00	100.00	100.00	100.00	CAD		
Palfinger Marine Czech s.r.o., Slaný (CZ)	PALM EU	100.00	100.00	100.00	100.00	CZK		
Palfinger Marine DK AS, Munkebo (DK)	PALM AS	100.00	100.00	100.00	100.00	DKK		
Palfinger Marine Do Brasil Ltda., Rio de Janeiro (BR)	PALMA	100.00	100.00	100.00	100.00	BRL		
Palfinger Marine Doha WLL, Doha (QU)	PSYSU	100.00	100.00	100.00	100.00	QAR		
Palfinger Marine Europe B.V., Schiedam (NL)	PALM AS	100.00	100.00	100.00	100.00	EUR		
Palfinger Marine Germany GmbH, Dägelting (DE)	PALM AS	100.00	100.00	100.00	100.00	EUR		
Palfinger Marine GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR		
Palfinger Marine Hong Kong Limited, Hong Kong (CN)	PALM AS	100.00	100.00	100.00	100.00	HKD		
Palfinger Marine Italy Srl, Livorno (IT)	PALM AS	100.00	100.00	100.00	100.00	EUR		
Palfinger Marine Korea Ltd., Sacheon-si (KR)	PALMA	100.00	100.00	100.00	100.00	KRW		
Palfinger Marine LSE (Qingdao) Co., Ltd., Qingdao City (CN)	PALM AS	100.00	100.00	100.00	100.00	CNY		

Company, registered office	Parent company <sup>1)</sup>	Direct investment <sup>2)</sup> (in percent)		Indirect investment <sup>3)</sup> (in percent)		FC <sup>4)</sup>		
		2021	2022	2021	2022			
<b>Consolidated entities</b>								
<b>Company, registered office</b>								
Palfinger Marine Montagens Industriais do Brasil Ltda., Porto Alegre (BR)	PALM BR	99.00	99.00	99.00	99.00	BRL		
Palfinger Marine Netherlands B.V., Haderwijk (NL)	PALMA	100.00	100.00	100.00	100.00	EUR		
Palfinger Marine Norway AS, Bergen (NO)	PM HO	100.00	100.00	100.00	100.00	NOK		
Palfinger Marine Norway Holding AS, Nesttun (NO)	PALMA	-	100.00	-	100.00	NOK		
Palfinger Marine Panama Inc., Panama City (PA)	PALM US	100.00	-	100.00	-	PAB		
Palfinger Marine Poland sp. z.o.o., Gdynia (PL)	PALMA	100.00	100.00	100.00	100.00	PLN		
Palfinger Marine Rus OOO, St. Petersburg (RU)	PALMA	100.00	100.00	100.00	100.00	RUB		
Palfinger Marine Safety AS, Seimsfoss (NO)	PM HO	100.00	100.00	100.00	100.00	NOK		
Palfinger Marine Spain, S.L., Cádiz (ES)	PALM AS	100.00	100.00	100.00	100.00	EUR		
Palfinger Marine UK Limited, Gosport Hampshire (UK)	PALM AS	100.00	100.00	100.00	100.00	GBP		
Palfinger Marine USA Inc., New Iberia (US)	PALM AS	100.00	100.00	100.00	100.00	USD		
Palfinger Marine Vietnam Co., Ltd., Hung Yen (VN)	PM NL	100.00	100.00	100.00	100.00	USD		
Palfinger North America, LLC, Council Bluffs (US)	PUSH	100.00	100.00	100.00	100.00	USD		
Palfinger Platforms GmbH, Krefeld (DE)	PDB	100.00	100.00	100.00	100.00	EUR		
Palfinger Poland sp.z.o.o., Solec Kujawski (PL)	EMEA	100.00	100.00	100.00	100.00	PLN		
Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)	EMEA	100.00	100.00	100.00	100.00	EUR		
Palfinger proizvodna tehnologija Hrvatska d.o.o., Delnice (HR)	EMEA	100.00	100.00	100.00	100.00	HRK		
PALFINGER proizvodnja d.o.o., Maribor (SI)	EMEA	100.00	100.00	100.00	100.00	EUR		
Palfinger proizvodna d.o.o., Beograd, Beograd (SRB)	EMEA	-	100.00	-	100.00	RSD		
Palfinger S.r.l., Bolzano (IT)	PSUG	100.00	100.00	100.00	100.00	EUR		
Palfinger S. Units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR		
Palfinger Structural Inspection GmbH, Vienna (AT)	PAG	65.28	82.18	65.28	82.18	EUR		
Palfinger systems units GmbH, Salzburg (AT)	PAG	100.00	100.00	100.00	100.00	EUR		
Palfinger Tail Lifts GmbH, Ganderkesee-Hoykenkamp (DE)	PDB	-	100.00	-	100.00	EUR		
Palfinger Tail Lifts Limited, Welwyn Garden City (UK)	EMEA	100.00	100.00	100.00	100.00	GBP		
Palfinger Tail Lifts s.r.o., Bratislava (SK)	PDB	100.00	100.00	100.00	100.00	EUR		
Palfinger Taiwan Co., Ltd., Taipei City (TW)	PAP	100.00	100.00	100.00	100.00	TWD		
Palfinger Trading (Shanghai) Co., Ltd., Shanghai (CN)	PAP	100.00	100.00	100.00	100.00	CNY		
Palfinger US Holdings, Inc., Council Bluffs (US)	PAM	100.00	100.00</td					

