PALFINGER

HY-0108

Report on the
First Half 2008

The Building Blocks of Success

PALFINGER Financial Highlights

TEUR	HY1 2008	HY1 2007	HY1 2006	HY1 2005	HY1 2004
Income statement					
Revenue	423,452	340,592	289,004	253,853	190,604
EBITDA	69,246	57,976	45,777	42,517	22,858
EBITDA margin	16.4%	17.0%	15.8%	16.7%	12.0%
EBIT	59,618	50,993	39,015	37,233	17,168
EBIT margin	14.1%	15.0%	13.5%	14.7%	9.0%
Profit before tax	59,510	53,111	39,025	37,372	16,012
Consolidated net profit for the period	42,645	39,235	28,450	27,513	11,081
Balance sheet					
Total assets	591,047	469,223	393,178	343,458	297,229
Non-current operating assets	256,679	184,547	144,934	125,892	114,186
Net working capital (as of the reporting date)	156,069	115,170	93,184	82,958	60,480
Capital employed (as of the reporting date)	412,748	299,717	238,118	208,850	174,666
Liabilities	280,914	205,770	179,815	165,397	155,790
Equity	310,133	263,453	213,363	178,062	141,438
Equity ratio	52.5%	56.1%	54.3%	51.8%	47.6%
Net debt	102,615	36,264	23,271	30,788	32,853
Gearing	33.1%	13.8%	10.9%	17.3%	23.2%
Cash flow and investment					
Cash flows from operating activities	31,513	33,000	33,267	16,162	12,490
Free cash flow	6,126	1,496	28,339	10,405	7,464
Investment in property, plant, and equipment	28,178	33,969	7,382	6,321	4,988
Depreciation, amortisation, and impairment	9,628	6,983	6,762	5,284	5,690
Payroll					
Average payroll during the reporting period [1]	4,490	3,720	3,388	2,911	2,464

[1] Consolidated Group companies excluding equity shareholdings, as well as excluding apprentices, temporary workers, and workers employed for only very short periods.

Economic Background

Hampered by the re-emergence of the financial crisis, inflation on the rise, and high crude oil prices, global economic growth continued to slow down in the first half 2008. Nevertheless, the economic data reported by the individual markets turned out to be more robust than expected given the circumstances.

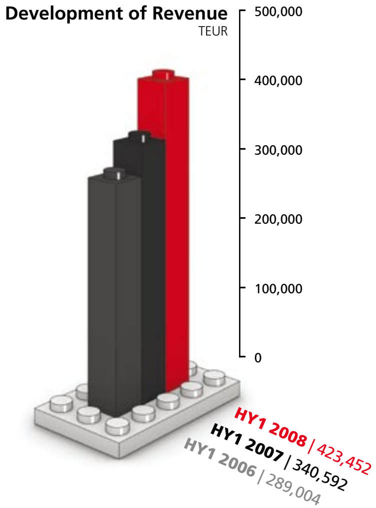
At the beginning of the year it looked as if the US economy could defy the financial crisis. As critical developments at the major US mortgage banks continued and inflation rose – reaching 5.0 percent in June 2008, its highest level since 1991 – the International Monetary Fund once again lowered its GDP forecast for 2008, this time to 4.1 percent.

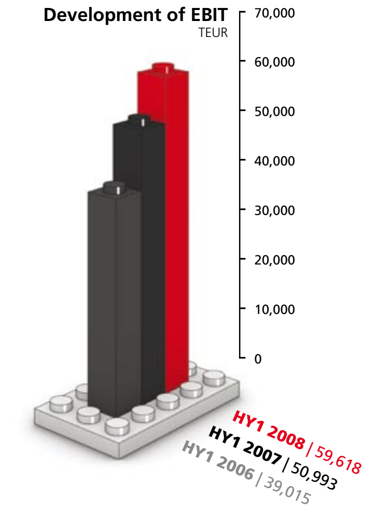
Inflation also hit a record high in the eurozone. According to Eurostat prices rose by an average of 4.0 percent, which was mainly caused by the increase in the cost of oil. In July 2008 the European Central Bank raised its key interest rate by 0.25 percent to 4.25 percent in order to guarantee price stability in the medium term. The European construction industry has been strongly affected, in particular by a now more restrictive lending policy. Euroconstruct made a considerable downward adjustment of its forecasts for 2008 and 2009. Up to 2007 the sector recorded annual growth rates of more than 2.5 percent. The growth rate for 2008 is expected to be just 0.5 percent, mainly due to a decline in residential construction. It is anticipated that the slump will be particularly severe in the strongly growing Spanish market. In contrast, growth is expected to continue in the Eastern European countries.

During the first half 2008 a slowdown was also observed in the Asian markets. Nevertheless, it is expected that growth just above double-digit level will be continued, in particular due to robust economic performance in China. Strong growth in Latin America was mainly generated by the Brazilian economy which showed an increase in GDP of 5.8 percent in the first quarter 2008. It is, however, expected that growth rates will slow down to 4.3 percent, still a promising figure, in the course of the year.

The US dollar has managed to make up lost ground since April 2008; the negative trend has been stopped for the time being. On 30 June 2008 the euro was quoted at USD 1.57 (as compared to USD 1.46 on 1 January 2008 and USD 1.58 on 31 March 2008). The Chinese yuan and the Brazilian real showed similar developments and gained slightly as compared to their low figures at the end of the first quarter. At 30 June 2008 the price for one barrel of Brent was USD 141.39, which corresponds to an increase by just under 50 percent since the beginning of the year.

Reflecting the current uncertainties, international stock markets remained volatile.





