



Report on the
First Quarter of 2004

PALFINGER

Financial highlights of PALFINGER AG

(in accordance with IFRS)

EUR'000	Q1 2004	Q1 2003	Q1 2002	Q1 2001	Q1 2000
Income statement					
Revenue	86,391	79,966	78,446	86,815	73,452
EBITDA	8,857	10,049	9,906	14,494	12,646
EBITDA margin	10.3%	12.6%	12.6%	16.7%	17.2%
Profit from operations (EBIT)	6,056	7,201	7,077	11,808	10,496
EBIT margin	7.0%	9.0%	9.0%	13.6%	14.3%
Profit before tax	5,531	6,511	6,355	10,682	9,302
Consolidated net profit for the period	3,546	4,188	3,983	7,006	6,084
Balance sheet					
Total assets	290,825	275,376	298,423	291,001	241,136
Non-current assets	117,982	118,085	134,639	106,699	91,250
Liabilities	153,694	148,743	174,100	202,849	172,930
Gearing	28.7%	39.4%	55.5%	68.8%	86.6%
Capital and reserves	134,996	125,736	123,916	87,933	68,778
Equity ratio	46.4%	45.7%	41.5%	30.2%	28.5%
Issued capital	18,568	18,568	18,414	16,740	16,740
Cash flow and Investments					
Cash flows from operating activities	(2,328)	5,791	8,234	2,858	12,614
Free cash flow	(4,790)	4,122	3,780	(2,203)	9,418
Investment in property, plant and equipment	1,941	2,649	4,108	5,147	1,943
Depreciation and amortization	2,801	2,848	2,829	2,686	2,150
Payroll					
Average payroll for the period ¹	2,412	2,269	2,279	1,790	1,656
Value					
Net working capital	78,504	81,910	86,013	66,366	58,211
Capital employed (at balance sheet date)	166,775	165,194	180,978	138,011	116,027

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

Quarterly report for the period ended 31 March 2004

Economic background

In the past months, the recovery of the global economy has strengthened. Industrial output is rising, investment is increasing and the IMF has raised its forecast for the year 2004. Even so, the construction industry was still weak in the first quarter of 2004.

Economic development in the Eurozone, and especially in Germany, is lagging behind the general trend. The forecast for German growth was reduced as recently as April. The USA was positive in the first quarter, although the high expectations were not met. In Latin America, especially in Brazil, growth remained poor and consolidation is expected in 2004. Asia has been showing the strongest upward trend, with economic growth of 7.2 percent expected in 2004.

The rapid global recovery, combined with currency developments, has also affected raw material prices. Oil prices have soared, as well as prices for metals.

Group performance

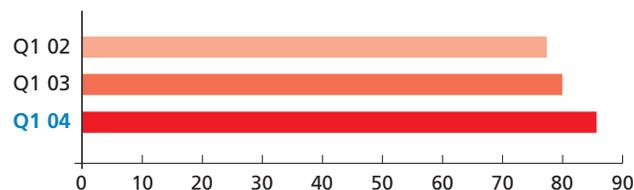
The first quarter was marked strongly by the introduction of SAP at all of Palfinger's European production divisions. Output was reduced, as planned, by about 50 percent until mid-February, to ensure the successful introduction of SAP. From mid-February onwards production was raised to full capacity so that the revenue backlog of the first six weeks of the year could be compensated for through overtime and extra shifts in March. The additional expenses resulting from this process and the one-time costs for the introduction of SAP and for the development of the cylinder production plant in Tenevo, Bulgaria, affected first-quarter earnings negatively compared to the same period in the previous year.

Revenue rose in comparison to the first quarter of 2003 from EUR 80.0m to EUR 86.4m, which equals growth of 8.0 percent. EBIT was at EUR 6.1m from EUR 7.2m in the same period of the year before, a decrease of 15.9 percent compared to the first quarter of 2003. At 7.0 percent, the EBIT margin was above the level recorded in the second half of 2003.

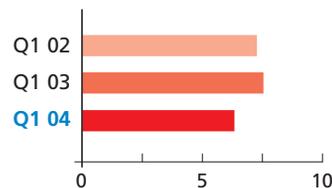
The increase in revenue was mainly due to growth in the newer hydraulic systems. Furthermore, revenue in North America rose faster than in Europe in percentage terms. These tendencies reflect the continual diversification – based on the core business – and internationalization of the Palfinger Group. They are, however, linked to lower margins. These, together with the one-time costs for special projects that affected the first quarter, led to a short-term decrease in EBIT.

