

**Report on the First Three Quarters of 2006**

It's going to be a great year.



# Financial Highlights of PALFINGER <sup>1)</sup>

EUR '000	Q1-Q3 2006	Q1-Q3 2005	Q1-Q3 2004	Q1-Q3 2003	Q1-Q3 2002
<b>Income statement</b>					
Revenue	437,174	386,008	293,000	246,780	232,711
EBITDA	69,137	60,849	38,114	29,642	28,979
EBITDA margin	15.8 %	15.8 %	13.0 %	12.0 %	12.5 %
Profit from operations (EBIT)	59,270	52,581	29,491	21,204	20,341
EBIT margin	13.6 %	13.6 %	10.1 %	8.6 %	8.7 %
Profit before tax	58,984	51,687	28,871	19,908	18,370
Consolidated net profit for the year	41,778	37,583	18,666	12,997	11,184
<b>Balance sheet</b>					
Total assets	398,896	371,044	300,878	277,704	282,594
Non-current assets	150,277	143,851	117,016	116,531	125,972
Liabilities	170,945	181,109	150,665	143,016	155,576
Capital and reserves	227,950	189,936	150,213	134,688	127,017
Equity ratio	57.1 %	51.2 %	49.9 %	48.5 %	44.9 %
Net debt owed	15,423	46,361	29,986	41,780	58,060
Gearing	6.8 %	26.0 %	20.0 %	31.0 %	45.7 %
<b>Cash flow and investment</b>					
Cash flows from operating activities	38,166	20,661	19,616	25,946	26,766
Free cash flow	26,879	(6,414)	11,012	18,540	21,318
Investment in property, plant, and equipment	12,990	9,990	8,278	10,855	6,699
Depreciation and amortization	9,867	8,268	8,623	8,438	8,638
<b>Payroll</b>					
Average annual payroll <sup>2)</sup>	3,409	3,009	2,511	2,283	2,271
<b>Value</b>					
Net working capital	94,271	97,852	64,855	63,141	65,135
Capital employed (at balance sheet date)	243,373	239,297	180,299	177,078	185,105

1) Previous years' figures were adjusted according to changes in IFRS 3.

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

# Quarterly Report for the Period Ended September 2006

## Economic Background

The strong growth of the global economy continued in the third quarter of 2006. All major economic regions benefited from this development. Asia remains the largest growth motor, fuelled by China's soaring economic performance.

Foreign trade impulses resulting from growth stimulated economic activity especially in the Eurozone. In addition, investment demand keeps gaining momentum. Austria's economy especially profited from strong export demand.

After the appreciation of the US Dollar against the Euro in the first half of 2006, the rate was about 1.28 during the third quarter. The Brazilian Real stabilized against the Euro and most recently stood at just above 2.7.

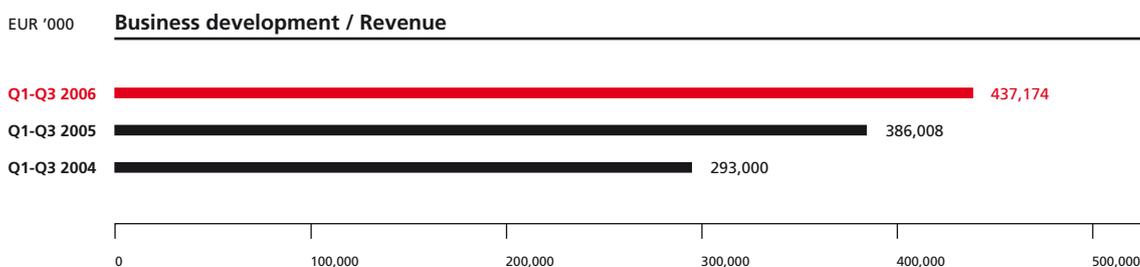
Crude oil prices were subject to major fluctuations during the third quarter. While prices increased to a maximum of almost 80 US dollars per barrel in August, prices decreased towards the end of the quarter by more than 15 percent to 60 US dollars. Inflation tendencies in the Eurozone were also curbed owing to decreased crude oil prices.