Group Performance

In spite of this difficult economic framework, in the first half 2008 the PALFINGER Group once again reported the highest figures, both in terms of revenues and earnings, in the history of the Company. Revenues increased by 24.3 percent, from EUR 340.6 million in the first half 2007 to EUR 423.5 million. EBIT rose to EUR 59.6 million, exceeding the previous year's record figure of EUR 51.0 million by 16.9 percent. The EBIT margin amounted to 14.1 percent as compared to 15.0 percent in the first half of the previous year.

The rise in revenues reflected PALFINGER's strong market position, with the crane business in Europe and the good capacity utilisation in the production areas remaining the supporting pillars of the increases in revenues and earnings. In addition, the MBB Group, which was taken over at the end of 2007, contributed around EUR 33 million to the growth in revenues. However, the tail lift business is characterised by lower margins than the crane business; disregarding the contribution of MBB, the EBIT margin was kept at the previous year's level by means of organic growth. Results were also impacted by the relocation of all tail lift activities to the headquarters of MBB, which took place in the first half year.

Delivery times were reduced considerably in the first half 2008. This was made possible by the increased capacity and the active reduction of the order backlog during the first quarter, but also by market developments.
The performance of the individual markets in which PALFINGER is active varied greatly. While Spain, Great Britain, and Italy suffered severe market declines in part, important markets such as Germany and France as well as the Eastern European countries including Russia continued to highlight the great potential of PALFINGER products. The North American market performed better than expected in the second quarter, in particular in the crane area. South America developed into PALFINGER's second most important growth region, primarily due to the booming Brazilian market and the measures implemented in the region. Pleasing market success was also achieved by the expansion of the Asian market and the efforts taken in Africa.

After having adjusted material prices in the beginning of the year, PALFINGER is not expecting any further increases in prices for materials in 2008 as it has entered into long-term agreements. In addition, PALFINGER has started to deliberately build up inventories of critical components, such as high-tension steel for instance, in order to still be able to use the relatively short delivery times as a competitive advantage in the event of an upcoming market recovery.

Taking a look at the individual quarters it shows that the second quarter 2008, in spite of uncertain market conditions, matches the very strong first quarter. It was mainly due to the high order backlog that both revenues (Q1: EUR 208.9 million; Q2: EUR 214.5 million) and EBIT (Q1: EUR 29.6 million; Q2: EUR 30.0 million) were further increased in the course of the six-month period.

Group Assets, Finances, and Earnings

In spite of difficult market conditions, **revenue** increased by 24.3 percent to EUR 423.5 million (Jan–June 2007: EUR 340.6 million) in the first half 2008. Without taking into consideration the contribution from the MBB Group, which was taken over at the end of 2007, PALFINGER achieved organic growth in revenue of 14.6 percent.

Higher prices for raw materials in the procurement market, the structured stepping-up of inventories as well as the increase in trade receivables caused by higher revenues resulted in a rise in **net working capital** to EUR 156.1 million (31 Dec 2007: EUR 134.7 million). The **capital employed** was EUR 412.7 million on the reporting date (31 Dec 2007: EUR 373.1 million). This increase was caused by investments on the one hand and by the rise in net working capital on the other.

In the period under review, the **operating cash flow** went down from EUR 33.0 million in the same period of the previous year to EUR 31.5 million, which was primarily attributable to the increase in net working capital.

At 52.5 percent as of the reporting date (31 Dec 2007: 55.8 percent), the **equity ratio** remained at a high level. The **gearing ratio** went up due to the utilisation of short-term credit limits as increased funds were required in connection with the comprehensive investment programme, but at 33.1 percent (31 Dec 2007: 26.7 percent) it is still at a very low level.

Material Risks and Uncertainties in the Second Half 2008

The general risk situation has shifted as compared to the first half 2007. While a year ago the main risk factors were the expansion of capacities and the prevention of resulting losses in efficiency and bottlenecks, the most important risks now result from the declining demand in the CRANES segment, primarily in the core markets in Europe. Other focuses of risk management are issues such as productivity and quality of the services provided, the continuation of integration and turnaround projects, as well as consistently high raw material prices and the strengthening of PALFINGER's international values.

As market conditions continue to deteriorate, there is also the balance-sheet risk of having to adjust individual capitalised goodwill to the changed requirements.

Decline in Market Demand

The order intake recorded in the main European markets in recent months indicated a deceleration of market growth. It is assumed that in the second half 2008 it will not be possible to achieve the record results of the first half. In addition, a further decline in order intake would lead to an increase in inventories of raw materials because of existing purchase agreements with some suppliers of raw materials.

By consistently pursuing its internationalisation strategy over the past years, PALFINGER has succeeded in building up new markets in South America and Asia, which can be a cushion against negative developments in the Group's current core market Europe. In Brazil the necessary expansion of capacities and a changeover to new ERP systems are being carried out in order to be able to cope with market growth. Additional perspectives are being pursued in the VENTURES segment, which will have positive effects in the future.

Productivity and Quality of the Services Provided

A vital factor of PALFINGER's success is the high quality of its products and processes. In particular in times of low or declining order volumes there is the chance of placing increased focus on enhancing the quality and also in particular the productivity of processes. This is why the quality and process projects that have already been started will be further intensified.

Continuation of Integration Projects

The continuation of the ongoing integration projects is of crucial importance for the successful development of the Group. The identified potential synergies must be exploited. Professional project management is to ensure that the targets set will be reached.

Continuation of Turnaround Projects

Another important factor of success is the continuation of turnaround projects with consistent implementation and effective control mechanisms. The success achieved so far shows that the Group is headed in the right direction.

Changes in Prices and Margins

As raw material prices remain high and capacity utilisation deteriorates due to the market decline, fixed-cost recovery is also reduced. This increases the risk of not being able to keep up the currently high profit margins.
The high quality of its products and services has positioned PALFINGER very well as compared to its competitors.
In order to be able to maintain this competitive edge, PALFINGER has to sustain and expand its technology leadership. The new product innovations *High Performance* crane series and EPSOLUTION timber and recycling cranes will consolidate this position.