March was marked by very good developments. Based on this positive trend, which is supported by good order intake, it will be realistic to reach the EBIT level achieved in the previous year by mid-year.

Revenue (EURm)



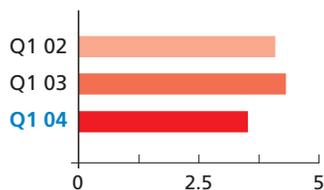
EBIT (EURm)



Delivery times for cranes increased because of reductions in production, as well as high order intake and a supply bottleneck. Furthermore, rising demand for steel led to longer delivery times and an increase in prices for steel products. This rise in costs led to price increases on Palfinger products, which are being passed on to customers.

Profit before tax fell in line with developments in EBIT, from EUR 6.5m in the first quarter of 2003 to EUR 5.5m in the reporting period. Consolidated net profit decreased from EUR 4.2m to EUR 3.5m.

Consolidated net profit (EURm)



Group assets, finances and earnings

Developments in Group assets, finances and earnings during the first quarter of 2004 were affected by production reductions up to mid-February 2004 and the rapid rise in output that followed. From mid-February, the lower production levels of the first one and a half months were compensated for and the rise in order intake accounted for.

As a result of rising production in March 2004, inventories rose by EUR 12.5m compared to March 2003 to EUR 72.9m and receivables and other current assets rose by EUR 2.3m to EUR 92.9m. Thus,

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active working capital rose by EUR 14.7m to EUR 165.9m. Passive working capital rose by EUR 18.2m to EUR 87.4m, mainly because of the simultaneous increase in delivery liabilities. Therefore, net working capital fell, despite the increase in revenue of 8.0 percent, by EUR 3.4m, or 4.2 percent, to EUR 78.5m in comparison to the end of the same prior-year period.

Investment in property, plant and equipment was EUR 1.9m in the first quarter of 2004 and was made up mostly of investments made as part of the Location Optimization Program (cylinder production in Bulgaria). Capital employed was at EUR 166.8m from EUR 165.2m at the end of the same period in the previous year.

Operative cash flows in the reporting period were at EUR –2.3m from EUR 5.8m in the same period of the year before. This mainly resulted from increases in net working capital since the end of 2003 due to output increases in March 2004. Free cash flow was at EUR –4.8m from EUR 4.1m in the same period a year ago due to the slight rise in cash investments (EUR 3.0m from EUR 2.2m in the prior year). Negative free cash flow was financed by rises in current financial liabilities.

Net financial debts rose from EUR 34.3m at the end of 2003 to EUR 38.7m at the end of the reporting period (EUR 49.5m as of 31 March 2003). Thus, the gearing ratio was at 28.7 percent from 39.4 percent at the end of the same prior-year period. The gearing ratio was 25.0 percent at the end of 2003. The equity ratio was raised from 45.7 percent as of 31 March 2003 to 46.4 percent and illustrates the good financial basis for the future growth of the Palfinger Group.

Other events

As of 1 January 2004, the new Global Palfinger Structure was introduced to accommodate different market demands. Since then, Palfinger has been managed by Areas and Product Divisions. There is a separate division responsible for production processes in Europe. Decentralized, flexible and fast decisions can be made on location due to this new structure. It will aid the rapid implementation of strategy and the better co-ordination of the market mix on a regional level. At the same time, IFRS segment reporting was brought in to fit this structure.

Palfinger's entire cylinder production will be transferred to Tenevo in Bulgaria as part of the Location Optimization Program. In the past months, there have been comprehensive quality assurance measures that will enable a transfer by the end of 2004. The completion work for the Service and Demo Center in Bergheim/Salzburg is fully under way.

Palfinger took part in the world's largest construction machinery fair, the BAUMA, in Munich at the end of March. There, 14 new crane types and further product innovations were presented and visitor interest was tremendous. The record number of visitors at the fair and numerous enquiries are also indicators of the end of the downward economic trend.

Management presented the Company at international investor conferences and roadshows in the past months. The price of Palfinger shares rose from EUR 22.73 at the end of 2003 to EUR 26.90 on 31 March 2004 and the upward trend is continuing.

