

**Report on the
First Three Quarters of 2004**

PALFINGER

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

EUR '000	Q1-3 2004	Q1-3 2003	Q1-3 2002	Q1-3 2001	Q1-3 2000
Income statement					
Revenue	293,000	246,780	232,711	257,051	232,969
EBITDA	38,114	29,643	28,979	40,772	39,880
EBITDA margin	13.0%	12.0%	12.5%	15.9%	17.1%
Profit from operations (EBIT)	29,470	21,273	20,505	32,595	32,984
EBIT margin	10.1%	8.6%	8.8%	12.7%	14.2%
Profit before tax	28,850	19,976	18,534	29,305	29,720
Consolidated net profit for the period	18,644	13,066	11,348	19,262	19,979
Balance sheet					
Total assets	303,115	279,851	284,795	313,169	251,128
Non-current assets	119,145	118,577	128,173	123,073	95,210
Liabilities	150,665	143,016	155,576	185,010	170,125
Gearing	19.9%	30.6%	45.8%	38.9%	60.9%
Capital and reserves	149,532	135,503	128,443	127,418	81,651
Equity ratio	49.3%	48.4%	45.1%	40.7%	32.5%
Issued capital	18,568	18,568	18,568	18,414	16,740
Cash flow and investments					
Cash flows from operating activities	19,616	25,946	26,766	22,248	32,142
Free cash flow	11,012	18,540	21,318	(7,243)	18,402
Investment in property, plant and equipment	8,278	10,855	6,699	17,541	11,551
Depreciation and amortization	8,644	8,370	8,474	8,177	6,896
Payroll					
Average payroll for the period ¹	2,511	2,283	2,271	1,996	1,688
Value					
Net working capital	82,707	81,976	86,467	78,880	56,495
Capital employed (at balance sheet date)	174,055	169,023	177,168	160,361	119,251

¹ Staff of consolidated Group companies excluding investments consolidated at equity, as well as apprentices, loaned personnel and part-time staff.

Quarterly report for the period ended 30 September 2004

Economic background

The growth of the world economy lost some momentum in the third quarter. Recovery was once again driven by the USA and Asia. However, uncertainties associated with the upcoming presidential elections and declines in consumer spending slowed down the dynamics of recovery. Despite crude oil prices topping 50 dollars, the economic upswing continued in Asia as a result of high exports, mainly to Europe, and strong domestic demand.

The economic upswing has not yet been felt in Europe, where the strength of recovery varies significantly across economies in the region. Growth in the euro zone remains moderate in comparison to Central and Eastern European nations.

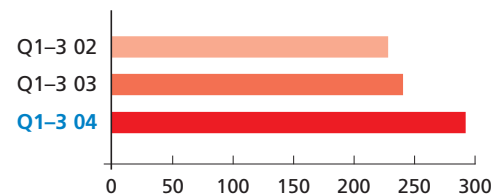
For the remainder of the 2004 business year, growth is forecast to decelerate worldwide based on the decline of leading indicators and on monetary and fiscal measures as fundamentals underlying the US economy.

Group performance

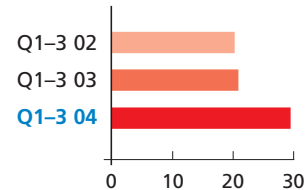
Highly positive developments during the first three quarters at Palfinger were marked by full order books and high revenue, despite the effects on first quarter results of temporary capacity adjustments during the implementation of a new IT system. Capacity utilization at the individual plants has been increased and remains at a high level.

During the first three quarters, revenue reached a record high in the company's history and rose to EUR 293.0m from EUR 246.8m – an 18.7 percent increase in comparison to the previous year period marked by high order intake in nearly all product divisions. EBIT was increased by 38.5 percent from EUR 21.3m to EUR 29.5m and is already clearly above the total of 2003 at the end of this year's third quarter. The Group's EBIT margin is at 10.1 percent after 8.6 percent in the first three quarters of the previous year.

Revenue (EUR m)



EBIT (EUR m)

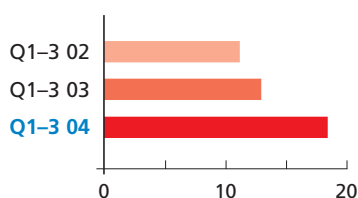


The third quarter was marked by exceptionally strong growth. With revenue growth of 28.1 percent during these three months, EBIT more than doubled compared to the corresponding period in the previous year. Besides growth of the Cranes segment in line with this development, the performance of the Hydraulic Systems and Services segment was significantly improved. The positive development of the Guima Palfinger subsidiary of the Palift Product Division contributed to this trend. As a result of the weak dollar, revenue growth in North America was modified compared to the previous year.

