Có chí làm quan
Có gan làm giàu

(Vietnamese saying)

"Nothing ventured, nothing gained."

Interim Report for the First Half of 2016

KEY FIGURES OF THE PALFINGER GROUP

EUR thousand	HY1 2012[1)]	HY1 2013[1)]	HY1 2014[1)]	HY1 2015[1)]	HY1 2016
Income statement					
Revenue	465,073	473,263	531,170	606,198	665,571
EBITDA	52,159	49,139	58,459	73,462	86,743
EBITDA margin	11.2%	10.4%	11.0%	12.1%	13.0%
EBIT	36,955	34,033	41,246	53,477	64,940
EBIT margin	7.9%	7.2%	7.8%	8.8%	9.8%
Result before income tax	31,611	27,166	35,740	48,635	58,802
Consolidated net result for the period	23,723	19,551	24,518	34,493	39,735
Balance sheet					
Total assets	797,180	854,201	1,057,996	1,223,930	1,524,470
Current capital (average)	261,227	270,156	296,193	317,085	361,503
Current capital ratio[2)]	29.1%	28.6%	28.7%	27.9%	28.0%
Capital employed (average)	536,462	596,054	697,768	851,921	952,457
Equity	359,716	369,439	442,354	511,851	540,937
Equity ratio	45.1%	43.2%	41.8%	41.8%	35.5%
Net debt	194,505	243,341	353,802	380,741	505,405
Gearing	54.1%	65.9%	80.0%	74.4%	93.4%
Cash flows and investments					
Cash flows from operating activities	11,807	28,864	9,683	37,606	64,586
Free cash flows	(8,146)	5,465	(149,392)	7,010	(69,846)
Net investments	20,238	22,977	145,566	26,894	29,593
Depreciation, amortization and impairment	15,203	15,107	17,213	19,985	21,803
Payroll					
Average payroll during the reporting period[3)]	6,071	6,303	7,273	8,765	8,944
Share					
International Securities Identification Number (ISIN)					AT0000758305
Number of shares	35,730,000	35,730,000	35,730,000	37,593,258	37,593,258
Market capitalization	641,354	786,060	957,564	1,030,055	973,665
Price as at month end (EUR)	17.95	22.00	26.80	27.40	25.90
Earnings per share in EUR	0.67	0.55	0.68	0.92	1.06

1) Figures were adjusted with retrospective effect (see Annual Report 2015, pp. 146–149)
2) Current capital (average) in proportion to revenue of the previous 12 months.
3) Consolidated group companies excluding equity shareholdings as well as excluding temporary workers.

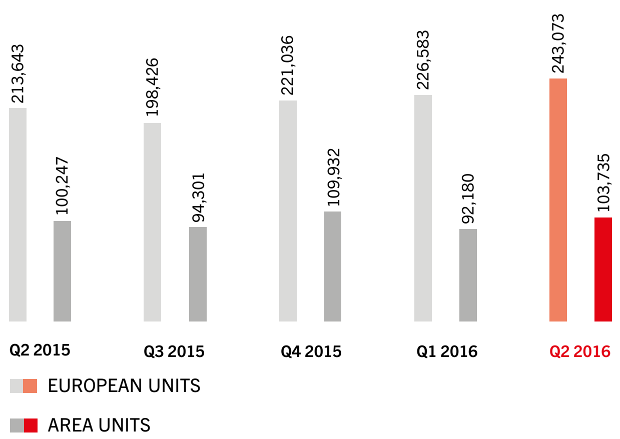
CONSOLIDATED MANAGEMENT REPORT AS AT 30 JUNE 2016

In the first half of 2016, the PALFINGER Group posted further growth, which was primarily based on satisfactory increases in nearly all product areas in Europe. In the other market regions, subdued economic conditions, weak exchange rates and, in North America, necessary reorganization, resulted in ups and downs in performance. In the marine business, the turbulences in the oil and gas industry had a negative impact during the reporting period. At the same time, PALFINGER succeeded in taking major steps towards building up the marine business as the Group's second important mainstay.

PERFORMANCE BY SEGMENT

The segment figures reported by the PALFINGER Group are separated into the EUROPEAN UNITS segment, the AREA UNITS segment and the VENTURES unit.

REVENUE DEVELOPMENT BY SEGMENT*
(EUR thousand)



* No revenues were generated in the VENTURE unit.

EUROPEAN UNITS SEGMENT

- Satisfactory increases in nearly all product areas in Europe
- Global marine business posted decline of 6.7 per cent
- Good product mix resulted in exceptionally high increase in earnings

The business units of the EUROPEAN UNITS segment operate on markets in Europe, the Middle East, Africa and Australia. The segment's main focus is on the development, production, distribution and maintenance of loader cranes, timber and recycling cranes, tail lifts, access platforms, hooklifts, truck mounted forklifts and railway systems, primarily for the aforementioned markets. The global marine business also forms part of this segment, as well as the production companies in Europe and the distribution companies in Germany and on the Iberian Peninsula.

Business development in the first half of 2016

In the first half of 2016, the EUROPEAN UNITS segment saw a year-on-year increase in revenue of 13.4 per cent from EUR 414.3 million to EUR 469.7 million (Q2 2015: EUR 213.6 million; Q2 2016: EUR 243.1 million). In addition to the good performance of all product areas in Europe, the acquisition of a majority interest in PALFINGER's Spanish dealer, which was completed in May 2016, contributed EUR 6.6 million to this increase in revenue.

The segment's EBIT for the first half of 2016 grew by 38.5 per cent to EUR 73.6 million, as compared to EUR 53.1 million for the first half of 2015 (Q2 2015: EUR 26.9 million; Q2 2016: EUR 39.6 million). This outstanding improvement was made possible by the contributions of all European units as well as a favourable product mix. As a consequence, the segment's EBIT margin rose from 12.8 per cent to 15.7 per cent in the reporting period.

Operational highlights

In the field of loader cranes, revenue once again increased considerably in the first half of 2016, which was also reflected in improved earnings. Significant growth was recorded primarily in Austria, Belgium, the Czech Republic, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Portugal and Sweden.

The other European product areas also contributed good revenue and positive earnings to the segment's performance during the reporting period. The hooklift business, for example, saw a significant expansion in the first half of 2016. Sales of timber and recycling cranes as well as railway systems increased, too. PALFINGER's access platforms also achieved satisfactory success in Europe. The good capacity utilization at the production units resulted in a high level of profitability. Manufacturing for third parties was expanded as well. The only product area in which revenue declined was truck mounted forklifts.

The marine business, which is operated on a global scale, posted declines in revenue and earnings during the reporting period. Following growth during recent years, the repercussions of the weak oil price development were reflected in a revenue decrease of around 6.7 per cent in the first half of 2016. At the same time, PALFINGER took an enormous development step by completing the acquisition of the Harding Group at the end of June 2016. This will be reflected in a significant growth in business starting from the second half of 2016.

AREA UNITS SEGMENT

- Slight increase in segment's revenue despite difficult market conditions
- Result affected by necessary reorganization in North America
- Continued market decline in South America

In its AREA UNITS segment, PALFINGER operates in the market regions North America, South America, CIS, as well as Asia and Pacific together with their respective regional business units. PALFINGER has been promoting the continuous further development of the non-European market regions through its own initiatives, partnerships and acquisitions. The objective for the years to come is to complete the product portfolios in the individual market regions and to achieve a relevant market share for PALFINGER.

Business development in the first half of 2016

Following the pleasing growth achieved in the previous year, revenue of the AREA UNITS segment once again increased slightly in the first half of 2016. After EUR 191.9 million in the same period of the previous year, revenue in the reporting period came to EUR 195.9 million (Q2 2015: EUR 100.2 million; Q2 2016: EUR 103.7 million).

The segment’s EBIT, however, shrank from EUR 7.7 million to EUR 0.9 million (Q2 2015: EUR 6.3 million; Q2 2016: EUR 0.4 million). This was caused primarily by the necessary reorganization in the large North American market, the continued market turbulences in Brazil and lower earnings in Asia. As a consequence, the segment's EBIT margin decreased from 4.0 per cent to 0.4 per cent in the reporting period.

Operational highlights

In North America, PALFINGER was able to slightly exceed the previous year’s revenue level. However, the contribution to earnings was significantly lower than in the first half of 2015. After having localized process inefficiencies, comprehensive structural changes are currently being carried out. These reorganization measures are affecting results in the 2016 financial year.

In South America, the persisting economic weakness resulted in a further contraction of business volume. Given the current economic framework, no positive business development is expected to take place in the short term.

In Russia/CIS, PALFINGER continued to more than compensate the lack of exports to this region by selling locally produced products. Despite the weakness of the ruble, the contributions to revenue and earnings in the first half of 2016 almost reached the previous year’s good level. The joint ventures with KAMAZ have started off as planned, opening up additional potential for the future.