A dividend of EUR 0.60 per share was approved at the Annual General Meeting on 14 April 2004. This is a dividend yield of 3.5 percent using the average share price for 2003.

Performance of the Company's divisions

Segmentation according to IFRS was brought in on 1 January 2004, along with the implementation of Global Palfinger Structure. Since then, Palfinger has separated group revenue and EBIT in a primary segmentation with the regions "Europe and the Rest of the World" and "North and South America" and a secondary segmentation with the product groups "Cranes", as well as "Hydraulic Systems and Services". Figures for the year 2003 were re-calculated using this segmentation and presented here to ensure comparability.

The segment [Europe and Rest of the World](#) comprises Palfinger Europe GmbH, the distribution companies Palfinger GmbH (Germany), Palfinger Norge AS, Palfinger Bermüller GmbH, EPSILON Kran GmbH and S.A. Financière Palfinger with the Guima Group. The units STEPA Farmkran GmbH, Palfinger France S.A., Palfinger Argentina S.A. and Palfinger Southern Africa (Pty) Ltd. are included in this segment at equity. All product groups except telescopic cranes are marketed in this segment.

In the first quarter of 2004, there were very positive developments in order intake mainly in Austria, France, Germany, and Great Britain compared with the year before. Spain remains at a high level. Italy, Scandinavia and the Benelux countries showed weakness. Positive tendencies were noticeable in the new EU countries and in Asia, Korea and South Africa.

Revenue in this segment rose by 5.3 percent from EUR 71.9m in the first quarter of 2003 to EUR 75.8m in the first quarter of 2004. EBIT fell by 10.9 percent in the same period from EUR 6.8m to EUR 6.0m. This decline is a result of the factors already mentioned.

The segment **North and South America** comprises the companies Palfinger USA, Inc. and Tiffin Loader Crane Company in the USA, Palfinger Inc. in Canada, as well as Madal Palfinger S.A. in Brazil. Cranes and Services are available both in North and South America while Palift hookloaders and Crayler portable forklift trucks are sold in North America and telescopic cranes belong to the product portfolio in Brazil.

An economic recovery is already noticeable in North America. Despite the hard winter, the first quarter was marked by good crane order intake, although delivery times have been long because of production caps in Austria until mid-February. The new Crayler has been received well and further volume increases are expected.

Business in South America was marked by uneven economic developments in different countries and changes in company financing by the Brazilian National Bank for Economic and Social Development (BNDES) made in the previous year, which have made it more difficult for Palfinger's customers to finance cranes. Even so, Palfinger was able to strengthen its market position.

Revenue in this segment was raised by 32.1 percent from EUR 8.0m in the same quarter in the prior year to EUR 10.6m. Even so, EBIT dropped from EUR 0.4m to EUR 0.02m. This decline is a result of, among other things, an increase in fixed costs relating to market development and volume shifts from cranes to "new" products with start-up costs and, thus, narrower margins. However, order backlogs in North America allow for the assumption that there will be an improvement in earnings in the following quarters of 2004.

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Revenue

EURm	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04
Europe and					
Rest of the World	71.9	74.4	69.4	77.8	75.8
North and					
South America	8.0	12.5	10.5	9.5	10.6

EBIT

EURm	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04
Europe and					
Rest of the World	6.8	7.4	4.9	6.2	6.0
North and					
South America	0.4	0.9	1.0	(1.8)	0.02

The **Cranes** segment comprises the knuckle-boom crane, forest crane and, in Brazil, the telescopic crane product divisions. The effects of the Palfinger Group's continuing structural projects were felt the most strongly in this core business in the first quarter of 2004. In general, markets developed positively; excellent order intake led to longer delivery times for cranes on account of production cuts until mid-February in the course of the introduction of SAP and a supply bottleneck.

Revenue in the secondary segment Cranes rose slightly by 0.9 percent from EUR 59.3m to EUR 59.8m compared with the year before. Profit from operations dropped by 15.0 percent from EUR 8.1m to EUR 6.9m. The drop was because of the additional costs relating to the reduction mentioned and the resulting catch-up in productivity, as well as costs relating to the Location Optimization Program and SAP. Volumes, revenue and earnings increased over-proportionally at Epsilon.

