Report of the First Half of 2006

We are still growing.

PALFINGER

Financial highlights of PALFINGER [1)]

EUR'000	HY1 2006	HY1 2005	HY1 2004	HY1 2003	HY1 2002
Income statement					
Revenue	289,004	253,853	190,604	166,822	165,765
EBITDA	45,777	42,517	22,858	20,911	20,763
EBITDA margin	15.8 %	16.7 %	12.0 %	12.5 %	12.5 %
Profit from operations (EBIT)	39,015	37,233	17,168	14,964	14,921
EBIT margin	13.5 %	14.7 %	9.0 %	9.0 %	9.0 %
Profit before tax	39,025	37,372	16,012	14,427	13,556
Consolidated net profit for the period	28,450	27,513	11,081	9,597	8,439
Balance sheet					
Total assets	393,178	343,458	297,229	278,757	292,990
Non-current assets	146,180	128,337	115,776	117,230	130,152
Liabilities	179,815	165,397	155,790	145,499	165,497
Capital and reserves	213,363	178,062	141,438	131,645	127,493
Equity ratio	54.3 %	51.8 %	47.6 %	47.2 %	43.5 %
Net debt owed	23,271	30,788	32,853	45,735	62,925
Gearing	10.9 %	17.3 %	23.2 %	34.7 %	49.4 %
Cash flow and investment					
Cash flows from operating activities	33,267	16,162	12,490	18,002	20,849
Free cash flow	28,339	10,405	7,464	13,777	14,906
Investment in property, plant, and equipment	7,382	6,321	4,988	6,206	6,008
Depreciation and amortization	6,762	5,284	5,690	5,947	5,842
Payroll					
Average annual payroll [2)]	3,388	2,911	2,464	2,268	2,273
Value					
Net Working Capital (at balance sheet date)	93,184	82,958	60,480	65,327	66,319
Capital Employed (at balance sheet date)	238,118	208,850	174,666	177,611	190,418

1) Previous years' figures were adjusted according to changes in IFRS 3.
2) Staff of consolidated Group companies excluding investments consolidated at equity, as well as apprentices, loaned personnel and part-time employees.

Cover: **Olaf Mulder**, Palfinger dealer in Spain

Economic background

Growth of the global economy, the increasing speed of production growth of goods and services, and volume increases of global export transactions continued during the first half of 2006, affecting practically all regions of the world, especially North America and Asia, with Japan, China, and India as growth motors.

Economic growth also accelerated in the Eurozone, in Germany also because of pre-emptive effects in the wake of tax increases in 2007.

Increased consumption owing to a strong currency and declining inflation rates have greatly improved the economy of Brazil.

Once again, the US dollar depreciated slightly against the Euro, with EUR/US dollar prices rising significantly above 1.25 and approaching 1.28. The value of the Brazilian Real was affected by significant fluctuations and appreciated against the Euro from 2.7 to 2.8.

After the highly successful first four months, worldwide equity indices have entered a period of correction owing to increasing apprehension of inflation, a decline of the US economy, and high raw materials prices.

Oil prices have increased by more than 60 percent since January 2005 to almost 75 US dollars per barrel. Expert forecasts predict further price increases to more than 90 US dollars per barrel until the end of the year. Demand for raw materials in China remains unchanged at a high level. The inflation rate in the Eurozone stood at 2.5 percent at the end of June, significantly above the target mark of 2 percent. Increased interest rates are to curb tendencies of inflation. While the US Federal Reserve is expected to end to interest rate hikes in the near future, the ECB is likely to raise rates several times in the months ahead.

