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The future is: thinking in terms of solutions.

Interim Report for the First Half of 2018

KEY FIGURES OF THE PALFINGER GROUP

EUR thousand	HY1 2014	HY1 2015	HY1 2016	HY1 2017	HY1 2018
Income statement					
Revenue	531,170	606,198	665,571	753,751	801,867
EBITDAn[1)]	58,459	77,251	93,203	105,480	110,037
EBITDAn margin[1)]	11.0%	12.7%	14.0%	14.0%	13.7%
EBITn[1)]	41,246	57,266	71,395	77,090	83,483
EBITn margin[1)]	7.8%	9.4%	10.7%	10.2%	10.4%
EBTn[1)]	35,740	52,424	65,257	69,786	74,617
EBITDA	58,459	73,462	86,743	95,230	102,691
EBITDA margin	11.0%	12.1%	13.0%	12.6%	12.8%
EBIT (operating result)	41,246	53,477	64,940	66,840	71,043
EBIT margin	7.8%	8.8%	9.8%	8.9%	8.9%
Result before income tax	35,740	48,635	58,802	59,536	62,177
Consolidated net result for the period	24,518	34,493	39,735	38,624	35,225
Balance sheet					
Net working capital (average)	259,259	270,058	272,631	312,748	309,175
Capital employed (average)	697,768	851,921	953,652	1,100,448	1,103,625
ROCE	8.3%	7.3%	9.2%	7.2%	7.5%
Equity ratio	41.8%	41.8%	35.5%	35.6%	37.2%
Net debt	353,802	380,741	507,795	539,550	519,978
Gearing	80.0%	74.4%	93.9%	94.9%	86.9%
Cash flows and investments					
Cash flows from operating activities	9,683	37,606	64,586	30,764	70,793
Free cash flows	(149,392)	7,010	(69,846)	12,478	33,708
Net investments	145,566	26,894	29,593	32,853	45,950
Depreciation, amortization and impairment	17,213	19,985	21,803	28,390	31,648
Human resources					
Employees[2)]	7,689	9,056	9,318	9,888	10,540
Share					
International Securities Identification Number (ISIN)					AT0000758305
Number of shares	35,730,000	37,593,258	37,593,258	37,593,258	37,593,258
Market capitalization	957,564	1,030,055	973,665	1,533,805	1,219,901
Price as at month end (EUR)	26.80	27.40	25.90	40.80	32.45
Earnings per share (EUR)	0.68	0.92	1.06	1.03	0.94

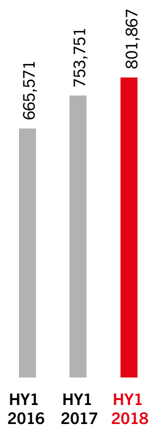
1) Starting in 2015, these figures were normalized (n=normalized) by restructuring costs.
2) Starting in 2018, balance-sheet-date figures of consolidated group companies excluding equity shareholdings and excluding contract workers are being presented; the previous years' figures are average figures.

CONSOLIDATED MANAGEMENT REPORT AS AT 30 JUNE 2018

PERFORMANCE OF THE PALFINGER GROUP

The PALFINGER Group continued to post growth in the first half of 2018. The global environment remained heterogeneous; the positive development reflected primarily the ongoing expansion of business in Europe and Russia, which for the most part was organic. The restructuring measures in North America and in the marine business, which had been initiated in 2016, still had a detrimental effect on earnings, but the large projects in North America were completed in the first half of 2018. Despite ongoing restructuring measures, PALFINGER achieved double-digit operating profitability in the reporting period. However, the consolidated net result for the period fell short of expectations; one-off effects reflected in the tax result and in the net financial result, as well as a substantial delivery backlog caused by supply bottlenecks, were the main causes for this development.

The PALFINGER Group's revenue rose by 6.4 per cent year on year from EUR 753.8 million to EUR 801.9 million, reaching a new peak for a first-half reporting period. EBITDA normalized by restructuring costs (EBITDAn) increased to EUR 110.0 million.



DEVELOPMENT OF REVENUE
(EUR thousand)

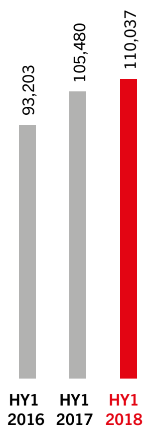
FINANCIAL POSITION, CASH FLOWS AND RESULT OF OPERATIONS

The European Union remained the most important market region in the first half of 2018, accounting for 53.1 per cent of PALFINGER's revenue. It was followed by North America, with 21.0 per cent, and the Far East, with 7.5 per cent. Changes in exchange rates, in particular of the US dollar, the Russian ruble and the Norwegian crown, had a negative effect on revenue development, lowering it by EUR –31.7 million.

As a consequence of the growth in business, the cost of sales rose from EUR 567.9 million to EUR 593.2 million year on year. In proportion to revenue, the cost of materials improved by 1.8 percentage points, while personnel costs rose slightly. Gross profit was EUR 208.7 million, as compared to EUR 185.9 million in the first half of the previous year.

Structural costs for research and development, distribution and administration in connection with the business expansion rose from EUR 127.6 million to EUR 136.0 million. The increasing utilization of synergies is expected to help bring these costs back down to a lower level in the future.

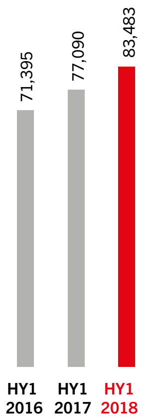
EBITDAn (EBITDA normalized by restructuring costs) increased by 4.3 per cent from EUR 105.5 million in the first half of 2017 to EUR 110.0 million in the first half of 2018. The EBITDAn margin thus came to 13.7 per cent, as compared to 14.0 per cent in the previous year. EBITn grew from EUR 77.1 million to EUR 83.5 million, resulting in a double-digit EBITn margin of 10.4 per cent, which is slightly higher than in the previous year.



DEVELOPMENT OF EBITDAn
(EUR thousand)

Performance over the individual quarters of 2018 shows the increases in revenue (Q1: EUR 394.2 million; Q2: EUR 407.6 million), EBITDAn (Q1: EUR 54.0 million; Q2: EUR 56.0 million) and EBITn (Q1: EUR 39.9 million; Q2: EUR 43.5 million) achieved by PALFINGER.

In the reporting period, restructuring costs amounted to EUR 12.4 million, as compared to EUR 10.2 million in the first half of 2017, and were incurred primarily as a result of the initiatives taken in North America and in the marine business. Restructuring costs encompass the costs of business model adjustments, site relocations and closures, significant capacity adjustments, M&A and integration costs, costs for one-off payments for termination of dealer relationships, as well as the impairment of intangible assets relating to reorganizations.