Entities reported at equity						
<b>Associated companies</b>						
Crane Center Kamaz OOO, Nabereschnye Tschelny (RU)	EMEA	49.00	49.00	49.00	49.00	RUB
Palfinger France S.A.S., Étoile sur Rhône (FR)	EMEA	48.94	48.94	48.94	48.94	EUR
STEPA Farmkran Gesellschaft m.b.H., Elsbethen (AT)	EMEA	45.00	45.00	45.00	45.00	EUR
JETFLY Airline GmbH, Hörsching (AT)	PAG	33.30	33.30	33.30	33.30	EUR
<b>Joint ventures</b>						
Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)	PSUG	50.00	50.00	50.00	50.00	EUR
PALFINGER SANY Cranes OOO, Moscow (RU)	PSV	100.00	100.00	50.00	50.00	RUB
Palfinger Neptune Marine Equipment Technology (Shanghai) Co., Ltd., Shanghai (CN)	PM NL	50.00	50.00	50.00	50.00	CNY
<b>Other shareholdings</b>						
Atheno AS, Stord (NO)	PALM AS	6.20	6.20	6.20	6.20	NOK
KESTRELEYE GmbH, Klagenfurt (AT)	PAG	10.00	10.00	10.00	10.00	EUR
Rosendal Hamn Eigedom AS, Rosendal (NO)	PALM AS	3.00	3.00	3.00	3.00	NOK
Rosendal Utvikling AS, Rosendal (NO)	PALM AS	8.50	8.50	8.50	8.50	NOK
Sunnhordlandsdiagonalen AS, Valen (NO)	PALM AS	4.54	4.54	4.54	4.54	NOK

1) Parent Company:  
EMEA = Palfinger EMEA GmbH, Bergheim (AT)

PIB = Palfinger Ibérica Maquinaria S.L., Madrid (ES)  
PM = Podiomnie Maschini AO, Velikiye Luki (RU)  
PM NL = Palfinger Marine Netherlands B.V., Barneveld (NL)  
PM NO = Palfinger Marine Norway AS, Bergen (NO)  
PP = Palfinger Platforms GmbH, Krefeld (DE)  
PTP = Palfinger Produktionstechnik Bulgaria EOOD, Cherven Brjag (BG)  
PSUG = Palfinger S. Units GmbH, Salzburg (AT)  
PSV = Palfinger Sany International Mobile Cranes Sales GmbH, Salzburg (AT)  
PSYSU = Palfinger systems units GmbH, Salzburg (AT)  
PTL DE = Palfinger Tail Lifts GmbH, Ganderkesee (DE)  
PUSH = Palfinger US Holdings, Inc., Council Bluffs (US)  
VMS = Velmash-S OOO, Velikiye Luki (RU)  
PD = Palfinger GmbH, Aining (DE)  
PDB = Palfinger Deutschland Beteiligungs GmbH, Ganderkesee (DE)