The performance of the Asia and Pacific market region was marked primarily by PALFINGER’s cooperation with SANY. While in the previous year, a contract placed under a tender allowed for satisfactory results, economic conditions and business performance remained subdued in the reporting period. In Japan, a company was founded in order to increasingly target the local potential.

VENTURES UNIT

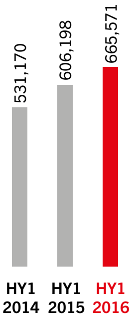
- Integration of distribution activities in Spain
- Largest acquisition in the Company’s history: the Norwegian Harding Group
- Acquisition of the Norwegian TTS Group planned

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

Business development in the first half of 2016

In the reporting period, significant acquisition projects were prepared and/or implemented. In May 2016, the Spanish dealer MYCSA was acquired and PALFINGER Iberica was founded. The acquisition of the Norwegian Harding Group was closed as at 30 June 2016. Moreover, a takeover bid for the Norwegian stock exchange listed TTS Group was prepared and submitted on 18 July. These activities were also reflected in the unit’s EBIT, which was –EUR 9.8 million for the first half of 2016 after –EUR 7.4 million in the same period of the previous year (Q2 2015: –EUR 3.9 million; Q2 2016: –EUR 5.1 million).

PERFORMANCE OF THE PALFINGER GROUP



DEVELOPMENT OF REVENUE
(EUR thousand)

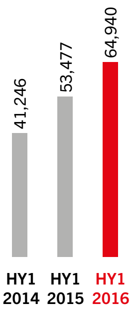
All in all, the performance of the PALFINGER Group was marked by the significant increases achieved in nearly all product areas in Europe. While the propensity to invest was low in recent years, investments in replacements saw an upturn during the reporting period. PALFINGER's business in Southern Europe increased again as well. In other market areas, business remained slow; especially in North America, earnings were rather disappointing. In the marine business, the repercussions of the oil and gas crisis resulted in declining revenue during the reporting period.

Compared to the previous year, the PALFINGER Group's revenue in the first half of 2016 rose by 9.8 per cent, coming to EUR 665.6 million as compared to EUR 606.2 million in the same period of 2015, thus achieving a new record for a half-year result. At 13.4 per cent, the increase in revenue in the EUROPEAN UNITS segment was higher than that in the AREA UNITS segment of 2.1 per cent. As a consequence, the portion of the Group's revenue contributed by the EUROPEAN UNITS segment increased to 70.6 per cent (HY1 2015: 68.3 per cent).

FINANCIAL POSITION, CASH FLOWS AND RESULT OF OPERATIONS

Accounting for 51.5 per cent of PALFINGER's revenue, the European Union was the most important market region, followed by North America with 21.7 per cent and the Far East with 9.7 per cent. Changes in exchange rates had a negative effect on revenue development, reducing it by EUR 10.7 million. PALFINGER Iberica, taken over in May, contributed approx. EUR 6.6 million to revenue.

As a consequence of the growth in business achieved, the cost of sales rose to EUR 490.8 million from EUR 456.8 million in the same period of the previous year. The cost of materials used was reduced by 1.1 per cent in relation to revenue; personnel costs in proportion to revenue remained basically stable. Gross profit increased from EUR 149.4 million in the first half of 2015 to EUR 174.7 million in the reporting period.



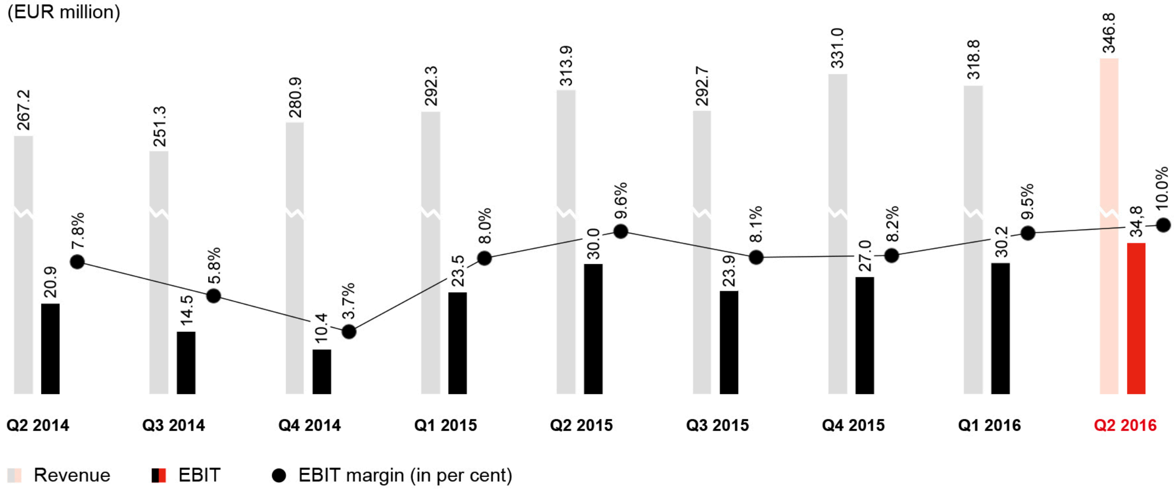
DEVELOPMENT OF EBIT
(EUR thousand)

Structural costs for research and development, distribution and administration in connection with the business expansion rose from EUR 100.2 million to EUR 112.7 million.

The EBIT of the PALFINGER Group showed an extraordinarily strong increase of 21.4 per cent from EUR 53.5 million to EUR 64.9 million. While the EUROPEAN UNITS segment contributed to this increase with an outstanding rise in EBIT of 38.5 per cent, the restructuring activities in North America and the difficult market environment in South America had a negative impact on the earnings in the AREA UNITS segment. The significant rise in EBIT generated an increase in the EBIT margin, which came to 9.8 per cent, as compared to 8.8 per cent in the first half of the previous year.

Performance over the individual quarters since the beginning of 2014 shows the continuous growth of the PALFINGER Group.

DEVELOPMENT OF REVENUE AND EBIT
(EUR million)



The financial result of the PALFINGER Group decreased by EUR 1.3 million in the first half of 2016, falling to –EUR 6.1 million; this was mainly due to foreign currency effects.

Income tax expense increased from EUR 10.7 million in the first half of 2015 to EUR 14.6 million in the first half of 2016. This rise was due to the improved profit situation in the EUROPEAN UNITS segment.

The consolidated net result for the first half of 2016 was EUR 39.7 million, 15.2 per cent higher than the previous year's figure of EUR 34.5 million. Earnings per share came to EUR 1.06, as compared to EUR 0.92 in the previous year.

As at 30 June 2016, the acquisition of the Norwegian Harding Group was closed and – like PALFINGER Iberica – is therefore already reflected in the balance sheet indicators. Total assets increased from EUR 1,223.9 million as at 30 June 2015 to EUR 1,524.5 million as at 30 June 2016.

Non-current assets rose by EUR 174.8 million to EUR 887.8 million (30 June 2015: EUR 713.0 million), which was mainly due to the changes in the scope of consolidation. The biggest changes included the EUR 147.8 million increase in intangible assets and the EUR 29.1 million increase in property, plant and equipment. The EUR 125.8 million rise in current assets to EUR 636.7 million (30 June 2015: EUR 510.9 million) was a consequence of the acquisitions made and the expansion of the Group's business volume.

The acquisitions made resulted in an increase in average current capital in proportion to revenue from 27.9 per cent in the first half of 2015 to 28.0 per cent in the 2016 reporting period. The new companies caused the current capital ratio to rise by two percentage points.

Equity rose from EUR 511.9 million as at 30 June 2015 to EUR 540.9 million. This increase was primarily caused by the excellent half-year result in 2016, but was lowered by exchange rate effects. In connection with the acquisition of the Harding Group, the equity ratio decreased from 41.8 per cent to 35.5 per cent.

Non-current liabilities increased from EUR 433.4 million to EUR 474.8 million, while current liabilities rose from EUR 278.7 million to EUR 508.8 million. 88.0 per cent of PALFINGER's total capital employed has been secured on a long-term basis.

Net debt increased to EUR 505.4 million due to the payment of the purchase price of EUR 380.7 million for the Harding Group. This resulted in a year-on-year increase in the gearing ratio from 74.4 per cent to 93.4 per cent as at 30 June 2016.

Net investments during the reporting period comprised primarily the enlargement of production capacities in South Eastern Europe, the construction of a new sales branch in Germany and current replacement investments. They came to EUR 29.6 million as compared to EUR 26.9 million in the previous year.