The delivery situation has improved after material supply bottlenecks as a result of increases in production in the second quarter. Price increases in material costs as a result of additional demand not covered by annual contracts were partially passed on to customers through increased market prices.

Profit before tax increased by 44.4 percent and reached EUR 28.9m after EUR 20.0m in the previous year period. Consolidated net profit rose from EUR 13.1m to EUR 18.6m.

Consolidated net profit (EUR m)



Comparison of the individual quarters over the course of the year indicates that for the first time EBIT was increased further compared to the second quarter (Q1: EUR 6.1m; Q2: EUR 11.1m; Q3: EUR 12.3m) despite traditionally moderate revenues in the third quarter (Q1: EUR 86.4m; Q2: EUR 104.2m; Q3: EUR 102.4m).

Profit before tax (Q1: EUR 5.5m; Q2: EUR 10.5m; Q3: EUR 12.9m) and consolidated net profit (Q1: EUR 3.5m; Q2: EUR 6.9m; Q3: EUR 8.2m) also developed exceptionally well over the course of the year.

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	102,396	12,317
Q4	87,331	4,439	-	-

Group assets, finances and earnings

In line with increases in revenue and production in the reporting period, active working capital rose to EUR 174.1m (9/03: EUR 152.8m; 12/03: EUR 141.8m). At the same time, however, passive working capital increased to EUR 91.4m (9/03: EUR 70.8m, 12/03: EUR 65.3m), therefore net working capital only amounts to EUR 82.7m (9/03: EUR 82.0m; 12/03: EUR 76.5m) despite a revenue increase of 18.7 percent compared to the first three quarters of 2003. Non-current assets (property, plant and equipment; other intangible assets and investments) at EUR 91.3m remained at nearly the same level compared to the end of 2003 (EUR 88.1m). Investment in property, plant and equipment was at EUR 8.3m and mostly comprised investments made as part of the Location Optimization Program (concentration of cylinder production in Bulgaria). Thus capital employed in relation to revenue continued to develop very favorably at EUR 174.1m (9/03: EUR 169.0m; 12/03: EUR 164.7m).

Operative cash flows in the reporting period were at EUR 19.6m after EUR 25.9m in the same period 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 11.6m, free cash flow was at EUR 11.0m after EUR 18.5m in 2003. 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 19.9 percent (9/03: 30.6 percent; 12/03: 25.0 percent). Despite the increase in active working capital and the dividend payment in the first half of 2004, the equity ratio remained at a very high level of 49.3 percent, thus securing the Group's sound and solid basis for financing its profitable growth strategy under its own steam.

Other events

The relocation of cylinder production to Tenevo, Bulgaria is proceeding according to plan and is to be concluded by the end of the year. All cylinders produced by Palfinger will be manufactured at the Tenevo location from then.

On 20 September 2004 the Palfinger AG share returned to the blue-chip ATX index of the Vienna Stock Exchange. After dropping the share from the ATX last spring, the ATX Index Committee resolved to re-include it on account of increased stock market turnover. From a share price of EUR 22.73 at the end of 2003, the price of the Palfinger share was stable at around the EUR 30 mark during the past few months, resulting in a price increase of more than 30 percent since the beginning of the year.

The Palfinger Group's first sustainability report was published at the beginning of October. The report documents the Group's long-term strategies concerning economic, environmental and social development. Based on the information contained in the report, the Palfinger share also rates as an attractive choice of investment for socially responsible investors.

Subject to regulatory approval by the Austrian antitrust authority, Palfinger acquired the German market and technology leader in truck-mounted aerial work platforms, Bison stematec, in the middle of October. The company generates annual sales of about EUR 13m with a staff of about 130. The aim of the acquisition is to quickly become the European market leader in the strongly fragmented aerial work platform market.

Performance by region

The positive trend of the second quarter continued in the segment **Europe and Rest of the World**. Austria, France, Great Britain and Spain in particular, as well as Australia and New Zealand, posted good growth. The situation in Germany varied according to product. While order intake hardly increased in the classic cranes division, overproportionate growth was recorded in Epsilon forestry and recycling cranes.

Revenue of the segment increased by 19.0 percent compared to the same 2003 period, from EUR 215.7m to EUR 256.8m. EBIT was increased by 39.2 percent to EUR 26.4m. Besides revenue growth this increase also reflects the positive development of the Palift division (container handling systems).

In the segment **North and South America** increasing order intake during the first months was reflected in revenue growth, especially in North America. In Brazil the adverse effects caused by the supply bottleneck at the beginning of the year continued to have an unfavorable impact on results.

Despite negative currency translation effects, revenue of this segment was increased by 16.6 percent from EUR 31.1m to EUR 36.2m compared to the previous year. EBIT increased by 32.9 percent to EUR 3.0m from EUR 2.3m in the same period in 2003.