HKPM = Holding Company Podiomnie Maschini AO, Arkhangelsk (RU)

HINZ = Palfinger AB, Borlänge (SE)

MP = Madal Palfinger S.A., Caxias do Sul (BR)

OSP = Omaha Standard, LLC, Council Bluffs (US)

PAG = PALFINGER AG, Bergheim (AT)

PALM AS = Palfinger Marine Safety AS, Seimfoss (NO)

PALM BR = Palfinger Marine Do Brasil Ltda., Rio de Janeiro (BR)

PALM EU = Palfinger Marine Europe B.V., Schiedam (NL)

PALM US = Palfinger Marine USA Inc., New Iberia (US)

PALMA = Palfinger Marine GmbH, Salzburg (AT)

PAM = Palfinger Americas GmbH, Salzburg (AT)

PAP = Palfinger Asia Pacific Pte. Ltd., Singapur (SG)

PAUG = Palfinger Area Units GmbH, Salzburg (AT)

PEU = Palfinger Europe GmbH, Salzburg (AT)

2) From the viewpoint of the parent company

3) From the viewpoint of PALFINGER AG

4) FC = functional currency

5) § 264 (3) (dHGB) and § 264b (dHGB) were used for these companies.

6) Company not consolidated due to immateriality

# Statement & Reports

# STATEMENT OF ALL MANAGEMENT

We confirm to the best of our knowledge that the consolidated financial statements for the year ended December 31, 2022, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). We also confirm, to the best of our knowledge, that the Group management report, including the non-financial statement, for the year ended December 31, 2022 gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

In addition, we confirm to the best of our knowledge that the separate financial statements for the year ended December 31, 2022, give a true and fair view of the assets, liabilities, financial position, and profit or loss of PALFINGER AG as required by the Austrian Commercial Code (Unternehmensgesetzbuch, UGB) and that the management report for the year ended December 31, 2022, gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Bergheim, February 23, 2023

Executive Board of PALFINGER AG

Andreas Klauser  
CEO

Felix Strohbachler  
CFO

Martin Zehnder  
COO

# AUDITOR'S REPORT

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(TRANSLATION)

### AUDIT OPINION

We have audited the consolidated financial statements of

**PALFINGER AG, Bergheim bei Salzburg,**

and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year ended December 31, 2022, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2022, and of its financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code.

### BASIS FOR OPINION

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian Generally Accepted Standards on Auditing. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of the auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the financial year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- Description
- Audit approach and key observations
- Reference to related disclosures

## RECOVERABILITY OF THE CARRYING AMOUNTS OF CASH GENERATING UNITS

- DESCRIPTION

The Group carries out an impairment test in accordance with the provisions of IAS 36 for cash generating units at least once a year and whenever there is any indication of impairment.

An impairment loss is recognized to the extent that the carrying amount of the individual asset or the cash generating unit exceeds the recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of the fair value less costs of disposal or the value in use. When evaluating whether there are any indications for impairment, external and internal sources of information are to be taken into account.

The Group determines the value in use of cash generating units by means of a discounted cash flow model. Due to planning uncertainty three scenarios were included in calculating the value in use, of which the realistic scenario corresponds to the budget approved by the Supervisory Board. In addition to forecasted future cash flows, particularly the discount rate before taxes is also to be classified as such that it requires significant discretionary decisions. As even slight changes in the cash flows of perpetual annuity as well as in the discount rate may have a significant impact on the value in use and thus, the recoverable amount, there are major estimation uncertainties with regard to determining the value in use.

Therefore, for the consolidated financial statements, there is the risk that an existing impairment is not identified at all or at the appropriate amount. Moreover, there is the risk that the respective disclosures in the notes are not adequate.

- AUDIT APPROACH AND KEY OBSERVATIONS

We involved our internal valuation experts in assessing whether the assumptions on future cash flows included in the valuation model and the assumptions on material valuation parameters used for the respective cash generating units are appropriate.