In the first half of 2016, cash flows from operating activities amounted to EUR 64.6 million, as compared to EUR 37.6 million in the first half of 2015. Not only was the result before income tax much higher; operating liabilities also recorded a positive change as compared to the same period of the previous year. Cash flows from investing activities were –EUR 138.7 million in the first half of 2016, as compared to –EUR 35.0 million in the same period of 2015. The main reason for this change was the payment made in connection with the acquisition of the Harding Group. As a result, free cash flows dropped from EUR 7.0 million in the first half of 2015 to –EUR 69.8 in the first half of 2016.

Cash flows from financing activities amounted to EUR 80.5 million, compared to –EUR 3.9 million in the same period of the previous year. This development was primarily caused by the use of money market lines for the payment of the purchase price for the Harding Group.

OTHER EVENTS

Integration of distribution activities in Spain

In May 2016, PALFINGER completed the acquisition of a majority interest in its local Spanish dealer. Since then, business has been continued by the newly founded PALFINGER Iberica at six locations with a total of some 80 staff members. The management and the family that was the previous owner still hold a total of 25 per cent of the business.

Expansion of the marine business

HARDING GROUP

As at 30 June 2016, PALFINGER achieved a milestone for its global marine business by closing the acquisition of 100 per cent of the shares in Herkules Harding Holding AS, i.e. the globally operating Harding Group. Harding is one of the leading suppliers of lifesaving equipment and lifecycle services for maritime installations and ships. As a consequence, PALFINGER will expand its marine business by adding new products and a global service network.

Harding is headquartered in Seimsfoss, Norway, and operates in 16 countries worldwide. With a staff of approximately 800, Harding generated revenue of around EUR 140 million in 2015 – half of which came from the provision of lifecycle services. Product-wise, the group is a leading supplier of lifeboats. Together with Harding, PALFINGER MARINE will be able to offer its customers one-stop-shop solutions with premium-quality packages of products and services.

The acquisition is the largest in the history of the PALFINGER Group. As a result of the takeover, PALFINGER's marine business will almost double its business volume and generate revenue of over EUR 300 million, which is more than 20 per cent of the Group's total revenue. The service segment will gain in importance immensely, reducing PALFINGER MARINE's dependence on the oil price and consequently also on the investment propensity of the customer industries. With Harding, PALFINGER will be a big step closer to achieving its strategic goal of becoming an integrated supplier of marine deck equipment with global service locations.

TTS GROUP
In addition, in June PALFINGER announced its intention to lodge a takeover bid for the Norwegian company, TTS Group ASA, listed on the Oslo Stock Exchange. The offer document was published on 18 July 2016. For further information, please refer to Key Events after the Balance Sheet Date.

BUSINESS AND REPORTING SEGMENT
The global marine business of the PALFINGER Group has recorded enormous growth ever since it started operations in 2010. Since 2015, uniform standards and central control of the marine business were introduced in order to realize potential cross-selling opportunities and to achieve additional growth. In the reporting period, the individual companies were grouped by countries with a view to company law.

With the acquisition of the Harding Group at the end of June, the marine activities reached a significant magnitude and hence also became of substantial strategic significance for PALFINGER. Correspondingly, PALFINGER is adjusting its internal and external reporting as of the beginning of the third quarter of 2016. Segment performance figures will now be broken down into the two segments "Land" and "Sea", and no longer into the EUROPEAN UNITS segment and the AREA UNITS segment. The VENTURES unit and the group-wide functions will be comprised in the new "Holding" unit.

The "Sea" segment will comprise all operations under the PALFINGER MARINE brand. The marine business is organized primarily on a global level.

The "Land" segment will comprise all other operations. Within this segment, reporting of revenue and earnings will continue by geographical market regions. For the sake of transparency and comparability, the amounts recorded in the previous year will be recalculated.

Sale of treasury stock

On 21 June 2016, PALFINGER AG concluded its second treasury stock sale programme launched on 10 February 2016. All of the 282,756 shares, corresponding to approx. 0.8 per cent of the share capital, were sold via the Vienna Stock Exchange during this period. For further details regarding the treasury stock sale, please refer to the Company's website www.palfinger.ag under IR-News.

For details on transactions with related parties, please refer to page 32 of the Notes.

MATERIAL RISKS AND UNCERTAINTIES IN THE SECOND HALF OF 2016

Geopolitical and economic developments continue to harbour uncertainty, partly as a consequence of ongoing political tensions between Western Europe and Russia as well as Great Britain's recent decision to leave the European Union. The consequences on economic growth in Europe cannot be predicted at the moment. Recent events like the terrorist attacks in France and the attempted military coup in Turkey have increased political and economic uncertainty in Europe.

PALFINGER's local production in Russia has cushioned the direct effects of the sanctions imposed; however, the marked slowdown in economic growth, for example in industry and construction, has reduced investments and consequently PALFINGER's sales market. The picture is similar in the markets in Africa, the Middle East and South America, where political tensions as well as continuously low oil prices have had a negative impact on orders.

As a result of the acquisitions carried out in the marine sector, the dependence on the oil industry has further increased. However, the product portfolio in the services business has been enhanced at the same time, reducing the volatility of earnings.

In China, economic growth was significantly lower than predicted, and no changes are expected in the medium term. Uncertainties in the US market are primarily of a political nature relating to the upcoming presidential election. The current economic growth in the USA is satisfactory; however, PALFINGER has been unable to translate this into its EBIT margins or realize market opportunities. Projects aimed at the reorganization and optimization of the cost structures have already been launched.

Changes in distribution channels could result in a loss of market shares. European dealers often have no definite provisions for their business succession. In order to counter these risks, PALFINGER is further intensifying cooperation with dealers and introducing uniform dealer standards.

Given that substantial value-creation stages lie in manufacture and assembly, an extended production downtime at one plant would have a significant impact on the financial results generated by PALFINGER.

The growing order volume in the project business, particularly in the marine business and in railway systems, has driven up project-related risks. Large projects may also involve concentration risks. The acquisitions carried out in the marine business have further increased the risk in project business.

A side effect of PALFINGER's growth strategy is the increase in structural costs. In order to counter the higher level of costs and tap into synergies, group-wide initiatives and integration projects have been promoted with a focus on standardizing and optimizing business processes, consolidating structures, expanding shared-service-centre activities and continuing existing projects aimed at optimizing current capital. Lengthy decision-making processes could delay the implementation of optimization measures, which means that increases in efficiency might be implemented more slowly or only to a limited degree. Integration projects harbour the risk that the synergies planned may not be realized in a timely manner and/or that integration costs may be higher than planned.

The challenge in the field of development is to continuously reconfirm the Group's status as an innovation leader. Therefore, research and development are core issues in order for PALFINGER to bring new products and services to the market on an ongoing basis. Today's dynamic environment and enormous competitive pressure tend to result in an ever-faster product cycle, thus increasing the risk of quality defects if innovations are launched prematurely. The digitization trend harbours additional opportunities and risks for PALFINGER. Continuous communication with PALFINGER's sales partners and customers is essential so that PALFINGER can continue to develop customer-oriented solutions and thereby generate competitive advantages on the market.

PALFINGER regards its employees as the major factor in the successful achievement of its goals. Local and demographic developments may limit the availability of skilled labour. Through apprentice training programmes, regular executive development, and flexible working time models, PALFINGER is striving to increase its attractiveness as an employer and become an employer of choice also in the growth regions.

RISKS RELATING TO BALANCE SHEET PREPARATION

The necessary use of estimates and judgements in the fields of intangible assets, deferred tax assets, measurements of inventories and receivables, provisions for pensions, severance payments and anniversary bonuses, as well as provisions for cases of guarantee or warranty claims have a direct impact on the presentation of the Group's assets and earnings.

Purchase price allocations made in the course of acquisitions require assumptions as to the existence and measurement of the assets (primarily intangible assets), liabilities and contingent liabilities taken over. In addition, the main assumptions made when determining the fair values in the course of the purchase price allocation refer to the cash flows and the discount rate.

There is the risk that, should the market environment deteriorate drastically, individual intangible assets will have to be adjusted to the changed valuations (impairment) or that investments may not amortize as planned.

As a consequence of the participation in SANY-Lifting-Business in 2014, EUR 128.7 million were shown under investments in companies reported at equity at the balance sheet date 30 June 2016. This share in the company includes goodwill of EUR 92.4 million. Whether the goodwill will have to be impaired depends on the development of the Chinese economy and on the success of the internationalization strategy. The need for impairment of the share will be influenced primarily by the performance of the construction industry in China. The progressing urbanization of the Chinese population and the infrastructure projects resulting therefrom play a vital role in this connection. In the international markets, there are various political and macroeconomic risks that might have an impact on whether or not the share in SANY-Lifting-Business will have to be impaired.