During the third quarter, international stock markets recovered from significant price declines in June and the conclusion of interest rate hikes in the USA. The interest rate curve in Europe is also in the process of leveling off, with this tendency expected to remain stable.

## Performance of PALFINGER

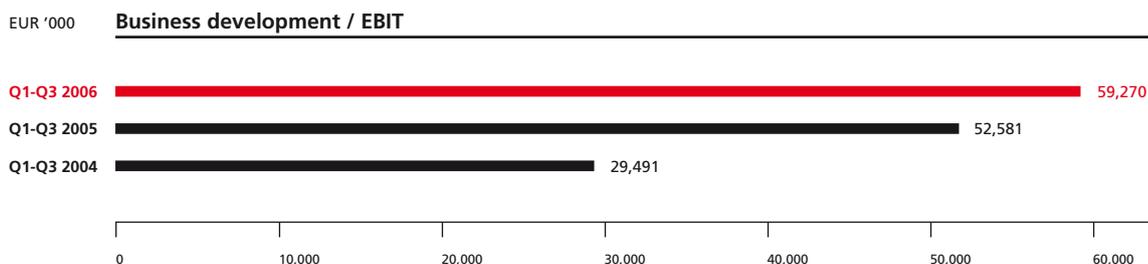
During the first three quarters of the reporting year, revenues increased by EUR 51.2m (13.3 percent) to EUR 437.2m, and EBIT rose by 12.7 percent to EUR 59.3m, equivalent to an EBIT margin of 13.6 percent. EBIT of 20.3m in the third quarter and revenues of EUR 148.2m mark a successful continuation of growth and the best third quarter in the corporate history of PALFINGER.

Like in previous quarters, success is attributable to the company's core business segment CRANES in Europe and high capacity utilization in the product groups. In the third quarter, anticipated increases in revenue and earnings were achieved in North and South America. Supply bottlenecks of raw materials generally impeded even better results. Increasingly higher materials prices, which were gradually and selectively transmitted to markets, and necessary additional materials purchases on spot markets resulted in slight decreases of margins in both product segments. The focus of activities remains on increasing process efficiency, utilizing the positive market situation in the CRANES segment, and increasing earnings through internationalization, diversification, and innovation.



The profitable development of the cranes business in Europe is attributable to high performance classes and a wealth of variations in fittings, and is reinforced by growth in North America and increasing market penetration of PALFINGER cranes in South America. The product innovations presented at the International Motor Show Commercial Vehicles (IAA) are expected to lend additional impulses to the cranes business.

EPSILON also successfully continued on its road of growth, most recently by entering the off-road business with the presentation of eight new, state-of-the-art cranes for forwarder and yarding vehicles. Revenue and earnings in SERVICES also increased significantly compared to previous year. Nearly all product groups contributed to the revenue increase.



Outstanding development of order books again led to bottlenecks in materials supply and capacity. With a view to positive development forecast for the quarters ahead, in September the PALFINGER Supervisory Board resolved the most extensive investment program for capacity expansion in corporate history. These investments are going to benefit all PALFINGER locations where value is created in the CRANES segment in Europe. Capacity expansions combined with changes in layout will lead to rationalization effects while ensuring that top quality standards are maintained. Specialized allocation teams are to reinforce the "Global Sourcing" initiative. Lean activities are intensified based on PALFINGER's RAP ("Rapid Processing") philosophy and strategic projects and initiatives bundled in the E<sup>2</sup> program to increase efficiency and effectiveness.

### Group Assets, Finances, and Earnings

In the third quarter of 2006, development of assets, finances, and earnings was again driven by good order books and full capacity utilization in the product divisions, which led to substantial increases in revenue and earnings.