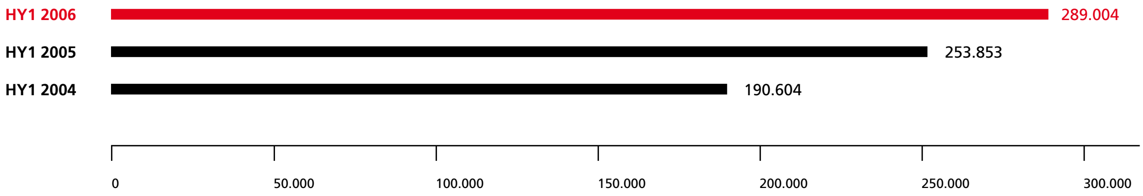
Performance of PALFINGER

Performance of PALFINGER in the second quarter and the entire first half of 2006 is in line with the guiding principle of our 2005 Annual Report, "We have grown quite significantly". In the first two quarters, revenue rose by EUR 35.2m or 13.8 percent to EUR 289.0m. After EBIT was doubled last year to EUR 37.2m, this value was surpassed again with EUR 39.0m, equivalent to an EBIT margin of 13.5 percent. Thus, the results of the first half of 2006 mark the most successful first half year in corporate history.

Especially in the CRANES segment, PALFINGER was able to benefit from positive economic impulses. Ratcliff Palfinger Ltd. acquired in the third quarter of 2005 contributed EUR 13.1m to the total revenue increase of EUR 35.2m.

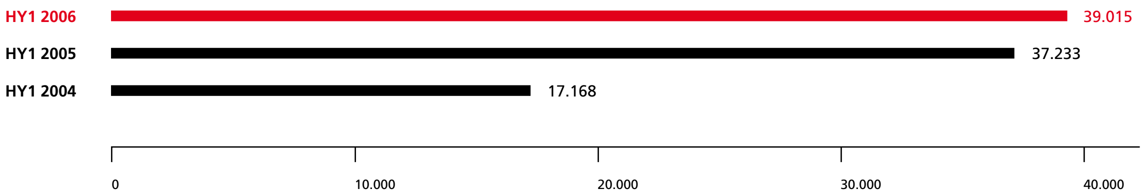
Most of the growth in the first half of 2006 is attributable to the company's core business CRANES in Europe and high capacity utilization in the product groups. Supply bottlenecks of raw materials impeded even better results. Increasingly higher materials prices over the course of 2005, which were gradually and selectively transmitted to markets, resulted in a slight decrease of margins in the CRANES segment. Shifts to higher performance classes positively affected results. The focus of activities remains on increasing process efficiency and effectiveness, and thus increasing profitability in all Areas and product divisions.

EUR'000 **Business development / Revenue**



Record revenue achieved is the result of rigorous implementation of PALFINGER's internationalization, diversification, and innovation strategies. The profitable development of the CRANES business in Europe attributable to high performance classes and a wealth of variations in fittings are reinforced by growth in North America and increasing market penetration of PALFINGER cranes in South America. As usual, results of the first half of 2006 in Brazil were marked by seasonal effects caused by holidays and the carnival. Disproportionate growth was recorded in Eastern Europe and Scandinavia. EPSILON also successfully continued on its road of growth, most recently by entering the offroad business with the presentation of eight new, state-of-the-art cranes for forwarder and yarding vehicles. Revenue and earnings in Services also increased significantly compared to previous year. Nearly all product groups contributed to the revenue increase .

EUR'000 **Business development / EBIT**



Outstanding order books, as well as reduced availability of materials again pushed some locations to the limits of capacity utilization. This development was counteracted with appropriate investments at affected plants. At the same time, the Global Sourcing Initiative was further reinforced, lean activities were continuously intensified based on PALFINGER RAP ("Rapid Processing"), and strategic projects and initiative bundled in the E^2 program to increase efficiency and effectiveness. Reorganization of management teams in North America, the Area Asia & Pacific, and at Guima Palfinger also greatly contributed to positive development.

Group assets, finances, and earnings

Development of assets, finances, and earnings at PALFINGER in the first half of 2006 was again based mainly on revenue increases and high capacity utilization in the product divisions.

Compared to the same previous-year period, revenue was increased by EUR 35.2m to EUR 289.0m. Owing to this increase and consolidation of Ratcliff Palfinger Ltd. from August 1, 2005, net working capital rose to EUR 93.2m (6/2005: EUR 83.0m; 12/2005: EUR 88.2m). Investment in property, plant, and equipment of EUR 7.4m was mostly made up of necessary additions to capacity and rationalization investments owing to productivity increases. Capital Employed at balance sheet date was EUR 238.1m (6/2005: EUR 208.9m; 12/2005: EUR 233.7m).