The advancing internationalization and the growing volatility on the currency markets have increased the foreign exchange risk to which the PALFINGER Group is exposed. PALFINGER pursues not only a natural hedge (local value creation) but also a consistent hedging strategy and attempts to protect itself against these currency risks to the greatest possible extent. When hedging transactions, future cash flows have to be assessed, which harbours uncertainties. For the purposes of cash flow hedge accounting, a high probability of the respective future cash flows' actually occurring is assumed.

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. At the moment, there are no discernable risks that might jeopardize the continued existence of the Company.

KEY EVENTS AFTER THE BALANCE SHEET DATE

PALFINGER intends to take over, via its subsidiary Palfinger Marine GmbH, Salzburg, the Norwegian company TTS Group ASA. The offer document was approved and published by the Oslo Stock Exchange on 18 July 2016. For every share traded on the Oslo Stock Exchange, a cash amount of NOK 5.60 has been offered. The offer is in compliance with the Norwegian Securities Trading Act and has been made in agreement with the Board of Directors of TTS. It is supported by 66.3 per cent of the shareholders, among them the largest shareholder group, the Skeie family, which holds approx. 32 per cent of the shares. The offer will become effective subject to the approval of 90 per cent of the shareholders.

The TTS Group, headquartered in Bergen, has global operations with a focus on the design, development and supply of equipment solutions and services for the marine and offshore industry and the oil and gas industry. Moreover, TTS is a leading supplier of marine and offshore cranes with active heave compensation (AHC).

The company was established in 1966 and has been listed on the Oslo Stock Exchange since 1995. TTS has subsidiaries in Belgium, Brazil, China, Finland, Germany, Greece, Italy, Korea, Norway, Poland, Singapore, Sweden, the USA, the United Arab Emirates and Vietnam. Since 2001, TTS has established a strong market position in China via its three joint ventures, in each of which it holds 50%.

There is little overlapping between the products and services offered by PALFINGER MARINE and those of the TTS Group. The acquisition would create substantial synergies with PALFINGER’s previous marine operations and the acquisition of the Harding Group.

The offer period ends on 12 August 2016 and is subject to extension. PALFINGER is reviewing the placement of a hybrid bond to finance the transaction. Subject to the acceptance of the offer and approval by the authorities, the takeover may be concluded in the fourth quarter of 2016 or in January 2017.

This would make PALFINGER one of the top three players in the global ship equipment market. With a staff of around 3,000 employees working in 22 countries and revenue of more than EUR 600 million, PALFINGER MARINE would account for approx. one-third of the Group’s total revenue after the conclusion of this takeover and would thus be the strong second mainstay of the PALFINGER Group.

OUTLOOK

The fact that the global economy is still heterogeneous and volatile underlines the importance of the three strategic pillars of the PALFINGER Group. Without internationalization, innovation and flexibility, the continuous growth recorded by the Group would not have been possible. PALFINGER will therefore continue to pursue its long-term Group strategy in order to be able to generate long-term, profitable growth in the future as well.

Visibility in PALFINGER's core markets is very low; the result of the referendum in Great Britain as well as recent events in Turkey have brought uncertainty to all European markets. For the time being, the present level of incoming orders gives reason to expect further positive developments in the second half of 2016, however, outside Europe the previous year's level will not be achieved.

The expected Brexit initially caused great uncertainty in the markets. For PALFINGER, Great Britain is an important market, but with a revenue share of approx. 4 per cent it is only of minor relevance. Direct effects on PALFINGER are expected to be low; however, indirect effects are hard to predict. It remains to be seen how the investment propensity of customers in the rest of Europe will develop.

The economic figures for North America are positive, but PALFINGER is currently not in a position to reap the benefits. The reorganization of local companies has already been initiated, the costs of which have impacted earnings. The presidential election in the USA could have a negative effect on the currently healthy economy.

The acquisition of the Harding Group and the planned takeover of the TTS Group in the marine sector are milestones in the growth history of the PALFINGER Group, resulting in an enormous expansion of the business. In the months to come, the integration and consolidation of the companies will be at the top of the agenda. The necessary costs will weigh on earnings, however.

In connection with the greatly increased significance of its marine business, PALFINGER has decided to change its internal and external reporting, beginning with the third quarter of 2016, and will now be breaking down the segment performance figures into the relevant segments "Land" and "Sea". PALFINGER will continue to attach high importance to the transparency of operations.

For the 2016 financial year, without taking into account the acquisitions made and planned, the management expects organic revenue growth, and an increase in earnings when adjusted for integration and reorganization expenses.

PALFINGER still sees the potential to increase the annual revenue generated by the Group, including the joint venture companies in China and Russia, to approx. EUR 1.8 billion by 2017. In connection with the large acquisitions carried out in the marine sector, PALFINGER has come a step closer to this goal.

The corporate goals will therefore be adjusted to the new dimensions. PALFINGER is still planning to complete the product portfolio in the market regions outside Europe and generate organic growth.

INTERIM CONSOLIDATED FINANCIAL INFORMATION AS AT 30 JUNE 2016

CONSOLIDATED INCOME STATEMENT

EUR thousand	Note	Apr–June 2015[1)]	Apr–June 2016	Jan–June 2015[1)]	Jan–June 2016
Revenue		**313,891**	**346,808**	**606,198**	**665,571**
Cost of sales	1	(236,019)	(257,461)	(456,835)	(490,823)
Gross profit		**77,872**	**89,347**	**149,363**	**174,748**
Other operating income	1, 2	3,758	2,716	8,778	5,330
Research and development costs	1	(6,676)	(7,186)	(12,856)	(13,866)
Distribution costs	1	(21,647)	(23,791)	(41,773)	(45,348)
Administrative costs	1	(22,704)	(26,336)	(45,534)	(53,467)
Other operating expenses	1, 2	(4,953)	(2,589)	(8,513)	(5,816)
Income from companies reported at equity	4	4,366	2,616	4,012	3,359
Earnings before interest and taxes – EBIT		**30,016**	**34,777**	**53,477**	**64,940**
Interest income		339	566	775	971
Interest expenses		(2,649)	(3,171)	(6,171)	(6,344)
Exchange rate differences	2	(18)	(514)	554	(950)
Other financial result		0	0	0	185
Net financial result		**(2,328)**	**(3,119)**	**(4,842)**	**(6,138)**
Result before income tax		**27,688**	**31,658**	**48,635**	**58,802**
Income tax expense		(6,054)	(8,225)	(10,676)	(14,602)
Result after income tax		**21,634**	**23,433**	**37,959**	**44,200**
attributable to					
shareholders of PALFINGER AG (consolidated net result for the period)		**20,046**	**21,095**	**34,493**	**39,735**
non-controlling interests		**1,588**	**2,338**	**3,466**	**4,465**
EUR					
Earnings per share (undiluted and diluted)	6	0.54	0.57	0.92	1.06
Average number of shares outstanding		37,305,727	37,324,535	37,305,727	37,324,535

1) Figures were adjusted with retrospective effect (see Adjustments with retrospective effect, pp. 22–23).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Apr–June 2015[1]	Apr–June 2016	Jan–June 2015[1]	Jan–June 2016
Result after income tax	**21,632**	**23,433**	**37,959**	**44,200**
Amounts that will not be reclassified to the income statement in future periods				
Remeasurement acc. to IAS 19	0	(4,719)	0	(4,719)
Deferred taxes thereon	0	1,218	0	1,218
Amounts that may be reclassified to the income statement in future periods				
Unrealized profits (+)/losses (–) from foreign currency translation	(12,959)	10,003	32,995	447
Deferred taxes thereon	710	(398)	(1,131)	268
Effective taxes thereon	(161)	(406)	(322)	(575)
Unrealized profits (+)/losses (–) from cash flow hedge				
Changes in unrealized profits (+)/losses (–)	5,489	(1,319)	(4,099)	972
Deferred taxes thereon	(1,164)	208	862	(645)
Effective taxes thereon	(294)	121	228	402
Realized profits (–)/losses (+)	(65)	926	3,193	3,641
Deferred taxes thereon	430	(40)	(133)	(578)
Effective taxes thereon	(382)	(191)	(676)	(332)
Other comprehensive income after income tax	**(8,396)**	**5,403**	**30,917**	**99**
Total comprehensive income	**13,236**	**28,836**	**68,876**	**44,299**
attributable to				
shareholders of PALFINGER AG	**11,956**	**25,836**	**62,559**	**39,138**
non-controlling interests	**1,280**	**3,000**	**6,317**	**5,161**

1) Figures were adjusted with retrospective effect (see Adjustments with retrospective effect, pp. 22–23).