DEVELOPMENT OF EBITn
(EUR thousand)

The operating result (EBIT) increased by 6.3 per cent year on year from EUR 66.8 million to EUR 71.0 million. The net financial result of the PALFINGER Group declined to EUR –8.9 million in the first half of 2018. This decrease of EUR 1.6 million was mainly caused by a re-measurement of a provision for dividends. Income tax expense came to EUR 18.2 million in the first half of 2018, as compared to EUR 15.3 million in the same period of the previous year. This rise was due to the improved profit situation in the LAND segment and in particular also to a payment of tax arrears in Slovenia.

Due to the lower net financial result, the higher tax rate and the increase in earnings attributable to non-controlling shareholders, the consolidated net result of EUR 35.2 million for the first half of 2018 was 8.8 per cent lower than the previous year's figure of EUR 38.6 million. Earnings per share amounted to EUR 0.94, as compared to EUR 1.03 in the first half of 2017.

Total assets increased from EUR 1,595.6 million as at 30 June 2017 to EUR 1,607.4 million as at 30 June 2018. The rise in non-current assets from EUR 897.6 million to EUR 909.2 million was related to higher investment activities in the EMEA business area. At EUR 698.1 million, current assets remained roughly at the previous year's level.

Equity rose from EUR 568.3 million as at 30 June 2017 to EUR 598.3 million, primarily as a consequence of the increase in retained earnings. Accordingly, the equity ratio rose from 35.6 per cent to 37.2 per cent.

Non-current liabilities decreased substantially from EUR 652.2 million to EUR 534.5 million, while current liabilities rose from EUR 375.1 million to EUR 474.6 million. This development was due to a shift in maturities of loans for the acquisition of interests. 94.5 per cent of PALFINGER's total capital employed has been secured on a long-term basis. Net debt decreased from EUR 539.6 million to EUR 520.0 million. As a result, the gearing ratio was 86.9 per cent as at 30 June 2018, as compared to 94.9 per cent as at 30 June 2017.

Net investments during the reporting period came to EUR 46.0 million and comprised primarily the enlargement of production and manufacturing capacities and current replacement investments.

In the first half of 2018, cash flows from operating activities amounted to EUR 70.8 million, as compared to EUR 30.8 million in the first half of 2017, with the main positive effect coming from the higher result before income tax and the rise in accounts payable. Cash flows from investing activities came to EUR –41.4 million in the first half of 2018, as compared to EUR –23.1 million in the same period of 2017. This was due to two contributing factors: expenses for property, plant and equipment were higher in the reporting period, and the sale of four locations of the North American company PALFINGER USA, LLC (previously PalFleet Truck Equipment Company, LLC) had a mitigating effect in the previous year. Free cash flows rose from EUR 12.5 million in the first half of 2017 to EUR 33.7 million in the first half of 2018.

Cash flows from financing activities amounted to EUR –40.5 million, as compared to EUR 14.1 million in the same period of the previous year, when the placement of the promissory note loan had a positive effect.

Average net working capital decreased, primarily due to higher trade payables, from EUR 312.7 million in the first half of 2017 to EUR 309.2 million in the reporting period. Average capital employed increased slightly year on year from EUR 1,100.4 million to EUR 1,103.6 million. Return on capital employed (ROCE) thus came to 7.5 per cent in the first half of 2018, as compared to 7.2 per cent in the same period of the previous year.

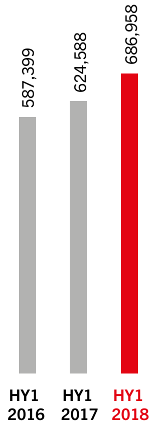
PERFORMANCE BY SEGMENT

LAND SEGMENT

Business performance in the first half of 2018

The LAND segment comprises business with land-based lifting solutions for use on commercial vehicles. In the first half of 2018, the segment's revenue rose by 10.0 per cent from EUR 624.6 million in the first half of 2017 to EUR 687.0 million. This growth was due to the expansion of business in the EMEA and CIS business areas.

The segment's normalized EBITDA (EBITDAn) grew by 10.5 per cent from EUR 106.5 million to EUR 117.7 million. At 17.1 per cent, the segment's EBITDAn margin in the first half of 2018 was slightly higher than in the same period of the previous year, when it came to 17.0 per cent. The restructuring costs allocated to this segment amounted to EUR 5.8 million in the reporting period, as compared to EUR 7.5 million in the first half of 2017.



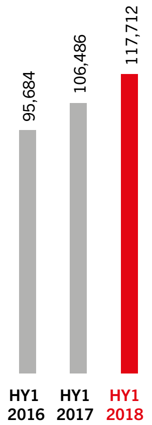
DEVELOPMENT OF REVENUE LAND SEGMENT
(EUR thousand)

Operational highlights

The economic market environment remained strong in the EMEA business area. Particularly in construction and infrastructure, PALFINGER benefited from the increase in necessary replacement investments, which had been suspended in recent years. Given the continuing high level of incoming orders, the availability of components manufactured by external suppliers has been hindered by supply bottlenecks since the end of 2017, causing longer delivery periods for PALFINGER products.

In North America, following a two-year restructuring phase, all larger projects have been completed to a major extent. The aim is to raise operating profitability towards 10 per cent in the course of 2019 provided that demand remains strong. In South America, the market environment was still challenging in the first half of 2018. PALFINGER has now managed to adjust capacities to the low level of demand, which has had a positive impact on earnings.

In Russia/CIS, the economic environment remained difficult due to the extension of the sanctions. Local value creation continued to prove advantageous, facilitating additional growth. In Asia, particularly in China, the partnership with SANY is the foundation for the sound development of business. The Sany Palfinger joint venture recorded a satisfactory increase in revenue of around 30 per cent during the reporting period.



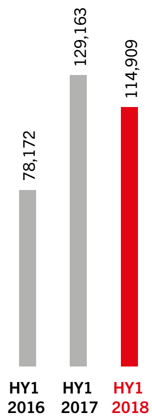
DEVELOPMENT OF EBITDAn LAND SEGMENT
(EUR thousand)

SEA SEGMENT

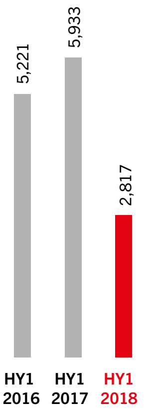
Business performance in the first half of 2018

The SEA segment encompasses all PALFINGER operations in connection with ships, offshore facilities and wind energy plants. In the first half of 2018, the SEA segment's revenue decreased to EUR 114.9 million, corresponding to a decline of 11.0 per cent from the previous year's figure of EUR 129.2 million. The contribution of the segment to PALFINGER's consolidated revenue thus shrank from 17.1 per cent to 14.3 per cent.