The cash flow statement and the gearing ratio are indicators of the operative and financial strength of PALFINGER. In the reporting period, operative cash flows stood at EUR 33.3m after EUR 16.2m in the previous-year period. Besides cash-effective investments amounting to EUR 6.1m, dividends were financed in the amount of EUR 15.9m. Free cash flows were EUR 28.3m after EUR 10.4m in the second quarter of 2005. The gearing ratio again reached a historic low at 10.9 percent (6/2005: 17.3 percent; 12/2005: 18.1 percent), underlining PALFINGER's financial strength with an equity ratio of 54.3 percent, and providing a solid foundation for further profitable growth.

Other events

In Austria, the merger of Palfinger Europe GmbH and Palfinger Produktionstechnik GmbH was implemented with GPS Reloaded.

Palfinger Asia Pacific Pte. Ltd. was founded in Singapore in Asia.

In the first half, implementation of the steel construction project at the Lengau / Austria plant began as well as layout planning for Cherven Brjag in Bulgaria. Investments for capacity expansion – with focus on a new center for large components in Maribor / Slovenia – were accelerated. Expansion and rationalization investments are going to further improve process stability, process quality, and flexibility. Human resource development was promoted in the scope of RAP/lean initiatives.

Investor relations were further reinforced in the second quarter of 2006. Highlights included road shows in Europe and North America. Numerous conference calls with investors and analysts underline the keen interest in the PALFINGER share. Since the beginning of the year, the share price has increased by 13 percent to EUR 72.33.

PALFINGER has received a number of awards for outstanding performance and the 2005 Annual Report, such as the Shareholder Value Award of the Austrian economic trade magazine FORMAT, and in the scope of the 2005 Vision Award of the League of American Communications Professionals (LACP) and the Annual Report Competition Award (ARC) of MerComm Inc. The 2005 Sustainability Report was published in July.

Performance by region

Positive development of PALFINGER remains based on the performance of the segment **Europe and the Rest of the World**. The impending transition from the EURO 3 vehicle emission standard to EURO 4 in October 2006 and the introduction of digital speedometers significantly contributed to growth, along with positive economic development in industries relevant for PALFINGER. While fiscal incentives promote adjustment measures of trucks until EURO 5 (in force from October 2009) in long-distance traffic, thus modifying costs, PALFINGER products in short-distance traffic have been profiting from increased orders based on EURO 3, especially markets in Germany, Scandinavia, and Eastern Europe.

In Europe, mainly Spain, France, Germany, Sweden, and Denmark greatly contributed to revenue growth. Positive development in these markets remains due to increased sales of CRANES and EPSILON products.

Compared to the previous-year period, revenue in this segment increased from EUR 223.1m by 14.4 percent to EUR 255.3m. EBIT was increased by 6.9 percent compared to the same period in 2005 to EUR 38.3m. Increased materials costs and investments in process stability, flexibility, and diversification resulted in a decrease of the EBIT margin from 16 to 15 percent.

In the segment **North and South America**, revenue rose by 9.6 percent from EUR 30.7m to EUR 33.7m. Especially the appreciation of the Brazilian Real by 25 percent and increased crane sales in North America contributed to good revenue development. After a negative result in the second half of 2005, EBIT in the first half of 2006 in this segment was positive again at EUR 0.7m.

In North America, highlights include the successful penetration of the Mexican market thanks to the new dealer structure, and positive effects owing to increased market growth in the USA, also because of the impending transition to the US 07 standard, combined with reinforced dealer support and servicing of key accounts.

Market acceptance of PALFINGER cranes was further increased In South America and the stabilization and optimization program was continued. Sao Paolo / Brazil is now a central sales and service base. First orders have been received for Sennebogen telescopic cranes, which are produced under license by Madal Palfinger S.A. and sold in Brazil.

Performance by product group

CRANES segment

In the first half, knuckleboom cranes benefited further from the shift in demand to higher performance classes and higher-grade fittings. The digital tachometer and the new emission standards about to come into effect also had a positive impact on markets. Increased order intake outside of Europe is a result of the internationalization strategy. Despite the increase in production capacities at the end of last year, growing order intake will necessitate further increases and reinforced sourcing initiatives this year.

