

A STEEP RISE IN PERFORMANCE

INTERIM REPORT ON THE FIRST HALF OF 2011



PALFINGER

FINANCIAL HIGHLIGHTS OF THE PALFINGER GROUP

TEUR	HY1 2011	HY1 2010	HY1 2009	HY1 2008	HY1 2007
Income					
Revenue	414,270	297,402	269,169	423,452	340,592
EBITDA (including associated companies) ¹⁾	50,138	24,896	6,811	71,816	62,045
EBITDA margin	12.1%	8.4%	2.5%	17.0%	18.2%
EBIT (including associated companies) ¹⁾	35,992	14,546	(4,197)	61,918	55,062
EBIT margin	8.7%	4.9%	(1.6%)	14.6%	16.2%
Result before income tax	30,068	11,901	(8,516)	59,240	53,111
Consolidated net result for the period	22,571	7,271	(8,013)	42,454	39,235
Balance sheet					
Total assets	723,662	629,349	629,797	594,224	469,223
Non-current operating assets	368,503	332,866	307,561	259,856	184,547
Net working capital (as of the reporting date)	134,469	138,344	156,200	152,701	115,170
Capital employed (as of the reporting date)	502,972	471,210	463,761	412,557	299,717
Equity	339,560	313,309	288,435	309,942	263,453
Equity ratio	46.9%	49.8%	45.8%	52.2%	56.1%
Net debt	163,411	157,901	170,787	102,615	36,264
Gearing	48.1%	50.4%	59.2%	33.1%	13.8%
Cash flow and investments					
Cash flows from operating activities	15,138	23,405	18,568	31,513	33,000
Free cash flows	4,710	4,283	14,668	6,126	1,496
Investment in property, plant and equipment	6,626	3,861	3,836	28,178	33,969
Depreciation, amortization and impairment	14,146	10,350	11,008	9,898	6,983
Payroll					
Average payroll during the reporting period ²⁾	5,449	4,400	4,658	4,578	3,722

1) The presentation of earnings before interest and taxes was changed; the comparative figures of previous years were adjusted accordingly.

2) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers.

CONSOLIDATED MANAGEMENT REPORT AS OF 30 JUNE 2011

ECONOMIC ENVIRONMENT

The global economy continued to recover in the first half of 2011 despite the upswing temporarily losing momentum. While growth was still strong in most of the emerging markets, many industrialized nations performed poorly. A slowdown was recorded in the second quarter, in particular in Japan – as a consequence of the devastating earthquake – and in the US where economic activity was weaker than expected. However, despite downside risks, the International Monetary Fund (IMF) expects the economy to pick up in the second half and has forecast global economic growth of 4.3 per cent for 2011, with a continuation at 4.5 per cent in 2012.

Growth rates in Europe exceeded expectations. Germany and France performed well while other eurozone countries were faced with enormous financial challenges. In the second quarter another bailout package became necessary to avert insolvency in Greece; Portugal's and Ireland's ratings were downgraded below investment grade, and doubt has recently been cast on Italy's ability to meet financial obligations as well. The debt crisis had entered a new dimension by the end of the first half of 2011. The IMF expects economic growth rates of 2.0 per cent in 2011 and 1.7 per cent in 2012.

Economic recovery in Central and Eastern Europe is expected to become more widespread. The GDP forecast was raised to a rate of 5.3 per cent for 2011 but adjusted downward to + 3.2 per cent for 2012. The Commonwealth of Independent States has been recovering quickly from the crisis as well, with estimated growth rates of 5.1 per cent for 2011 and 4.7 per cent for 2012.

The US most recently experienced a decline in economic momentum. In mid-July political debate began to focus on the further increase of the federal debt ceiling, a clear indicator of the necessity of rapid debt reduction. However, the IMF predicts economic slowdown to be of a temporary nature only, although development is expected to remain subdued. The forecasts made were revised slightly downward to growth rates of 2.5 per cent for 2011 and 2.7 per cent for 2012.

In Latin America economic growth is now expected to plateau after its speedy recovery in 2010 – in particular in those countries where political measures were taken to counteract the risks of overheating. In this connection, the IMF also lowered its growth forecasts for Brazil to 4.1 per cent in 2011 and 3.6 per cent in 2012.

Economic growth in Asia continues to clearly outpace other regions. Stabilization at a lower level is expected, but nevertheless growth rates of 9.6 and 9.5 per cent in China and 8.2 and 7.8 per cent in India are projected for 2011 and 2012, respectively.

The quick succession of good and bad news made financial markets highly volatile in the first half of 2011. On the one hand, the economy recovered and companies posted satisfactory earnings figures, and on the other issues emerged, such as the euro debt crisis, inflation, the raising of interest rates, uncertainties in the Middle East and the natural disaster in Japan. While stock exchange prices were still on the rise in the first quarter, indices began trading in a sideways-movement phase and in some cases even lost significant ground in the second quarter. The oil price dropped slightly again in the second quarter but at USD 112.10 at the end of the quarter the price of a barrel of Brent was still clearly above the price quoted at the beginning of the year.

The euro appreciated significantly against the US dollar in the first half of 2011 and at 30 June 2011 was USD 1.44, 8.6 per cent higher than at the end of the previous year. The euro also strengthened against the Chinese yuan by 6.3 per cent to CNY 9.30 and against the Brazilian real by 2.0 per cent to BRL 2.26.

PERFORMANCE OF THE PALFINGER GROUP

In the first half of the financial year 2011 the PALFINGER Group managed to continue the positive development recorded primarily since the beginning of 2010. By comparison with the first half of 2010, huge growth in both revenue and earnings was achieved. The economic growth continued to spur demand on the one hand, and the measures implemented in previous years took effect on the other. By reducing costs and increasing flexibility, PALFINGER was preparing to face volatile markets, which materially supports sustainable and profitable growth both now and in the future.

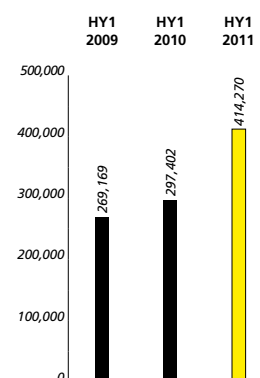
At EUR 414.3 million, first-half revenue was a satisfactory 39.3 per cent above the figure reported in the first half of 2010, when revenue was EUR 297.4 million. Around one third of this increase was due to inorganic growth through acquisitions made in 2010. Organic growth in revenue was generated largely in Europe, though a positive trend was observed in all the regions. The level of revenue increase was particularly satisfactory in the area Asia and Pacific, an area which is still small in terms of revenue. In addition, the positive market development in the area North America was reflected in a marked increase in revenue, in particular in the second quarter.