The segment's normalized EBITDA (EBITDAn) decreased from EUR 5.9 million in the first half of 2017 to EUR 2.8 million; the EBITDAn margin came to 2.5 per cent, as compared to 4.6 per cent in the first half of 2017. The restructuring costs incurred by this segment were EUR 6.3 million, as compared to EUR 2.5 million in the same period of the previous year.



DEVELOPMENT OF REVENUE SEA SEGMENT
(EUR thousand)



DEVELOPMENT OF EBITDAn SEA SEGMENT
(EUR thousand)

Operational highlights

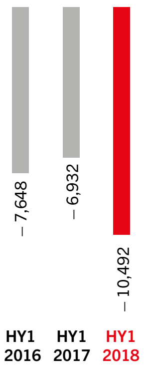
The business environment of the SEA segment remained extremely difficult. Given that core customers in most of the product groups in this segment depend on the oil price, the latter's very low level in recent years has dampened investment propensity considerably. The rise in the oil price over the past year is already being reflected in an expansion of service business, but not yet in the sale of new products.

In the past months, the levels of incoming orders in some of PALFINGER's product areas were higher than in the previous year, particularly in fields not dependent on oil and gas, such as fisheries. Even though this points to a slow stabilization of the market situation, no significant long-term recovery is to be expected any time soon. The long lead times in the shipbuilding industry and a change in demand behaviour have so far prevented the positive trend from being reflected in earnings.

PALFINGER intends to position itself favourably for future upturns through restructuring. As recent market performance was distinctly weaker than originally expected, the restructuring of this segment will be continued intensively. In addition to solely cost-cutting measures, evaluations have been made regarding further site restructurings, efficiency enhancements and portfolio adjustments, as well as leveraging of additional potential for growth and enhanced utilization of synergies. Some of these measures have already been implemented.

With the acquisition of the globally operating Harding Group in 2016, PALFINGER expanded its marine business by adding new products in the field of lifesaving equipment. Since then, PALFINGER has also maintained its own global service network for davits and lifeboats. After sales and service are major factors for success in the marine business, not least because there are strict regulatory provisions. Therefore, this acquisition represented a massive strategic growth step as well as an important investment in the Company's further development. The integration of this largest acquisition in the Company's history, however, presents a challenge, also in terms of earnings.

HOLDING UNIT



DEVELOPMENT OF EBITDAn HOLDING UNIT
(EUR thousand)

Business performance in the first half of 2018

Reporting on the HOLDING unit presents the set of group functions that are bundled at headquarters, as well as strategic project costs incurred by this unit. In the first half of 2018, EBITDAn amounted to EUR –10.5 million, after EUR –6.9 million in the same period of the previous year. The higher costs are primarily attributable to the forward-looking, group-wide initiatives PALFINGER Process Excellence and PALFINGER 21st. In addition, extraordinary employee benefits expenses as well as negative exchange rate effects impacted on costs. In the reporting period, the restructuring costs allocated to this unit came to EUR 0.3 million, the same as in the first half of 2017.

OTHER EVENTS

As a result of bottlenecks in capacity and supply that occurred in the fourth quarter of 2017, PALFINGER commenced the 2018 financial year with a sizable delivery backlog. PALFINGER successfully countered the internal capacity bottlenecks with targeted employee programmes and investments; the current order volume stems primarily from delivery problems of external suppliers and predominantly concerns electronic and hydraulic parts. PALFINGER assumes that, because the order books continue to be full, a substantial part of the backlog will not be resolved in 2018. In addition, new bottlenecks may arise.

Andreas Klauser has been the new CEO of PALFINGER AG since the beginning of June. He is Austrian and 52 years of age. Most recently he was the Global Brand President of Case IH and STEYR as well as a member of the Group Executive Council of CNH Industrial.

In previous years, PALFINGER used the financial indicators current capital and/or current capital ratio to manage current capital lockup. These indicators were somewhat difficult for investors and analysts to understand. Therefore, since the beginning of 2018, capital employed and its influencing factors and/or return on capital employed (ROCE) have been increasingly used for corporate management purposes instead. This relates to internal processes and targets as well as external reporting. PALFINGER's medium-term goal is to raise ROCE to a double-digit level.

In April 2018, PALFINGER AG was informed that another review was to be carried out by the Austrian Financial Reporting Enforcement Panel (AFREP). PALFINGER AG was selected at random for this review, without the existence of any particular cause. The review is currently underway.

MATERIAL RISKS AND UNCERTAINTIES IN THE SECOND HALF OF 2018

Even though the economy in Europe, North America and in particular the Asian emerging countries continues to be positive, geopolitical tensions persist. Protectionist measures taken by core global economic players and international responses to those measures are burdening trade relations across the globe. The first wave of US import restrictions primarily related to steel and aluminium imports. Moreover, additional sanctions and potential counter-measures taken by affected countries may have a direct impact on PALFINGER's core products from Europe; this could only be partly compensated by local value creation. The situation in South America, especially in Brazil, is far more difficult. At the beginning of 2018, the downturn seemed to have bottomed out in the South American market and an economic upswing appeared to be taking shape. However, due the Brazilian government's weakness in instituting reforms, and also due to ongoing strikes, no upward trends are recognizable at present. Furthermore, continuing tensions between the European Union and Russia as well as the precarious political situation in the Middle East and in Africa have been impacting PALFINGER's performance. By and large, international sanctions against Russia have been cushioned through local value creation; however, the sanctions are certainly not conducive to growth or the investment climate in the country. The market in China shows stable growth; nevertheless, there are some restrictions to free market development, which are negatively impacting the utilization of opportunities.

In the marine business, dependence on the oil and gas industry is one of the major risks. Moreover, declining market volumes have led to a surplus of finished products on the market. The growing demand for oil, combined with disagreement among the oil-producing countries over an increase in oil production, gives rise to optimism regarding a higher investment propensity and growth in the service business; however, no significant trend towards growing investments is identifiable. In addition, the restructuring initiated in 2016 in the SEA segment has proven to be more comprehensive than expected and is having a dampening effect on EBIT.

In selected areas, PALFINGER has opted for strategic partnerships. In this connection, it is imperative that the partners share the same values. Such associations with other companies allow PALFINGER to access existing know-how and in some regions are indispensable for accessing local markets. In partnerships such as these, the resulting dependence on the performance, integrity and loyalty of the partner constitutes a significant co-operation risk.