We checked the mathematical accuracy of the valuation model. We examined whether the assumptions regarding the realistic scenario used in the future cashflows are in line with the budget prepared by the Executive Board and approved by the Supervisory Board, and we analyzed and critically assessed the essential drivers for the future development (such as revenue expectations, payments made for expenses, investments, changes in working capital). In particular, we examined whether the uncertainties in the budgeting assumptions resulting from the Ukraine crisis were taken into account in an appropriate manner. We assessed the forecast quality of past budgets by comparing historic targets to the actual materialized values and by following up on material deviations. We checked the assumptions regarding the discount rate and the growth rate by involving our internal valuation experts. We assessed whether the disclosures in the notes to the consolidated financial statements on the impairment tests are mathematically accurate, appropriate and complete.

The valuation model used by the Group is suitable to carry out an impairment test as required by IFRS (IAS 36). The assumptions and valuation parameters used in the valuation are reasonable. The disclosures required by IAS 36 are complete and adequate.

- REFERENCE TO RELATED DISCLOSURES

Further information on this key audit matter can be found in the notes to the consolidated financial statements as at December 31, 2022 under note 29 – “Impact of COVID-19 on the financial position” as well as note 28 – “Intangible assets” in subsection – “INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFES” as well as note “Use of estimates and discretionary decisions”.

## OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and the additional regulations of section 245a Austrian Company Code, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian Generally Accepted Standards on Auditing, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation..
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations. Regarding the consolidated non-financial statement contained in the management report for the Group, it is our responsibility to examine whether it has been prepared, to read it and to consider whether it is, based on our knowledge obtained in the audit, materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian standards on auditing for the audit of the management report for the Group.

### Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal regulations, comprising the details in accordance with section 243a UGB, and is consistent with the consolidated financial statements.

### Statement

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's report is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This auditor's report is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of section 281 para. 2 UGB apply.

## ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 OF THE EU REGULATION

We were elected as statutory auditor at the ordinary general meeting dated March 24, 2022. We were appointed by the Supervisory Board on July 5, 2022. We have audited the Company for an uninterrupted period since the financial year 2020.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Regulation.

We declare that no prohibited non-audit services (Article 5 para. 1 of the EU Regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

## RESPONSIBLE ENGAGEMENT PARTNER

Responsible for the proper performance of the engagement is Mr. Peter Pessenlehner, Austrian Certified Public Accountant.

Vienna, February 23, 2023

PwC Wirtschaftsprüfung GmbH

signed:

**Peter Pessenlehner**

Austrian Certified Public Accountant

## INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT FOR THE FINANCIAL YEAR 2022

### (TRANSLATION)

We have performed a limited assurance engagement of the consolidated non-financial statement for the financial year 2022 of PALFINGER AG, Bergheim bei Salzburg, and its subsidiaries (the "Group") for the year ended December 31, 2022.

### MANAGEMENT'S RESPONSIBILITY

The Management is responsible for the preparation of the consolidated non-financial statement 2022 in accordance with the requirements of section 267a UGB and the "EU-Taxonomy Regulation" (EU Regulation 2020/852) as well as the GRI Standards 2021. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of the consolidated non-financial statement 2022 that is free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion based on our procedures performed and evidence obtained.

We performed our engagement in accordance with the professional standards applicable in Austria with regard to KFS/PG 13 "Other assurance engagements", KFS/PE 28 "Selected issues in connection with the assurance of non-financial statements and non-financial reports pursuant to sections 243b UGB and 267a UGB as well as sustainability reports" and the International Standards on Assurance Engagements (ISAE) 3000 (Revised) "Assurance engagements other than audits or reviews of historical financial information". These standards require that we comply with our ethical requirements, including rules on independence, and that we plan and perform our procedures by considering the principle of materiality to be able to express a limited assurance conclusion based on the assurance obtained. As provided under section 275 para. 2 UGB (liability provision regarding the audit of financial statements of small and medium-sized companies), our responsibility and liability towards the Company and any third parties arising from the assurance engagement are limited to a total of EUR 2 million.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selection of the procedures lies in the sole discretion of the auditor and comprised the following:

- Critical assessment of the Group's analysis of materiality considering the concerns of external stakeholders
- Analysis of risks regarding the essential non-financial matters / disclosures

- Updating the overview of the policies pursued by the Group, including due diligence processes implemented as well as the processes used to ensure an accurate presentation in the consolidated non-financial statement
- Updating the understanding of reporting processes by interviewing the relevant employees and inspecting selected documentations
- Evaluating the reported disclosures by performing analytical procedures regarding non-financial performance indicators, interviewing relevant employees and inspecting selected documentations
- Examining the consolidated non-financial statement regarding its completeness in accordance with the requirements of section 267a UGB and the "EU Taxonomy Regulation" (EU Regulation 2020/852) as well as the GRI Standards 2021
- Evaluating the overall presentation of the disclosures and non-financial information

The following is not part of our engagement:

- Examining the processes and internal controls particularly regarding their design, implementation and effectiveness
- Performing procedures at individual locations as well as measurements or individual evaluations to check the reliability and accuracy of data received
- Examining the prior-year figures, forward-looking information or data from external surveys
- Checking the correct transfer of data and references from the (consolidated) financial statements to the non-financial report; and
- Examining the information and disclosures on the website or further references on the internet

Neither an audit nor a review of financial statements is objective of our engagement. Furthermore, the disclosure and solution of criminal acts, as e.g. embezzlement or other kinds of fraud, and wrongful doings, nor the assessment of the effectiveness and profitability of the management are objectives of our engagement.

## CONCLUSION

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the consolidated non-financial statement 2022 is not prepared, in all material aspects, in accordance with the requirements of section 267a UGB and the "EU Taxonomy Regulation" (EU Regulation 2020/852) as well as the GRI Standards 2021.

Vienna, February 23, 2023

PwC Wirtschaftsprüfung GmbH

signed:

**Peter Pessenlehner**

Austrian Certified Public Accountant

# REPORT OF THE SUPERVISORY BOARD

The Supervisory Board performed the tasks required of it by law and the Articles of Association in the 2022 financial year. It held one constituent meeting on March 24, 2022 and four ordinary meetings on February 23, June 13, September 27 and December 13, 2022, as well as one extraordinary meeting on August 24, 2022, in each case with the participation of the Executive Board. In addition, the Executive Board provided the Supervisory Board with regular written and verbal reports on the course of business and the situation of the company and the group companies. The Chairman of the Supervisory Board was in regular contact with the Executive Board – also outside the Supervisory Board meetings – and discussed the company's strategy, business development and risk situation with it.

In addition to current development and planning, in the 2022 financial year the Supervisory Board dealt with the effects of the challenging economic conditions connected with Covid-19, the Ukraine crisis and the difficult situation on the procurement markets, major investment decisions as well as acquisition, integration, restructuring and expansion projects, the strategy in the individual segments, the sustainability strategy and reporting, the developments in group-wide risk management and the associated economic, ecological and social risks.

Furthermore, three Audit Committee meetings were held in 2022, at which the Audit Committee focused on the 2022 annual financial statements, the internal control system, risk management, IFRS and accounting issues, internal auditing, and cooperation with the auditor.

In two meetings in 2022, the Nomination Committee primarily discussed the following topics: the cooperation and working methods of the Executive Board; the extension of Mr. Strohbichler's Management Board mandate beyond December 31, 2022, the extension of Mr. Klauser's Management Board mandate beyond May 31 2023; and the preparation of a proposal for filling a vacant supervisory board mandate in the course of the 2022 Annual General Meeting.

The Compensation Committee held three meetings in 2022, focusing on the compensation of the Executive Board members, the development of a new long-term incentive program for the Executive Board, and the preparation of the compensation report for the 2022 Annual General Meeting.

The Project Committee is entrusted with the in-depth examination of research and development projects and the preparation of related reporting and resolution items for the Supervisory Board and held two meetings in 2022.

The Digital Committee deals in depth with digital technologies and the preparation of related reporting and resolution items for the Supervisory Board and held two meetings in 2022.