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	30 June 2015[1)]	31 Dec 2015	30 June 2016
Non-current assets				
Intangible assets		218,996	214,415	366,843
Property, plant and equipment	3	265,196	268,782	294,317
Investment property		343	348	338
Investments in companies reported at equity	4	175,506	175,675	167,811
Other non-current assets		3,140	2,866	9,226
Deferred tax assets		15,593	14,784	19,192
Non-current financial assets	10	34,242	32,003	30,032
		713,016	**708,873**	**887,759**
Current assets				
Inventories	5	276,119	262,519	297,500
Trade receivables	5	179,001	183,581	262,249
Other current receivables and assets		28,886	29,040	42,075
Tax receivables		2,995	2,723	1,737
Current financial assets	10	2,773	4,077	4,870
Cash and cash equivalents		21,140	21,551	28,280
		510,914	**503,491**	**636,711**
Total assets		**1,223,930**	**1,212,364**	**1,524,470**
Equity				
Share capital		37,593	37,593	37,593
Additional paid-in capital		82,128	82,141	86,960
Treasury stock	6	(1,547)	(1,543)	0
Retained earnings		358,951	378,193	400,586
Foreign currency translation reserve		16,060	(5,372)	(6,018)
		493,185	**491,012**	**519,121**
Non-controlling interests		18,666	19,646	21,816
		511,851	**510,658**	**540,937**
Non-current liabilities				
Liabilities from puttable non-controlling interests	7	8,837	0	2,891
Non-current financial liabilities	10	364,775	331,472	379,352
Non-current purchase price liabilities from acquisitions	8	9,070	8,715	14,716
Non-current provisions	9	41,358	43,114	53,141
Deferred tax liabilities		7,433	9,648	21,900
Other non-current liabilities		1,931	2,569	2,780
		433,404	**395,518**	**474,780**
Current liabilities				
Liabilities from puttable non-controlling interests	7	0	8,701	9,032
Current financial liabilities	10	74,121	74,070	189,235
Current purchase price liabilities from corporate acquisitions		0	0	5,158
Current provisions		14,967	15,302	17,483
Tax liabilities		8,481	9,472	22,010
Trade payables and other current liabilities		181,106	198,643	265,835
		278,675	**306,188**	**508,753**
Total equity and liabilities		**1,223,930**	**1,212,364**	**1,524,470**

1) Figures were adjusted with retrospective effect (see Adjustments with retrospective effect, pp. 22–23).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousand	Note	Share capital	Additional paid-in capital	Treasury stock	Other retained earnings
As at 1 Jan 2015[1]		**37,593**	**82,056**	**(1,593)**	**354,274**
Total comprehensive income					
Result after income tax[1]		0	0	0	34,494
Other comprehensive income after income tax					
Unrealized profits (+)/losses (–) from foreign currency translation[1]		0	0	0	0
Unrealized profits (+)/losses (–) from cash flow hedge		0	0	0	0
		0	**0**	**0**	**34,494**
Transactions with shareholders					
Dividends		0	0	0	(12,682)
Reclassification non-controlling interests	7	0	0	0	1,323
Addition non-controlling interests		0	0	0	0
Disposal non-controlling interests		0	0	0	4,069
Other changes		0	72	46	0
		0	**72**	**46**	**(7,290)**
As at 30 June 2015[1]		**37,593**	**82,128**	**(1,547)**	**381,478**
As at 1 Jan 2016		**37,593**	**82,141**	**(1,543)**	**404,998**
Total comprehensive income					
Result after income tax		0	0	0	39,735
Other comprehensive income after income tax					
Remeasurement acc. to IAS 19	9	0	0	0	0
Unrealized profits (+)/losses (–) from foreign currency translation		0	0	0	0
Unrealized profits (+)/losses (–) from cash flow hedge		0	0	0	0
		0	**0**	**0**	**39,735**
Transactions with shareholders					
Dividends	6	0	0	0	(14,551)
Reclassification non-controlling interests	7	0	0	0	(2,840)
Sale of own shares	6	0	4,573	1,543	0
Addition non-controlling interests		0	0	0	0
Other changes		0	246	0	1
		0	**4,819**	**1,543**	**(17,390)**
As at 30 June 2016		**37,593**	**86,960**	**0**	**427,343**

1) Figures were adjusted with retrospective effect (see Adjustments with retrospective effect, pp. 22–23).

Equity attributable to the shareholders of PALFINGER AG					
Retained earnings					
Remeasurement acc. to IAS 19	Valuation reserves acc. to IAS 39	Foreign currency translation reserve	Total	Non-controlling interests	Equity
(8,066)	**(13,837)**	**(12,631)**	**437,796**	**16,853**	**454,649**
0	0	0	34,494	3,466	37,960
0	0	28,691	28,691	2,851	31,542
0	(625)	0	(625)	0	(625)
0	**(625)**	**28,691**	**62,560**	**6,317**	**68,877**
0	0	0	(12,682)	(5,858)	(18,540)
	0	0	1,323	(2,112)	(789)
0	0	0	0	3,466	3,466
0	0		4,069	0	4,069
2	0	0	120	0	120
2	**0**	**0**	**(7,170)**	**(4,504)**	**(11,674)**
(8,064)	**(14,462)**	**16,060**	**493,186**	**18,666**	**511,852**
(8,464)	**(18,341)**	**(5,372)**	**491,012**	**19,646**	**510,658**
0	0	0	39,735	4,465	44,200
(3,411)	0	0	(3,411)	(90)	(3,501)
0	0	(646)	(646)	786	140
0	3,460	0	3,460	0	3,460
(3,411)	**3,460**	**(646)**	**39,138**	**5,161**	**44,299**
0	0	0	(14,551)	(6,090)	(20,641)
0	0	0	(2,840)	(382)	(3,222)
0	0	0	6,116	0	6,116
0	0	0	0	3,480	3,480
0	0	0	247	0	247
0	**0**	**0**	**(11,028)**	**(2,992)**	**(14,020)**
(11,875)	**(14,881)**	**(6,018)**	**519,122**	**21,815**	**540,937**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR thousand	Jan–June 2015[1)]	Jan–June 2016
Result before income tax	**48,635**	**58,802**
Write-downs (+)/write-ups (–) of non-current assets	19,998	21,806
Gains (–)/losses (+) on the disposal of non-current assets	9	(54)
Changes in liability from puttable non-controlling interests	0	(186)
Interest income (–)/interest expenses (+)	5,391	5,373
Income from companies reported at equity	(4,012)	(3,359)
Other non-cash income (–)/expenses (+)	(2,648)	3,465
Increase (–)/decrease (+) of assets	(37,321)	(42,863)
Increase (+)/decrease (–) of provisions	1,796	5,169
Increase (+)/decrease (–) of liabilities	11,359	22,620
Cash flows generated from operations	**43,207**	**70,773**
Interest received	651	733
Interest paid	(5,426)	(5,483)
Dividends received from companies reported at equity	2,933	2,440
Income tax paid	(3,759)	(3,877)
Cash flows from operating activities	**37,606**	**64,586**
Cash receipts from the sale of intangible assets and property, plant and equipment	547	1,439
Cash payments for the acquisition of intangible assets and property, plant and equipment	(25,376)	(30,939)
Cash payments for the acquisition of subsidiaries net of cash acquired	(8,224)	(108,909)
Cash payments for investments in companies reported at equity	(1,317)	(1,700)
Cash payments for/cash receipts from other assets	(618)	1,383
Cash flows from investing activities	**(34,988)**	**(138,726)**
Exercise of options under stock option programme	139	0
Dividends to shareholders of PALFINGER AG	(12,682)	(14,551)
Dividends to non-controlling shareholders	(5,725)	(6,089)
Cash receipts from the sale of own shares	0	7,640
Cash payments for the acquisition of non-controlling interests	(11,255)	0
Cash receipts non-controlling interests	0	246
Loans for the acquisition of interests	36,350	0
Repayment of loans for acquisitions	(12,042)	(5,542)
Long-term refinancing of redemptions and maturing short-term loans	10,000	0
Repayment of maturing/terminated loans	(20,000)	0
Bridge financing loans for the acquisition of interests	0	110,798
Cash payments for/cash receipts from other financial liabilities	11,351	(12,002)
Cash flows from financing activities	**(3,864)**	**80,500**
Total cash flows	**(1,246)**	**6,360**

EUR thousand	2015	2016
Funds as at 1 Jan	**20,757**	**21,551**
Effects of changes in foreign exchange rates	1,629	369
Total cash flows	(1,246)	6,360
Funds as at 30 June	**21,140**	**28,280**

1) Figures were adjusted with retrospective effect (see Adjustments with retrospective effect, pp. 22–23).

