



Report on the First Three Quarters of 2005

PALFINGER



Financial highlights of PALFINGER AG as of 30 September 2005

(in accordance with IFRS)

EUR '000	Jan – Sept 05	Jan – Sept 04	Jan – Sept 03	Jan – Sept 02	Jan – Sept 01
Income statement					
Revenue	386,008	293,000	246,780	232,711	257,051
EBITDA	60,848	38,114	29,643	28,979	40,772
EBITDA margin	15.8%	13.0%	12.0%	12.5%	15.9%
Profit from operations (EBIT)	52,862	29,470	21,273	20,505	32,595
EBIT margin	13.7%	10.1%	8.6%	8.8%	12.7%
Profit before tax	51,969	28,850	19,976	18,534	29,305
Consolidated net profit for the period	37,864	18,645	13,066	11,348	19,262
Balance sheet					
Total assets	373,018	303,115	279,851	284,795	313,169
Non-current assets	145,825	119,145	118,577	128,173	123,073
Liabilities	181,109	150,665	143,016	155,576	185,010
Capital and reserves ¹⁾	191,909	152,450	136,835	129,218	128,159
Equity ratio ¹⁾	51.4%	50.3%	48.9%	45.4%	40.9%
Net debt owed	49,361	29,986	41,780	58,060	47,233
Gearing ¹⁾	25.7%	19.7%	30.5%	44.9%	36.9%
Cash flow and investment					
Cash flows from operating activities	20,661	19,616	25,946	26,766	22,248
Free cash flow	(6,414)	11,012	18,540	21,318	(7,243)
Investment in property, plant, and equipment	9,990	8,278	10,855	6,699	17,541
Depreciation and amortization	7,986	8,644	8,370	8,474	8,177
Payroll					
Average annual payroll ²⁾	3,009	2,511	2,283	2,271	1,996
Value					
Net Working Capital ³⁾	97,852	64,855	63,141	65,135	58,778
Capital Employed (at balance sheet date) ³⁾	241,271	182,536	179,225	187,306	175,698

1) Minority interests are included in Capital and reserves. Previous years' figures have been adjusted accordingly.

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

3) From 1 January 2005 the definition of this performance indicator was changed according to internal reporting. Previous years' figures have been adjusted accordingly.

Quarterly report for the period ended 30 September 2005

Economic background

The world economy lost further momentum in the third quarter of 2005. There was an above-average increase of economic growth; however, the powerhouse economies of China and the USA were marked by slight declines. Despite ever-mounting oil price records, a hard landing for the world economy is not likely. Economic growth of 3.25% is forecast for 2005 and 3% for 2006.

The US oil industry in the Gulf of Mexico has been especially hard hit by the devastation caused by the hurricanes "Katrina" and "Rita", which briefly led to an increase in the price of crude oil to US\$ 70 per barrel. These developments are going to slow down the US economy sustainably during the fourth quarter. For 2005, economic growth of 3.5% is anticipated, while forecasts for 2006 stand at only 2.75%. Fuelled mainly by exports, economic development in the Eurozone is expected to accelerate moderately. Growth dynamics in France are going to recede, while increases in exports and domestic demand are projected for Germany. Overall growth rates of 1.4% for 2005 and 1.3% for 2006 are forecast for the Eurozone. Strong growth is expected for Japan and virtually all emerging nations.

Little activity has been noted on the part of central banks. Despite declining inflation in the USA, the Federal Reserve Bank is expected to raise interest rates by 25 basis points until the end of the year; however, in 2006 the lead interest rate is expected to remain at 4,25%. Continued weak growth prospects in Europe merit no increase in interest rates by the European Central Bank. The focus of the USA on their high trade deficit and further Yuan revaluations are expected to weaken the US Dollar in the medium term. The EUR/US Dollar exchange rate is forecast to be 1.25 at the end of 2005 and 1.27 in mid-2006.