Corporate Culture and Values

PALFINGER is dealing intensively with the consolidation of its value system which is based on the cornerstones of entrepreneurship, respect, and learning. PALFINGER's value-oriented management is supported by various activities and projects for the employees. The aim is to counteract signs of pessimism when order intake is on the decline. Highly motivated employees are a decisive factor for generating sustainable competitive advantages.

A continuously developing risk management system, which is uniformly organised throughout the Company, ensures that risk management strategies are developed and implemented in the best possible manner. At the moment, there are no discernible risks that might jeopardise the continued existence of the Company.

Other Events

Herbert Ortner, Chief Marketing Officer since 2003, was appointed the new Chief Executive Officer of PALFINGER AG with effect as of 19 June 2008. He succeeds Wolfgang Anzengruber, who will leave the Management Board of PALFINGER AG in August 2008 to take over a position at the top of the Austrian energy group Verbund at the beginning of 2009. Starting from 1 January 2009, his present position as Chief Financial Officer will be held by Christoph Kaml, who is currently in charge of managing the North America area.

Since the beginning of 2008 the international growth strategy of the tail lift product area has been supported by the acquisition of the MBB Group. Organised as an independent unit, the strengths of MBB are successfully and efficiently bundled with the competences of PALFINGER. In the second quarter the assembly of the former PALGATE products was transferred to MBB in Ganderkesee, Germany. It is planned to exploit additional synergies arising from the cooperation of these companies, primarily in the services area, in the months to come.

In June 2008 the takeover of the ELEVANT unit of the German WUMAG GmbH was announced. The acquisition is subject to the approval of the antitrust authorities and will sustainably strengthen PALFINGER's aerial work platform business and complete its product portfolio in the upper performance class. In Central Europe, this will make PALFINGER the number one in this sector with a market share of around 15 percent.

Under its investment programme launched in 2006 PALFINGER will make further investments worth around EUR 60 million in 2008. After having focused on capacity expansion in the past two years, the new emphasis will be on process improvements and further quality enhancements and consequently also on potential for rationalisation.

The cancellation of 1,405,000 of PALFINGER AG's own shares, which had been resolved on by the Annual General Meeting on 26 March 2008, was carried out on 28 May 2008. This resulted in an adjustment of the capital structure of the Company.

In recognition of its outstanding performance and the good investor-relations strategy pursued during 2007 PALFINGER received the Stock Exchange Award of the Vienna Stock Exchange and took third place in the Shareholder Value Award of the Austrian magazine FORMAT. In spite of the continued success of the Company and intensive communications with investors, the PALFINGER share could not avoid the trends on the stock markets in the first half 2008 and recorded a decline in prices of more than 15 percent. On 30 June 2008 the share closed at EUR 21.10 as compared to a share price of EUR 25.62 at the end of 2007. As of 25 March 2008 the share was re-included in the ATX, the leading stock market index of the Austrian Stock Exchange.

Every two years PALFINGER prepares a sustainability report in order to present sustainable trends and developments. The report for the period 2006/07, which is certified by the Global Reporting Initiative, was published at the end of July and can be ordered from Investor Relations or at www.palfinger.com, Investor Relations, Info Service.

In the first quarter 2008 PALFINGER formed a new segment called VENTURES, which comprises all strategic initiatives of the Group – both regional and product-related – from their development phase to operational maturity.
At the same time, segment reporting was focused on the product divisions and the newly created segment, thereby harmonising the external reporting with the internal controlling structure. The previous year's figures for the segments CRANES and HYDRAULIC SYSTEMS & SERVICES have been adjusted accordingly.

Performance by Segment

CRANES

The high order backlog at the beginning of the year in combination with increased capacity and productivity as compared to the previous year, made yet another record half year possible in this segment. In the first half 2008 revenues in the CRANES segment increased by 17.1 percent as compared to the same period of the previous year, from EUR 248.5 million to EUR 291.0 million. EBIT rose from EUR 50.8 million to EUR 61.1 million, which corresponds to an increase of 20.3 percent. These excellent results reflect the increased share of timber and recycling cranes and the positive development of the South American market and have resulted in a further improvement of the EBIT margin.

In the field of truck-mounted cranes, the uncertain market development resulted in a shift of the product mix towards smaller cranes in the second quarter. In Europe, increases in revenues were posted primarily by Germany, France, Scandinavia, and Eastern Europe including Russia, while in South America the main contributing countries were Chile and Brazil. The promising markets in Asia and Africa also showed pleasing performances. In contrast, serious losses were incurred primarily in Spain, Great Britain, and Italy. The cancellation of wildcard orders by dealers as encouraged by PALFINGER, the capacity increases achieved, and the less overheated market demand resulted in a distinct general reduction of delivery times. Capacity planning for the upcoming quarters of 2008 has been adapted to the changed market situation in several steps.

The EPSILON business continued to be characterised by improved market conditions, as reflected by the high number of new orders placed particularly in the traditional onroad area. The capacity and process adaptations carried out led to a considerable increase in assembly volumes, mainly in the second quarter. The presentation of the new crane series EPSOLUTION made it possible to further expand the innovative advantage over competitors. The changeover of all models will take place in a “big bang” in the third quarter 2008.

In the area of the South American telescopic cranes, the cooperation with SENNEBOGEN has proven a material success factor. Based on the high order backlog and the resulting long delivery times, PALFINGER started to demand prepayments for new orders in the second quarter.

