

# 2004 Interim Report

**PALFINGER**

## Financial highlights of PALFINGER AG as of 30 June 2004 (in accordance with IFRS)

EUR '000	HY1 2004	HY1 2003	HY1 2002	HY1 2001	HY1 2000
<b>Income statement</b>					
Revenue	190,604	166,822	165,765	180,011	156,782
EBITDA	22,858	20,912	20,763	30,991	27,403
EBITDA margin	12.0%	12.5%	12.5%	17.2%	17.5%
Profit from operations (EBIT)	17,153	15,416	15,065	25,669	22,956
EBIT margin	9.0%	9.2%	9.1%	14.3%	14.6%
Profit before tax	15,997	14,468	13,700	23,496	20,780
Consolidated net profit for the period	10,450	9,488	8,547	15,407	13,537
<b>Balance sheet</b>					
Total assets	299,598	279,206	294,415	317,732	243,253
Non-current assets	118,046	119,292	131,577	114,142	90,837
Liabilities	155,790	145,499	165,497	192,403	168,151
Gearing	23.3%	34.5%	49.4%	30.0%	73.3%
Capital and reserves	141,390	132,642	128,504	125,027	75,648
Equity ratio	47.2%	47.5%	43.6%	39.3%	31.1%
Issued capital	18,568	18,568	18,568	18,414	16,740
<b>Cash flow and Investments</b>					
Cash flows from operating activities	12,490	18,002	20,849	10,260	23,441
Free cash flow	7,464	13,777	14,906	(4,580)	12,825
Investment in property, plant and equipment	4,988	6,206	6,008	10,541	5,184
Depreciation and amortization	5,705	5,496	5,698	5,322	4,447
<b>Payroll</b>					
Average payroll for the period <sup>1</sup>	2,464	2,268	2,273	1,875	1,675
<b>Value</b>					
Net working capital	80,159	84,293	87,765	78,915	61,660
Capital employed (at balance sheet date)	169,293	169,318	181,005	153,466	119,744

<sup>1</sup> Staff of consolidated Group companies excluding investments consolidated at equity, as well as apprentices, loaned personnel and part-time employees.

# Interim Report for the period ended 30 June 2004

## Economic conditions

Recovery of the global economy continued in the second quarter. Strong growth performance is particularly evident in the USA and in Asia. However, forecasts for the 2004 business year have been slightly downgraded, reflecting the opinion of experts that growth is going to be less than expected at the beginning of the year. In the USA key interest rates were raised for the first time in four years on account of increasing inflation. At the same time, oil prices rose to the highest level of all times. In Asia, and especially in China, which recorded growth of 9.6 percent in the second quarter, regulatory measures to control economic growth have taken effect. Growth in the second quarter was slightly lower than in the first quarter.

Europe is still not catching up with the USA in terms of growth. These developments are especially affecting the euro region, as opposed to new EU member states with growth rates similar to the USA's. Latin American countries recorded economic growth, which simultaneously led to an increase in inflation.

The weak US dollar is propelling US exports to a record level but is adversely influencing economic development in Europe. While development of the US dollar was slightly more favorable compared to 31 December 2003, the currency declined again by more than 11 percent compared to the first half of 2003.

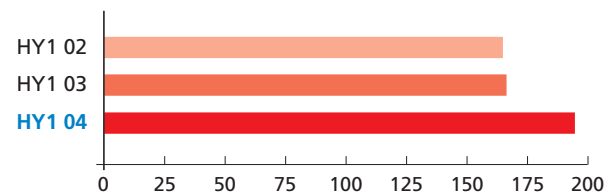
## Group performance

The first two quarters of 2004 at Palfinger AG could not have been more different: the first three months were marked by the successful implementation of SAP. The implementation process led

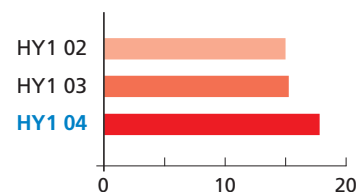
to planned capacity decreases, especially at the beginning of the year, followed by a rise in production to full capacity including overtime and extra shifts. In the second quarter, production increased to levels higher than in the same period of the year before thanks to full order books. The temporary production decrease in the first quarter was compensated for as planned.