Group performance

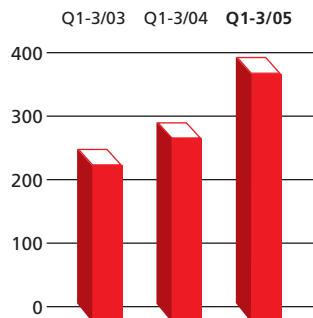
In the third quarter of 2005, PALFINGER continued its successful performance of the first half. After three quarters, EBIT is already 27% above total EBIT generated in the 2004 financial year. Previous record revenue achieved in the second quarter of 2005 was even

slightly surpassed in the third quarter. This outstanding development is the result of the continuing success of the CRANES product group, high capacity utilization in the production areas and successful establishment of cylinder production in Tenevo / Bulgaria. Although margins have been affected by rising materials prices, above-average increases in margins were achieved thanks to higher productivity and the effects of fixed-cost depression. Essential improvements in flexibility of production and process quality, and sustainability of these developments require further resource adaptations. Thus, medium-term utilization of potentials of strategic implementation is ensured. Results of the segments North and South America and Hydraulic Systems and Services have been especially affected by relevant pre-production costs.

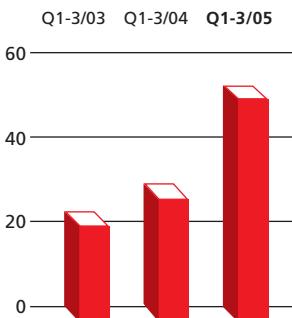
Compared to the previous year, revenue in the first three quarters was increased by EUR 93.0m (31.7%) to a record level of EUR 386.0m. EBIT reached EUR 52.9m, marking an above-average increase of 79.4%.

Record revenue is the result of the rigorous implementation of the Group's internationalization, diversification, and innovation strategies. The profitable development of the Cranes business in Europe attributable to high performance classes and a wealth of variations

Revenue (EUR m)



EBIT (EUR m)



in fittings are reinforced by growth in North America and increasing market penetration of PALFINGER cranes in South America. EPSILON continued to post strong growth. Revenue and earnings in Services were significantly increased compared to previous year. RATCLIFF PALFINGER has been included for the first time in the third quarter and contributed EUR 4.8m to revenue. The acquisition of BISON has affected revenue increase in the reporting period with EUR 9.5m.

Group assets, finances, and earnings

Positive development of the Group continued in the third quarter of 2005 and is mainly marked by further increases in revenue and especially earnings at full capacity utilization in production. As a result of revenue increases of about 32% and the first time-inclusion of RATCLIFF PALFINGER from 1 August 2005, net working capital rose to EUR 97.9m (09/04: EUR 64.9m, 12/04: EUR 68.9m). Non-current assets increased to EUR 143.4m (09/04: EUR 117.7m, 12/04: EUR 122.2m). The increase is mainly a result of investment in the scope of realization of cost advantages resulting from concentration of cylinder production in Bulgaria, investments in rationalization measures and capacity increases, and first-time consolidation of RATCLIFF PALFINGER. In line with these developments, capital employed increased to EUR 241.3m (09/2004: EUR 182.5m; 12/04: EUR 191.0m).

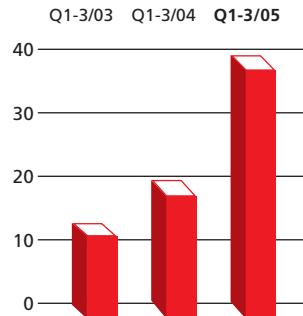
Cash flows and gearing ratio indicate that the Group is largely able to finance growth under its own steam. Financing of the increase of working capital of about EUR 28.9m compared to year-end 2004 as a result of growth is already included in operative cash flows of EUR 20.7m (09/2004: EUR 19.6m). Besides cash-effective investments of EUR 29.6m, which were also necessitated by the acquisition of RATCLIFF PALFINGER, dividend payments of EUR 9.7m were also financed. Ultimately, net debt owed increased to EUR 49.4m (09/2004: EUR 30.0m; 12/04: EUR 26.9m). Despite realized growth, both cash flows and an equity ratio of 51.4% (09/04: 50.3%; 12/04: 52.1%), respectively the gearing ratio of 25.7% (09/04: 19.7%; 12/04: 16.6%) indicate the Group's sufficient financial strength for further growth under its own steam.