PALFINGER's sophisticated trend monitoring was a key factor in enhancing predictability and therefore also planning certainty, which is a sign of further positive development although the strength of the upward trend has started to decline in some markets, also due to currently prevailing uncertainties.

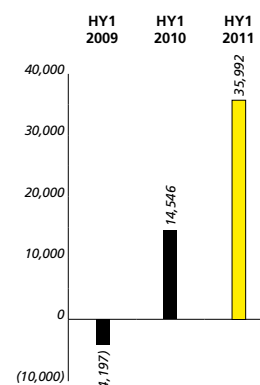
In the first six months of 2011, EBIT (incl. associated companies) came to EUR 36.0 million as compared to EUR 14.5 million in the same period of 2010, equivalent to more than a doubling of the earnings before interest and taxes. This substantial improvement was achieved primarily due to significantly higher demand in all product divisions throughout all the areas, as well as by higher productivity in the facilities. The consolidated net result was more than tripled, rising from EUR 7.3 million in the first half of 2010 to EUR 22.6 million in the period under review.

Henceforth, the results of the operating non-controlling interests – the income from associated companies – will be reported under earnings before interest and taxes (EBIT) to better take into account the circumstances of the Company in terms of finance, assets and earnings. The comparative figures of previous years were adjusted accordingly.

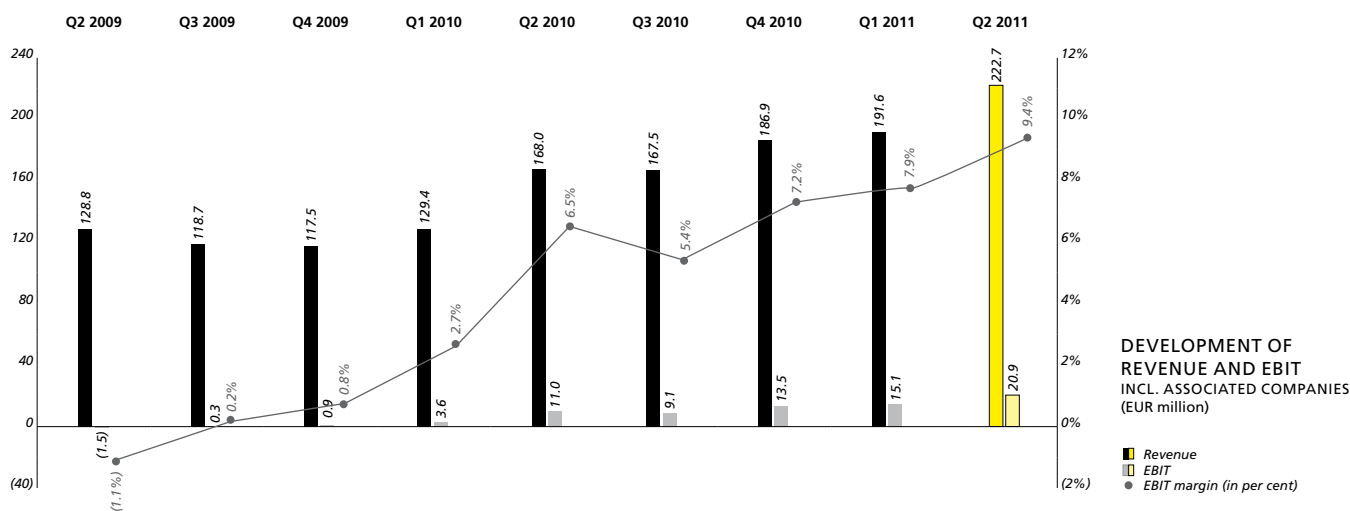
A comparison of performance over the individual quarters provides convincing evidence of a continuous upward trend since the beginning of 2010. In the second quarter of 2011, revenue came to EUR 222.7, reaching the highest level in PALFINGER's history. The exceptionally large boost in EBIT including associated companies, made an increase in EBIT margin to 9.4 per cent possible in the second quarter of 2011.



DEVELOPMENT OF REVENUE (TEUR)



DEVELOPMENT OF EBIT INCL. ASSOCIATED COMPANIES (TEUR)



DEVELOPMENT OF REVENUE AND EBIT INCL. ASSOCIATED COMPANIES (EUR million)

The Group's performance in Europe reflects marked growth in demand. While many countries such as Germany, Scandinavia, France, Russia and Great Britain recorded exceptionally high increases in revenue on this basis, Spain, Portugal, Greece, Romania and Ukraine remained weak.

Development of demand was also positive in all product areas in North America, in particular in the second quarter of 2011. PALFINGER expects the upward trend in South America to be reinforced due to the upcoming investments in infrastructure, especially in Brazil in connection with the FIFA World Cup in 2014 and the 2016 Summer Olympics.

Strong growth rates were also recorded in Russia. The markets in Asia currently still only account for a small share of PALFINGER's business. The sharp increase in revenue generated in the region demonstrates that these markets are gaining in importance. With production sites in China, Vietnam and – since the end of 2010 – also in India, PALFINGER is well prepared for further growth.

FINANCIAL POSITION, CASH FLOWS AND RESULT OF OPERATIONS

At 46.9 per cent, the equity ratio was still at a high level at the end of the first half, albeit slightly below the year-end figure reported in 2010 (31 December 2010: 48.9 per cent). Due to the satisfactory growth in earnings, equity went up from EUR 331.4 million as of 31 December 2010 to EUR 339.6 million as of 30 June 2011 in spite of payment of a dividend in the first half of 2011 and the effect of a stronger euro when translating the financial statements of the subsidiaries abroad. At the same time, the expansion of business volume led to an increase in total assets, from EUR 677.4 million as of 31 December 2010 to EUR 723.7 million as of 30 June 2011.

Net working capital increased compared to the end of 2010 as well as to the end of the first quarter by around EUR 20 million to EUR 134.5 million. The rise in inventories and receivables responsible for this increase were a consequence of the enormous improvement in revenue. In this context, capital employed as of 30 June 2011 came to EUR 503.0 million, i.e. around 2 per cent higher than on 31 December 2010. Nevertheless, the ratio of net working capital to revenue was maintained almost constant which demonstrates the sustainability of the measures taken to optimize net working capital.

At EUR 163.4 million, net debt at 30 June 2011 was slightly above the year-end figure posted in 2010 (31 December 2010: EUR 160.9 million) and EUR 0.2 million below the figure reported for the first quarter of 2011. At 48.1 per cent, the gearing ratio once again remained below the 50 per cent target (31 December 2010: 48.6 per cent).

The reclassification of the tranches of the promissory note loan due in 2012 from non-current financial liabilities to current financial liabilities resulted in a reduction of 31.7 per cent in non-current financial liabilities, from EUR 119.9 million to EUR 81.9 million, in the second quarter. 83.8 per cent of PALFINGER's capital employed has been secured on a long-term basis. The capital employed management programme initiated in 2010 will be continued in the financial year 2011 so as to further optimize the Group's financial structure.