In the first half of 2004 revenue was increased by EUR 23.8m, equivalent to 14.3 percent, reaching the record level of EUR 190.6m. Profit from operations (EBIT) was at EUR 17.2m, an increase of 11.3 percent compared to EUR 15.4m in the previous year. The increase marks a high unmatched since the economically strong year of 2001. The second quarter shows an increase of about 20 percent in revenue, with EBIT rising by about 35 percent compared to the same prior-year period.

## Revenue (EUR m)



## EBIT (EUR m)



High order intake marked the first half of 2004 in the Cranes segment, at Epsilon, and in the Railway and Palift product divisions, as well as in the Crayler and Palgate product divisions where orders received are associated with the opening of new markets.

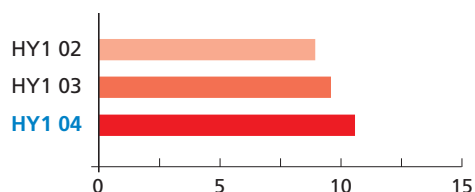
While the increase in revenue in the first quarter of this year was mainly due to developments in North America and growth in newer hydraulic systems, the revenue increase in the second quarter was mostly attributable to Europe and the Cranes segment. This development is also reflected in earnings and the Group's improved EBIT margin in comparison to the first quarter (Q1: 7.0 percent; Q2: 10.6 percent).

Compared to the previous year, the increase in revenue in North America is being negatively impacted by the weak dollar. In spite of these developments, the short-term decrease in EBIT in the first quarter was more than offset in the second quarter as planned.

The production increase in the second quarter resulted in supply bottlenecks and in price increases, despite annual contracts with suppliers. The resultant price increases can only be partially passed on to customers, and with a time lag. The 9.0 percent EBIT margin of the first six months represented a slight decline from 9.2 percent in the same period a year ago. Besides the increase in material prices, this development is mainly attributed to the weaker first quarter of this year.

Profit before tax rose by 10.6 percent in line with developments in EBIT, from EUR 14.5m in the same prior-year period to EUR 16.0m. Consolidated net profit increased from EUR 9.5m to EUR 10.5m.

#### Consolidated net profit (EUR m)



A separate look at the first two quarters also reveals differing trends: both revenue (Q1: EUR 86.4m; Q2: EUR 104.2m) and EBIT (Q1: EUR 6.1m; Q2: EUR 11.1m) increased visibly after the weaker first quarter. Profit before tax (Q1: EUR 5.5m; Q2: EUR 10.5m) and consolidated net profit (Q1: EUR 3.5m; Q2: EUR 6.9m) also increased substantially.

EUR '000	2003		2004	
	Revenue	EBIT	Revenue	EBIT
Q1	79,966	7,201	86,391	6,056
Q2	86,856	8,215	104,213	11,097
Q3	79,958	5,857	-	-
Q4	87,331	4,439	-	-

#### Group assets, finances and earnings

In line with increases in revenue and production, active working capital rose to EUR 172.2m in the second quarter of 2004 (6/03: EUR 152.9m; 12/03: EUR 141.8m). At the same time, however, passive working capital rose to EUR 92.0m (6/03: EUR 68.6m; 12/03: EUR 65.3m), therefore net working capital at the balance sheet date only amounted to EUR 80.2m (6/03: EUR 84.3m; 12/03: EUR 76.5m) despite the revenue increase of 14.3 percent in the first six months of 2004. Non-current assets (property, plant and equipment; other intangible assets and investments), at EUR 89.1m, remained at nearly the same level compared to the end of 2003 (EUR 88.1m). Investment in property, plant and equipment amounted to EUR 5.0m and mostly comprised investments made as part of the Location Optimization Program. In view of revenue growth, capital employed increased considerably to EUR 169.3m (6/03: EUR 169.3m; 12/03: EUR 164.7m).