The current high level of incoming orders at the European production and assembly plants in conjunction with delivery problems concerning externally procured materials makes it a challenging endeavour for PALFINGER to ensure stability in the supply chain. Due to the high level of value creation, production downtimes in PALFINGER's internal supplier plants impair delivery capacity. Therefore, these are fundamental operational risks.

Apart from the availability and delivery time of components for production, access to skilled and motivated employees also harbours an operational risk. At present, PALFINGER is facing the fact that capacity expansions cannot be implemented for lack of human resources. By instituting comprehensive recruiting and employer-branding measures, PALFINGER has been trying to counter this risk and consolidate its position. In addition, development programmes are aimed at retaining employees on a long-term basis and preparing them optimally for future changes.

Recent incidents have clearly shown that global enterprises have increasingly been the targets of cybercrime. The resulting risks are manifold, ranging from phishing mails to data theft and even attempted extortion through the encryption of company data. PALFINGER is fully aware of the multiplicity and consequences of these attacks. The Company has therefore created a central data security office, which coordinates the global implementation of the relevant countermeasures.

In the project business of the SEA segment and the Railway Systems business unit (LAND segment) the dependence on a small number of large customers (concentration risk), which is inherent in the Company's business model, as well as volatility in orders, pose substantial risks for PALFINGER. In order to counter these risks, PALFINGER is striving for a diversification within those units and product divisions.

PALFINGER continues to promote initiatives for standardizing and optimizing its core processes. Apart from the utilization of synergies and the establishment of a group-wide uniform system landscape, the long-term reduction of costs is one of the prime targets. Against this backdrop, the strategic priorities of individual business areas are reviewed and, if necessary, structural adjustments are made. In particular, the complexity and far-reaching effects of these endeavours on PALFINGER's business operations constitute central risks. Any delays immediately lead to higher lead times of projects and negatively affect EBIT.

Disruptive technologies prompt PALFINGER to confront numerous changes being introduced to mechanical engineering from other industries. In this connection, it is a constant challenge to keep an overview of the state of the art and to select and develop the most promising solutions for PALFINGER and its customers. To obtain a precise understanding of customer expectations of PALFINGER's products, direct communication with users and sales partners is of the essence. At the same time, PALFINGER has to introduce additional innovations on the market so as to consolidate its position as a market and innovation leader in the long term. Consequently, PALFINGER has a higher risk of launching development initiatives that prove to be unsuccessful in the future.

In its markets, PALFINGER is being confronted at ever-shorter intervals with dramatic changes that prompt the Company to swiftly rethink its market-development approach. The combination of existing products with digital solutions creates new, promising sales potential, but at the same time there is always the risk that young, innovative companies will enter existing markets with substitute products and oust established players.

As PALFINGER is an internationally operating company, its business activities are subject not only to Austrian legislation but also to numerous international standards as well as the laws and regulations of the individual countries in which the Group operates. The associated compliance risks lie, above all, in the identification of and compliance with all relevant provisions. Violations may result in penalties that can be quite substantial.

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 financial position, cash flows and result of operations. In the project business, revenue is recognized in accordance with the percentage of completion method. When applying this method, PALFINGER estimates the share of services already performed by the balance sheet date in proportion to the overall scope of orders and the order costs yet to be incurred. These estimates harbour some degree of uncertainty.

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, assumptions are made when determining the fair values in the course of the purchase price allocation and mainly 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 measurement (impairment) or that investments may not amortize as planned. As a result of the acquisition of the Harding Group, the carrying amount of goodwill in the business area Marine cash-generating unit increased to EUR 160.9 million. The development of this goodwill depends primarily on the progress made in restructuring, the performance of the offshore market and the development of the oil price and exchange rates. A long-term deterioration could necessitate an impairment.

As a consequence of the participations in connection with SANY (SANY Automobile Hoisting Machinery, Sany Palfinger SPV Equipment and Palfinger Sany International Mobile Cranes Sales), EUR 150.2 million were shown under investments in companies reported at equity as at the balance sheet date 30 June 2018. These investments include goodwill of EUR 88.3 million. Whether these investments in SANY will have to be impaired depends on the development of the Chinese economy, the degree of success of the internationalization strategy, and the economic development of the sales markets of Palfinger Sany International Mobile Cranes Sales. In China, the need for impairment of these investments will be influenced primarily by the performance of the construction industry. The progressing urbanization, the necessary infrastructure projects resulting from it, increasing wage costs and the associated increase in the economic effectiveness of automated lifting, loading and unloading operations will play a vital role in this connection. In the international markets, there are various political and macroeconomic risks that may have an impact on whether or not the participations in connection with the partnership with SANY 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 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 hedge accounting, a high probability of the respective future cash flows actually occurring is assumed.

Through the continuous development of its 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 discernible risks that might jeopardize the continued existence of the Company.

OUTLOOK

In 2017, PALFINGER developed its vision and strategy for the digital age. With PALFINGER 21st, a new strategic pillar and unit for disruptive and revolutionary, scalable ideas, PALFINGER has placed special emphasis on digitalization issues. The incorporation of PALFINGER's vision and strategy throughout the Group will remain a priority in the 2018 financial year. The group-wide initiatives with a focus on customer orientation and the optimization of processes will be further expanded in support of the PALFINGER Group's endeavour to position itself for the challenges of the years to come.

A priority in this connection is the full integration of the numerous acquisitions made in previous years to utilize existing synergies and potential and to post long-term growth. For this reason, no major acquisitions are scheduled for the months to come.

In the first half of 2018, the PALFINGER Group again recorded an increase in incoming orders, which indicates that for the remaining 2018 financial year business performance will continue to be satisfactory overall, albeit heterogeneous. It is expected that due to continuing bottlenecks in supply, PALFINGER will not be able to catch up on a substantial part of the order backlog by the end of the year. Orders not realized in 2018 can therefore only be reflected in the figures for 2019.

The restructuring measures in North America were largely completed in the first half of 2018 but the ongoing restructuring measures in the marine business will continue to depress earnings in 2019. From today's point of view, the restructuring costs in the second half of 2018 will reach a similar level as in the first half. Any portfolio or site optimization could also lead to higher restructuring costs in the second half of 2018.

The management foresees an increase in revenue and operating profitability for 2018. The consolidated net result in 2018 will likely be higher than in 2017; however, as a result of the higher tax rate, the lower net financial result, further restructuring measures and an increase in non-controlling interests, it is not expected to reach the record levels of 2015 and 2016.