HYDRAULIC SYSTEMS & SERVICES

In the HYDRAULIC SYSTEMS & SERVICES segment revenue went up by 43.8 percent as compared to the first half 2007, from EUR 92.1 million to EUR 132.5 million. Around EUR 33 million of this increase were contributed by the acquisition of the MBB Group at the end of 2007. EBIT came to EUR 0.1 million, which is slightly below the previous year’s figure of EUR 0.9 million. This decrease was caused primarily by the transfer of all former Continental European tail lift activities to the MBB headquarters in Germany and the subsequent discontinuation of PALGATE production in Austria, which was completed during the period under review. The major part of the transfer costs was incurred in the first quarter 2008 and in the second quarter the loss suffered in the first quarter was compensated by an EBIT of EUR 1.3 million.

The PALIFT division was able to intensify its market development strategy on the basis of the process improvements achieved in manufacturing. First successes were recorded at the end of the second quarter. Given the increased production costs, in particular on the part of the suppliers, it is currently tried to identify further potential for improvement.

In the TAIL LIFT product division the implementation of the internationalisation strategy is in full swing with the consolidation of MBB. The phase-out of the former product line PALGATE and the poor development of the US dollar prevented the results from being even more pronounced. In the RATCLIFF area, output figures were raised considerably as compared to the first half 2007.

In the RAILWAY business, existing orders were filled in the first half 2008 and new orders were obtained. Due to changes in the product mix regarding both products and countries there was a short-term decrease in contribution margins in spite of an increase in revenues. The order backlog guarantees a good performance in the second half 2008 and suggests an increase in revenues of at least 50 percent for 2009.

The CRAYLER area in North America is still affected by weak demand. A reduction in market volume was also noticeable in Europe in the second quarter, which will now be counteracted by the launch of a targeted marketing campaign.

In the BISON division the first aerial work platforms for the trend-setting 3.5 t TA series were delivered in the first quarter 2008. Bottlenecks in the supply of telescopes and further adjustments of the new platforms dampened expected revenues in the first half year. Nevertheless the success of the product and process measures was seen in the improvement of results as compared to the first half of the previous year. With the acquisition of the ELEVANT unit of the German WUMAG GmbH, which is subject to the approval of the antitrust authorities, PALFINGER has achieved another milestone in this field.

The SERVICES area improved considerably, in particular in the second quarter, as compared to the previous quarter. Although the development and expansion of the supporting service activities, in particular in Asia and South America, has been completed, it still reduces results, but in the long-term it will contribute to an improvement of revenues and earnings.

VENTURES

In the VENTURES segment, which was established within the Group's organisation at the beginning of this year, PALFINGER bundles all future projects at their development stages. The aim of separating this area from the operating business is to guarantee a targeted focus on building up new fields of business and continuing market development.

Moreover, a special pool of employees, composed of internal and external members, will be set up for the strategic activities, which amongst other things will closely cooperate with external educational institutes. This is done primarily to ensure the availability of sufficient personnel in order to meet PALFINGER's growth targets. In the second quarter the first participants were admitted to this programme.

In the first half 2008 PALFINGER expanded its assembly plant in Shenzhen, China, into a production location, drawing on previously gained market experience. The advantage is that specific features of the market can be taken into account and dependency on third-party suppliers reduced. The first hook loaders manufactured at this plant will be delivered at the end of 2008.

The acquisition of the ELEVANT unit of WUMAG was made in the second quarter 2008; the final approval of the relevant authorities is expected to be granted in the summer months. After closing of this transaction, this product area will be assigned to the aerial work platform division within the HYDRAULIC SYSTEMS & SERVICES segment.

As the projects included in this segment do not generate revenues, only their costs are reported. In the first half 2008 EBIT in the VENTURES segment amounted to EUR – 1.6 million as compared to EUR – 0.7 million in the first quarter. This rise reflects the increase in activities.

Outlook

From today's point of view, the future market development is regarded as ambivalent. In spite of weaknesses in individual markets such as Spain, Great Britain, Italy, and the US, leading indicators point to a reversal of the trend, in particular in the US. The market situation in Central and Eastern Europe is expected to remain stable even though the overheating will not be as strong as in the previous year. Similar to Europe in the previous year, the market in South America is growing solidly. The macro-economic development will remain an important factor for the further business development in the second half 2008.

On the basis of the strong first six months and the inorganic growth achieved in 2008, management expects double-digit revenue growth throughout 2008, even though the growth rates will fall short of those recorded in previous periods. The uncertain market situation is likely to result in a reflection of seasonal differences with higher growth figures in the first half in decreased organic revenues in the second half 2008.

The turnaround in HYDRAULIC SYSTEMS is also going to support the development of results throughout 2008. At the same time, however, it must be taken into consideration that PALFINGER has increased the importance of tail lifts, which generate lower margins than cranes, within the Group by acquiring MBB. In addition, the fair value valuation in the course of the initial consolidation of WUMAG will probably result in a dilution of the EBIT margin. Against this backdrop and taking into consideration the weaker market environment, management expects a decline in the consolidated EBIT margin.

The investment programme currently still underway will be completed in 2008. On the basis of the increases in capacities already achieved, the focus will now be increasingly on exploiting the potential for optimising the effectiveness and efficiency of the production processes. This will put PALFINGER in a position to continue to shorten delivery periods.

In particular under the currently difficult market circumstances the PALFINGER Group will benefit from its well-established regional, product-oriented, and financial position which enables it to actively participate in the consolidation process and makes PALFINGER a successful business partner in the long-term.