Performance by product group

The [Cranes segment](#) comprising the knuckle-boom cranes, forestry and recycling cranes and, in Brazil, the telescopic cranes product divisions, profited from the excellent order intake of the past months. Revenue grew by 17.0 percent to EUR 211.0m compared to EUR 180.3m in the same previous year period. Despite excellent performance in the third quarter, EBIT development was still marked by the strains of the first quarter and the effects of the supply bottleneck. In September, part of the costs caused by increased material prices was passed on to the market for the first time. In the first three quarters EBIT rose to EUR 31.5m after EUR 26.8m in the same period in 2003.

The [Hydraulic Systems and Services segment](#) comprises the Palift, Palgate, Crayler, Railway, Mobiler and Access product divisions, as well as Services.

In the Palift Product Division turnaround is under way; first successes are reflected in third quarter figures; processes at Guima Palfinger have been further improved.

The Palgate Product Division recorded first successes in the tender business. Further product development along with the implementation of cost cutting and optimization of the distribution network are expected to contribute to the positive performance.

The expansion of distribution in Europe has resulted in increased order intake and significant performance improvement in the Crayler Division.

Capacity utilization in the Railway Division has remained satisfactory and a solid project portfolio has been established as a result of involvement in numerous tenders. Positive development is expected to continue in the fourth quarter.

Palfinger's newest Product Division, Access, was marked by start-up investments in market establishment. The acquisition of the German market and technology leader Bison stematec in October 2004 will promote the Group's entry into the aerial work platform market and complete the aerial work platform portfolio.

The range of services offered by Palfinger has been expanded, thus strengthening the Group's position as service champion of the industry. Positive development of volumes was also reflected in increased sales of spare parts.

In the first three quarters of 2004, revenue in the Hydraulic Systems and Services segment increased by 23.3 percent to EUR 82.0m after EUR 66.5m in the same period in 2003. Profit from operations (EBIT) for the first three quarters is still negative at EUR -2.0m but has improved by 63.9 percent compared to the previous year (EUR -5.5m).

This development is largely the result of the improved profitability of Guima and the improved performance achieved by the Crayler, Railway and Services divisions.

Outlook

Based on the outstanding performance in the third quarter and high order levels, management expects a further increase in fourth quarter results. Compared to 2003, a significant growth in earnings and revenue is expected for the 2004 business year.

Balance sheet as of 30 September 2004

EUR '000	30 Sept 2004	31 Dec 2003	30 Sept 2003
ASSETS			
Non-current assets			
Property, plant and equipment	82,763	81,160	80,142
Goodwill	20,974	21,329	21,907
Other intangible assets	1,441	1,462	1,172
Investments	7,144	5,512	5,733
Other non-current assets	3,817	4,938	4,774
Deferred tax	3,006	3,365	4,849
	119,145	117,766	118,577
Current assets			
Inventories	87,423	59,900	64,634
Receivables and other current assets	86,646	81,930	88,183
Cash and cash equivalents	9,901	8,235	8,457
	183,970	150,065	161,274
Total assets	303,115	267,831	279,851
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18,568	18,568	18,568
Capital reserves	53,757	53,757	53,757
Retained earnings	62,058	52,177	52,089
Valuation reserves for financial instruments	75	965	1,128
Foreign currency translation reserve	(3,570)	(3,576)	(3,105)
Consolidated net profit for the period	18,644	15,283	13,066
	149,532	137,174	135,503
Minority interests	2,918	1,762	1,332
Non-current liabilities			
Non-current financial liabilities	15,241	19,007	35,752
Non-current provisions	12,978	12,719	12,474
Deferred tax	0	420	94
Other non-current liabilities	4,558	6,472	6,167
	32,777	38,618	54,487
Current liabilities			
Current financial liabilities	26,525	24,980	17,689
Other current provisions	26,758	21,235	22,194
Other current liabilities	64,605	44,062	48,646
	117,888	90,277	88,529
Total equity and liabilities	303,115	267,831	279,851

Income statement for the period ended 30 September 2004

EUR '000	July – Sept 2004	July – Sept 2003	Jan – Sept 2004	Jan – Sept 2003
Revenue	102,396	79,958	293,000	246,780
Changes in inventories	11,617	1,699	17,212	2,038
Own work capitalized	17	147	56	293
Other operating income	(443)	2,960	5,999	6,428
Materials and services	(64,310)	(41,142)	(163,242)	(122,814)
Staff costs	(21,736)	(19,830)	(67,706)	(61,705)
Goodwill amortization expense	(539)	(571)	(1,749)	(1,711)
Depreciation and amortization expense	(2,400)	(2,303)	(6,895)	(6,659)
Other operating expenses	(12,285)	(15,061)	(47,205)	(41,377)
Profit from operations (EBIT)	12,317	5,857	29,470	21,273
Income from investments	776	635	1,580	1,491
Interest and other financial expense	(240)	(984)	(2,200)	(2,788)
Net finance cost	536	(349)	(620)	(1,297)
Profit before tax	12,853	5,508	28,850	19,976
Income tax expense	(4,212)	(1,669)	(9,144)	(6,498)
Profit after tax	8,641	3,839	19,706	13,478
Minority interests	(446)	(261)	(1,062)	(412)
Consolidated net profit for the period	8,195	3,578	18,644	13,066