In September 2022, Ms. Cai resigned from the Supervisory Board. She had not attended any of the meetings of the Supervisory Board up to that point. However, this in no way impaired the functioning of the Supervisory Board. Ms. Cai did not receive any supervisory board remuneration.

For further details of the composition and working methods of the Supervisory Board and its committees, please refer to the Corporate Governance Report 2022.

The annual financial statements of PALFINGER AG as of December 31, 2022 and the management report for 2022, including the non-financial statement in accordance with Section 267a of the Austrian Commercial Code (UGB), were audited by PwC Wirtschaftsprüfung GmbH, including the bookkeeping. The audit showed that the bookkeeping, the annual financial statements and the management report of PALFINGER AG comply with the statutory provisions and that the provisions of the Articles of Association have been observed. According to its final results, the audit gave no cause for objection, so that an unqualified audit opinion was issued by the auditing company for 2022. This also applies to the consolidated financial statements for 2022. The consolidated financial statements prepared in accordance with IFRS (as adopted by the EU) were supplemented by the group management report and further notes in accordance with Section 245a of the Austrian Commercial Code.

The Supervisory Board approved the annual financial statements prepared as of December 31, 2022, including the management report and corporate governance report for the 2022 financial year. The 2022 annual financial statements of

PALFINGER AG have thus been adopted in accordance with section 96 (4) of the Austrian Stock Corporation Act. The Supervisory Board declared its agreement with the consolidated financial statements and group management report 2022 prepared in accordance with Section 244 et seq. of the Austrian Commercial Code. The Executive Board's proposal for the distribution of profits for the 2022 financial year was examined and approved by the Supervisory Board.

The evaluation of the company's compliance with the rules of the Austrian Corporate Governance Code (ÖCGK) in fiscal year 2022 was carried out by PwC Wirtschaftsprüfung GmbH. It was confirmed that the declaration made by PALFINGER AG on compliance with the Corporate Governance Code reflects the actual circumstances. Compliance with Rules 77 to 83, insofar as they are C-Rules, was evaluated by Schönherr Rechtsanwälte GmbH.

The Supervisory Board would like to express its gratitude and appreciation to the members of the Executive Board and to all PALFINGER employees for their great commitment and outstanding performance in the 2022 financial year.