Operative cash flows decreased to EUR 12.5m in the reporting period after EUR 18.0m in the previous year on account of financing required to increase net working capital as a result of increases in revenue and production. Taking into account cash investments of EUR 6.5m, free cash flow was at EUR 7.5m after EUR 13.8m in the previous year. It was used to finance the dividend payment (EUR 5.3m) and to reduce net financial debt.

The gearing ratio reached a new historic low of 23.3 percent (6/03: 34.5 percent; 12/03: 25.0 percent). The equity ratio, at 47.2 percent, remained at a high level despite the increase in active working capital and the dividend payment in the first half of the year. In combination with cash flow, both performance indicators reveal the Group's sound and solid basis for financing its growth strategy largely under its own steam.

#### Other events

The Service and Demo Center was inaugurated according to plan at the dealer conference at the beginning of June 2004 and is already being used extensively. In the course of relocating Palfinger's entire cylinder production to Tenevo in Bulgaria, assurance measures for cylinder supplies were completed and the transfer of galvanic equipment has been underway since July. By the end of 2004, all cylinders produced by Palfinger – equivalent to about 70 percent of the Group's total cylinder product demand – are to be manufactured at the Tenevo location.

The implementation of the new Global Palfinger Structure, which is to increase customer proximity, was continued and strengthened in all areas during the first half of 2004.

Intensive investor relations activities continued in the second quarter. The price of Palfinger shares rose to EUR 28.50 at the end of June; the upward trend continued over the first weeks of July and broke the EUR 30 barrier, resulting in a price increase of more than 30 percent since the beginning of the year.

#### Performance by region

Positive developments in the segment **Europe and Rest of the World** were registered, especially in the main European markets. Good order intake in Germany declined from the first quarter, and the Italian market was marked by stagnation. However, above-average growth was recorded in Austria, France, Great Britain and Spain. Good levels were also achieved in Australia and New Zealand.

In the first half of 2004 revenue in this segment stood at EUR 167.7m, an increase of 14.6 percent on the same prior-year period. EBIT development was not as strong due to a rise in material costs and project costs as a result of the Location Optimization Program, the implementation of SAP and increased revenue in Hydraulic Systems whose EBIT margins are lower than those for products of the Cranes segment. In the first half of 2004 EBIT increased by 10.5 percent, to EUR 15.6m from EUR 14.1m in the first half of 2003.

After the high levels of order intake in the first half of 2004, a slight decline is to be expected in the second half.

The segment **North and South America**, especially North America, was visibly affected by the positive economic development. In some product divisions order intake stood at up to 40 percent above the 2003 level. Further development of the North and South American market areas is under way and the internal organization of the Group has been adjusted accordingly.

Despite the dollar devaluation of 11 percent, revenue in this segment was increased by 11.7 percent, from EUR 20.5m to EUR 22.9m. EBIT grew by 19.8 percent to EUR 1.5m. Compared to the same period in the year before, this indicates a significant EBIT increase in the second quarter at almost equal revenue. A further increase in performance is expected for the quarters ahead.

### Performance by product group

The **Cranes** segment, comprising the knuckle-boom crane, forest and recycling cranes, and, in Brazil, the telescopic crane product divisions, recorded high order intake in the first half of 2004. Revenue was increased by 13.0 percent from EUR 121.9m to EUR 137.8m. This segment was visibly affected by the impact of projects relating to the implementation of SAP, price increases in material costs and longer delivery times for raw materials. The resultant increases in costs can only be partially passed on to the market, and with a time lag. EBIT increased by 1.7 percent, to EUR 18.7m from EUR 18.4m in the same period in the year before.

Great challenges for production in the months ahead include reducing delivery times and achieving timely supplies of materials. Distribution is facing the anticipated stabilization of markets and will also have to carry through the price increases.