Other events

After the implementation of RAP (Rapid Process) in the Cranes product group and the implementation of Global Palfinger Structure (GPS) according to Areas and Product Divisions during the past two years, implementation of the project "GPS reloaded" is to ensure the organization's process orientation as of 1 January 2006 and the application of RAP for other product groups.

RATCLIFF PALFINGER has been included in the Palfinger Group's financial statements since its successful acquisition on 1 August 2005. By acquiring the British market leader, PALFINGER is going to

Consolidated net profit (EUR m)



strengthen the tailgates segment. The new addition is expected to contribute to solid revenue and earnings growth.

Targeted penetration of the Asian market was begun in 2005 by establishing a separate Area Asia. Singapore was chosen as headquarter for the Group's activities in this region, further impelling the establishment of organizational and process structures. As of 1 January 2006, operational business in Asia will be transferred from Area Europe to Area Asia.

Global sourcing initiatives and the rollout of process competences to international production locations remain at the focus of the PALFINGER strategy.

Investor relations remained of high importance in the third quarter of 2005. Among other activities, management represented the company at road shows in Europe and North America. Share price development was highly positive and reached a new all-time high above EUR 70. Turbulences at stock exchanges in Eastern Europe and profit taking led to significant declines in price in the past weeks. Stock exchange turnover more than doubled over the course of the year; however, PALFINGER shares were excluded from the Austrian blue-chip index ATX effective 19 September 2005 because of low activity in the stock market.

Performance by region

Positive development of the PALFINGER Group remains based on the performance of the segment **Europe and the Rest of the World**. After successful market performance in France, Great Britain, and Taiwan in the first half of 2005, besides the main market of Spain, increases in order intake were recorded in the Middle East, Russia, and Southeastern Europe in the third quarter. German market performance remains in line with last year. The markets in Spain, France, Sweden, and Denmark significantly contributed to revenue growth. Positive development in these countries was due to increased sales of EPSILON and CRANES products.

Compared to the same period in the previous year, revenue in this segment increased by 31.8%, from EUR 256.8m to EUR 338.2m. Thanks to the excellent development of the Cranes segment and high capacity utilization of production and assembly plants, EBIT nearly doubled from EUR 26.4m to EUR 51.4m.

Revenue in the segment **North and South America** increased by 32.0%, from EUR 36.2m to EUR 47.8m, with the strengthened Brazilian Real positively affecting revenue development and simultaneously promoting the import of competitors' products, especially in telescopic cranes. This led to a slightly negative EBIT development of EUR -0.7m in the third quarter.

Developments in North America were marked by successful penetration of the Mexican market thanks to the new dealer structure and positively affected by growth of the US market combined with reinforced dealer support and servicing of key accounts. Among other instruments, this drive was based on marketing and training measures launched by PALFINGER University in North America. Setting up of an independent spare parts supply was concluded in the third quarter and preparations to increase assembly on-location to 50 units per month from the fourth quarter are under way.

In South America, market acceptance of PALFINGER cranes further increased. The Brazilian Real is reaching historic highs; however, the political situation in Brazil aggravates market uncertainties. A strategic partnership was concluded for technological development of telescopic cranes to offset increasing import pressure in the future and to set the course for further positive development of this segment.

Performance by product group

Especially in the first half of 2005, the **CRANES** segment was positively affected by a shift in demand towards high-performance cranes and high-grade fittings, and the PALFINGER Group's above-average performance in the rising market is reflected in revenue of the first nine months. During the third quarter, development of the market and PALFINGER's performance were at previous year's levels. A consolidation process increasingly marks the crane manufacturing industry. Thanks to its competitive position and advances in market penetration, especially in Europe, PALFINGER is going to take a leading role in this process and consequently gain further market shares.

The Group's internationalization strategy led to increased order intakes in the USA and South America especially in the third quarter, after above-average growth of the Asian market was recorded in the second quarter.

Increased production capacities have resulted in more flexibility, reverting delivery times in the main product areas to time spans PALFINGER customers are accustomed to.

For **EPSILON**, macroeconomic conditions remained highly positive in the timber industry as well as in the recycling industry.

However, at the moment government economizing measures restrict necessary renewal of fleets and thus market growth. Sales developed particularly well in Germany, Great Britain, Austria, Sweden, Spain, Italy, and France. A wide range of product variations, outstanding quality, and shorter delivery times than competitors combined with attractive pricing constitute the foundation for the positive development of EPSILON.