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

There was an increase in order intake in the Palift Product Division in the first quarter of 2004. It was more than 50 percent higher than the value in the prior year. This was mainly because of the sorting out of investment hold-ups and the growing recycling sector. The French and German markets saw the most growth. Production was increased in the past months and turnaround will be achieved in 2004.

The market for Palgate developed differently in different parts of Europe: while the German market exhibited upward tendencies, a recovery is still not visible in Italy, France and the Benelux countries. Volumes developed positively due to the concentration on the German market. The trend is moving from the individual to the tender business, which is associated with lower prices.

In the Crayler Division, order intake was significantly increased in comparison with the year before. New distribution partners were gained in Europe.

The Railway Division provides constant market volumes and accordingly good order intake. At the present time, a modular railway crane series is being worked on, designed to reduce running costs in construction and assembly.

Market access remains difficult for the Mobiler. At the present time, there are 50 Mobilers in operation, also in international transportation to Italy since the end of 2003.

The Access aerial platform was presented in the fourth quarter of 2003. Distribution and sales activities for this product group are in development.

The upward trend in product sales was also reflected in the Services Division. The Extranet, an information and service platform for dealers and customers, has been received well and online service functions are being used intensively.

The segment's revenue was increased by 28.4 percent from EUR 20.7m to EUR 26.6m. EBIT improved from EUR -0.9m by 7.3 percent to EUR -0.8m.

Revenue

EURm	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04
Cranes	59.3	62.7	58.3	65.1	59.8
Hydraulic Systems and Services	20.7	24.2	21.6	22.2	26.6

EBIT

EURm	Q1 03	Q2 03	Q3 03	Q4 03	Q1 04
Cranes	8.1	10.3	8.4	6.7	6.9
Hydraulic Systems and Services	(0.9)	(2.1)	(2.6)	(2.2)	(0.8)

Outlook

As expected, the first quarter was marked by weak earnings. However, developments in the month of March already indicated that this was a temporary decline that will be compensated for by the middle of the year due to the continuously good order situation.

Further increases in production at Guima, the focused expansion of service activities and further cost reductions resulting from the completion of the Location Optimization Program will all still affect 2004 positively. Management expects an increase in earnings for the entire year depending on economic conditions.

Balance sheet as of 31 March 2004

EUR'000	31 March 2004	31 Dec 2003	31 March 2003
ASSETS			
Non-current assets			
Property, plant and equipment	81,054	81,160	76,581
Goodwill	22,118	21,329	22,945
Other intangible assets	1,343	1,462	1,148
Investments	5,873	5,512	5,555
Other non-current assets	4,576	4,938	8,035
Deferred tax	3,018	3,365	3,821
	117,982	117,766	118,085
Current assets			
Inventories	72,920	59,900	60,434
Receivables and other current assets	92,943	81,930	90,685
Cash and cash equivalents	6,980	8,235	6,172
	172,843	150,065	157,291
Total assets	290,825	267,831	275,376
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18,568	18,568	18,568
Capital reserves	53,757	53,757	53,757
Retained earnings	62,199	52,177	52,646
Valuation reserves for financial instruments	487	965	434
Foreign currency translation reserve	(3,561)	(3,576)	(3,857)
Consolidated net profit for the period	3,546	15,283	4,188
	134,996	137,174	125,736
Minority interests	2,135	1,762	897
Non-current liabilities			
Non-current financial liabilities	19,112	19,007	40,727
Non-current provisions	12,680	12,719	11,904
Deferred tax	369	420	108
Other non-current liabilities	5,282	6,472	6,830
	37,443	38,618	59,569
Current liabilities			
Current financial liabilities	28,893	24,980	19,965
Other current provisions	24,568	21,235	20,340
Other current liabilities	62,790	44,062	48,869
	116,251	90,277	89,174
Total equity and liabilities	290,825	267,831	275,376