Cash flows from operating activities went down from EUR 23.4 million in the first half of the previous year to EUR 15.1 million due to the effects described above. Cash flows from investing activities came to –EUR 14.7 million. At 4.7 million free cash flows were higher than in the previous year (EUR 4.3 million), highlighting PALFINGER's internal financing capability.

The year-on-year increase in revenue from EUR 297.4 million to EUR 414.3 million was primarily an indication of recovery in European markets. Compared to the first quarter of 2011, another increase in revenue of EUR 31.1 million was reported in the second quarter. EBIT (incl. associated companies) in the amount of EUR 36.0 million (Jan–June 2010: EUR 14.6 million) and the Group's consolidated net result of EUR 22.6 million (Jan–June 2010: EUR 7.3 million) demonstrate that PALFINGER has emerged from the crisis stronger than before.

MATERIAL RISKS AND UNCERTAINTIES IN THE SECOND HALF OF 2011

The risk situation at PALFINGER in the second half of 2011 will be shaped to a great extent by the development of the economic framework conditions. Apart from the expected volatility of the markets, the consistent implementation of the area strategy and the success of the measures initiated to increase earnings in the individual business units have been identified as the most important influencing factors.

Framework conditions specific to the individual business units result in the following topics which might cause exposure to risks:

- In individual markets, the statutory framework applicable there means that the increase in flexibility and the planned adjustments to market requirements might not be implemented within the desired timeframe or only at elevated costs.
- Statutory requirements and standards for products must be implemented taking into account the customers' needs.
- In the Group's newest business unit, Marine Systems, the long-term nature of projects makes the implementation of an individual market strategy a challenge.
- The success of the introduction of new products and the related price quality depend to a large extent on how the market responds and accepts such products.
- Depending on local circumstances, the availability of necessary, qualified employees might be limited.
- Entering the market in new areas and/or countries with new products too fast involves the risk of high capital lock-up and/or higher product introduction costs.

The way earnings have developed during the past months shows that PALFINGER has positioned itself as a strong market player. Increasing flexibility even further will be of vital importance in the second half of 2011.

Should demand continue to improve, certain operational risks might increase. This refers in particular to the following risks:

- Delivery periods of strategically important suppliers might become longer due to capacity bottlenecks on the part of such suppliers. Intensive contact with such suppliers facilitates quick responses to such developments.
- In connection with safety and buffer stock, an increase in materials inventories may become necessary in order to be able to observe delivery dates agreed with dealers.
- If capacity utilization increases strongly, special attention will be paid to meeting deadlines and quality standards.

In addition to continuing to efficiently meet market demand, making working hours more flexible remains another relevant topic. At the same time it is important to have sufficient human resources available in the strategic project area. PALFINGER has recognized this need and, even during the crisis, pursued a strategy of retaining resources with a view to a recovery of the markets.

In the field of development, there is the risk that new products are not accepted by the market and thus market shares are lost. Therefore, great attention will be paid to R&D in the future, and resources and strategically important know how will be expanded further.

The natural disasters of recent months and their economic impact highlight the interrelations of a globalized economy. The risk of possible bottlenecks in procurement is reduced by optimizing supply structures and processes.

Being a powerful economic player, China may exert influence on the European sales market. For instance, a decline in demand in Asia could result in an increase in exports, including to Europe. In addition, overcoming the entry barriers to the growing Chinese market will be of material importance for PALFINGER's future development. PALFINGER has prepared measures for its strategic positioning and the reinforcement of its market development efforts in China.

The distribution model using dealers is based on communication with these partners. A lack of exchange with and care taken with stakeholders may result in the loss of market shares: To counteract this risk, partnerships are maintained and reinforced through intensive customer relations management and regular exchange of information, for instance at dealer fairs and meetings.

Economic developments in recent years have changed the Group's dependencies on individual markets. To counteract this trend, PALFINGER has decided to enter the market with new products and/or to market existing products in other areas.

Given the current debt situation in the US and some European countries, the performance of the US dollar against the euro involves a certain currency risk. PALFINGER counteracts this risk by means of hedge transactions and local value creation.

RISKS RELATING TO BALANCE SHEET PREPARATION

As financial reporting is made as soon as possible after the closing of the books, it is possible that issues relating to the period ended may only be presented in the subsequent period.

The necessary use of estimates and judgements in the fields of non-financial assets, deferred tax assets, measurements of inventories and receivables, provisions for pensions, severance payments and anniversary bonuses, as well as provisions for guarantees and warranties have a direct impact on the presentation of the Group's assets and earnings.

The inclusion of acquisitions into accounting and the assessment of facts necessitated by such inclusions might lead to additional evaluation risks.

An expedient optimization of spare parts management reduces the risk of obsolescence within the PALFINGER Group.

With its continuously developing risk management and control system, which has been uniformly organized throughout the Company, PALFINGER ensures that adequate risk control strategies are developed and implemented. Assuming a stable and/or improving market situation, there are, at the moment, no discernable risks that might jeopardize the continued existence of the Company.

OTHER EVENTS

PALFINGER realigned its strategic priorities in 2010. Since the Group's diversification targets have already been achieved, greater emphasis will now be placed on further enhancing flexibility. In order to also obtain long-term balanced diversification in geographical terms, internationalization will continue to be at the core of the Group's strategy together with innovation.

In 2010 the targeted capital-employed management scheme resulted, amongst other things, in many process enhancements that are now being continued on a Group-wide basis in an attempt to meet new objectives. High priority is being given to further optimizing fixed-cost structures with a view to facilitating additional investment projects from internal funding to support planned growth.

In early July 2011 PALFINGER took a major strategic step towards internationalization: Following the takeover of the leading Russian crane manufacturer INMAN – subject to the approval of the Federal Antimonopoly Service of the Russian Federation – PALFINGER will generate value locally and set up additional distribution channels in the large Russian growth market. With a staff of 415, INMAN is expected to generate revenue of around EUR 20 million in 2011.