Development of EPSILON sales was particularly positive in Germany, Great Britain, Austria, Spain, and France. Macroeconomic conditions in the timber and recycling industries are favorable, resulting in an outstanding market situation for EPSILON at an optimal time. The product range featuring a high degree of modularity is now complete and features state-of-the-art technology superior to that of the competition. In addition, eight models of the new offroad generation were presented to the public at "INTERFORST" trade fair in Munich at the beginning of July. With these products, EPSILON enters another segment of timber loading.

During the first half of 2006, revenue in the CRANES segment rose by 10.8 percent to EUR 202.1m. EBIT increased by 6.4 percent to EUR 42.0m.

Hydraulic Systems und Services

The Hydraulic Systems und Services segment recorded revenue growth of 21.6 percent to EUR 86.9m and a far-reaching increase of market shares. Earnings achieved of EUR –3.0m in the first half marked a slight decrease compared to the previous-year period.

The PALIFT division succeeded in stabilizing its output over the course of the first half. Measures to improve efficiency and effectiveness were reinforced together with the new management team on location in France, and are beginning to show first effects.

Developments in the TAILIFT area are marked by the integration of RATCLIFF and concentration of development expertise in Great Britain. Challenging market conditions in Great Britain are met by the experienced local management team of Ratcliff Palfinger Ltd. with measures necessary to stabilize profitability.

While order books in the RAILWAY division were marked by smaller projects in the first quarter of 2006, a major order of more than EUR 2.0m was received in April, enabling more exact planning and better capacity utilization.

Compared to previous year, the CRAYLER segment was marked by positive sales development, especially in Germany as the main market. In North America, further successes were recorded in key account business. Currently the focus of activities is on increasing effectiveness and thus profitability in the entire value chain, with the markets of North America and Europe as central points.

Activities in the BISON division were marked by further successive identification of rationalization potentials, the integration of the division's processes into PALFINGER, and further market development. PALFINGER's increasing entry into the aerial work platforms market has led to aggressive price behavior by competitors. Further efforts are underway to modularize equipment and to decrease assembly times.

Positive development of sales and reinforcement of PALFINGER's service drive are reflected by increased revenue in SERVICES generated by sales of spare parts. The go-live of the next e-claim development level is in line with internationalization and addresses suggestions made to the preliminary version.

Outlook

Based on the positive results of the first half and high order backlog, in the months ahead the Management Board anticipates further significant increases in revenue and earnings compared to the previous-year period, despite anticipated declines in order income owing to seasonal fluctuations.

Developments in the materials sector, capacity expansions, and application of potentials to improve the performance of hydraulic systems segment will be decisive challenges.

From today's point of view, management expects another record in revenue and earnings for the 2006 financial year.

Balance sheet as of 30 June 2006

EUR'000	30 June 2006	31 Dec 2005	30 June 2005
ASSETS			
Non-current assets			
Property, plant, and equipment	92,622	90,052	85,873
Intangible assets	32,058	33,131	22,207
Investments	8,128	7,921	8,424
Other non-current assets	13,372	16,468	11,833
	146,180	**147,572**	**128,337**
Current assets			
Inventories	110,938	99,578	107,956
Receivables and other current assets	113,963	99,887	102,777
Cash and cash equivalents	22,097	1,554	4,388
	246,998	**201,019**	**215,121**
Total assets	**393,178**	**348,591**	**343,458**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18,568	18,568	18,568
Capital reserves	53,757	53,757	53,757
Retained earnings	110,996	78,505	81,193
Valuation reserves for financial instruments	86	(1,955)	(2,102)
Foreign currency translation reserve	(5,728)	(4,495)	(5,124)
Consolidated net profit for the year	28,450	48,143	27,513
Minority interests	7,234	5,477	4,257
	213,363	**197,999**	**178,062**
Non-current liabilities			
Non-current financial liabilities	35,960	14,720	15,874
Non-current provisions	15,462	14,928	14,162
Other non-current liabilities	4,689	4,837	4,697
	56,111	**34,485**	**34,733**
Current liabilities			
Current financial liabilities	12,139	24,649	21,748
Current provisions	35,020	33,121	38,266
Other current liabilities	76,545	58,337	70,649
	123,704	**116,107**	**130,663**
Total equity and liabilities	**393,178**	**348,591**	**343,458**