Compared to the previous-year period, revenue was increased by EUR 51.2m to EUR 437.2m, equivalent an increase of 13.3 percent. At the same time, net working capital decreased by 3.7 percent to EUR 94.3m (9/2005: EUR 97.9m; 12/2005: EUR 88.2m) owing to the lean and RAP initiatives. Investment in property, plant, and equipment of about EUR 13m was mostly made up of necessary additions to capacity and rationalization investments owing to full capacity utilization. Capital employed at balance sheet date was EUR 243.4m (9/2005: EUR 239.3m; 12/2005: EUR 233.7m).

The cash flow statement and the gearing ratio are indicators of PALFINGER's operative and financial strength. Compared to EUR 20.7m in the previous-year period, operative cash flows stood at EUR 38.2m. Besides cash-effective investments for EUR 13.7m, dividends were financed in the amount of EUR 15.9m. Free cash flows were EUR 26.9m after EUR – 6.4m in the same previous-year quarter. Again, the gearing ratio reached a historic low with 6.8 percent (9/2005: 26 percent; 12/2005: 18.1 percent), while the equity ratio achieved of 57.1 percent marks an all-time high in the history of PALFINGER (9/2005: 51.2 percent; 12/2005: 56.8 percent).

## Other Events

The legal incorporation of Palfinger (Shenzhen) Ltd. for the assembly of container handling systems in China as subsidiary of Palfinger Asia Pacific Pte. Ltd. has been effected.

In Great Britain, development competences for tail-lifts were bundled. The relocation of tail-lift assembly in Continental Europe from Maribor / Slovenia to Lengau / Austria was completed.

During the reporting year, implementation of the steel construction project began at the Lengau / Austria plant. The project is to be concluded at the beginning of July 2007. The transition back to routine operation was successfully carried out at Cherven Brjag / Bulgaria after production capacity had been doubled at this location. Full operations are to commence in the second quarter of 2007.

Relocation of assembly of North American CRAYLER models is under way, and assembly operations are to start at the beginning of 2007.

Investor relations were further reinforced in the third quarter of 2006. The share price increase of more than 20 percent during the first nine months of 2006 was supported by road shows and events for investors. In October, the PALFINGER share reached a new all-time high of EUR 86.67.

PALFINGER has received a number of awards for outstanding performance and the 2005 Annual Report. The 2005 Sustainability Report was published in July of this year.

## Performance by Region

The segment EUROPE and REST of the WORLD remains the solid foundation of PALFINGER's profitable growth. Preparations for the transition from the EURO 3 vehicle emissions standard to EURO 4 in the fourth quarter of 2006 and the introduction of digital speedometers in Europe significantly contributed to growth, along with positive economic development in industries relevant for PALFINGER. Especially in Germany, Scandinavia, and Eastern Europe, market growth clearly surpassed initial forecasts at the beginning of the year.

Revenue growth in Europe was especially high in Great Britain, Germany, France, Sweden, and Russia. Positive development in these markets remains due to increased sales of CRANES and EPSILON products.

Compared to the previous-year period, revenue in this segment rose by 12.7 percent, from EUR 338.2m to EUR 381.3m, while EBIT increased by 12.6 percent to EUR 57.9m. Increased materials costs and investments in process stability, flexibility, and diversification maintained the EBIT margin stable at 15.2 percent.

In the segment NORTH and SOUTH AMERICA, revenue rose by 16.9 percent from EUR 47.8m to EUR 55.9m, EBIT reached EUR 1.4m after EUR 1.2m in the previous year. EBIT of EUR 0.6m in the third quarter marks the best quarterly result of the financial year with a revenue increase of 29.9 percent. Especially the appreciation of the Brazilian Real by 16 percent, based on average rates of the quarters, and increased crane sales in North America contributed to successful developments. Increases in revenue and earnings are attributable to previous quarters' order books; restructuring costs in South America and market entry costs of CRAYLER North America had a diminishing effect.