Bergheim, February 23, 2023

Hubert Palfinger

# GENERAL INFORMATION

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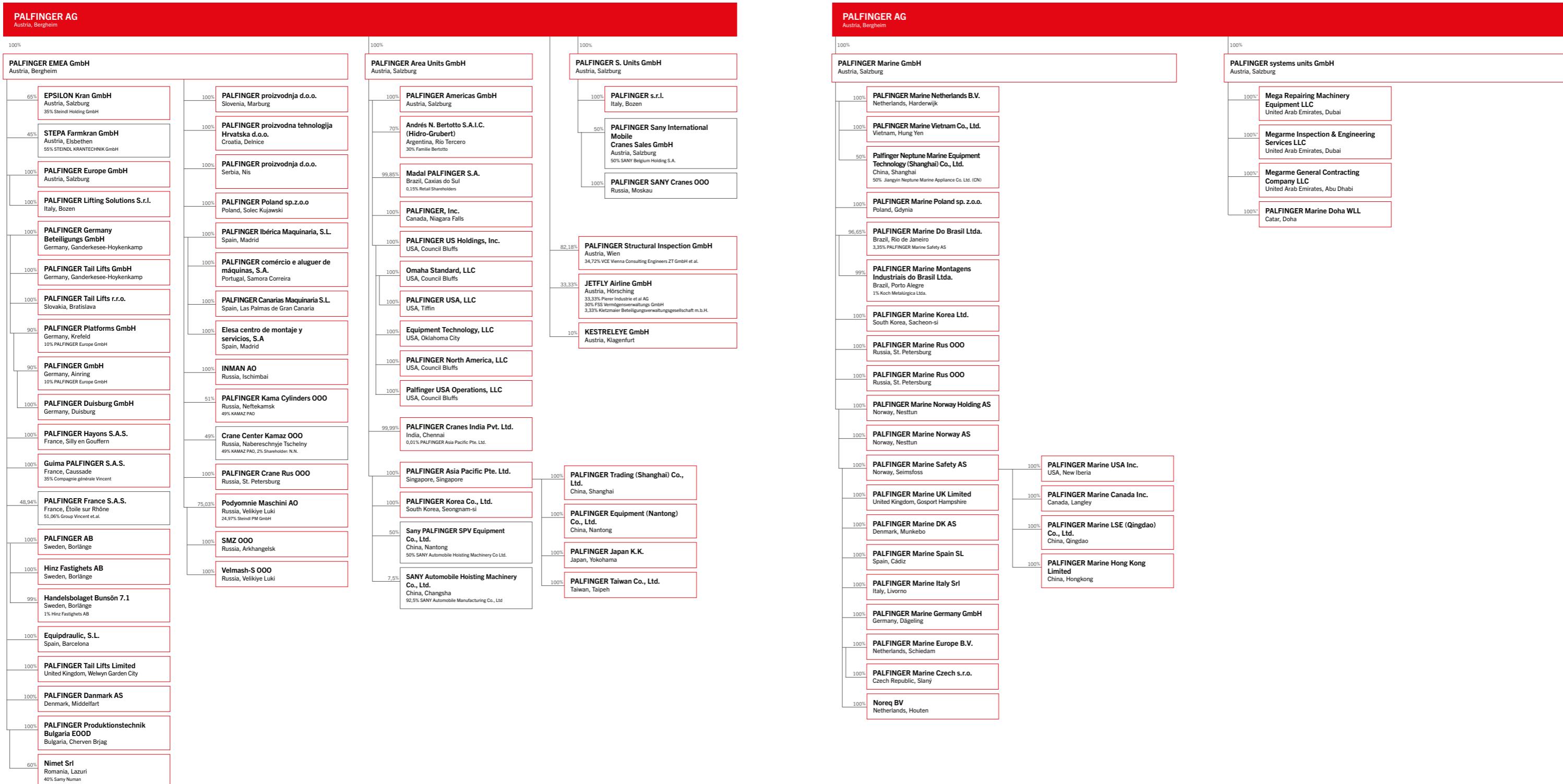
The English translation of the PALFINGER Report is for convenience. Only the German text is binding. The rounding of individual items and percentages in this report can lead to minor differences in calculated amounts.

This report contains forward-looking statements made on the basis of all information available at the date of its preparation. These are usually identified by words such as "expect", "plan", "estimate", "believe", etc. Actual outcomes and results may be different from those predicted. Likewise, in some cases, changes in non-financial performance indicators of previous years may result from the application of stricter internal control loops for the purpose of improving data quality.

Published on February 23, 2023

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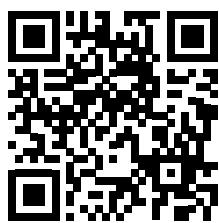
Vollkonsolidierung  
 Bewertung nach Equity und sonstige Beteiligungen

Stand per 31. Dezember 2022

Vollkonsolidierung  
 Bewertung nach Equity und sonstige Beteiligungen

\* Anteile teilweise treuhänderisch gehalten

Stand per 31. Dezember 2022



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## Financial Calendar 2023

Febr. 24	Balance sheet press conference 2022
March 30	Annual General Meeting
April 03	Ex-dividend date
April 04	Dividend record date
April 06	Dividend payment date
April 28	Publication of results Q1/2023
July 28	Publication of results HY/2023
Oct. 30	Publication of results Q1-3/2023

Additional dates such as trade fairs will be announced on the website.

Investors and other interested parties who wish to receive regular news about the PALFINGER Group may register for the info service on the PALFINGER website. The PALFINGER Investor Relations app is also available for download on the Company's website as well as in leading app stores.

↗ [www.palfinger.ag/en/investors](http://www.palfinger.ag/en/investors); [www.palfinger.ag/en/investors/ir-service](http://www.palfinger.ag/en/investors/ir-service)

The digital version of the Annual Report as well as the download link can be found at [i-report.palfinger.ag](http://i-report.palfinger.ag)

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