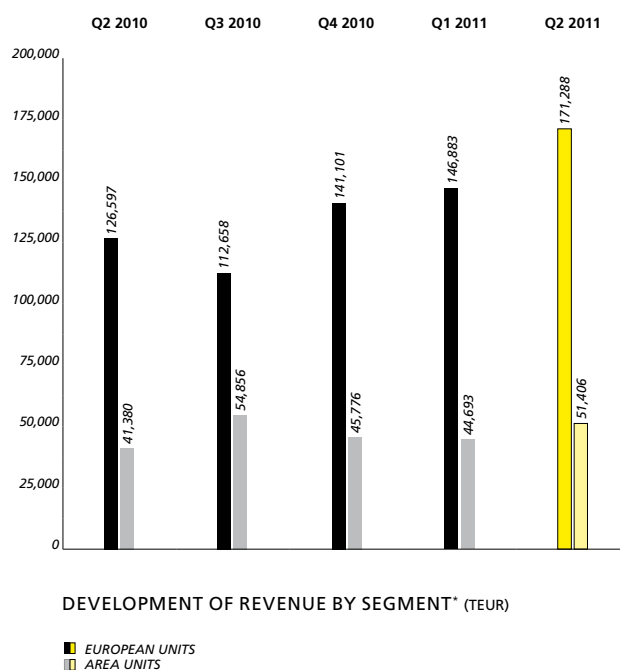
In order to promote the education and training of its employees, also with a view to expanding its business areas, PALFINGER initiated further staff development programmes in 2011. The Palfinger Global Leadership Programme, for example, is aimed at promoting employees with potential management skills in all international PALFINGER companies. Additional training programmes were set up in the production sector, such as welding academies in Bulgaria and South America.

In an effort to highlight and expand PALFINGER's technology leadership, research and development was set as another priority of the financial year 2011. Development of the new "crane series 2015", revision of the North American transportable forklift model and regional adjustment of PALFINGER's products to the Asian market are key issues in this connection. The further development of electronics and mechatronics will be a substantial success factor for PALFINGER, and initiatives already started in these areas will be continued and expanded.

Strong interest in PALFINGER shares was evidenced by the many requests for investor appointments. To meet this interest, PALFINGER participated in a number of international road shows and investor conferences in the first half of 2011. After significantly outperforming the relevant stock exchange indices in 2010, the share price, in line with the ATX performance, sagged during the first half of 2011 while volatility was high. As of 30 June 2011 the share price was EUR 24.91, 13.4 per cent below 2010's year-end price of EUR 28.75.

PERFORMANCE BY SEGMENT

PALFINGER implemented a new organizational structure at the beginning of 2010. On the one hand, it gives due consideration to the growth achieved in previous years, and on the other to meeting future challenges in individual markets. Since this time, in line with the Group's internal control structures, the segment figures reported have been broken down into the segments EUROPEAN UNITS and AREA UNITS and the VENTURES unit.



* No revenues are generated in the VENTURES unit.

EUROPEAN UNITS SEGMENT

The EUROPEAN UNITS segment comprises the area EMEA with the business units Knuckle Boom Cranes, Timber and Recycling Cranes, Tail Lifts, Access Platforms, Hookloaders, Transportable Forklifts, Railway Systems, Production, the distribution company in Germany and the associated subsidiaries and, since the third quarter of 2010, the Marine Systems business unit.

In the first half of 2011 the EUROPEAN UNITS segment reported revenue of EUR 318.2 million, 41.1 per cent up on the figure of EUR 225.4 million recorded in the first half of 2010. The new Marine Systems business unit contributed EUR 23.3 million of the growth of EUR 92.8 million achieved.

The clear upward trend thus continued into the first half of 2011. It was felt primarily in the business units Knuckle Boom Cranes, Timber and Recycling Cranes and Production as well as in the distribution company in Germany. The recent performance of Hookloaders and Tail Lifts – and in the second quarter Access Platforms – was satisfactory as well.

At EUR 44.6 million, the segment result achieved in the first half was significantly above the previous year's figure of EUR 24.5 million. On the one hand, this tremendous 82.1 per cent increase was due to higher demand in major product areas, and on the other to cost-cutting measures. In addition, the sale of the non-controlling interest of 36 per cent in Palfinger Southern Africa (Pty.) Ltd. in April 2011 produced a positive one-off effect of EUR 2.0 million.

Knuckle Boom Cranes

The marked upward trend in all major sales markets for knuckle boom cranes continued in the first half of 2011, revenue growth also had a positive impact on earnings. The most successful markets included Germany, France, Great Britain and Scandinavia, though market developments in Russia, South Africa and, particularly in the second quarter, Chile were also positive. Spain, Portugal and the Middle East continued to be weak markets.

Timber and Recycling Cranes

The very positive performance achieved in the previous year also continued in the field of EPSILON timber and recycling cranes. Revenue in the second quarter of 2011 almost doubled compared to the same quarter of the previous year, with earnings consistently on a remarkably good level. A promising cooperation in the off-road area was begun with Caterpillar, opening up new market potential for PALFINGER. Brazil, North America and in particular Russia are increasingly proving to be promising markets with great future potential.

Tail Lifts

The Tail Lifts business unit reported a satisfactory rise in revenue compared to the same period of the previous year, as well as an exceptionally substantial increase in earnings. The takeover of the service business of Ross & Bonnyman in Great Britain will be completed in the third quarter of 2011 and will have a positive impact on the development of this business unit as well.

Access Platforms

The Access Platforms business unit reported considerable increases in revenue as compared to the same period of the previous year. The restructuring measures taken made it possible to generate a positive contribution to earnings in the second quarter of 2011. PALFINGER does not expect the market for this product segment to recover before 2012.

Hookloaders

Sustainable turnaround was achieved, confirming the success of the operational management of this business unit in France, which was changed in 2010. The measures taken in connection with the new structures, coupled with the onset of a market recovery, were reflected in a clearly positive contribution to earnings, in particular in the second quarter of 2011. In addition, the technological and qualitative advantages of the products offered were particularly highlighted by the increase in demand in Germany.

Transportable Forklifts

In the Transportable Forklifts business unit revenue was stepped up by around 50 per cent compared to the first half of 2010, which was primarily due to higher sales figures in Germany. As a consequence, this product area now also posts positive earnings, thereby contributing to the Company's success.

Railway Systems

Due to the volatile order situation in 2010 in combination with the long lead times of projects in the Railway Systems business unit the first half of 2011 was weak in contrast to the other business units. However, based on the increase in incoming orders recorded since the beginning of 2011, this business unit is expected to return to making its usual favourable contribution to earnings within the next months. The higher demand shows that the specific PALFINGER products meet the customer demands.

Production

Improved capacity utilization and optimized process and cost structure in the Production business unit resulted in an exceptionally large increase in earnings. Moreover, PALFINGER has already established a reputation as a reliable partner with top quality products in the field of third-party manufacturing, which is reflected in the increased interest expressed by customers. In Croatia, in order to further optimize production flows, Palfinger Marine d.o.o., Skrljevo, was merged into Palfinger Proizvodna Tehnologija Hrvatska d.o.o., Delnice, in the second quarter of 2011.

Marine Systems

The integration of the new Marine Systems business unit is well under way. As incoming orders increased considerably, the business unit posted the expected positive earnings and primarily Ned-Deck Marine made very pleasing contributions to earnings. The offshore wind energy sector will remain a priority, enabling PALFINGER to seize the future potential of this growth market in the best possible way.