In North America, highlights include the successful penetration of the Mexican market thanks to the new dealer structure, and positive effects owing to increased market growth in the USA. After the upswing in the first half, owing to the impending transition to the US 07 exhaust gas standard for trucks among other factors, order intake has been slowing down in the second half in line with developments in the truck industry.

Market activities for PALFINGER crane series were further reinforced in South America and the stabilization and optimization program was continued.

## Performance by Product Group

### CRANES

In the first nine months, knuckleboom cranes benefited further from the shift in demand to higher performance classes and high-grade fittings. The digital tachometer and the transition to new, stricter emission standards also had positive effects on markets. Increased order intake outside of Europe is a result of the internationalization strategy. In September, an additional investment program in the scope of EUR 20m was approved in light of outstanding order books and developments anticipated in the future to ensure acceptable delivery times while maintaining state-of-the-art quality. The program is to assist in the continuous expansion process of production capacities. Set targets support short-term capacity alignments and long-term optimization of value creation.

Securing materials supplies remains the foundation for capacity utilization. Since suppliers are still in the process of adapting production volumes to this positive market trend, the number of suppliers is to be increased, thus reducing the risk of supply bottlenecks in procurement.

Impressive proof of innovative technology was presented to visitors in September at the IAA in Hanover in line with the guiding principle "Innovations for more profitability and safety". The latest creative developments include the Integrated Stability Control system (ISC) and the Dual Power System (DPS) for increasing the efficiency of cranes using a fly jib.

Development of EPSILON sales was particularly positive in Germany, Great Britain, Austria, Spain, and France. Macroeconomic conditions in the timber and recycling industries are favorable. With the market introduction of the new off-road generation, EPSILON enters a new league of timber loading. Exhaustive field tests are being carried out, and the new products are expected to continue the market success of the previous product line in 2007. The entire assembly process will take place at the entirely new assembly building at the Elsbethen / Austria location, thus optimizing the value creation process.

During the first nine months, revenues were increased by 11.7 percent to EUR 308.9m and EBIT rose by 11.6 percent to EUR 62.9m.

### HYDRAULIC SYSTEMS and SERVICES

In the HYDRAULIC SYSTEMS and SERVICES segment, revenue was increased by 17.1 percent to EUR 128.3m. There was a slight increase in EBIT from EUR -3.8m to EUR -3.7m.

The PALIFT division stabilized output through targeted measures and set the base for an increase in number of units in the months ahead. Processes at Guima Palfinger are being restructured by the new management team in France. The installation of assembly facilities for container handling systems in China was accelerated; the first kits have already been transported to the new location. In line with the company's imminent registration, delivery of the first container handling systems assembled in China is anticipated for the fourth quarter of 2006.

Developments in the TAIL LIFT area were marked by the integration of RATCLIFF, the concentration of development expertise in Great Britain, and the relocation of Continental European tail-lift assembly to Lengau / Austria. Challenging market conditions in Great Britain were met by the experienced local management team of Ratcliff with measures necessary to stabilize earnings power. Expenditures for restructuring measures had a diminishing effect on the results of the past months.

While order books in the RAILWAY division were marked by smaller projects in the first quarter of 2006, a major order of more than EUR 2m was received in April, enabling more exact planning and securing basic capacity utilization until 2007.

Compared to previous year, the CRAYLER segment was marked by positive sales development, especially in Germany as the main market. In North America, further successes were recorded in key account business. However, market entry in this area was coupled with price concessions. In order to cushion these effects, optimization strategies for the entire value chain with focus on North America and Europe were developed and implemented, including assembly of CRAYLER for the North American market on location from the beginning of 2007.

Activities in the BISON division were marked by further successive identification of rationalization potentials, the focus on development activities, and the integration of the division's processes into PALFINGER. PALFINGER's increasing entry into the aerial work platforms market has led to aggressive price behavior by competitors. In September, extensive modifications to the present painting facilities at the Löbau / Germany location were resolved, thus marking another significant step towards rationalization.