INTERIM CONSOLIDATED FINANCIAL INFORMATION AS AT 30 JUNE 2018

CONSOLIDATED INCOME STATEMENT (CONDENSED)

EUR thousand	Note	Apr–June 2017[1]	Apr–June 2018	Jan–June 2017[1]	Jan–June 2018
Revenue	1	391,874	407,639	753,751	801,867
Cost of sales		(296,399)	(300,598)	(567,861)	(593,180)
Gross profit		**95,475**	**107,041**	**185,890**	**208,687**
Other operating income	2	6,600	4,439	13,084	8,659
Research and development costs		(7,340)	(8,488)	(14,114)	(16,447)
Distribution costs		(28,200)	(28,623)	(55,991)	(56,225)
Administrative costs		(27,156)	(31,799)	(57,454)	(63,369)
Other operating expenses	2	(5,668)	(7,240)	(8,878)	(12,764)
Income from companies reported at equity	5	1,542	2,156	4,303	2,502
Earnings before interest and taxes – EBIT		**35,253**	**37,486**	**66,840**	**71,043**
Net financial result		(4,916)	(5,088)	(7,304)	(8,866)
Result before income tax		**30,337**	**32,398**	**59,536**	**62,177**
Income tax expense		(7,762)	(10,250)	(15,344)	(18,161)
Result after income tax		**22,575**	**22,148**	**44,192**	**44,016**
attributable to					
shareholders of PALFINGER AG (consolidated net result for the period)		**19,228**	**17,332**	**38,624**	**35,225**
non-controlling interests		**3,347**	**4,816**	**5,568**	**8,791**
EUR					
Earnings per share (undiluted and diluted)	7	0.51	0.46	1.03	0.94
Average number of shares outstanding		37,593,258	37,593,258	37,593,258	37,593,258

1) Since 1 January 2018, IFRS 9 and IFRS 15 have to be applied (see "Changes in accounting and valuation measures"). The previous year's figures were not adjusted.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

EUR thousand	Apr–June 2017[1]	Apr–June 2018	Jan–June 2017[1]	Jan–June 2018
Result after income tax	**22,575**	**22,148**	**44,192**	**44,016**
Amounts that may be reclassified to the income statement in future periods				
Unrealized profits (+)/losses (–) from foreign currency translation (after tax)	(37,053)	5,601	(37,208)	2,646
Unrealized profits (+)/losses (–) from cash flow hedge (after tax)	2,269	65	4,781	908
Other comprehensive income after income tax	**(34,784)**	**5,666**	**(32,427)**	**3,554**
Total comprehensive income	**(12,209)**	**27,814**	**11,765**	**47,570**
attributable to				
shareholders of PALFINGER AG	**(14,449)**	**24,269**	**6,947**	**40,602**
non-controlling interests	**2,240**	**3,545**	**4,818**	**6,968**

1) Since 1 January 2018, IFRS 9 and IFRS 15 have to be applied (see "Changes in accounting and valuation measures"). The previous year's figures were not adjusted.

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	30 June 2017[1)]	31 Dec 2017[1)]	30 June 2018
Non-current assets				
Intangible assets	3	374,345	368,171	375,293
Property, plant and equipment	4	309,860	312,106	321,471
Investment property		318	308	298
Investments in companies reported at equity	5	162,333	167,266	168,493
Other non-current assets		2,549	1,724	1,218
Deferred tax assets		16,449	14,890	16,454
Non-current financial assets	10	31,774	30,166	26,012
		897,628	**894,631**	**909,239**
Current assets				
Inventories	6	298,676	289,034	325,286
Trade receivables	6	207,308	190,046	225,182
Contract assets from customer contracts	6	81,960	76,844	66,275
Other current receivables and assets		48,615	43,777	46,160
Income tax receivables		1,074	1,852	1,309
Current financial assets	10	6,410	9,098	5,550
Cash and cash equivalents		53,941	39,756	28,370
		697,984	**650,407**	**698,132**
Total assets		**1,595,612**	**1,545,038**	**1,607,371**
Equity				
Share capital		37,593	37,593	37,593
Additional paid-in capital		86,844	86,844	86,844
Retained earnings	7	441,742	460,037	477,997
Foreign currency translation reserve		(24,607)	(41,556)	(37,087)
Total equity of the shareholders of PALFINGER AG		**541,572**	**542,918**	**565,347**
Non-controlling interests		26,776	32,796	32,929
		568,348	**575,714**	**598,276**
Non-current liabilities				
Liabilities from puttable non-controlling interests		3,132	2,580	2,696
Non-current financial liabilities	10	565,956	492,957	458,196
Non-current purchase price liabilities from acquisitions	8, 10	15,493	15,478	8,665
Non-current provisions	9	45,128	46,235	47,280
Deferred tax liabilities		19,935	14,798	14,012
Non-current contract liabilities from customer contracts		317	320	267
Other non-current liabilities		2,241	3,705	3,395
		652,202	**576,073**	**534,511**
Current liabilities				
Current financial liabilities	10	65,641	99,268	121,634
Current purchase price liabilities from acquisitions	8, 10	0	0	1,182
Current provisions		18,171	18,829	21,941
Income tax liabilities		15,258	13,933	17,144
Trade payables and other current liabilities		246,770	231,521	276,306
Current contract liabilities from customer contracts		29,222	29,700	36,377
		375,062	**393,251**	**474,584**
Total equity and liabilities		**1,595,612**	**1,545,038**	**1,607,371**

1) Since 1 January 2018, IFRS 9 and IFRS 15 have to be applied (see "Changes in accounting and valuation measures"). The previous year's figures were not adjusted.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONDENSED)

	Equity attributable to the shareholders of PALFINGER AG					
EUR thousand	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Non-controlling interests	Equity
As at 1 Jan 2017	**37,593**	**86,844**	**418,180**	**11,851**	**25,452**	**579,920**
Total comprehensive income						
Result after income tax	0	0	38,624	0	5,568	44,192
Other comprehensive income after income tax						
Unrealized profits (+)/losses (–) from foreign currency translation	0	0	0	(36,458)	(750)	(37,208)
Unrealized profits (+)/losses (–) from cash flow hedge	0	0	4,781	0	0	4,781
	0	**0**	**43,405**	**(36,458)**	**4,818**	**11,765**
Transactions with shareholders						
Dividends	0	0	(21,428)	0	(8,715)	(30,143)
Reclassification non-controlling interests	0	0	(270)	0	(2)	(272)
Addition non-controlling interests	0	0	0	0	5,223	5,223
Other changes	0	0	1,855	0	0	1,855
	0	**0**	**(19,843)**	**0**	**(3,494)**	**(23,337)**
As at 30 June 2017	**37,593**	**86,844**	**441,742**	**(24,607)**	**26,776**	**568,348**
As at 31 Dec 2017	**37,593**	**86,844**	**460,037**	**(41,556)**	**32,796**	**575,714**
Adjustment IFRS 9	0	0	33	0	(31)	2
Adjustment IFRS 15	0	0	(1,232)	0	0	(1,232)
As at 1 Jan 2018 adjusted	**37,593**	**86,844**	**458,838**	**(41,556)**	**32,765**	**574,484**
Total comprehensive income						
Result after income tax	0	0	35,225	0	8,791	44,016
Other comprehensive income after income tax						
Unrealized profits (+)/losses (–) from foreign currency translation	0	0	0	4,469	(1,823)	2,646
Unrealized profits (+)/losses (–) from cash flow hedge	0	0	908	0	0	908
	0	**0**	**36,133**	**4,469**	**6,968**	**47,570**
Transactions with shareholders						
Dividends	0	0	(17,669)	0	(7,732)	(25,401)
Reclassification non-controlling interests	0	0	(17)	0	(100)	(117)
Addition non-controlling interests	0	0	713	0	1,028	1,741
Other changes	0	0	(1)	0	0	(1)
	0	**0**	**(16,974)**	**0**	**(6,804)**	**(23,778)**
As at 30 June 2018	**37,593**	**86,844**	**477,997**	**(37,087)**	**32,929**	**598,276**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