Income statement

EUR'000	Q2 1/4 – 30/6 2006	Q2 1/4 – 30/6 2005	HY 1/1– 30/6 2006	HY 1/1 – 30/6 2005
Revenue	**148,896**	**132,117**	**289,004**	**253,853**
Changes in inventories and own work capitalized	(751)	18,397	12,224	14,525
Own work capitalized	44	83	67	140
Other operating income	2,815	2,662	4,586	4,589
Materials and services	(77,171)	(86,474)	(160,972)	(146,053)
Staff costs	(29,543)	(25,793)	(60,866)	(52,070)
Depreciation and amortization expense	(3,543)	(2,684)	(6,762)	(5,284)
Other operating expenses	(19,200)	(18,181)	(38,266)	(32,467)
Profit from operations (EBIT)	**21,547**	**20,126**	**39,015**	**37,233**
Income from investments	832	1,040	1,576	1,617
Interest and other financial expenses	(801)	(828)	(1,566)	(1,478)
Net finance cost	**31**	**212**	**10**	**139**
Profit before tax	**21,578**	**20,339**	**39,025**	**37,372**
Income tax expense	**(4,733)**	**(5,127)**	**(8,818)**	**(8,724)**
Profit after tax	**16,845**	**15,212**	**30,207**	**28,648**
Minority interests	(942)	(535)	(1,757)	(1,136)
Consolidated net profit for the year	**15,903**	**14,677**	**28,450**	**27,512**

EUR				
Earnings per share (undiluted)			3.23	3.14
Earnings per share (diluted) [1)]			–	–
Average number of shares in issue (undiluted)			8,816,892	8,808,321
Average number of shares in issue (diluted) [1)]			–	–

1) There were no outstanding issues of convertible bonds as of 30 June 2006; the undiluted earnings per share are the same as the diluted earnings per share.

Cash flow statement

EUR'000	1/1 - 30/6/2006	1/1 - 30/6/2005
Profit before tax	**37,657**	**37,552**
Cash flows from operating activities	33,267	16,162
Cash flows from investing activities	(6,101)	(8,145)
Free cash flow	28,339	10,405
Cash flows from financing activities	(6,622)	(11,834)
Total cash flows	**20,544**	**(3,817)**
Changes in funds		
Cash and cash equivalents at beginning of the period	1,554	8,205
Cash and cash equivalents at end of the period	22,098	4,388
	20,544	**(3,817)**

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 year	Minority interest	Total
At 31 December 2004	**18,568**	**53,757**	**62,118**	**1,298**	**(6,208)**	**27,391**	**3,036**	**159,960**
Dividends 2004	0	0	0	0	0	(9,689)	0	(9,689)
Profit carry forward from 2004	0	0	17,702	0	0	(17,702)	0	0
Reserve for own shares	0	0	56	0	0	0	0	56
Valuation of stock options IFRS	0	0	110	0	0	0	0	110
Profit after tax 31 December 2005	0	0	0	0	0	48,143	2,351	50,494
Earnings-neutral value changes in financial instruments	0	0	0	(3,253)	0	0	0	(3,253)
Adjustment acc. to IFRS 19	0	0	(985)	0	0	0	0	(985)
Other changes in equity	0	0	(497)	0	1,713	0	90	1,306
At 31 December 2005	**18,568**	**53,757**	**78,504**	**(1,955)**	**(4,495)**	**48,143**	**5,477**	**197,999**
At 31 December 2005	**18,568**	**53,757**	**78,504**	**(1,955)**	**(4,495)**	**48,143**	**5,477**	**197,999**
Dividends 2005	0	0	0	0	0	(15,862)	0	(15,862)
Profit carry forward from 2005	0	0	32,281	0	0	(32,281)	0	0
Valuation of stock options IFRS	0	0	262	0	0	0	0	262
Profit after tax at 30 June 2006	0	0	0	0	0	28,450	1,757	30,207
Earnings-neutral value changes in financial instruments	0	0	0	2,041	0	0	0	2,041
Adjustment acc. to IFRS 19	0	0	(36)	0	0	0	0	(36)
Other changes in equity	0	0	(15)	0	(1,233)	0	0	(1,248)
At 30 June 2006	**18,568**	**53,757**	**110,996**	**86**	**(5,728)**	**28,450**	**7,234**	**213,363**