Consolidated Balance Sheet

<< back forward >> search print

TEUR	Note	30 June 2008	31 Dec 2007	30 June 2007
ASSETS				
Non-current assets				
Intangible assets		52,586	54,609	30,275
Property, plant, and equipment		167,505	149,990	126,688
Investment properties	1	1,104	0	0
Investments in associated companies	2	14,522	11,951	10,559
Deferred tax assets		18,738	19,663	15,159
Other non-current assets		2,795	2,732	2,685
		257,250	**238,945**	**185,366**
Current assets				
Inventories	3	174,477	151,894	135,748
Receivables and other current assets	4	152,735	133,112	122,050
Current tax receivables		1,561	1,121	7,258
Cash and cash equivalents		4,341	2,559	18,801
		333,114	**288,686**	**283,857**
Non-current assets held for sale	5	683	683	0
		333,797	**289,369**	**283,857**
Total assets		**591,047**	**528,314**	**469,223**
EQUITY AND LIABILITIES				
Equity				
Share capital	6	35,730	37,135	37,135
Additional paid-in capital	6	30,137	35,190	35,190
Retained earnings	6	245,877	221,607	190,111
Revaluation reserve		(112)	(112)	0
Valuation reserves pursuant to IAS 39		526	519	585
Foreign currency translation reserve		(6,787)	(4,923)	(3,055)
		305,371	**289,416**	**259,966**
Minority interests		4,762	5,640	3,487
		310,133	**295,056**	**263,453**
Non-current liabilities				
Non-current financial liabilities		35,318	38,315	31,156
Non-current provisions		21,972	21,103	15,458
Deferred tax liabilities		5,077	5,668	245
Other non-current liabilities		1,144	1,176	4,087
		63,511	**66,262**	**50,946**
Current liabilities				
Current financial liabilities		72,963	43,598	24,751
Current provisions		14,614	14,063	16,919
Current tax liabilities		16,331	10,059	15,498
Other current liabilities	7	113,495	99,276	97,656
		217,403	**166,996**	**154,824**
Total equity and liabilities		**591,047**	**528,314**	**469,223**

Consolidated Income Statement

TEUR	Note	Apr–June 2008	Apr–June 2007	Jan–June 2008	Jan–June 2007
Revenue	8	**214,508**	**178,196**	**423,452**	**340,592**
Changes in inventories		(706)	4,298	11,230	11,322
Own work capitalised		0	12	10	36
Other operating income		2,275	1,654	5,310	3,813
Materials and external services		(113,300)	(96,155)	(231,338)	(185,264)
Staff costs		(41,252)	(34,075)	(84,950)	(68,360)
Depreciation, amortisation, and impairment expenses		(4,934)	(3,749)	(9,628)	(6,983)
Other operating expenses		(26,612)	(23,157)	(54,468)	(44,163)
Earnings before interest and taxes (EBIT)		**29,979**	**27,024**	**59,618**	**50,993**
Income from associated companies		1,520	976	2,570	4,069
Interest and other financial expenses		(1,624)	(1,571)	(2,678)	(1,951)
Net financial result		**(104)**	**(595)**	**(108)**	**2,118**
Profit before income tax		**29,875**	**26,429**	**59,510**	**53,111**
Income tax expense	9	(7,930)	(5,934)	(14,243)	(11,996)
Profit after income tax		**21,945**	**20,495**	**45,267**	**41,115**
attributable to					
Minority interests		**1,563**	**906**	**2,622**	**1,880**
Shareholders of PALFINGER AG (consolidated net profit for the period)		**20,382**	**19,589**	**42,645**	**39,235**

Earnings per share in EUR	Note			Jan–June 2008	Jan–June 2007
Earnings per share (undiluted and diluted)	6			1.21	1.11
Average number of outstanding shares (undiluted and diluted)				35,340,740	35,329,356

Consolidated Cash Flow Statement

TEUR	Jan–June 2008	Jan–June 2007
Profit before income tax	**59,510**	**53,111**
Cash flows from operating activities	31,513	33,000
Cash flows for investing activities	(27,392)	(33,393)
Cash flows for financing activities	(2,322)	(11,342)
Total cash flows	**1,799**	**(11,735)**
Funds		
At 1 January	2,559	30,536
Effects of exchange rate fluctuations	(17)	0
At 30 June	**4,341**	**18,801**

Consolidated Statement of Changes in Equity

TEUR	Share capital	Additional paid-in capital	Retained earnings	Revaluation reserve	Valuation reserves pursuant to IAS 39	Foreign currency translation reserve	Total	Minority interests	Equity
	Equity attributable to the shareholders of PALFINGER AG								
At 1 Jan 2007	**18,568**	**53,757**	**171,034**	**0**	**776**	**(6,053)**	**238,082**	**3,882**	**241,964**
Total recognised income and expense for the period									
Income and expense directly recognised in equity									
Valuation gains/(losses)									
from cash flow hedges	0	0	0	0	(191)	0	**(191)**	0	**(191)**
Stock options acc. to IFRS 2	0	0	34	0	0	0	**34**	0	**34**
Other changes	0	0	0	0	0	2,998	**2,998**	0	**2,998**
	0	**0**	**34**	**0**	**(191)**	**2,998**	**2,841**	**0**	**2,841**
Profit after income tax	**0**	**0**	**39,235**	**0**	**0**	**0**	**39,235**	**1,880**	**41,115**
	0	**0**	**39,269**	**0**	**(191)**	**2,998**	**42,076**	**1,880**	**43,956**
Transactions with shareholders									
Dividends	0	0	(19,409)	0	0	0	**(19,409)**	(2,275)	**(21,684)**
Capital increase	18,567	(18,567)	0	0	0	0	**0**	0	**0**
Other changes	0	0	(783)	0	0	0	**(783)**	0	**(783)**
	18,567	**(18,567)**	**(20,192)**	**0**	**0**	**0**	**(20,192)**	**(2,275)**	**(22,467)**
At 30 June 2007	**37,135**	**35,190**	**190,111**	**0**	**585**	**(3,055)**	**259,966**	**3,487**	**263,453**
At 1 Jan 2008	**37,135**	**35,190**	**221,607**	**(112)**	**519**	**(4,923)**	**289,416**	**5,640**	**295,056**
Total recognised income and expense for the period									
Income and expense directly recognised in equity									
Valuation gains/(losses)									
from cash flow hedges	0	0	0	0	7	0	**7**	0	**7**
Stock options acc. to IFRS 2	0	0	22	0	0	0	**22**	0	**22**
Other changes	0	0	(234)	0	0	(1,864)	**(2,098)**	0	**(2,098)**
	0	**0**	**(212)**	**0**	**7**	**(1,864)**	**(2,069)**	**0**	**(2,069)**
Profit after income tax	**0**	**0**	**42,645**	**0**	**0**	**0**	**42,645**	**2,622**	**45,267**
	0	**0**	**42,433**	**0**	**7**	**(1,864)**	**40,576**	**2,622**	**43,198**
Transactions with shareholders									
Dividends	0	0	(24,731)	0	0	0	**(24,731)**	(3,500)	**(28,231)**
Simplified capital decrease	(1,405)	(5,053)	6,458	0	0	0	**0**	0	**0**
Other changes	0	0	110	0	0	0	**110**	0	**110**
	(1,405)	**(5,053)**	**(18,163)**	**0**	**0**	**0**	**(24,621)**	**(3,500)**	**(28,121)**
At 30 June 2008	**35,730**	**30,137**	**245,877**	**(112)**	**526**	**(6,787)**	**305,371**	**4,762**	**310,133**