EUR thousand	Jan–June 2017	Jan–June 2018
Cash flows from operating activities		
Result before income tax	59,536	62,177
Write-downs (+)/write-ups (–) of non-current assets	28,388	31,666
Gains (–)/losses (+) on the disposal of non-current assets	1,284	(55)
Change in purchase price liability	197	1,271
Interest income (–)/interest expenses (+)	6,186	6,361
Income from companies reported at equity	(4,304)	(2,502)
Other non-cash income (–)/expenses (+)	5,649	468
Increase (–)/decrease (+) of assets	(86,090)	(58,050)
Increase (+)/decrease (–) of provisions	(5,476)	677
Increase (+)/decrease (–) of liabilities	34,067	48,506
Cash flows generated from operations	**39,437**	**90,519**
Interest received	793	291
Interest paid	(6,153)	(6,737)
Dividends received from companies reported at equity	3,761	2,695
Income tax paid	(7,074)	(15,975)
	30,764	**70,793**
Cash flows from investing activities		
Cash receipts from the sale of intangible assets and property, plant and equipment	5,768	1,626
Cash payments for the acquisition of intangible assets and property, plant and equipment	(38,820)	(47,253)
Cash payments for the acquisition of subsidiaries net of cash acquired	(2,958)	0
Cash payments for the acquisition of companies reported at equity	(1,626)	0
Cash receipts from the disposal of other business units	11,982	0
Cash receipts from the disposal of other business units in previous year	0	609
Cash payments for the acquisition of securities	(832)	(12)
Cash payments for/cash receipts from other assets	3,403	3,648
	(23,083)	**(41,382)**
Cash flows from financing activities		
Dividends to shareholders of PALFINGER AG	(21,428)	(17,669)
Dividends to non-controlling shareholders	(8,779)	(6,647)
Cash payments for the acquisition of non-controlling interests	(9,845)	(6,447)
Loans for the acquisition of interests	60,000	0
Repayment of loans for the acquisition of interests	(2,000)	(13,542)
Non-current refinancing of redemptions and maturing current loans	0	30,000
Repayment of maturing/terminated loans	(105,000)	(30,000)
Issue of promissory note loans	200,000	0
Repayment of bridge financing loans for the acquisition of interests	(90,000)	0
Repayment of current financing	0	(2,678)
Redemption of maturing/terminated leasing liabilities	(9,609)	0
Cash payments for/cash receipts from other financial liabilities	711	6,531
	14,050	**(40,452)**
Total cash flows	**21,731**	**(11,041)**
Free cash flows[1]	**12,478**	**33,708**

	2017	**2018**
Funds as at 1 Jan	33,922	39,756
Effects of changes in foreign exchange rates	(1,712)	(345)
Total cash flows	21,731	(11,041)
Funds as at 30 June	**53,941**	**28,370**

1) Sum total of cash flows from operating activities and cash flows from investing activities plus interest on borrowings minus tax shield on interest on borrowings

SEGMENT REPORTING

Jan–June 2017

EUR thousand	LAND	SEA	HOLDING	Segment consolidation	PALFINGER Group
External revenue	624,588	129,163	-	-	753,751
Intra-group revenue	6,838	3,742	-	(10,580)	0
EBITDAn[1)]	106,486	5,933	(6,932)	(7)	105,480
EBITn[1)]	86,100	(498)	(8,505)	(7)	77,090
EBIT	78,617	(3,002)	(8,768)	(7)	66,840
Capital employed	834,040	347,900	28,441	(109,933)	1,100,448

1) These figures were normalized (n=normalized) by restructuring costs.

Jan–June 2018

EUR thousand	LAND	SEA	HOLDING	Segment consolidation	PALFINGER Group
External revenue	686,958	114,909	-	-	801,867
Intra-group revenue	6,449	4,486	-	(10,935)	0
EBITDAn[1)]	117,712	2,817	(10,492)	0	110,037
EBITn[1)]	98,741	(3,140)	(12,118)	0	83,483
EBIT	92,898	(9,466)	(12,389)	0	71,043
Capital employed	844,663	334,580	31,838	(107,456)	1,103,625

1) These figures were normalized (n=normalized) by restructuring costs.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

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 2017 financial year, with the exception of the changes resulting from the new standards IFRS 15 and IFRS 9, were applied to this condensed interim consolidated financial information of PALFINGER AG and its subsidiaries as at 30 June 2018, which was prepared on the basis of IAS 34. The consolidated financial statements for the year ended 31 December 2017 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 2017.

This interim consolidated financial information provided by PALFINGER AG was reviewed by an external auditor.

CHANGES IN ACCOUNTING AND VALUATION MEASURES

The new IFRS 15 standard governs the recognition of revenue and has been applied by PALFINGER since 1 January 2018, using the modified retrospective approach. The previous years' figures were not adjusted. The effect of the first-time application was recognized as retained earnings effective 1 January 2018.

In the project business, revenue from customized manufacturing orders was recognized in accordance with the percentage of completion method until 31 December 2017. IFRS 15 defines new criteria for recognizing revenue over a certain time period. A few project-business contracts in the SEA segment no longer meet these criteria. The first-time application of IFRS 15 therefore led to a reduction in retained earnings in the amount of EUR 1,232 thousand as of 1 January 2018. Moreover, expected losses resulting from a contract must be recognized immediately as a provision for onerous contracts. This led to an increase in receivables and other provisions in the amount of EUR 3,729 thousand as of 1 January 2018.