Segment reporting

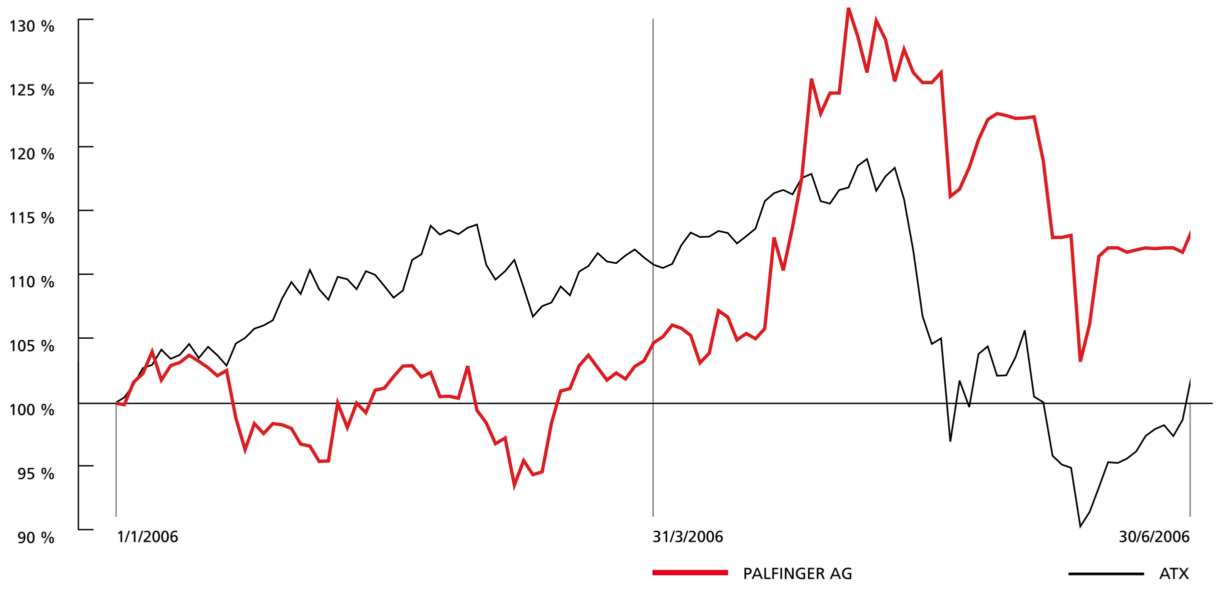
EUR'000	Europe / Rest of the World		North / South America	
Primary segmentation	**HY1 2006**	**HY1 2005**	**HY1 2006**	**HY1 2005**
Revenue	255,342	223,149	33,662	30,704
EBIT	38,272	35,803	743	1,430

EUR'000	Cranes		Hydraulic Systems	
Secondary segmentation	**HY1 2006**	**HY1 2005**	**HY1 2006**	**HY1 2005**
Revenue	202,121	182,431	86,883	71,422
EBIT	41,965	39,435	(2,950)	(2,202)

Q2 2006

International Securities Identification Number (ISIN)	AT0000758305
Number of shares issued	9,283,750
Price at close on 30 June 2006	EUR 72.33
Earnings per share (HY1 2006)	EUR 3.23
Market capitalization as of 30 June 2006	EUR 671,493,638

PALFINGER AG share price (indexed)



Investor Relations

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2006/2007 Financial Calendar

10 November 2006	Publication of the results for the 3rd quarter of 2006
28 February 2007	Press conference on 2006 financial statements
28 March 2007	Annual General Meeting
8 May 2007	Publication of the results for the 1st quarter of 2007
8 August 2007	Publication of the results for the 1st half of 2007
8 November 2007	Publication of the results for the 3rd quarter of 2007

Rounding of individual items and percentages in the interim report may result in minor mathematical differences.

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