Positive development of sales and reinforcement of PALFINGER's service drive are reflected by increased revenue in SERVICES generated by sales of spare parts. The global go-live of the next e-claim development level reinforces PALFINGER's position as the industry's "service champion".

## **Outlook**

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

Developments in the materials sector and systematic capacity expansion based on investments in plants and equipment and staff increases are decisive factors for the growth of the CRANES segment during the next months, while systematic implementation of potentials and strategic projects are the main challenges in HYDRAULIC SYSTEMS.

## Balance Sheet as of 30 September 2006

EUR '000	30 Sep 2006	31 Dec 2005	30 Sep 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	95,854	90,052	90,658
Intangible assets	31,767	33,131	34,173
Investments	8,951	7,921	7,748
Other non-current assets	13,705	16,468	11,272
	<b>150,277</b>	<b>147,572</b>	<b>143,851</b>
<b>Current assets</b>			
Inventories	108,253	99,578	108,401
Receivables and other current assets	123,954	99,887	112,578
Cash and cash equivalents	16,412	1,554	6,214
	<b>248,619</b>	<b>201,019</b>	<b>227,193</b>
<b>Total assets</b>	<b>398,896</b>	<b>348,591</b>	<b>371,044</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	18,568	18,568	18,568
Capital and reserves	53,757	53,757	53,757
Retained earnings	111,030	78,505	80,028
Valuation reserves for financial instruments	18	(1,955)	(1,651)
Foreign currency translation reserve	(5,210)	(4,495)	(3,264)
Consolidated net profit for the year	41,778	48,143	37,583
Minority interests	8,009	5,477	4,914
	<b>227,950</b>	<b>197,999</b>	<b>189,935</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	32,637	14,720	17,185
Non-current provisions	15,689	14,928	14,065
Other non-current liabilities	4,481	4,837	6,093
	<b>52,807</b>	<b>34,485</b>	<b>37,343</b>
<b>Current liabilities</b>			
Current financial liabilities	13,364	24,649	40,797
Current provisions	36,565	33,121	39,796
Other current liabilities	68,210	58,337	63,173
	<b>118,139</b>	<b>116,107</b>	<b>143,766</b>
<b>Total equity and liabilities</b>	<b>398,896</b>	<b>348,591</b>	<b>371,044</b>

## Income Statement

EUR '000	Q3		Q1-Q3	
	Jul - Sep 2006	Jul - Sep 2005	Jan - Sep 2006	Jan - Sep 2005
<b>Revenue</b>	<b>148,170</b>	<b>132,155</b>	<b>437,174</b>	<b>386,008</b>
Changes in inventories	(1,502)	(3,198)	10,722	11,327
Own work capitalized	24	34	91	174
Other operating income	1,952	3,364	6,538	7,953
Materials and services	(77,079)	(70,281)	(238,051)	(216,334)
Staff costs	(28,442)	(26,461)	(89,308)	(78,531)
Depreciation and amortization expense	(3,105)	(2,984)	(9,867)	(8,268)
Other operating expenses	(19,763)	(17,282)	(58,029)	(49,749)
<b>Profit from operations (EBIT)</b>	<b>20,255</b>	<b>15,347</b>	<b>59,270</b>	<b>52,580</b>
Income from investments	753	(50)	2,329	1,567
Interest and other financial expense	(1,050)	(982)	(2,616)	(2,460)
<b>Net finance cost</b>	<b>(296)</b>	<b>(1,032)</b>	<b>(286)</b>	<b>(893)</b>
<b>Profit before tax</b>	<b>19,959</b>	<b>14,315</b>	<b>58,984</b>	<b>51,687</b>
<b>Income tax expense</b>	<b>(5,879)</b>	<b>(3,579)</b>	<b>(14,697)</b>	<b>(12,303)</b>
<b>Profit after tax</b>	<b>14,080</b>	<b>10,736</b>	<b>44,287</b>	<b>39,384</b>
Minority interests	(752)	(666)	(2,509)	(1,802)
<b>Consolidated net profit for the year</b>	<b>13,328</b>	<b>10,070</b>	<b>41,778</b>	<b>37,582</b>