With regard to the sale of serial products and the rendering of services, the first-time application of IFRS 15 did not result in any changes as of 1 January 2018.

IFRS 9 provides for changes regarding the classification and measurement of financial instruments and the impairment of financial assets, and introduces new provisions regulating hedge accounting. PALFINGER applied the new IFRS 9 standard for the first time as of 1 January 2018. The rules for hedge accounting pursuant to IFRS 9 have also been applied. In accordance with the option available under IFRS 9, PALFINGER elected not to adjust the previous years' figures to the changes in classification and measurement rules; the effect of the first-time application was recognized as retained earnings, effective 1 January 2018.

The new classification rules currently have no material effect on the accounting of financial instruments at PALFINGER. Changes result from the new measurement rules under IFRS 9, which replace the incurred loss model introduced by IAS 39 with the future-oriented expected loss model. PALFINGER applies the simplified impairment model for trade receivables, according to which expected losses are taken into consideration during their full lifetime. In the course of the analysis regarding IFRS 9, the existing measurement matrix used for trade receivables was adjusted on the basis of the results of an analysis of historical data and the assessment of future developments. Following an even more detailed analysis, bad-debt allowances in the amount of EUR 628 thousand were reclassified from standardized to specific bad-debt allowances. The standardized bad-debt allowances decreased by EUR 531 thousand in comparison to 31 December 2017. All in all, this led to an increase in bad-debt allowances in the amount of EUR 97 thousand.

The adjustment effect from IFRS 9 and IFRS 15 as at 1 January 2018 was as follows:

EUR thousand	**31 Dec 2017**	**Adjustment IFRS 9**	**Adjustment IFRS 15**	**1 Jan 2018**
Assets				
Non-current assets	894,631	0	0	894,631
Current assets	650,407	(97)	3,273	653,583
	1,545,038	**(97)**	**3,273**	**1,548,214**
Equity and liabilities				
Equity	575,714	2	(1,232)	574,484
Non-current liabilities	576,073	(99)	(368)	575,606
Current liabilities	393,251	0	4,873	398,124
	1,545,038	**(97)**	**3,273**	**1,548,214**

The effects of the application of IFRS 15 as at 30 June 2018 were as follows:

Consolidated balance sheet

EUR thousand	30 June 2018 as reported	Adjustment IFRS 15	30 June 2018 without IFRS 15 adjustment
Current assets			
Inventories	325,286	(1,041)	324,245
Trade receivables	225,182	0	225,182
Contract assets from customer contracts	66,275	586	66,861
	698,132	**(455)**	**697,677**
Equity			
Retained earnings	477,997	815	478,812
Foreign currency translation reserve	(37,087)	(1)	(37,088)
	598,276	**814**	**599,090**
Non-current liabilities			
Deferred tax liabilities	14,012	243	14,255
Non-current contract liabilities from customer contracts	267	0	267
Other non-current liabilities	3,395	0	3,395
	534,511	**243**	**534,754**
Current liabilities			
Current provisions	21,941	(922)	21,019
Current contract liabilities from customer contracts	36,377	(1,277)	35,100
Trade payables and other current liabilities	276,306	687	276,993
	474,584	**(1,512)**	**473,072**
Total equity and liabilities	**1,607,371**	**(455)**	**1,606,916**

The balance sheet item “Contract assets from customer contracts” contains receivables from manufacturing orders and the provision of services, which according to IFRS 15 are subject to recognition of revenue over time. They used to be reported under trade receivables. “Liabilities from customer contracts” include advances received on orders and deferred revenue, which used to be reported under trade payables and other current liabilities.

Consolidated income statement

EUR thousand	Jan–June 2018 as reported	Adjustment IFRS 15	Jan–June 2018 without IFRS 15 adjustment
Revenue	801,867	(1,375)	800,492
Cost of sales	(593,180)	833	(592,347)
Earnings before interest and taxes – EBIT	**71,043**	**(542)**	**70,501**
Income tax expense	(18,161)	125	(18,036)
Consolidated net result for the period	**35,225**	**(417)**	**34,808**

Additional information regarding the new standards is to be found in the Integrated Annual Report 2017 on pages 145 to 148.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Jan–June 2017

EUR thousand	LAND	SEA	PALFINGER Group
European Union	347,063	45,272	392,335
Far East	40,020	18,379	58,399
CIS	43,159	4,640	47,799
Central and South America	19,204	3,609	22,813
Middle East and Africa	15,176	16,142	31,318
North America	137,581	12,653	150,234
Rest of Europe	20,584	28,468	49,052
IAS 18/11 revenue	**622,787**	**129,163**	**751,950**
Other revenue	1,801	0	1,801
Total revenue	**624,588**	**129,163**	**753,751**

Jan–June 2018

EUR thousand	LAND	SEA	PALFINGER Group
European Union	388,130	37,379	425,509
Far East	42,400	17,618	60,018
CIS	46,234	11,447	57,681
Central and South America	20,050	1,981	22,031
Middle East and Africa	9,397	13,168	22,565
North America	156,400	10,450	166,850
Rest of Europe	22,134	22,866	45,000
IFRS 15 revenue	**684,745**	**114,909**	**799,654**
Other revenue	2,213	0	2,213
Total revenue	**686,958**	**114,909**	**801,867**

The classification by geographical area is made in accordance with the customers' registered offices. Other revenue contains primarily revenue from rental business.

(2) Exchange rate differences

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

EUR thousand	Jan–June 2017	Jan–June 2018
Exchange rate differences income	3,352	3,904
Exchange rate differences expenses	(3,631)	(5,883)
Exchange rate differences in at equity result	(47)	(116)
Earnings before interest and taxes – EBIT	**(326)**	**(2,095)**
Exchange rate differences of the net financial result	(883)	(1,237)
Result from exchange rate differences	**(1,209)**	**(3,332)**

NOTES TO THE CONSOLIDATED BALANCE SHEET

(3) Intangible assets

The carrying amount of goodwill in the business area Marine cash-generating unit (CGU) was EUR 160.9 million as at 30 June 2018. The development of this goodwill depends primarily on the progress made in restructuring, the performance of the offshore market and the development of the oil price and exchange rates. A long-term deterioration could necessitate an impairment.

(4) Property, plant and equipment

Property, plant and equipment increased as compared to 31 December 2017 due to additions to land and buildings in the amount of EUR 3,887 thousand (previous year until 30 June 2017: EUR 1,883 thousand), to plants, machinery and tools in the amount of EUR 7,348 thousand (previous year until 30 June 2017: EUR 5,579 thousand) and to fixtures, fittings and equipment in the amount of EUR 9,377 thousand (previous year until 30 June 2017: EUR 6,933 thousand). Prepayments and assets under construction increased due to additions in the amount of EUR 17,431 thousand (previous year until 30 June 2017: EUR 15,062 thousand).