During the first nine months, revenue increased by 31.0% to EUR 276.5m. Compared to the same period in 2004, EBIT rose by 77.4% to EUR 56.7m.

Hydraulic Systems and Services

The Hydraulic Systems and Services segment recorded revenue growth of 33.7% to EUR 109.7m. However, compared to the positive second quarter, the third quarter was marked by a setback of earnings with EBIT at EUR -3.8m.

After increased order intake for container handling systems in the **PALIFT** division in the first half of 2005, effects of the inadequate delivery situation of previous months are reflected in third quarter results. France, Great Britain, and Spain are still among the main markets.

Despite the best production launch curve after a three-week works holiday, sufficient productivity has not been reached yet. This is due to delays in staff cutbacks. After relocation of steel component and cylinder production in the first half of 2005, outsourcing of container production was continued and is to be concluded by the end of the year. This measure is to concentrate assembly activities further and thus to increase productivity.

Especially the **PALGATE** product division was marked by the acquisition of RATCLIFF, which will lend new dynamics to the division. Integration of RATCLIFF PALFINGER was successfully begun during the third quarter and is going to be concluded at year-end. The production location in the Great Britain is to be developed into a Center of Excellence for the entire tailgates segment.

Full capacity utilization of the **RAILWAY** division increasingly necessitated focus on smaller projects. In account of increased external contributions, revenue is around previous-year levels, with positive earnings below those of 2004. The market share of RAILWAY in Europe remained unchanged at 70%. In September, PALFINGER acquired the Lötschbergtunnel project, which is going to be implemented during the next two years.

After the introduction of newly developed products of the **CRAYLER** division in the North American market, focus is now on increased market penetration. The PALFINGER UNIVERSITY supports this effort. While in Europe with Germany as main market levels of units sold remain on previous year-levels, the number of units sold in North America doubled owing to the new products and the commencement of key account business combined with increasing dealer acceptance. Order-based manufacturing (RAP) was successfully implemented at the beginning of the fourth quarter. Parallel to macroeconomic developments anticipated to become increasingly favorable for the **MOBILER** market, development of optimal organization within the Group is underway. Sales in this division remain below expectations.

Operations in the **BISON** division during the first nine months of 2005 were marked by integration of the division's processes into the PALFINGER Group and successive opening of markets. PALFINGER's increased entry into aerial work platforms has led to aggressive price behavior by competitors. At the same time, this product division has been affected by the steel price increases, and costs of restructuring and relocation. The relocation of production of PALFINGER aerial work platform sold under the brand name ACCESS to Löbau/Salzburg, Austria will be concluded during the fourth quarter.

In **SERVICES**, positive development of sales and continuing success of the PALFINGER Group's service drive are reflected in increased revenue generated by sales of spare parts. New developments in remote control systems for which software development was successfully concluded during the third quarter will not only offer added product benefits for customers from 2006, but also further increase the quality of services.

Outlook

For 2005, the Management Board expects record figures in revenue and earnings. While profitability of products in the CRANES segments is outstanding, continuous improvement and optimization of processes is the prerequisite for essential and sustainable profitability increases of weaker product areas in the Hydraulic Systems and Services segment. Exacting risk management further is to ensure optimal coverage in the future. In addition to the further implementation of the agreed strategic focus towards innovation, internationalization, and diversification high priority is set on the concentration on hedging and optimizing the excellent rentability situation of the CRANES segment and the necessary and sustainable profit increase of the younger and weaker product groups. Ongoing improvement and optimization processes, extension of qualitative and technological leadership, an increase of global sourcing, and efficient management of endogenous and exogenous risks will constitute the foundation for successful future growth of the PALFINGER Group.