EUR

Earnings per share (undiluted)	4.74	4.30
Earnings per share (diluted) <sup>1)</sup>	-	-
Average number of shares in issue (undiluted)	8,822,167	8,809,327
Average number of shares in issue (diluted) <sup>1)</sup>	-	-

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

## Cash Flow Statement

EUR '000	Jan - Sep 2006	Jan - Sep 2005
<b>Profit before tax</b>	<b>58,984</b>	<b>51,969</b>
Cash flows from operating activities	38,166	20,661
Cash flows from investing activities	(13,703)	(29,575)
Free cash flow	26,879	(6,414)
Cash flow from financing activities	(9,605)	6,923
<b>Total cash flows</b>	<b>14,858</b>	<b>(1,991)</b>
<b>Changes in funds</b>		
Cash and cash equivalents at beginning of the period	1,554	8,205
Cash and cash equivalents at end of the period	16,412	6,214
	<b>14,858</b>	<b>(1,991)</b>

## Statement of Changes in Equity

EUR '000

	Share capital	Capital reserves	Retained earnings	Valuation reserves for financial instruments acc. to IAS 39	Foreign currency translation reserve	Consolidated net profit for the year	Minority interests	Total
<b>At 31 Dec 2004</b>	<b>18,568</b>	<b>53,757</b>	<b>62,118</b>	<b>1,298</b>	<b>(6,208)</b>	<b>27,391</b>	<b>3,036</b>	<b>159,960</b>
Dividends 2004	0	0	0	0	0	(9,689)	0	(9,689)
Profit carry forward from 2004	0	0	17,702	0	0	(17,702)	0	0
Share repurchase	0	0	56	0	0	0	0	56
Stock options acc. to IFRS	0	0	110	0	0	0	0	110
Profit after tax 31 Dec 2005	0	0	0	0	0	48,143	2,351	50,494
Earnings-neutral value changes in financial instruments	0	0	0	(3,253)	0	0	0	(3,253)
IFRS 19 Employee benefits	0	0	(985)	0	0	0	0	(985)
Other changes in equity	0	0	(497)	0	1,713	0	90	1,306
<b>At 31 Dec 2005</b>	<b>18,568</b>	<b>53,757</b>	<b>78,504</b>	<b>(1,955)</b>	<b>(4,495)</b>	<b>48,143</b>	<b>5,477</b>	<b>197,999</b>
<b>At 31 Dec 2005</b>	<b>18,568</b>	<b>53,757</b>	<b>78,504</b>	<b>(1,955)</b>	<b>(4,495)</b>	<b>48,143</b>	<b>5,477</b>	<b>197,999</b>
Dividends 2005	0	0	0	0	0	(15,862)	0	(15,862)
Profit carry forward from 2005	0	0	32,281	0	0	(32,281)	0	0
Stock options acc. to IFRS	0	0	78	0	0	0	0	78
Profit after tax 30 Sep 2006	0	0	0	0	0	41,778	2,509	44,287
Earnings-neutral value changes in financial instruments	0	0	0	1,973	0	0	0	1,973
IFRS 19 Employee benefits	0	0	(36)	0	0	0	0	(36)
Other changes in equity	0	0	203	0	(715)	0	23	(489)
<b>At 30 September 2006</b>	<b>18,568</b>	<b>53,757</b>	<b>111,030</b>	<b>18</b>	<b>(5,210)</b>	<b>41,778</b>	<b>8,009</b>	<b>227,950</b>