The **Hydraulic Systems und Services** segment comprises the Palift, Palgate, Crayler, Railway, Mobiler and Access divisions, as well as Services.

There was an increase in order intake in the Palift Product Division in line with market growth. Especially in France, the good cooperation with truck manufacturers resulted in synergies for increasing order intake.

Order intake significantly increased in the Palgate Division. Product management was strengthened and cost cuts in production are being vigorously implemented.

The Crayler Product Division recorded successes in the development of distribution, especially in Europe, and increased order intake. The division achieved sustained improvement in performance.

Capacity utilization in the Railway Division was high in the first half of 2004. The division recorded an increase in earnings compared to the previous year.

After the product launch of the Access tilting platform in the fourth quarter of 2003 and a promising start in Spain, distribution and sales activities in Europe began in the first half of 2004. The new product is expected to bear fruit in the fall of 2004. Earnings were affected by investments in market development.

The positive development of sales volumes and the increased range of services offered by the Palfinger Group were also reflected in the revenue increase generated by the sale of spare parts. By opening the Service and Demo Center Palfinger has strengthened its position in the industry.

Revenue in the Hydraulic Systems and Services segment rose to EUR 52.8m, an increase of 17.7 percent compared to the first half of 2003. EBIT improved by EUR 1.4m to EUR –1.5m. This positive development was largely the result of the improved earnings achieved by the Palift (Guima), Crayler, Railway and Services Divisions.

### Outlook

As anticipated, the weak results of the first quarter were not only compensated for in the second quarter, but revenue and earnings were even significantly increased compared to the same prior-year period. Based on the current high levels of order intake and the positive effects of the new Global Palfinger Structure, for the entire year management expects an increase in earnings and revenue compared to 2003.

## Balance sheet as of 30 June 2004

EUR '000	30 June 2004	31 Dec 2003	30 June 2003
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	81,408	81,160	78,493
Goodwill	21,513	21,329	22,375
Other intangible assets	1,448	1,462	1,163
Investments	6,278	5,512	5,369
Other non-current assets	3,739	4,938	7,205
Deferred tax	3,660	3,365	4,687
	<b>118,046</b>	<b>117,766</b>	<b>119,292</b>
<b>Current assets</b>			
Inventories	80,660	59,900	62,916
Receivables and other current assets	91,552	81,930	89,942
Cash and cash equivalents	9,340	8,235	7,056
	<b>181,552</b>	<b>150,065</b>	<b>159,914</b>
<b>Total assets</b>	<b>299,598</b>	<b>267,831</b>	<b>279,206</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	18,568	18,568	18,568
Capital reserves	53,757	53,757	53,757
Retained earnings	62,261	52,177	52,538
Valuation reserves for financial instruments	239	965	1,105
Foreign currency translation reserve	(3,885)	(3,576)	(2,814)
Consolidated net profit for the period	10,450	15,283	9,488
	<b>141,390</b>	<b>137,174</b>	<b>132,642</b>
<b>Minority interests</b>	<b>2,418</b>	<b>1,762</b>	<b>1,065</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	17,134	19,007	38,675
Non-current provisions	13,849	12,719	12,050
Deferred tax	262	420	110
Other non-current liabilities	5,467	6,472	6,807
	<b>36,712</b>	<b>38,618</b>	<b>57,642</b>
<b>Current liabilities</b>			
Current financial liabilities	27,025	24,980	19,292
Other current provisions	25,191	21,235	20,180
Other current liabilities	66,862	44,062	48,385
	<b>119,078</b>	<b>90,277</b>	<b>87,857</b>
<b>Total equity and liabilities</b>	<b>299,598</b>	<b>267,831</b>	<b>279,206</b>