Balance sheet as of 30 September 2005

EUR '000	30 Sept 2005	31 Dec 2004	30 Sept 2004
ASSETS			
Non-current assets			
Property, plant, and equipment	90,658	83,054	82,763
Goodwill	20,383	20,437	20,974
Other intangible assets	15,764	4,120	1,441
Investments	7,748	6,805	7,144
Other non-current assets	4,094	4,050	3,817
Deferred tax	7,178	5,493	3,006
	145,825	123,959	119,145
Current assets			
Inventories	108,401	85,428	87,423
Receivables and other current assets	112,578	93,982	86,646
Cash and cash equivalents	6,214	8,205	9,901
	227,193	187,615	183,970
Total assets	373,018	311,574	303,115
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18,568	18,568	18,568
Capital reserves	53,757	53,757	53,757
Retained earnings	80,054	62,172	62,058
Financial instruments	(1,651)	1,298	75
Foreign currency translation reserve	(1,597)	(3,945)	(3,570)
Minority interests ¹⁾	4,914	3,036	2,918
Consolidated net profit for the period	37,864	27,362	18,644
	191,909	162,248	152,450
Non-current liabilities			
Non-current financial liabilities	17,185	14,725	15,241
Non-current provisions	14,065	12,219	12,978
Deferred tax	762	916	0
Other non-current liabilities	5,331	5,269	4,558
	37,343	33,129	32,777
Current liabilities			
Current financial liabilities	40,797	24,267	26,525
Other current provisions	39,796	29,925	26,758
Other current liabilities	63,173	62,005	64,605
	143,766	116,197	117,888
Total equity and liabilities	373,018	311,574	303,115

1) Minority interests are included in Capital and reserves from 1 January 2005 according to IFRS. Previous years' figures have been adjusted accordingly.

Income statement for the period ended 30 September 2005

EUR '000	July – Sept 05	July – Sept 04	Jan – Sept 05	Jan – Sept 05
Revenue	132,155	102,396	386,008	293,000
Changes in inventories	(3,198)	11,617	11,327	17,212
Own work capitalized	34	17	174	56
Other operating income	3,364	(443)	7,953	5,999
Materials and services	(70,281)	(64,310)	(216,334)	(163,242)
Staff costs	(26,461)	(21,736)	(78,531)	(67,706)
Goodwill amortization expense	(68)	(539)	(68)	(1,749)
Depreciation and amortization expense	(2,814)	(2,400)	(7,918)	(6,895)
Other operating expenses	(17,282)	(12,285)	(49,749)	(47,205)
Profit from operations (EBIT)	15,449	12,317	52,862	29,470
Income from investments	(50)	776	1,567	1,580
Interest and other financial expenses	(982)	(240)	(2,460)	(2,200)
Net finance cost	(1,032)	536	(893)	(620)
Profit before tax	14,417	12,853	51,969	28,850
Income tax expense	(3,579)	(4,213)	(12,303)	(9,144)
Profit after tax	(10,838)	(8,640)	(39,666)	(19,706)
Minority interests	(666)	(446)	(1,802)	(1,062)
Consolidated net profit for the year	10,172	8,194	37,864	18,644

EUR

Earnings per share (undiluted)	4.30	2.12
Earnings per share (diluted) ¹⁾	0	0
Average number of shares in issue (undiluted)	8,809,327	8,808,321
Average number of shares in issue (diluted) ¹⁾	0	0

1) There were no outstanding issues of convertible bonds as of 30 September 2005; the undiluted earnings per share are the same as the diluted earnings per share.

Cash flow statement

EUR '000	Jan – Sept 05	Jan – Sept 04
Profit before tax	51,969	28,850
Cash flows from operating activities	20,661	19,616
Cash flows from investing activities	(29,575)	(10,434)
Free cash flow	(6,414)	11,012
Cash flows from financing activities	6,923	(7,516)
Total cash flows	(1,991)	1,666
Changes in funds		
Cash and cash equivalents at beginning of the period	8,205	8,235
Cash and cash equivalents at end of the period	6,214	9,901
	(1,991)	1,666