SEGMENT REPORTING

	External revenue		Intra-group revenue		EBIT	
EUR thousand	Jan–June 2015[1)]	Jan–June 2016	Jan–June 2015[1)]	Jan–June 2016	Jan–June 2015[1)]	Jan–June 2016
EUROPEAN UNITS	414,310	469,656	38,922	40,295	53,122	73,591
AREA UNITS	191,888	195,915	259	354	7,662	864
VENTURES	–	–	–	–	(7,393)	(9,759)
Segment consolidation	–	–	(39,181)	(40,649)	86	244
PALFINGER Group	**606,198**	**665,571**	**0**	**0**	**53,477**	**64,940**

1) Figures were adjusted with retrospective effect (see Adjustments with retrospective effect, pp. 22–23).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

GENERAL REMARKS

PALFINGER AG is a publicly listed company headquartered in Bergheim near Salzburg, Austria. Its main business activity is the production and sale of innovative lifting solutions for the use on commercial vehicles and in the maritime field.

REPORTING BASES

In principle, the same accounting and valuation methods used in the consolidated financial statements for the 2015 financial year were applied to this condensed interim consolidated financial information of PALFINGER AG and its subsidiaries as at 30 June 2016, which was prepared on the basis of IAS 34. The consolidated financial statements for the year ended 31 December 2015 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). For further information on the individual accounting and valuation methods used, please refer to the consolidated financial statements of PALFINGER AG for the year ended 31 December 2015.

This interim consolidated financial information provided by PALFINGER AG was not reviewed by an external auditor.

CHANGES IN ACCOUNTING AND VALUATION METHODS

No changes in accounting and valuation methods were made in the first half of 2016.

ADJUSTMENTS WITH RETROSPECTIVE EFFECT

Pursuant to the declaratory decision dated 16 December 2015, the Financial Market Authority identified errors, which resulted in adjustments being made to the 2015 consolidated financial statements with retrospective effect. The details of the errors identified have been disclosed in the 2015 Annual Report.

The consequences on the first half of 2015 were as follows:

CONSOLIDATED BALANCE SHEET

EUR thousand	**30 June 2015**	**Adjustment**	**30 June 2015 adjusted**
Intangible assets	227,169	(8,173)	218,996
Non-current assets	**721,189**	**(8,173)**	**713,016**
Retained earnings	365,700	(6,749)	358,951
Foreign currency translation reserve	16,323	(263)	16,060
Non-controlling interests	18,626	40	18,666
Equity	**518,823**	**(6,972)**	**511,851**
Deferred tax liabilities	8,634	(1,201)	7,433
Non-current liabilities	**434,605**	**(1,201)**	**433,404**

CONSOLIDATED INCOME STATEMENT

EUR thousand	Jan–June 2015	Adjustment	Jan–June 2015 adjusted
Distribution costs	(41,527)	(246)	(41,773)
Earnings before interest and taxes – EBIT	**53,723**	**(246)**	**53,477**
Result before income tax	**48,881**	**(246)**	**48,635**
Income tax expense	(10,767)	91	(10,676)
Result after income tax	**38,114**	**(155)**	**37,959**
attributable to			
shareholders of PALFINGER AG (consolidated net result for the period)	**34,648**	**(155)**	**34,493**
non-controlling interests	**3,466**	**0**	**3,466**

SCOPE OF CONSOLIDATION

Reorganizations and newly founded companies

Effective 16 March 2016, Norwegian Deck Machinery AS was merged into Palfinger Dreggen AS, which was then renamed Palfinger Marine Norway AS.

In March 2016, Palfinger Japan K.K. was established as a wholly-owned subsidiary of Palfinger Asia Pacific Pte. Ltd..

Acquisitions in 2016

MYCSA GROUP

On 22 December 2015, with a view to taking over the Spanish PALFINGER dealer, a contract for the acquisition of 75 per cent of the shares in certain companies of the MYCSA Group was signed. PALFINGER holds a call option for the purchase of the remaining 25 per cent of the shares, which may be exercised in 2021. The transaction was closed on 9 May 2016.

In the course of this transaction, the new subsidiary, PALFINGER Iberica, was founded. It has taken over substantial parts of MYCSA and operates them under the umbrella of the PALFINGER Group. PALFINGER Iberica employs around 80 staff members at six locations and focuses on the sale and servicing of loader cranes, timber and recycling cranes, hooklifts, access platforms and products from the marine division.

At the time of acquisition, the preliminary purchase price allocation was made on the basis of the estimated fair values as follows:

EUR thousand	2016
Purchase price not yet paid	5,158
Contingent consideration not yet fallen due	5,534
Pro-rata net assets of non-controlling interests	3,482
Subtotal	**14,173**
Net assets	(12,011)
Goodwill	**2,162**

The goodwill associated with the acquisition primarily reflects the potential arising from market expansion in Spain and Portugal, and from staff know-how.

The goodwill generated cannot be used for tax purposes.

The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for calculating the fair values, in particular relating to the customer base, have been analysed in detail. See Note (8) for details on the contingent consideration not yet fallen due.

At the time of acquisition, the net assets acquired, on the basis of the preliminarily estimated fair values, were broken down as follows:

EUR thousand	Fair value
Non-current assets	
Intangible assets	5,684
Property, plant and equipment	127
Deferred tax assets	128
Other non-current assets	1
	5,940
Current assets	
Inventories	5,857
Trade receivables	8,092
Other current receivables and assets	32
Income tax receivables	3
Cash and cash equivalents	1,487
	15,471
Non-current liabilities	
Deferred tax liabilities	1,139
	1,139
Current liabilities	
Current financial liabilities	746
Current provisions	159
Income tax liabilities	151
Trade payables and other current liabilities	7,205
	8,261
Net assets	**12,011**

The trade receivables taken over have a gross value of EUR 8,857 thousand. The impairment loss for probable bad debt is EUR 765 thousand.

Net cash flows from the acquisition were as follows:

EUR thousand	2016
Cash flows from operating activities	
Transaction costs	(138)
Cash flows from investing activities	
Purchase price paid in cash	0
Cash and cash equivalents	1,487
Net cash flows from the acquisition	**1,349**

Since the time of its initial consolidation of the MYCSA Group has contributed EUR 6,555 thousand to the consolidated revenue of PALFINGER AG and EUR 256 thousand to the consolidated net result for the period.

Pro forma disclosures

If the acquisition of the MYCSA Group had been made with effect from 1 January 2016, the consolidated net result for the period of PALFINGER AG would have been as follows:

EUR thousand	**Jan–June 2016 stated**	**Jan–June 2016 pro forma**
Revenue	665,571	676,136
Result after income tax	44,200	43,919
Earnings per share in EUR	1.06	1.06

HARDING GROUP

On 30 May 2016, a contract governing PALFINGER's acquisition of 100 per cent of the shares in Herkules Harding Holding AS, i.e. the globally operating Harding Group, was agreed upon. The transaction was closed on 30 June 2016.

Harding is one of the leading suppliers of lifesaving equipment and lifecycle services for maritime installations and ships. As a consequence, PALFINGER will expand its marine business by adding new products and a global service network. Harding is headquartered in Seimsfoss, Norway, and operates a comprehensive service network across 16 countries worldwide with a staff of approximately 800. Together with Harding, PALFINGER MARINE will be able to offer its customers one-stop-shop solutions with premium-quality packages of products and services.

This acquisition is the largest in the history of the PALFINGER Group. As a result of the takeover, PALFINGER's marine business almost doubled its business volume and will henceforth generate revenue of over EUR 300 million, which is more than 20 per cent of the Group's total revenue. The service segment will gain in importance immensely, reducing PALFINGER MARINE's dependence on the oil price and consequently also on the investment propensity of the customer industries.

At the time of acquisition, the preliminary purchase price allocation was made on the basis of the estimated fair values as follows:

EUR thousand	**2016**
Purchase price paid in cash	115,032
Subtotal	**115,032**
Pro-rata net assets	(17,745)
Goodwill	**97,287**

The goodwill associated with the acquisition primarily reflects the benefits expected from synergies and potential arising from the services and products offered, the market expansion in the marine business, and from staff know-how. Harding already had capitalized local goodwill of approx. EUR 78 million from an acquisition made in 2013. When PALFINGER set off the purchase price according to IFRS 3, effective 30 June 2016, this historical goodwill was replaced.

The goodwill generated cannot be used for tax purposes.

Given the magnitude of the acquisition and the short time period between the closing and the preparation of the interim report, the purchase price allocation has been based on preliminary values. The final valuation of the purchase price allocation will be effected within 12 months of the date of acquisition, once all the bases for calculating the fair values, in particular relating to the intangible assets (brand, customer base and technology) and to property, plant and equipment, have been analysed in detail.