AREA UNITS SEGMENT

The AREA UNITS segment comprises the areas North America, South America, Asia and Pacific, India and CIS together with their respective regional business units.

Most of the areas outside Europe are still being developed, reinforced by the Group's acquisitions and own initiatives. By integrating and further expanding its strategic initiatives – including the costs incurred in this connection initially – PALFINGER aims to quickly enter the profit zone in the AREA UNITS on the basis of continued growth.

Revenue generated by the AREA UNITS segment rose by 33.5 per cent, from EUR 72.0 million in the first half of 2010 to EUR 96.1 million in the period under review. This revenue growth was boosted primarily by the acceleration of demand in North America and a marked increase in revenue in Asia. Currently, areas outside Europe contribute 23.2 per cent of consolidated revenue.

Despite the start-up costs incurred for assembly facilities in India, the segment result improved from –EUR 6.5 million in the previous year to –EUR 4.3 million in the first half of 2011. In South America, the transition to order-based manufacturing resulted in an improvement to operating processes and consequently in increased earnings compared to the previous year. The positive performance in North America and Asia during recent months was also reflected in this improvement of the segment result.

Area North America

In the area North America the local product range was completed with the acquisition of ETI, an access platform producer, in 2010. Furthermore, all the business units in this area reported significant revenue growth, in particular during the second quarter. PALFINGER is still working hard to integrate the distribution and dealer networks of these business units in a move designed to generate additional potential for this area. The success of the efficient and targeted efforts showed in the second quarter of 2011 when this area achieved a positive result for the first time.

Area South America

PALFINGER still sees South America as a growth market in which the Group consistently pursues the establishment of new products such as its EPSILON timber and recycling cranes. Increased efficiency in value creation through order-based manufacturing has already had a positive effect on this area's results. In the second quarter of 2011 satisfactory increases in revenue were generated in particular in Chile.

Area Asia and Pacific

PALFINGER achieved strong growth in the area Asia and Pacific – albeit at a low level – with revenue up by around 50 per cent in the first half of 2011 as compared to the same period of the previous year. In China, after establishing a value-creation site, PALFINGER is now intensively developing further strategic options designed to significantly enhance growth potential in this area for the PALFINGER Group.

Area India

In the area India, results for the first half of 2011 were impacted by the start-up costs incurred in connection with the new production site in Chennai. The intensified market development efforts made in 2010 have already brought about a satisfactory improvement in incoming orders. The introduction of a telescopic crane adapted to local needs promises successful future market development. Local value creation at the site in Chennai as well as local procurement will be continually expanded.

Area CIS

The area CIS has benefited considerably from the local sales organization implemented in 2009. The number of PALFINGER dealers on both sides of the Ural was increased to a total of 50, and the search for additional local partners is progressing well. Sales figures for both cranes and access platforms developed satisfactorily.

With the takeover of the leading crane manufacturer INMAN, which is still subject to the approval of the authorities, PALFINGER has reached a major milestone towards local presence with distribution and value-creation structures. Moreover, a locally recognized product will be added to the Group's product portfolio through this acquisition.

VENTURES UNIT

The VENTURES unit is composed of all major strategic projects for the future pursued by the PALFINGER Group up to operational maturity. As the projects included in the VENTURES unit do not generate revenue, the costs of such projects are reported.

In the first half of 2011, projects for the further development of the Indian and Asian areas as well as for potential acquisitions or partnerships in this connection were devised. In Russia, the acquisition project INMAN was successfully completed in early July 2011. The result for this unit for the first half of 2011 was –EUR 4.3 million compared to –EUR 3.4 million in the same period of the previous year and reflected the Group's stepped up growth activities.

OUTLOOK

After the global economic crisis of previous years, PALFINGER observed a clear trend reversal as early as 2010. Not only did the Group manage to grasp the market opportunities that presented themselves, but it also emerged from the crisis even stronger than before in all sectors, obtaining significant benefits from the incipient market growth. This positive trend also continued into 2011, although at the end of the second quarter uncertainty in the markets increased and the mood turned gloomy.

Flexibility is an essential competitive advantage for PALFINGER, particularly when market demand is not stable. Switching to order-based procurement, manufacturing and assembly has enabled PALFINGER to respond to order fluctuations quickly without locking up excessive capital by increasing inventories. PALFINGER must therefore continue to consistently pursue the flexibility route in all fields.

Internationalization is another cornerstone of PALFINGER's business strategy, an issue which the Group has consistently pursued. At the moment, the focus in this connection is on Asia and Russia, where, along with economic growth, the market potential of PALFINGER is on the rise as well. In the growth market of CIS, which is increasingly gaining in importance, PALFINGER already took a major strategic step at the beginning of July 2011. In China, another important future market, PALFINGER has been promoting, and will continue to promote, the strategic development and the increase in the degree of local value creation in a very deliberate manner.

The growing diversity of the Group's products, expansion through acquisition, as well as the promotion of internationalization all make it necessary to concentrate more on complexity management. PALFINGER regards this as a substantial challenge for the future. Stepping up activities and increasing resources in this field should help the Group to expand this significant competitive advantage in the future.

As the Group's current headquarters in Salzburg are no longer suitable for the dimensions of the PALFINGER Group, PALFINGER plans to build new headquarters in Austria. The project has already been approved by the Supervisory Board, and the plans have been filed with the relevant authorities. In this connection, the site was subjected to a revaluation.

Management's outlook for 2011 is optimistic. However, the massive growth rates achieved in the first half will slow down in the light of the expected economic developments and the traditionally weaker summer months. On the basis of the current economic environment, it is estimated that organic revenue growth will be more than 20 per cent. In addition, the areas North and South America and the business units Access Platforms and Hookloaders are expected to make more substantial contributions to earnings.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2011