Statement of changes in equity

	Share capital	Capital reserves	Retained earnings	Valuation reserves for financial instruments acc. to IAS 39	Foreign currency translation reserve	Consolidated net profit for the year	Minority interest	Total
EUR '000								
At 31 December 2002	18,568	53,757	47,124	0	(3,863)	13,182	0	128,768
Dividend payments 2002	0	0	0	0	(5,285)			(5,285)
Profit carry forward from 2002	0	0	7,897	0	(7,897)	0	0	0
Capital increase/issue of shares	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	286	0	(677)	(588)
At 31 December 2003	18,568	53,757	52,177	965	(3,576)	15,283	0	137,174
At 31 December 2003	18,568	53,757	52,177	965	(3,576)	15,283	0	137,174
Dividend payments 2003	0	0	0	0	0	(5,285)	0	(5,285)
Profit carry forward from 2003	0	0	9,998	0	0	(9,998)	0	0
Profit after tax at 31 Dec 2004	0	0	0	0	0	27,362	1,504	28,866
Earnings-neutral value changes in financial instruments	0	0	0	333	0	0	0	333
Other changes in equity	0	0	(3)	0	(369)	0	(1,504)	(1,876)
At 31 December 2004	18,568	53,757	62,172	1,298	(3,945)	(27,362)	0	159,212
At 31 December 2004	18,568	53,757	62,172	1,298	(3,945)	27,362	3,036	162,248
Dividend payments 2004				0		(9,689)		(9,689)
Profit carry forward from 2004			17,673			(17,673)		0
Share repurchase			56					56
Stock option valuation			78					78
Profit after tax 30 Sept 2005						37,864	1,802	39,666
Earnings-neutral value changes in financial instruments				(2,949)				(2,949)
Other changes in equity			75		2,348		76	2,449
At 30 September 2005	18,568	53,757	80,054	(1,651)	(1,597)	37,864	4,914	191,909

Segment reporting

EUR '000

Jan – Sept 05 Jan – Sept 04

Jan – Sept 05 Jan – Sept 04

Primary segmentation

	Europe/Rest of the World		North/South America	
Revenue	338,203	256,793	47,805	36,208
EBIT	51,409	26,441	1,453	3,029

Secondary segmentation

	Cranes	Hydraulic Systems/Services	
Revenue	276,485	210,988	109,523
EBIT	56,695	31,470	(3,833)
			(2,000)

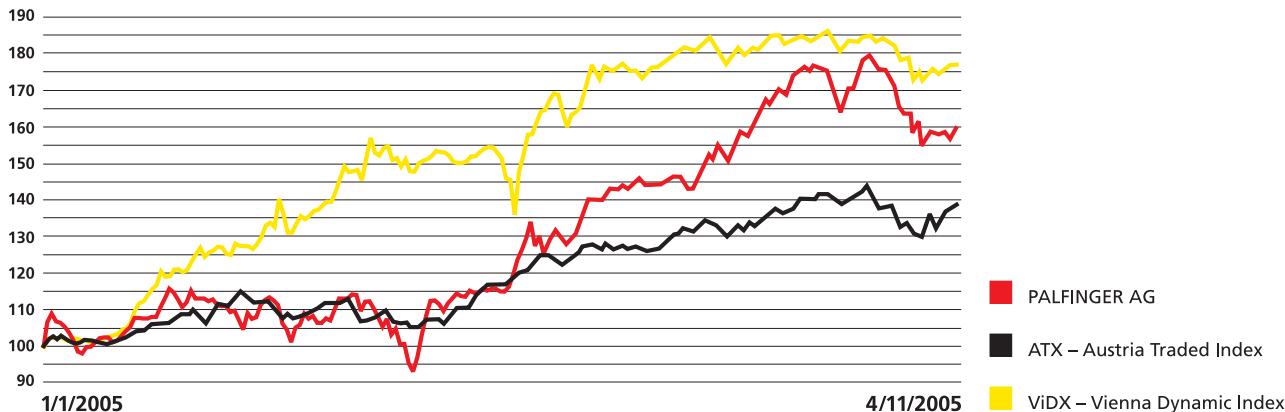
Shareholder information

International Securities Identification Number (ISIN)	AT0000758305
Number of shares issued	9,283,750
Price at close on 30 September 2005	72.96 EUR
Earnings per share (30 Sept 2005)	4.30 EUR
Market capitalization as of 30 September 2005	677,342,400 EUR

2006 Financial calendar

Press conference on 2005 financial statements	10 March 2006
Annual General Meeting	5 April 2006
Publication of the results for the 1st quarter of 2006	10 May 2006
Publication of the results for the 1st half of 2006	10 August 2006
Publication of the results for the 3rd quarter of 2006	10 November 2006

Share price (indexed)



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