At the time of acquisition, the net assets acquired, on the basis of the preliminarily estimated fair values, were broken down as follows:

EUR thousand	Fair value
Non-current assets	
Intangible assets	44,082
Property, plant and equipment	15,932
Deferred tax assets	5,517
Other non-current assets	4,572
	70,103
Current assets	
Inventories	13,342
Trade receivables	45,581
Other current receivables and assets	6,686
Income tax receivables	95
Cash and cash equivalents	4,636
	70,340
Non-current liabilities	
Non-current financial liabilities	54,624
Non-current provisions	1,513
Deferred tax liabilities	11,263
	67,400
Current liabilities	
Current financial liabilities	13,843
Current provisions	583
Income tax liabilities	2,099
Trade payables and other current liabilities	38,773
	55,298
Net assets	**17,745**

The trade receivables taken over have a gross value of EUR 47,177 thousand. The impairment loss for probable bad debt is EUR 1,596 thousand.

Net cash flows from the acquisition were as follows:

EUR thousand	2016
Cash flows from operating activities	
Transaction costs	(306)
Cash flows from investing activities	
Purchase price paid in cash	(115,032)
Cash and cash equivalents	4,636
Net cash flows from the acquisition	**(110,702)**

Since the time of its initial consolidation the Harding Group has not made any contributions to the Group's revenue or earnings.

Pro forma disclosures

If the acquisition of the Harding Group had been made with effect from 1 January 2016, the consolidated net result for the period of PALFINGER AG would have been as follows:

EUR thousand	Jan–June 2016 stated	Jan–June 2016 pro forma
Revenue	665,571	719,427
Result after income tax	44,200	35,783
Earnings per share in EUR	1.06	0.84

TTS GROUP

On 19 June 2016, PALFINGER announced its intention to lodge a takeover bid for all of the shares in the Norwegian company TTS Group ASA, headquartered in Bergen. On 18 July 2016, the offer document was approved and published by the Oslo Stock Exchange. For every share traded on the Oslo Stock Exchange, a cash amount of NOK 5.60 has been offered. For the time being, the offer period will end on 12 August 2016. The offer is in compliance with the Norwegian Securities Trading Act and has been made in agreement with the Board of Directors of TTS. It is supported by 66.3 per cent of the shareholders, among them the largest shareholder group, the Skeie family, which holds approx. 32 per cent of the shares. The offer will become effective subject to the approval of 90 per cent of the shareholders.

The TTS Group, headquartered in Bergen, has global operations with a focus on the design, development and supply of equipment solutions and services for the marine and offshore oil and gas industries. Moreover, the TTS Group is a leading supplier of marine cranes and offshore cranes featuring AHC (active heave compensation) technology. In China, whose shipyard industry accounts for 40 per cent of global shipbuilding operations, TTS has an excellent market position in hatch covers, hose handling cranes and maritime loader cranes through its three joint venture companies.

There is little overlapping between the products and services offered by PALFINGER MARINE and those of the TTS Group. The acquisition would create substantial synergies with PALFINGER's previous marine operations and the acquisition of the Harding Group. In the future, PALFINGER wants to be a one-stop shop, internationally offering all maritime customer industries competitive products and services. With a staff of around 3,000 employees working in 22 countries and revenue of approx. EUR 600 million, PALFINGER MARINE would account for approx. one-third of the Group's total revenue from 2017 onwards and would thus be the strong second mainstay of the PALFINGER Group.

Subject to the acceptance of the offer and approval by the authorities, the takeover may be concluded in the fourth quarter of 2016 or in January 2017 at the latest. PALFINGER is reviewing several financing options for the potential takeover, for example the placement of a public hybrid bond, depending on the market conditions prevailing at the time.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Reconciliation of the results according to the cost of sales method and the total cost method

The reconciliation of the results according to the cost of sales method and the total cost method is as follows:

Jan–June 2015[1)]

EUR thousand	Changes in inventories and own work capitalized	Materials and external services	Employee benefits expenses	Depreciation, amortization and impairment	Other income	Other expenses	Total
Cost of sales	16,371	(318,427)	(102,112)	(14,363)	0	(38,304)	(456,835)
Other operating income	0	0	0	0	8,778	0	8,778
Research and development costs	4,423	(346)	(13,559)	(830)	615	(3,159)	(12,856)
Distribution costs	(45)	(654)	(25,495)	(2,596)	0	(12,983)	(41,773)
Administrative costs	(2)	6	(26,744)	(2,196)	0	(16,598)	(45,534)
Other operating expenses	0	0	0	0	0	(8,513)	(8,513)
Total	**20,747**	**(319,421)**	**(167,910)**	**(19,985)**	**9,393**	**(79,557)**	**(556,733)**

1) Figures were adjusted with retrospective effect (see Adjustments with retrospective effect, pp. 22–23).

Jan–June 2016

EUR thousand	Changes in inventories and own work capitalized	Materials and external services	Employee benefits expenses	Depreciation, amortization and impairment	Other income	Other expenses	Total
Cost of sales	(5,558)	(320,308)	(108,352)	(16,292)	0	(40,313)	(490,823)
Other operating income	0	0	0	0	5,330	0	5,330
Research and development costs	5,083	(298)	(15,539)	(640)	864	(3,336)	(13,866)
Distribution costs	(19)	(619)	(27,576)	(2,406)	0	(14,728)	(45,348)
Administrative costs	(2)	107	(30,650)	(2,465)	0	(20,457)	(53,467)
Other operating expenses	0	0	0	0		(5,816)	(5,816)
Total	**(496)**	**(321,118)**	**(182,117)**	**(21,803)**	**6,194**	**(84,650)**	**(603,990)**

(2) Exchange rate differences

Exchange rate differences had the following effects on the income statement:

EUR thousand	Jan–June 2015	Jan–June 2016
Exchange rate differences income	5,826	1,871
Exchange rate differences expenses	(4,565)	(2,051)
Exchange rate differences in at equity result	(171)	102
Earnings before interest and taxes – EBIT	**1,090**	**(78)**
Exchange rate differences of the net financial result	554	(950)
Result from exchange rate differences	**1,644**	**(1,028)**

NOTES TO THE CONSOLIDATED BALANCE SHEET

(3) Property, plant and equipment

Property, plant and equipment increased as compared to 31 December 2015 due to additions to land and buildings in the amount of EUR 3,556 thousand (previous year until 30 June: EUR 2,554 thousand), to plants, machinery and tools in the amount of EUR 3,961 thousand (previous year until 30 June: EUR 3,253 thousand) and to fixtures, fittings and equipment in the amount of EUR 6,173 thousand (previous year until 30 June: EUR 6,512 thousand). Prepayments and assets under construction increased due to additions in the amount of EUR 12,641 thousand (previous year until 30 June: EUR 8,191 thousand) and corporate acquisitions (see Acquisitions in 2016).

(4) Investments in companies reported at equity

Changes in investments in companies reported at equity are shown in the following table:

EUR thousand	2015	2016
As at 1 Jan	**160,514**	**175,675**
Additions	1,317	0
Capital increase	1,700	0
Share in the net result for the period	7,962	3,358
Dividends	(3,968)	(4,180)
Foreign currency translation	8,150	(7,042)
As at 31 Dec/30 June	**175,675**	**167,811**

(5) Inventories and trade receivables

Inventories increased by EUR 34,981 thousand as compared to 31 December 2015, mainly due to demand-related inventory build-up in the business areas EMEA and CIS as well as an increase in inventories in the Marine business area as a result of the acquisition of the Harding Group.

The increase in trade receivables of EUR 78,668 thousand refers primarily to receivables from contract manufacturing in the Marine business area as a result of the acquisition of the Harding Group as well as trade receivables in the business areas EMEA and North America.

The receivables sold in connection with the existing factoring agreement amounted to EUR 38,511 thousand (31 December 2015: EUR 34,948 thousand) as at the balance-sheet date (30 June 2016) and were fully derecognized in accordance with the rules of IAS 39 due to the transfer of control.

As at 30 June 2016, receivables from contract manufacturing and rendering of services amounted to EUR 69,927 thousand (31 December 2015: EUR 34,900 thousand). This increase was primarily recorded in the Marine business area as a result of the acquisition of the Harding Group.

(6) Equity

The Annual General Meeting held on 9 March 2016 adopted a resolution for payment of a dividend in the amount of EUR 14,551 thousand out of the 2015 profits. This dividend – paid to PALFINGER AG shareholders on 15 March 2016 – was equivalent to a dividend of EUR 0.39 per share. Given that an interim dividend of EUR 0.18 per share was paid out on 21 December 2015 pursuant to sec. 54a of the Companies Act, the annual dividend for 2015 was EUR 0.57 per share (previous year: EUR 0.34 per share), which amounts to a total payment of EUR 21,267 thousand (previous year: EUR 12,682 thousand).

The movements in shares outstanding are shown below:

Shares	2015	2016
As at 1 Jan	**37,301,290**	**37,310,502**
Exercise of stock option	8,406	0
Sale of own shares	806	282,756
As at 31 Dec/30 June	**37,310,502**	**37,593,258**

On the basis of a consolidated net result for the period of EUR 39,735 thousand (Jan–June 2015: EUR 34,493 thousand) undiluted earnings per share were EUR 1.06 (Jan–June 2015: EUR 0.92). Diluted earnings per share were identical to undiluted earnings per share.