EUR			
Earnings per share ¹		2.12	1.47
Average number of shares in issue ¹		8,808,321	8,914,114

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

Cash flow statement

EUR '000	Jan – Sept 2004	Jan – Sept 2003
Profit before tax	28,850	19,976
Cash flows from operating activities	19,616	25,946
Cash flows from investing activities	(10,434)	(9,337)
Cash flows from financing activities	(7,516)	(17,680)
Total cash flows	1,666	(1,071)
Changes in funds		
Cash and cash equivalents at beginning of the period	8,235	9,528
Cash and cash equivalents at end of the period	9,901	8,457
	1,666	(1,071)
Free cash flow	11,012	18,540

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
At 31 December 2001	18,414	52,286	35,830	0	(560)	22,292	0	128,262
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)
At 31 December 2002	18,568	53,757	47,124	0	(3,862)	13,182	0	128,769
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)
At 31 December 2003	18,568	53,757	52,177	965	(3,576)	15,283	0	137,174
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 Q1-3 2004	0	0	0	0	0	18,644	1,062	19,706
Earnings-neutral value changes								
in financial instruments	0	0	0	(890)	0	0	0	(890)
Other changes in equity	0	0	(117)	0	6	0	(1,062)	(1,173)
At 30 September 2004	18,568	53,757	62,058	75	(3,570)	18,644	0	149,532

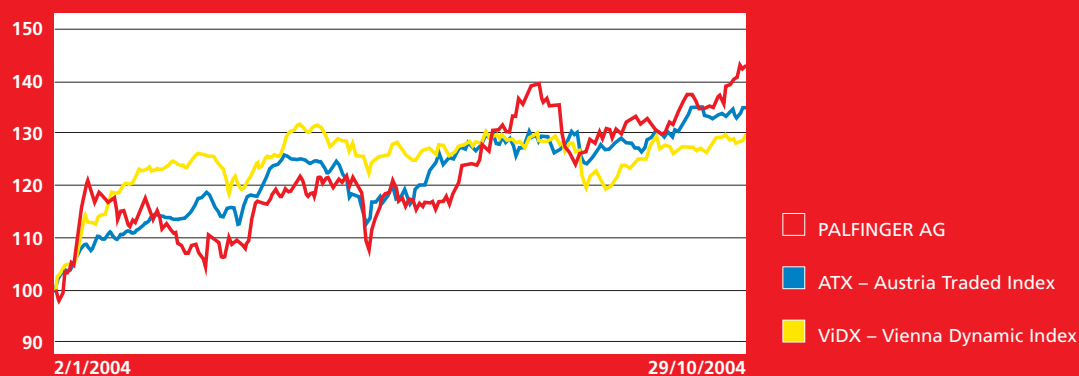
[BACK](#)[FIND](#)[PRINT](#)

Segment reporting

EUR '000	Primary segmentation				Secondary segmentation			
	Europe/ Rest of the World		North/ South America		Cranes		Hydraulic Systems/ Services	
	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003	Q1–3 2004	Q1–3 2003
Revenue	256,792	215,718	36,208	31,062	210,988	180,278	82,012	66,502
EBIT	26,441	18,993	3,029	2,280	31,470	26,806	(2,000)	(5,533)

For detailed figures of individual quarters of 2003 and 2004 please visit our homepage 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 Sept 2004	EUR 30.80
Earnings per share (Q1–3 2004)	EUR 2.12
Market capitalization as of 30 Sept 2004	EUR 285,939,500

2005 Financial calendar

Press conference on 2004 financial statements	16 March 2005
Annual General Meeting	13 April 2005
Publication of results for Q1 2005	11 May 2005
Publication of results for HY1 2005	10 August 2005
Publication of results for Q3 2005	15 November 2005

PALFINGER AG

F.-W.-Scherer-Strasse 24
A-5101 Bergheim/Salzburg
Phone +43 662 46 84-0
Fax +43 662 45 00 84
www.palfinger.com

Investor Relations:

Wolfgang Anzengruber
Chairman, ext. 2218
w.anzengruber@palfinger.com
Eduard Schreiner
Finance Director, ext. 2310
e.schreiner@palfinger.com
Hannes Roither
Company spokesman, ext. 2260
h.roither@palfinger.com