In accordance with the management approach as provided for by IFRS 8, financials are presented for the three segments CRANES, HYDRAULIC SYSTEMS & SERVICES, as well as VENTURES. The segment VENTURES was added to the previous secondary segments in the first quarter 2008, and the values of the previous period modified accordingly.

The VENTURES segment contains in particular new product development and strategic projects outside the previous segments as well as strategic human resource development for the implementation of PALFINGER's strategic objectives.

	Revenue	Revenue	EBIT	EBIT
TEUR	**Jan–June 2008**	**Jan–June 2007**	**Jan–June 2008**	**Jan–June 2007**
CRANES	290,958	248,467	61,088	50,761
HYDRAULIC SYSTEMS & SERVICES	132,494	92,125	146	909
VENTURES	–	–	(1,616)	(677)
PALFINGER Group	**423,452**	**340,592**	**59,618**	**50,993**

General

PALFINGER AG is a public listed company headquartered in Salzburg, Austria, whose main business activity is the production of innovative hydraulic lifting, loading, and handling solutions along the interfaces of the transport chain.

Reporting Bases

In principle, the same accounting and valuation methods as used in the consolidated financial statements for the 2007 financial year were applied to these interim consolidated financial statements of PALFINGER AG and its subsidiaries as of 30 June 2008, which were prepared on the basis of IAS 34. The consolidated financial statements as of 31 December 2007 were prepared in line with the International Financial Reporting Standards (IFRS) valid at the reporting date and the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) to be applied within the European Union (EU). For further information on the individual accounting and valuation methods applied, reference is made to the consolidated financial statements of PALFINGER AG as of 31 December 2007.

The interim consolidated financial statements of PALFINGER AG were reviewed by the Group's auditor Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Salzburg, Austria.

Changes in Accounting and Valuation Methods

IFRS 8 was introduced as of 1 January 2008, i.e. sooner than required, and segment reporting adjusted to internal reporting. This change in reporting did not have any effect on earnings and did not change equity in the comparison period. Apart from that no changes in accounting and valuation methods were made.

Scope of Consolidation

The number of companies included in the interim consolidated financial statements has changed since the last balance sheet date as Star Palfinger Equipment India Pvt. Ltd., India, was founded.

On 14 September 2007 PALFINGER entered into a distribution joint venture agreement with one of the leading automobile trading companies in India, Western Auto L.L.C., Dubai. Western Auto L.L.C. is part of the ETA-Ascon-Group. The Dubai-based group operates in India in the construction, transport, real estate, and automotive business sectors. Star Palfinger Equipment India Pvt. Ltd., India, was founded on 15 May 2008 and is owned by Palfinger Asia Pacific Pte. Ltd. (26 percent), Western Auto L.L.C. (23 percent), and Mr. Hameed Salahuddin (51 percent), a member of the family owning Western Auto L.L.C. The joint venture comprises import, marketing, distribution, and service, for the time being, for selected PALFINGER crane models.

On 24 June 2008 PALFINGER finalised the takeover of the ELEVANT unit of the German WUMAG GmbH, one of the three largest manufacturers of truck-mounted aerial work platforms. The acquisition is subject to the approval of Austrian and German antitrust authorities. WUMAG has three production sites in Germany and focuses on truck-mounted platforms (17 to 100m working height), van mounts, as well as aerial fire-fighting platforms. This will thus be a good supplement to PALFINGER's BISON aerial work platform portfolio and the production and sales capacities existing in Germany. With a staff of 225 employees the ELEVANT unit of WUMAG achieved revenues of EUR 44.0 million in 2007.

WUMAG produces and distributes, among other products, a broad range of aerial work platforms, and the large-size platforms, in particular, will complete PALFINGER's product portfolio. The 7.5 t series – the comparable equivalent of BISON – is situated in another market segment. In addition to BISON, PALFINGER plans to keep WUMAG as a second brand in the field of aerial work platforms, while at the same time making use of synergies from common research and development, purchase, production, sales, and servicing. This will also be made possible by the geographical proximity of the production sites. Consequently, WUMAG will continue to exist as a separate brand, and the three current sites will be maintained as well.

Notes to the Consolidated Balance Sheet

(1) Investment Properties
The business site at Rijeka, Croatia, leased by Palfinger proizvodna tehnologija Hrvatska d.o.o., Croatia, to a related party has been recognised as investment property since January 2008.