(7) Liabilities from puttable non-controlling interests

The following table shows the movement in liabilities from puttable non-controlling interests:

EUR thousand	2015	2016
As at 1 Jan	**23,372**	**8,701**
Addition	0	2,857
Redemption	(11,255)	0
Increase directly in equity	858	401
Reversal directly in equity	(4,274)	(36)
As at 31 Dec/30 June	**8,701**	**11,923**

The addition in 2016 relates to the new agreement of a put option of the non-controlling shareholders of Palfinger Platforms Italy s.r.l. to sell all non-controlling interests.

The redemption and reversal made in 2015 relate to the acquisition of the remaining 20 per cent in Equipment Technology, LLC, Oklahoma City, USA.

(8) Non-current purchase price liabilities from acquisitions

As at the balance sheet date, non-current purchase price liabilities from acquisitions included purchase price portions not yet due from the acquisition of subsidiaries in 2014 and 2016. These purchase price portions consist of a put/call option to sell/buy the remaining 20 per cent in PM-Group, which may be exercised in 2019, as well as a disproportional dividend for the years 2014 to 2018. In addition, a contingent consideration for the acquisition of the MYCSA Group, which was agreed upon in 2016 and depends on future earnings before interest and taxes generated by the units, will be due in 2021. The amount for the payment of this contingent consideration is not capped.

(9) Non-current provisions

Provisions for pensions and other post-employment benefits as well as for severance payments and anniversary bonuses are valued using the projected unit credit method. The amounts of the provisions are determined on the basis of an actuarial opinion prepared by an actuary as at the balance sheet date. For the interim consolidated financial information, a new valuation of the material obligations was made due to the sharp decrease in the interest rate. The interest rate used was 75-100 basis points below the interest rate applied as at 31 December 2015, which resulted in an increase in non-current provisions by EUR 5,490 thousand.

(10) Financial instruments

The carrying amounts of financial instruments not measured at fair value deviate only insignificantly from their fair values and hence constitute appropriate approximate values.

As at 30 June 2016, the Group held the following categories of financial instruments measured at fair value:

EUR thousand	Fair value 31 Dec 2015	Fair value 30 June 2016	Level 1 fair value 31 Dec 2015	Level 1 fair value 30 June 2016	Level 2 fair value 31 Dec 2015	Level 2 fair value 30 June 2016	Level 3 fair value 31 Dec 2015	Level 3 fair value 30 June 2016
Non-current assets								
Non-current financial assets	1,138	1,560	1,138	1,138	0	422	0	0
Current assets								
Current financial assets	0	494	0	0	0	494	0	0
Non-current liabilities								
Non-current financial liabilities	12,379	9,801	0	0	12,379	9,801	0	0
Non-current purchase price liabilities from acquisitions	2,602	8,556	0	0	0	0	2,602	8,556
Current liabilities								
Current financial liabilities	2,120	6,342	0	0	2,120	6,342	0	0

The reconciliation of the carrying amounts of Level 3 fair values is shown in the following table:

EUR thousand	2015	2016
As at 1 Jan	**2,499**	**2,602**
Corporate acquisitions	0	5,534
Interest cost	361	306
Reversal through profit and loss	0	(185)
Exchange rate differences through profit and loss	(258)	299
As at 31 Dec/30 June	**2,602**	**8,556**

Interest cost was recorded under interest expenses, the reversal was recorded under other financial result, and any exchange rate differences were reported under exchange rate differences of the financial result in the income statement. Level 2 fair values are derived from observable market data. On the basis of observable currency and interest-rate data, the fair values of the financial instruments are calculated internally using the discounted cash flow method. Level 3 fair values are measured internally using acknowledged calculation models on the basis of market interest rates of identical assets with the same duration and implicit volatilities. They are calculated using the discounted cash flow method on the basis of strategic planning.

Sensitivity analysis for significant inputs when determining Level 3 fair value as at 30 June 2016:

		Change in fair value	
EUR thousand	Change in assumption	Increase	Decrease
Interest rate	+/(1) BP	(280)	293
Projected profit measure	+/(10) %	762	(762)
EUR/RUB	+/(10) %	(264)	323

CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 30 June 2016.

RELATED PARTIES

Previous bonus agreements concluded with members of the Management Board either expired in February 2014 or at the end of 2015. In order to ensure a smooth transition, a new agreement for the period from 2016 to 2018, again oriented on a long-term increase in corporate value, was concluded in mid-2015. It is expected that the bonuses will be paid out in 2019.

The Annual General Meeting determined a remuneration for the members of the Supervisory Board. An attendance fee for meetings of the Supervisory Board was set at EUR 2,500 per meeting and the remuneration for the financial year 2016 and the following years was set at EUR 45 thousand for the chairman, EUR 20 thousand for his deputy and EUR 7 thousand for each other member of the Supervisory Board, as well as EUR 2 thousand for each committee member per committee.

Apart from that, there were no substantial changes 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 for the year ended 31 December 2015 for further information on individual business relations.

KEY EVENTS AFTER THE REPORTING DATE

In June, PALFINGER announced its intention to lodge a takeover bid for the Norwegian company TTS Group ASA, listed on the Oslo Stock Exchange. The offer document was published on 18 July 2016. For further information, please refer to Acquisitions in 2016.

No other material events requiring disclosure occurred after the end of the interim reporting period.

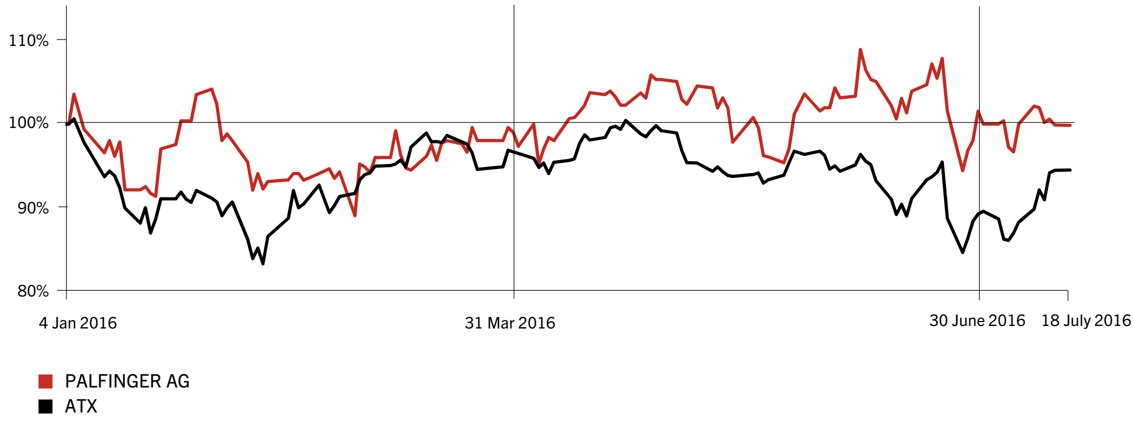
STATEMENT OF LEGAL REPRESENTATIVES PURSUANT TO SEC. 87 PARA. 1 OF THE STOCK EXCHANGE ACT

We confirm, to the best of our knowledge, that the condensed interim consolidated financial information gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the relevant accounting standards and that the consolidated management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim consolidated financial information, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Salzburg, 22 July 2016

Herbert Ortner m.p.	Christoph Kaml m.p.
Chief Executive Officer	Chief Financial Officer
Wolfgang Pilz m.p.	Martin Zehnder m.p.
Chief Marketing Officer	Chief Operating Officer

SHARE PRICE DEVELOPMENT



INVESTOR RELATIONS

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FINANCIAL CALENDAR

27 October 2016	Publication of results for the first three quarters of 2016
7 February 2017	Balance sheet press conference
26 February 2017	Record date Annual General Meeting
8 March 2017	Annual General Meeting
10 March 2017	Ex-dividend date
13 March 2017	Record date dividend
14 March 2017	Dividend payment date
28 April 2017	Publication of results for the first quarter of 2017
27 July 2017	Publication of results for the first half of 2017
27 October 2017	Publication of results for the first three quarters of 2017

Additional dates such as trade fairs or road shows will be announced on the Company's website under Financial Calendar.

IMPRESSUM

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The English translation of this PALFINGER report is for convenience. Only the German text is binding.

This interim consolidated financial information of PALFINGER AG was neither fully audited nor reviewed by an auditor.

Minimal arithmetic differences may arise from the application of commercial rounding to individual items and percentages in this interim report.

This report contains forward-looking statements made on the basis of all information available at the date of the 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 different from those predicted.

Published on 27 July 2016.

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