Income statement for the period ended 31 March 2004

EUR'000	Jan–March 2004	Jan–March 2003
Revenue	86,391	79,966
Changes in inventories	9,826	728
Own work capitalized	10	54
Other operating income	2,948	942
Materials and services	(51,708)	(37,751)
Staff costs	(23,053)	(21,076)
Goodwill amortization expense	(605)	(570)
Depreciation and amortization expense	(2,196)	(2,278)
Other operating expenses	(15,557)	(12,814)
Profit from operations (EBIT)	6,056	7,201
Income from investments	361	235
Interest and other financial expense	(886)	(926)
Net finance cost	(525)	(691)
Profit before tax	5,531	6,511
Income tax expense	(1,735)	(2,349)
Profit after tax	3,796	4,162
Minority interests	(250)	26
Consolidated net profit for the period	3,546	4,188

EUR	Jan–March 2004	Jan–March 2003
Earnings per share ¹	0.40	0.47
Average number of shares in issue ¹	8,808,321	8,931,140

¹ There were no outstanding issues of convertible bonds as of 31 March 2004; the undiluted earnings per share are the same as the diluted earnings per share.

Cash flow statement

EUR'000	Jan–March 2004	Jan–March 2003
Profit before tax	5,531	6,511
Cash flows from operating activities	(2,328)	5,791
Cash flows from investing activities	(3,029)	(2,249)
Cash flows from financing activities	4,102	(6,898)
Total cash flows	(1,255)	(3,356)
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	6,980	6,172
	(1,255)	(3,356)
Free cash flow	(4,790)	4,122

Statement of changes in equity

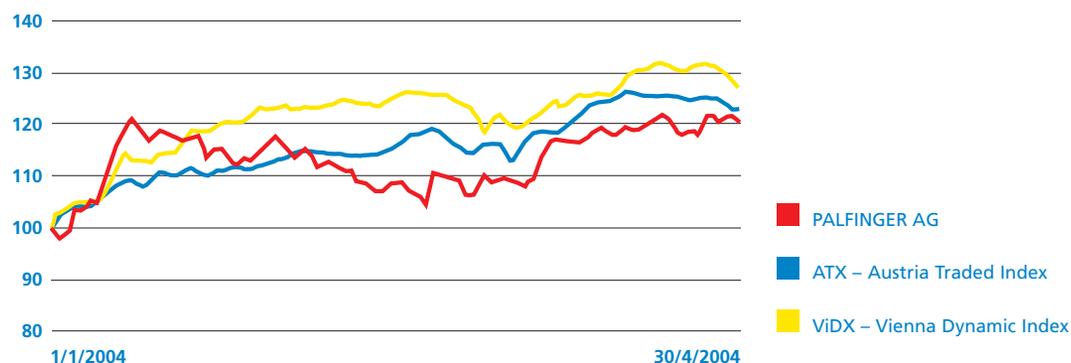
EUR'000	Share capital	Capital reserves	Retained earnings	Valuation reserves for financial instruments acc. to IAS 39	Foreign-currency translation reserve	Consolidated net profit for the period	Minority interests	Total
At 31 December 2001	18,414	52,286	35,830	0	(560)	22,292	0	128,262
Dividend 2001	0	0	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
Capital increase share issue	0	0	0	0	0	0	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
Capital increase share issue	0	0	0	0	0	0	0	0
Share repurchase	0	0	0	0	0	0	0	0
Profit after tax Q1 2004	0	0	0	0	0	3,546	250	3,796
Earnings-neutral value changes								
in financial instruments	0	0	0	(478)	0	0	0	(478)
Other changes in equity	0	0	25	0	14	0	(250)	(211)
At 31 March 2004	18,568	53,757	62,199	487	(3,561)	3,546	0	134,996

Segment reporting

EUR'000	Primary Segmentation				Secondary Segmentation			
	Europe/Rest of the World		North/South America		Cranes		Hydraulic Systems/Services	
	Q1 2004	Q1 2003	Q1 2004	Q1 2003	Q1 2004	Q1 2003	Q1 2004	Q1 2003
Revenue	75,788	71,940	10,603	8,026	59,808	59,264	26,583	20,702
EBIT	6,041	6,781	15	420	6,869	8,078	(813)	(877)

For detailed figures of individual quarters of 2003 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 31 March 2004	EUR 26.90
Earnings per share (Q1 2004)	EUR 0.40
Market capitalization as of 31 March 2004	EUR 249,732,875

Financial calendar 2004

Publication of the results for the 1st Half of 2004	11 Aug 2004
Publication of the results for the 3rd Quarter of 2004	15 Nov 2004

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quarterly report is for convenience.
Only the German text is binding.