Property held as investment property is measured at cost less accumulated depreciation. The depreciation on buildings is performed on a straight-line basis over a period ranging from eight to 50 years. The fair value of property held as investment property is determined by expert opinions that are prepared internally and using an income-cost approach.

(2) Investments in Associated Companies

The changes in investments in associated companies are shown in the following table:

TEUR	2008	2007
At 1 Jan	**11,951**	**8,054**
Additions	117	0
Share in the net profit or loss for the period	2,570	5,755
Dividends	0	(1,564)
Foreign currency translation	(116)	(45)
Change in consolidation method	0	(249)
At 30 June / 31 Dec	**14,522**	**11,951**

(3) Inventories

Inventories are broken down as follows:

TEUR	30 June 2008	31 Dec 2007
Materials and production supplies	70,405	59,123
Work in progress	43,258	30,687
Finished goods and goods for resale	60,438	61,769
Prepayments	376	315
Total	**174,477**	**151,894**

(4) Receivables and Other Current Assets

Receivables and other current assets comprise the following:

TEUR	30 June 2008	31 Dec 2007
Trade receivables	128,369	113,918
Receivables from associated companies	9,136	5,658
Receivables from derivative financial instruments	819	917
Receivables relating to social security and other taxes	8,941	7,515
Other receivables	3,086	3,065
Deferred expenses	2,313	1,957
Securities	71	82
Total	**152,735**	**133,112**

Receivables from associated companies in the amount of TEUR 9,136 (31 December 2007: TEUR 5,658) are due for merchandise sold or services performed.

Based on experience, allowances for doubtful debts were made in the amount of TEUR 4,292 (31 December 2007: TEUR 3,649).

(5) Non-current Assets Held for Sale

The properties in Weng, Austria, are expected to be sold in the 2008 financial year.

(6) Equity

In the Annual General Meeting on 26 March 2008, a dividend distribution from the consolidated net profit for the year of TEUR 24,731 was proposed and paid to the shareholders of PALFINGER AG on 2 April 2008. This corresponds to a dividend of EUR 0.70 (2007: EUR 0.55 after the stock split) per share.

As resolved by the Annual General Meeting of 26 March 2008, the simplified decrease of the issued share capital of PALFINGER AG pursuant to section 192 paragraph 3 (2) and section 192 paragraph 4 of the Austrian Stock Corporation Act (AktG) by TEUR 1,405, from TEUR 37,135 to TEUR 35,730, by cancelling 1,405,000 own shares was carried out with effect as of 28 May 2008. PALFINGER has retained the remaining own shares for purposes of stock option programmes.

Own shares deducted from retained earnings developed as follows:

Shares	2008	2007
At 1 Jan	**1,805,000**	**461,411**
Exercise of stock option	(24,000)	(10,000)
Compensation of minority shareholder	0	(161)
Simplified capital decrease	(1,405,000)	0
	376,000	**451,250**
4-for-1 stock split as of 29 June 2007		1,805,000
At 30 June / 31 Dec	**376,000**	**1,805,000**

On the basis of the consolidated net profit for the period in the amount of TEUR 42,645 (Jan–June 2007: TEUR 39,235) undiluted earnings per share were EUR 1.21 (Jan–June 2007: EUR 1.11). Diluted earnings per share were identical with undiluted earnings per share.

(7) Other Current Liabilities
Other current liabilities are broken down as follows:

TEUR	30 June 2008	31 Dec 2007
Trade payables	76,033	65,036
Liabilities to associated companies	764	888
Prepaid orders	3,027	2,479
Liabilities on accepted bills of exchange	104	392
Liabilities to employees	17,932	17,841
Liabilities relating to social security and other taxes	11,912	8,733
Other liabilities	3,563	3,588
Deferred income	160	319
Total	**113,495**	**99,276**

Liabilities due to associated companies in the amount of TEUR 764 (31 December 2007: TEUR 888) resulted from the provision of goods and services.

Notes to the Consolidated Income Statement

(8) Revenue and Seasonal Differences
Seasonal fluctuations in the revenues of PALFINGER AG occur due to the company holiday in the third quarter and the shutdown during the Christmas break in the fourth quarter.

(9) Income Tax Expense
The Group's effective tax rate, in other words, the total income tax expense expressed as a percentage of the profit before income tax, was 23.9 percent (Jan-June 2007: 22.6 percent).

TEUR	Jan–June 2008	Jan–June 2007
Profit before income tax	59,510	53,111
Income tax expense	(14,243)	(11,996)
Effective tax rate	**23.9%**	**22.6%**

Contingent Assets and Liabilities
There were no contingent assets as of 30 June 2008. The contingent liabilities have not changed considerably as compared to 31 December 2007.

For further information reference is made to the consolidated financial statements of PALFINGER AG as of 31 December 2007.

Stock Option Programme
In 2003 PALFINGER AG implemented a stock option programme for members of the Management Board.
For further information on this stock option programme reference is made to the consolidated financial statements of PALFINGER AG as of 31 December 2007.

The stock options developed as follows:

Number of stock options	2008	2007
At 1 Jan	**28,000**	**38,000**
Options granted	0	0
Options expired	0	0
Options exercised	6,000	10,000
Options lapsed	0	0
At 30 June / 31 Dec	**22,000**	**28,000**

By means of exercise declaration of 10 April 2008, Mr. Eduard Schreiner exercised 6,000 stock options and had 24,000 shares from the own shares of PALFINGER AG transferred to him for a purchase price of EUR 3.82 per share.