## Income statement for the period ended 30 June 2004

EUR '000	2nd quarter		First half	
	April–June 2004	April–June 2003	Jan–June 2004	Jan–June 2003
<b>Revenue</b>	<b>104,213</b>	<b>86,856</b>	<b>190,604</b>	<b>166,822</b>
Changes in inventories	(4,231)	(389)	5,595	339
Own work capitalized	29	92	39	146
Other operating income	3,494	2,526	6,442	3,468
Materials and services	(47,224)	(43,921)	(98,932)	(81,672)
Staff costs	(22,917)	(20,799)	(45,970)	(41,875)
Goodwill amortization expense	(605)	(570)	(1,210)	(1,140)
Depreciation and amortization expense	(2,299)	(2,078)	(4,495)	(4,356)
Other operating expenses	(19,363)	(13,502)	(34,920)	(26,316)
<b>Profit from operations (EBIT)</b>	<b>11,097</b>	<b>8,215</b>	<b>17,153</b>	<b>15,416</b>
Income from investments	443	621	804	856
Interest and other financial expense	(1,074)	(878)	(1,960)	(1,804)
<b>Net finance cost</b>	<b>(631)</b>	<b>(257)</b>	<b>(1,156)</b>	<b>(948)</b>
<b>Profit before tax</b>	<b>10,466</b>	<b>7,957</b>	<b>15,997</b>	<b>14,468</b>
<b>Income tax expense</b>	<b>(3,196)</b>	<b>(2,480)</b>	<b>(4,931)</b>	<b>(4,829)</b>
<b>Profit after tax</b>	<b>7,270</b>	<b>5,477</b>	<b>11,066</b>	<b>9,639</b>
Minority interests	(366)	(177)	(616)	(151)
<b>Consolidated net profit for the period</b>	<b>6,904</b>	<b>5,300</b>	<b>10,450</b>	<b>9,488</b>

EUR

Earnings per share <sup>1</sup>	1.19	1.07
Average number of shares in issue <sup>1</sup>	8,808,321	8,869,140

1 There were no outstanding issues of convertible bonds as of 30 June 2004; the undiluted earnings per share are the same as the diluted earnings per share.

## Cash flow statement

EUR '000	Jan–June 2004	Jan–June 2003
Profit before tax	15,997	14,468
Cash flows from operating activities	12,490	18,002
Cash flows from investing activities	(6,465)	(5,421)
Cash flows from financing activities	(4,920)	(15,053)
<b>Total cash flows</b>	<b>1,105</b>	<b>(2,472)</b>
<b>Changes in funds</b>		
Cash and cash equivalents at beginning of the period	8,235	9,528
Cash and cash equivalents at end of the period	9,340	7,056
	<b>1,105</b>	<b>(2,472)</b>
<b>Free cash flow</b>	<b>7,464</b>	<b>13,777</b>



## Statement of changes in equity

EUR '000	Share capital	Capital reserves	Retained earnings	Valuation reserves for financial instruments acc. to IAS 39	Foreign-currency translation reserve	Consolidated net profit for the period	Minority interests	Total
<b>At 31 December 2001</b>	<b>18,414</b>	<b>52,286</b>	<b>35,830</b>	<b>0</b>	<b>(560)</b>	<b>22,292</b>	<b>0</b>	<b>128,262</b>
Dividend 2001	0	0	0	0	0	(6,791)	0	(6,791)
Profit carryforward from 2001	0	0	15,501	0	0	(15,501)	0	0
Capital increase share issue	154	1,471	0	0	0	0	0	1,625
Share repurchase	0	0	(3,740)	0	0	0	0	(3,740)
Profit after tax 2002	0	0	0	0	0	13,182	366	13,548
Other changes in equity	0	0	(467)	0	(3,302)	0	(366)	(4,135)
<b>At 31 December 2002</b>	<b>18,568</b>	<b>53,757</b>	<b>47,124</b>	<b>0</b>	<b>(3,862)</b>	<b>13,182</b>	<b>0</b>	<b>128,769</b>
Dividend 2002	0	0	0	0	0	(5,285)	0	(5,285)
Profit carryforward from 2002	0	0	7,897	0	0	(7,897)	0	0
Share repurchase	0	0	(2,647)	0	0	0	0	(2,647)
Profit after tax 2003	0	0	0	0	0	15,283	677	15,960
Earnings-neutral value changes								
in financial instruments	0	0	0	965	0	0	0	965
Other changes in equity	0	0	(197)	0	287	0	(677)	(587)
<b>At 31 December 2003</b>	<b>18,568</b>	<b>53,757</b>	<b>52,177</b>	<b>965</b>	<b>(3,576)</b>	<b>15,283</b>	<b>0</b>	<b>137,174</b>
Dividend 2003	0	0	0	0	0	(5,285)	0	(5,285)
Profit carryforward from 2003	0	0	9,998	0	0	(9,998)	0	0
Profit after tax HY1 of 2004	0	0	0	0	0	10,450	616	11,066
Earnings-neutral value changes								
in financial instruments	0	0	0	(726)	0	0	0	(726)
Other changes in equity	0	0	86	0	(309)	0	(616)	(839)
<b>At 30 June 2004</b>	<b>18,568</b>	<b>53,757</b>	<b>62,261</b>	<b>239</b>	<b>(3,885)</b>	<b>10,450</b>	<b>0</b>	<b>141,390</b>