CONSOLIDATED BALANCE SHEET

TEUR	Note	30 June 2011	31 Dec 2010	30 June 2010
Non-current assets				
Intangible assets		125,641	127,972	90,965
Property, plant and equipment		191,823	200,151	197,601
Investment property		412	419	1,084
Investments in associated companies	1	14,650	15,459	14,345
Deferred tax assets		33,310	31,858	26,670
Non-current financial assets		5,621	2,794	2,965
Other non-current assets		2,666	2,242	2,201
		374,123	380,895	335,831
Current assets				
Inventories	2	185,915	159,754	161,520
Trade receivables	3	136,308	110,511	109,792
Other current assets		14,277	9,893	9,479
Tax receivables		151	513	166
Cash and cash equivalents		12,888	15,865	12,561
		349,539	296,536	293,518
Total assets		723,662	677,431	629,349
Equity				
Share capital		35,730	35,730	35,730
Additional paid-in capital		30,448	30,423	30,391
Treasury stock		(1,509)	(1,509)	(1,509)
Retained earnings	4	269,267	254,395	238,837
Valuation reserves pursuant to IAS 39		(430)	(444)	(1,740)
Foreign currency translation reserve		(6,567)	(1,236)	2,824
		326,939	317,359	304,533
Non-controlling interests		12,621	14,001	8,776
		339,560	331,360	313,309
Non-current liabilities				
Non-current financial liabilities		81,937	123,562	115,813
Non-current provisions		41,801	40,637	23,089
Deferred tax liabilities		15,102	15,178	12,962
Other non-current liabilities		4,575	4,461	3,834
		143,415	183,838	155,698
Current liabilities				
Current financial liabilities		103,288	55,947	57,665
Current provisions		11,697	11,668	14,089
Tax liabilities		8,394	4,352	975
Trade payables and other current liabilities	5	117,308	90,266	87,613
		240,687	162,233	160,342
Total equity and liabilities		723,662	677,431	629,349

CONSOLIDATED INCOME STATEMENT *

TEUR	Note	April-June 2011	April-June 2010	Jan-June 2011	Jan-June 2010
Revenue		222,694	167,977	414,270	297,402
Changes in inventory		12,548	1,782	23,779	6,951
Own work capitalized	6	1,319	918	2,369	2,092
Other operating income		2,842	1,214	4,575	5,016
Materials and external services		(129,533)	(88,731)	(236,782)	(159,703)
Employee benefits expenses		(55,552)	(45,199)	(107,907)	(85,618)
Depreciation, amortization and impairment expenses		(7,985)	(5,458)	(14,146)	(10,350)
Other operating expenses		(29,105)	(22,426)	(54,769)	(42,266)
Income from associated companies		3,631	910	4,603	1,022
Earnings before interest and taxes – EBIT		20,859	10,987	35,992	14,546
Interest income		49	72	135	176
Interest expenses		(2,978)	(2,517)	(5,582)	(5,070)
Exchange rate differences		225	980	(477)	2,226
Other financial result		0	34	0	23
Net financial result		(2,704)	(1,431)	(5,924)	(2,645)
Result before income tax		18,155	9,556	30,068	11,901
Income tax expense		(6,892)	(2,397)	(4,944)	(3,541)
Result after income tax		11,263	7,159	25,124	8,360
attributable to					
shareholders of PALFINGER AG (consolidated net result for the period)		10,001	6,444	22,571	7,271
non-controlling interests		1,262	715	2,553	1,089
EUR					
Earnings per share (undiluted and diluted)	4	0.28	0.18	0.64	0.21
Average number of shares outstanding		35,402,000	35,402,000	35,402,000	35,402,000

* The statement's structure was changed. For explanations go to "Changes in accounting and valuation methods" in the notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TEUR	April–June 2011	April–June 2010	Jan–June 2011	Jan–June 2010
Result after income tax	11,263	7,159	25,124	8,360
Unrealized profits (+)/losses (–) from foreign currency translation	(611)	7,505	(5,650)	10,603
Unrealized profits (+)/losses (–) from cash flow hedge				
Changes in unrealized profits (+)/losses (–)	174	(1,464)	613	(2,134)
Deferred taxes thereon	(216)	0	(226)	20
Effective taxes thereon	(51)	367	(152)	518
Realized profits (–)/losses (+)	(223)	83	(299)	290
Deferred taxes thereon	0	0	22	0
Effective taxes thereon	56	(19)	56	(71)
Other comprehensive income	(871)	6,472	(5,636)	9,226
Total comprehensive income	10,392	13,631	19,488	17,586
attributable to				
shareholders of PALFINGER AG	9,225	12,424	17,345	16,005
non-controlling interests	1,167	1,207	2,143	1,581

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Note	Equity attributable to the shareholders of PALFINGER AG			Equity attributable to the shareholders of PALFINGER AG			Non-controlling interests	Equity
		Share capital	Additional paid-in capital	Treasury stock	Retained earnings	Valuation reserves pursuant to IAS 39	Foreign currency translation reserve		
As of 1 Jan 2010		35,730	30,363	(1,509)	231,453	(363)	(7,287)	3,890	292,277
Total comprehensive income									
Result after income tax		0	0	0	7,271	0	0	1,089	8,360
Other comprehensive income									
Unrealized profits (+)/losses (-) from foreign currency translation		0	0	0	0	0	10,111	492	10,603
Unrealized profits (+)/losses (-) from cash flow hedge		0	0	0	0	(1,377)	0	0	(1,377)
		0	0	0	7,271	(1,377)	10,111	1,581	17,586
Transactions with shareholders									
Dividends		0	0	0	0	0	0	(1,085)	(1,085)
Other changes		0	28	0	113	0	0	4,390	4,531
		0	28	0	113	0	0	3,305	3,446
As of 30 June 2010		35,730	30,391	(1,509)	238,837	(1,740)	2,824	8,776	313,309
As of 1 Jan 2011		35,730	30,423	(1,509)	254,395	(444)	(1,236)	14,001	331,360
Total comprehensive income									
Result after income tax		0	0	0	22,571	0	0	2,553	25,124
Other comprehensive income									
Unrealized profits (+)/losses (-) from foreign currency translation		0	0	0	0	0	(5,240)	(410)	(5,650)
Unrealized profits (+)/losses (-) from cash flow hedge		0	0	0	0	14	0	0	14
		0	0	0	22,571	14	(5,240)	2,143	19,488
Transactions with shareholders									
Dividends	4	0	0	0	(7,788)	0	0	(3,515)	(11,303)
Other changes		0	25	0	89	0	(91)	(8)	15
		0	25	0	(7,699)	0	(91)	(3,523)	(11,288)
As of 30 June 2011		35,730	30,448	(1,509)	269,267	(430)	(6,567)	12,621	339,560

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Jan–June 2011	Jan–June 2010
Result before income tax	30,068	11,901
Cash flows from operating activities	15,138	23,405
Cash flows from investing activities	(14,718)	(22,593)
Cash flows from financing activities	(2,923)	(22,150)
Total cash flows	(2,503)	(21,338)
Free cash flows	4,710	4,283
TEUR	2011	2010
Funds as of 1 Jan	15,865	33,073
Effects of foreign exchange differences	(474)	826
Total cash flows	(2,503)	(21,338)
Funds as of 30 June	12,888	12,561

SEGMENT REPORTING

TEUR	Revenue		EBIT	
	Jan–June 2011	Jan–June 2010	Jan–June 2011	Jan–June 2010
EUROPEAN UNITS	318,171	225,421	44,637	24,509
AREA UNITS	96,099	71,981	(4,334)	(6,518)
VENTURES	–	–	(4,311)	(3,445)
PALFINGER Group	414,270	297,402	35,992	14,546

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

PALFINGER AG is a publicly listed company headquartered in Salzburg, Austria, whose main business activity is the production and the sale of innovative lifting, loading and handling solutions.