## Segment Reporting

EUR '000

	EUROPE / REST of the WORLD		NORTH / SOUTH AMERICA	
<b>Primary segmentation</b>	<b>Q1-Q3 2006</b>	<b>Q1-Q3 2005</b>	<b>Q1-Q3 2006</b>	<b>Q1-Q3 2005</b>
Revenue	381,302	338,203	55,872	47,805
EBIT	57,892	51,409	1,378	1,172

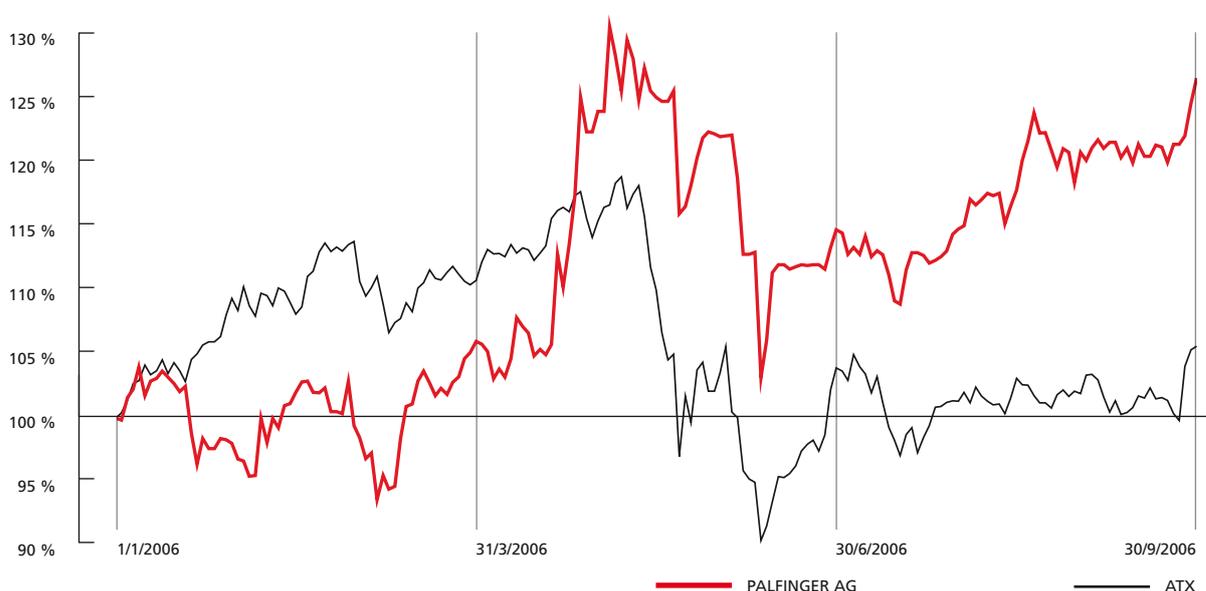
EUR '000

	CRANES		HYDRAULIC SYSTEMS / SERVICES	
<b>Secondary segmentation</b>	<b>Q1-Q3 2006</b>	<b>Q1-Q3 2005</b>	<b>Q1-Q3 2006</b>	<b>Q1-Q3 2005</b>
Revenue	308,901	276,485	128,273	109,523
EBIT	62,948	56,413	(3,678)	(3,832)

## Q3 2006

International Securities Identification Number (ISIN)	AT0000758305
Number of shares issued	9,283,750
Price at close on 30 September 2006	EUR 80.64
Earnings per share (Q1-Q3 2006)	EUR 4.74
Market capitalization as of 30 September 2006	EUR 748,641,600

## Share Price PALFINGER AG



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## 2007 Financial Calendar

<b>28 February 2007</b>	Annual press conference on the 2006 financial year
<b>28 March 2007</b>	Annual General Meeting
<b>08 May 2007</b>	Publication of results for the 1st quarter of 2007
<b>08 August 2007</b>	Publication of results for the 1st half of 2007
<b>08 November 2007</b>	Publication of results of the 3rd quarter of 2007

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