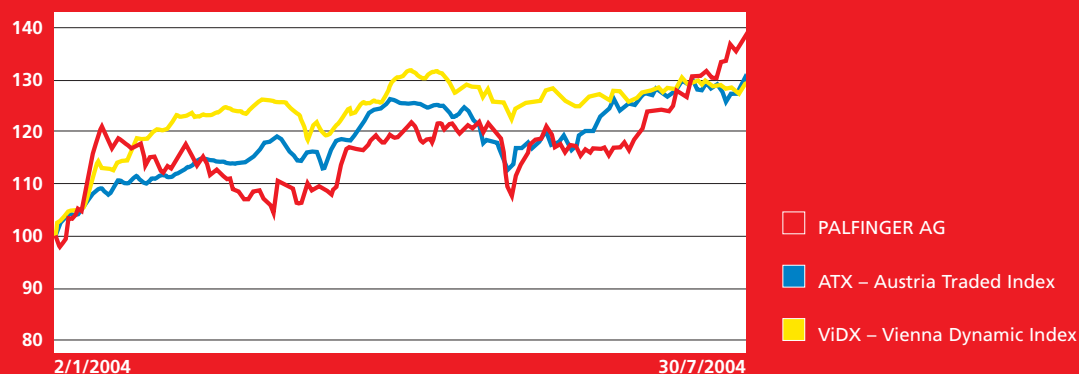
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## Segment reporting

EUR '000	Primary Segmentation				Secondary Segmentation			
	Europe/Rest of the World		North/South America		Cranes		Hydraulic Systems/Services	
	HY1 2004	HY1 2003	HY1 2004	HY1 2003	HY1 2004	HY1 2003	HY1 2004	HY1 2003
Revenue	167,690	146,304	22,914	20,518	137,786	121,948	52,818	44,874
EBIT	15,621	14,137	1,532	1,279	18,686	18,367	(1,533)	(2,951)

For detailed figures of individual quarters of 2003 please visit our homepage [www.palfinger.com](http://www.palfinger.com) and click "Investor Relations", then "Stock", then "Segment Reporting".

## Share price (indexed)



## Shareholder information

### International Securities

Identification Number (ISIN)	AT0000758305
Number of shares issued	9,283,750
Price at close on 30 June 2004	EUR 28.50
Earnings per share (HY1 2004)	EUR 1.19
Market capitalization as of 30 June 2004	EUR 264,586,875

## 2004/2005 Financial calendar

Publication of results for the 3rd quarter of 2004	15 Nov 2004
Press conference on 2004 financial statements	16 March 2005
Annual General Meeting	13 April 2005
Publication of results for the 1st quarter of 2005	11 May 2005
Publication of results for the 1st half of 2005	10 Aug 2005
Publication of results for the 3rd quarter of 2005	15 Nov 2005

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