REPORTING BASES

These consolidated financial statements of PALFINGER AG and its subsidiaries as of 30 June 2011 were prepared in line with IAS 34. Apart from the change regarding the structure of the consolidated income statement, which is explained below, the same accounting and valuation methods used in the consolidated financial statements for the financial year 2010 were applied when preparing these interim consolidated financial statements. The consolidated financial statements as of 31 December 2010 were prepared in line with the International Financial Reporting Standards (IFRS) valid at the reporting date and the relevant interpretations of the International Financial Reporting Interpretations Committee (IFRIC) to be applied within the European Union (EU). Please refer to the consolidated financial statements of PALFINGER AG as of 31 December 2010 for further information on the individual accounting and valuation methods used.

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

CHANGES IN ACCOUNTING AND VALUATION METHODS

PALFINGER AG holds its associated companies for the exclusive purpose of supporting and optimizing the Group's operating activities. One of the most important key performance indicators within PALFINGER AG is "EBIT plus income from associated companies". This circumstance was now taken into account and the income statement was adjusted accordingly by eliminating the subtotal "Earnings before interest and taxes – EBIT (before associated companies)" and instead inserting the subtotal "Earnings before interest and taxes – EBIT" after the item "Income from associated companies". The new structure has resulted in a clearer and more reliable presentation of the earnings situation of PALFINGER AG.

No changes in accounting and valuation methods other than the one mentioned herein were made in the first half of 2011.

SCOPE OF CONSOLIDATION

The following change in the corporate structure did not have any impact on the scope of consolidation:

The Hamburg-based company Schomäcker Fahrzeugbau GmbH, 100 per cent of which was taken over by Palfinger GmbH, Ainring, in the financial year 2010, was merged with Palfinger GmbH, Ainring, with effect from 1 January 2011.

The following changes in the corporate structure had an impact on the scope of consolidation:

Palfinger Marine d.o.o., Skrljevo, Croatia, was merged into Palfinger Proizvodna Tehnologija Hrvatska d.o.o., Delnice, Croatia, as the absorbing company, as of 3 May 2011 in order to simplify the Group's structure.

By articles of association of 30 May 2011 Palfinger Marine- und Beteiligungs-GmbH, Salzburg, founded the wholly-owned subsidiary Palfinger CIS GmbH, Salzburg. The subsidiary was entered into the commercial register held at the Provincial Court of Salzburg Acting as the Commercial Court on 17 June 2011. The company was founded to provide an optimized legal base for the progressing expansion in the CIS countries.

The entry for MBB Liftsystems Ltd. (in liquidation), Cobham, Great Britain, was finally deleted from the commercial register as of 29 June 2011.

As of 1 April 2011 the remaining shares of 36 per cent in Palfinger Southern Africa (Pty.) Ltd. were sold to the former co-owners.

NOTES TO THE CONSOLIDATED BALANCE SHEET

(1) Investments in associated companies

Changes in investments in associated companies are shown in the following table:

TEUR	2011	2010
As of 1 Jan	15,459	15,726
Additions	0	1,026
Share in net result for the period	2,574	2,446
Dividends	(1,906)	(3,981)
Exchange rate differences	(104)	242
Disposals	(1,373)	0
As of 30 June/31 Dec	14,650	15,459

(2) Inventories

Inventories are broken down as follows:

TEUR	30 June 2011	31 Dec 2010
Materials and production supplies	73,804	62,645
Work in progress	60,355	42,760
Finished goods and goods for resale	50,892	53,607
Prepayments	864	742
Total	185,915	159,754

(3) Trade receivables

Trade receivables include receivables from associated companies in the amount of TEUR 8,650 (31 December 2010: TEUR 4,991).

Based on previous experience, an allowance for doubtful debts in the amount of TEUR 6,674 (31 December 2010: TEUR 6,972) was made to take insolvency risks into account.

(4) Equity

The Annual General Meeting held on 30 March 2011 approved a resolution for payment of a dividend in the amount of TEUR 7,788 out of 2010 profits. This dividend – paid to PALFINGER AG shareholders on 5 April 2011 – was equivalent to a dividend of EUR 0.22 EUR per share. No dividend was paid out for the previous year.

The amount of TEUR 3,500 was paid to the non-controlling shareholders of EPSILON Kran GmbH on 1 March 2011.

Like in the previous year, shares outstanding amounted to 35,402,000.

On the basis of a consolidated net result for the period in the amount of TEUR 22,571 (Jan–June 2010: TEUR 7,271), undiluted earnings per share were EUR 0.64 (Jan–June 2010: EUR 0.21). Due to the low dilution effect of the stock option programme, diluted earnings per share were identical to undiluted earnings per share.

(5) Trade payables and other current liabilities

Trade payables and other current liabilities are broken down as follows:

TEUR	30 June 2011	31 Dec 2010
Trade payables	71,671	55,945
Liabilities to associated companies	835	634
Prepaid orders	7,215	5,153
Liabilities on accepted bills of exchange	2	4
Liabilities to employees	19,749	14,635
Liabilities relating to social security and other taxes	12,806	9,902
Other liabilities	4,549	3,639
Deferred income	481	354
Total	117,308	90,266

Liabilities to associated companies in the amount of TEUR 835 (31 December 2010: TEUR 634) resulted from the provision of goods and services (31 December 2010: TEUR 631).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(6) Own work capitalized

Own work capitalized resulted mainly from capitalized development expenditure from the divisions knuckle boom cranes, access platforms, services and railway as well as from local product developments in North America.

RELATED PARTIES

There were no substantial changes compared to 31 December 2010 with respect to business transactions with related parties. All transactions with related parties are carried out at generally acceptable market conditions. Please refer to the consolidated financial statements of PALFINGER AG as of 31 December 2010 for further information on individual business relations.

STOCK OPTION PROGRAMME

The stock option programmes which PALFINGER AG has for members of its Supervisory and Management Boards are structured as follows:

	Herbert Ortner		Christoph Kaml		Wolfgang Pilz		Martin Zehnder		Alexander Exner		Alexander Doujak	
Number of stock options	40,000	40,000	25,000	25,000	25,000	25,000	25,000	25,000	10,000	0	15,000	15,000
Exercise price in EUR	10.12	10.12	16.57	16.57	10.12	10.12	10.12	10.12	10.12	10.12	10.12	10.12
Exercise period within 12 weeks after the AGM	2012	2014	2013	2015	2012	2014	2012	2014	2012	2014	2012	2014
Fair value of option in EUR as of valuation date*	2.58	2.56	4.73	5.77	2.58	2.56	2.58	2.56	2.58	2.56	2.58	2.56
Underlying volatility	50.0%	40.0%	45.0%	45.0%	50.0%	40.0%	50.0%	40.0%	50.0%	40.0%	50.0%	40.0%
Price in EUR as of valuation date	9.29		16.81		9.29		9.29		9.29		9.29	

* Valuation model used: Monte Carlo simulation

Please refer to the consolidated financial statements of PALFINGER AG as of 31 December 2010 for further information on these stock option programmes.