	Herbert Ortner	**Wolfgang Pilz**	**Wolfgang Anzengruber**
Number of stock options	6,000	6,000	10,000
Exercise price in EUR after stock split	5.78	5.78	9.84
Exercise period within 12 weeks after the Annual General Meeting	2009	2009	2010
Price of a Bermudan option in EUR as of the valuation date *	7.08	7.08	12.7
Underlying volatility	28.00%	28.00%	27.10%
Valuation date	16 Apr 2004	16 Apr 2004	13 Apr 2005
Price in EUR at valuation date after stock split	6.93	6.93	11.50

*) Valuation model used at the key date: binomial model

Related Parties

As regards business transactions with related parties, no substantial changes occurred in comparison to 31 December 2007, with the exception of the leasing of the site in Rijeka, Croatia. All transactions with related parties are carried out on generally accepted market conditions. For further information on the individual business relations please see the consolidated financial statements of PALFINGER AG as of 31 December 2007 and note 1 to the interim consolidated financial statements.

Subsequent Events

There have been no material post-reporting period events which would require disclosure.

We confirm, to the best of our knowledge, that the interim consolidated financial statements as of 30 June 2008, prepared in accordance with the applicable accounting standards, give a true and fair view of the Group's assets, finances, and earnings and that the management report as of 30 June 2008 gives a true and fair view of the Group's assets, liabilities, and earnings with a view to important events that have occurred during the first six months of the 2008 financial year and their impact on the interim consolidated financial statements as of 30 June 2008, the principal risks and uncertainties for the remaining six months of the 2008 financial year, and the disclosed material transactions with related parties.

Salzburg, 23 July 2008

The Management Board of PALFINGER AG

Herbert Ortner m.p. **Wolfgang Anzengruber m.p.** **Wolfgang Pilz m.p.** **Martin Zehnder m.p.**

Report on the Audit Review (Translation)

Introduction

We have reviewed the accompanying interim consolidated financial statements of PALFINGER AG, Salzburg, Austria for the six-month period from 1 January 2008 to 30 June 2008. These interim consolidated financial statements comprise the balance sheet as of 30 June 2008, and the income statement, statement of changes in equity, and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
Our responsibility is to issue a conclusion on this interim financial information based on our review.

Scope of the Audit Review

We conducted our review in accordance with the statutory provisions and professional principles applicable in Austria and in compliance with the International Standard on Review Engagements 2400 "Engagements to Review Financial Statements". This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Group at 30 June 2008, and of its financial performance and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

Report on Other Legal and Regulatory Requirements
We are required to perform review procedures whether the interim consolidated management report is consistent with the interim consolidated financial statements and whether the other disclosures made in the interim consolidated management report do not give rise to misconception of the position of the Group.

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated management report for the Group is not consistent with the interim consolidated financial statements.

Salzburg, 23 July 2008

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Anna Flotzinger m.p.	**ppa. Christoph Fröhlich m.p.**
Chartered accountant	Chartered accountant

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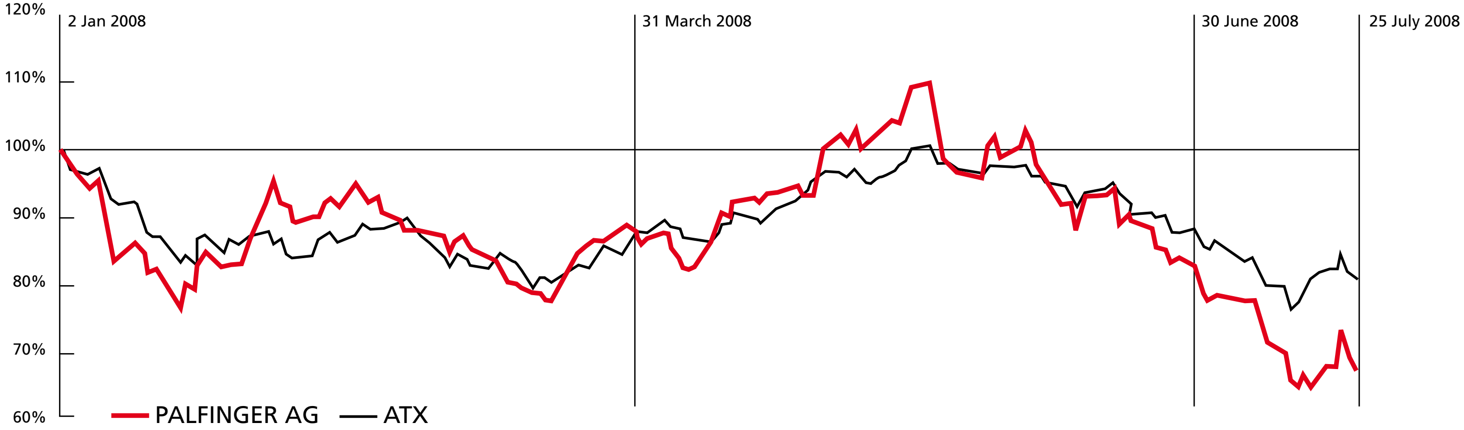
Shareholder Information

First Half 2008	
International Securities Identification Number (ISIN)	AT0000758305
Number of shares issued	35,730,000
Number of own shares	376,000
Price as of 30 June 2008	EUR 21.10
Earnings per share (HY1 2008)	EUR 1.21
Market capitalisation as of 30 June 2008 (excl. own shares)	TEUR 745,969

Share Price Development



Financial Calendar

6 November 2008
Publication of results for the first three quarters 2008

25 February 2009
Balance sheet press conference

25 March 2009
Annual General Meeting

5 May 2009
Publication of results for the first quarter 2009

5 August 2009
Publication of results for the first half 2009

5 November 2009
Publication of results of the first three quarters 2009

Minimal arithmetical differences may arise from the application of commercial rounding to individual items and percentages in the interim report.

The English translation of the PALFINGER report is for convenience. Only the German text is binding.

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