Changes in stock options were as follows:

Number of stock options	2011	2010
As of 1 Jan	300,000	250,000
Options granted	0	50,000
Options lapsed	30,000	0
As of 30 June/31 Dec	270,000	300,000

Alexander Exner resigned from the Supervisory Board with effect from 30 March 2011. 30,000 of the stock options granted to him lapsed in connection with his resignation.

KEY EVENTS AFTER THE REPORTING DATE

On 4 July 2011 the sales contract for the takeover of the Russian crane producer INMAN (Ischimbajskie Neftianiye Manipulatory, JSC) was signed. Closing is expected to take place in the third quarter of 2011 after a positive review by the Federal Antimonopoly Service. PALFINGER AG took this step to continue with the expansion of its business in Russia. The company with its headquarters in Ishimbay in the Republic of Bashkortosan (Volga region) has since 1992 been a producer and distributor of hydraulic lifting and loading systems, in particular knuckle boom cranes. With a staff of 415, INMAN is expected to generate revenues of around EUR 20 million in 2011.

STATEMENT OF LEGAL REPRESENTATIVES

We confirm, to the best of our knowledge, that the interim consolidated financial statements as of 30 June 2011 give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and that the consolidated management report as of 30 June 2011 gives a true and fair view of important events that have occurred during the first six months of the 2011 financial year and their impact on the interim consolidated financial statements as of 30 June 2011, of the principal risks and uncertainties for the remaining six months of the 2011 financial year and of the major related party transactions to be disclosed.

Salzburg, 26 July 2011

Herbert Ortner m.p.
Chief Executive Officer

Christoph Kaml m.p.
Chief Financial Officer

Wolfgang Pilz m.p.
Chief Marketing Officer

Martin Zehnder m.p.
Chief Operating Officer

REPORT ON THE AUDIT REVIEW

INTRODUCTION

We have reviewed the accompanying interim consolidated financial statements of PALFINGER AG, Salzburg, Austria for the six-month period from 1 January 2011 to 30 June 2011. These interim consolidated financial statements comprise the consolidated balance sheet as of 30 June 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Our responsibility is to issue a conclusion on this interim financial information based on our review. Our responsibility and liability in connection with the review and with reference to sec. 275 para. 2 of the Business Code (UGB) towards the Company as well as third parties shall be limited to a total of Euro 12 million.

SCOPE OF THE AUDIT REVIEW

We conducted our review in accordance with the statutory provisions and professional principles applicable in Austria and in compliance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedure applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Group as of 30 June 2011, and of its financial performance and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

REPORT ON THE INTERIM CONSOLIDATED MANAGEMENT REPORT

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

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

Salzburg, 26 July 2011

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Anna Flotzinger m.p.
Chartered accountant

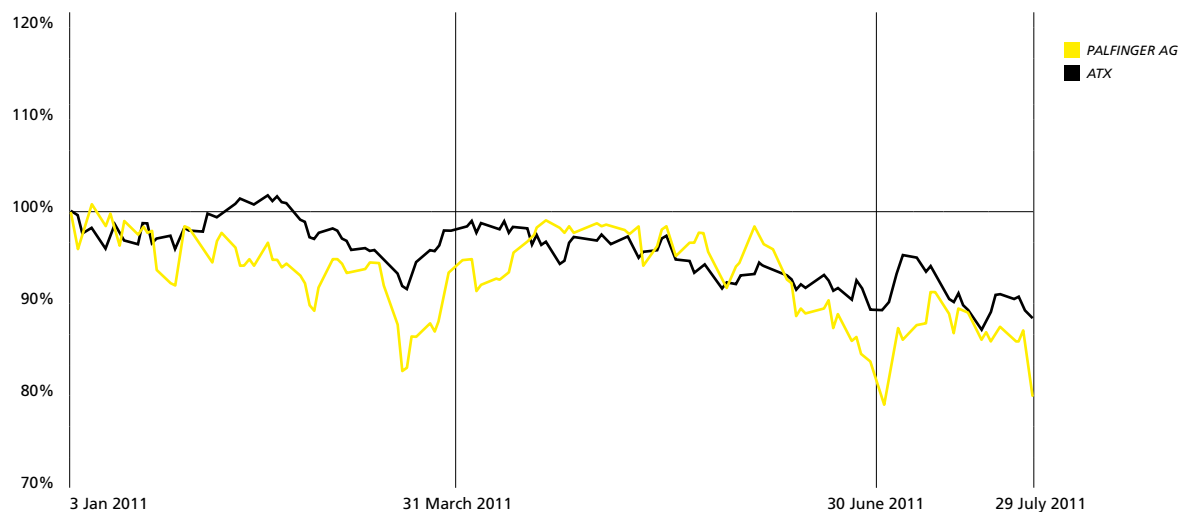
ppa Christoph Fröhlich m.p.
Chartered accountant

Shareholder Information

First half of 2011

International Securities Identification Number (ISIN)	AT0000758305
Number of shares	35,730,000
of which own shares	328,000
Price as of 30 June 2011	EUR 24.91
Earnings per share (HY1 2011)	EUR 0.64
Market capitalization as of 30 June 2011	TEUR 890,034.3

Share Price Performance



INVESTOR RELATIONS

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FINANCIAL CALENDAR

10 November 2011	Publication of results for the first three quarters of 2011
23 January 2012	Publication of preliminary results for 2011
8 February 2012	Balance sheet press conference
8 March 2012	Annual General Meeting
12 March 2012	Ex-dividend day
14 March 2012	Dividend payment day
10 May 2012	Publication of results for the first quarter of 2012
9 August 2012	Publication of results for the first half of 2012
9 November 2012	Publication of results for the first three quarters of 2012

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Minimal arithmetical differences may result from the application of commercial rounding to individual items and percentages in this interim report. The English translation of this PALFINGER report is provided for convenience only. Only the German text is binding.

This report contains forward-looking statements made on the basis of all information available at the time of preparation of this report. Forward-looking statements are usually identified by the use of terminology such as "expect", "plan", "estimate", "believe" etc. Actual outcomes and results may be substantially different from those predicted.

Published on 10 August 2011.

No liability is assumed for typographical or printing errors.

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