(5) Investments in companies reported at equity

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

EUR thousand	**2017**	**2018**
As at 1 Jan	171,871	167,266
Additions	1,626	0
Write-ups	313	0
Share in the net result for the period	10,385	3,412
Dividends	(3,963)	(2,852)
Foreign currency translation	(9,972)	1,578
Impairment	0	(911)
Reclassification due to full consolidation	(2,994)	0
As at 31 Dec/30 June	**167,266**	**168,493**

The reclassification in 2017 concerns the full consolidation of Hidro-Grubert.

(6) Inventories and receivables

Inventories increased by EUR 36,252 thousand as compared to 31 December 2017, mainly due to demand-related inventory build-up in the business area Americas as well as the high demand and high delivery backlog caused by bottlenecks in supply in the business area EMEA.

The increase in trade receivables of EUR 35,136 thousand refers primarily to the business area EMEA.

The receivables sold in connection with the existing factoring agreement amounted to EUR 46,853 thousand (31 December 2017: EUR 42,978 thousand) as at the balance sheet date (30 June 2018) and were fully derecognized in accordance with the rules of IFRS 9 due to the transfer of control.

In accordance with the rules of IFRS 15, receivables from contract manufacturing and rendering of services are now reported separately in the balance sheet under “Contract assets from customer contracts”. This increase was primarily recorded in the SEA segment.

(7) Equity

The Annual General Meeting held on 7 March 2018 adopted a resolution for payment of a dividend in the amount of EUR 17,669 thousand out of the 2017 profits. This dividend – paid to PALFINGER AG shareholders on 13 March 2018 – was equivalent to a dividend of EUR 0.47 per share (previous year: EUR 0.57 per share).

On the basis of a consolidated net result for the period of EUR 35,225 thousand (Jan–June 2017: EUR 38,624 thousand) undiluted earnings per share were EUR 0.94 (Jan–June 2017: EUR 1.03). Diluted earnings per share were identical to undiluted earnings per share.

(8) Purchase price liabilities from acquisitions

EUR thousand	2017	2018
As at 1 Jan	15,364	15,478
Allocation	0	2,101
Interest cost	1,156	495
Use	(414)	(6,447)
Reversal	(319)	0
Disposal	0	(1,715)
Foreign currency translation	(309)	(65)
As at 31 Dec/30 June	**15,478**	**9,847**

As at the balance sheet date, purchase price liabilities from acquisitions included purchase price portions not yet due from the acquisition of subsidiaries in 2014 and 2016. The purchase price liability from the put/call option to sell/buy the remaining 20 per cent in PM-Group as well as a disproportional dividend for the years up to 2017 were redeemed prematurely in the second quarter of 2018 and settled. PALFINGER acquired 15 per cent in the PM-Group, and the remaining 5 per cent were acquired by non-controlling shareholders. The remaining purchase price portion consists of a disproportional dividend for 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.

(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 2018, the Group held the following categories of financial instruments measured at fair value:

	Fair value		Level 1 fair value		Level 2 fair value		Level 3 fair value	
EUR thousand	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018	31 Dec 2017	30 June 2018
Assets								
Non-current financial assets	2,305	1,737	1,608	1,608	697	129	0	0
Current financial assets	5,034	862	0	0	5,034	862	0	0
Liabilities								
Non-current financial liabilities	1,701	1,085	0	0	1,701	1,085	0	0
Non-current purchase price liabilities from acquisitions	8,496	9,162	0	0	0	0	8,496	9,162
Current financial liabilities	3,755	3,028	0	0	3,755	3,028	0	0

The reconciliation of the carrying amounts measured at Level 3 fair value is shown in the following table:

EUR thousand	2017	2018
As at 1 Jan	8,475	8,496
Interest cost	1,063	472
Redemption	(414)	(125)
Reversal through profit and loss	(319)	0
Increase through profit and loss	0	2,101
Disposal	0	(1,715)
Exchange rate differences through profit and loss	(309)	(67)
As at 31 Dec/30 June	**8,496**	**9,162**

In the income statement, interest cost was recorded under interest expenses, the reversal was recorded under other financial result and the increase was reported under other operating expenses and under other financial result. Any exchange rate differences were reported under exchange rate differences of the net financial result. 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 2018:

		Change in fair value	
EUR thousand	Change in assumption	Increase	Decrease
Interest rate	+/–1 BP	(193)	199
Projected profit measure	+/–10%	760	(760)
EUR/RUB	+/–10%	(148)	182

CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 30 June 2018.

RELATED PARTIES

In the second quarter of 2018, a new bonus agreement was concluded with the Management Board for the achievement of a long-term increase in corporate value. The new agreement will last until 2022 and the bonus will be presumably paid out in 2023.

There were no other substantial changes with respect to business transactions with related parties. All transactions with related parties are carried out at generally accepted market conditions. Please refer to the consolidated financial statements of PALFINGER AG for the year ended 31 December 2017 for further information on individual business relations.

KEY EVENTS AFTER THE REPORTING DATE

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

STATEMENT OF ALL 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 prepared in accordance with the relevant accounting standards gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group 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.

Bergheim, 25 July 2018

Andreas Klauser m.p.
Chief Executive Officer

Felix Strohbichler m.p.
Chief Financial Officer

Martin Zehnder m.p.
Chief Operating Officer

REPORT ON THE REVIEW OF THE INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the accompanying condensed interim consolidated financial information as at 30 June 2018 of PALFINGER AG, Bergheim near Salzburg, for the period from 1 January 2018 to 30 June 2018. This condensed interim consolidated financial information comprises the condensed consolidated balance sheet as at 30 June 2018, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the period from 1 January 2018 to 30 June 2018 and the notes, summarizing the significant accounting policies and other explanatory notes.

RESPONSIBILITIES OF THE MANAGEMENT AND OF THE AUDIT COMMITTEE FOR THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The management is responsible for the preparation of this condensed interim consolidated financial information in accordance with International Financial Reporting Standards (IFRS) for Interim Reporting as adopted by the EU.

OUR RESPONSIBILITIES FOR THE REVIEW OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

Our responsibility is to express a conclusion on this condensed consolidated interim financial information. Our liability towards the Company and towards third parties is limited pursuant to sec. 87 para. 3 of the Austrian Stock Exchange Act (BörseG) in conjunction with sec. 275 para. 2 of the Austrian Business Code (UGB).

SCOPE OF REVIEW

We conducted our review in accordance with the Austrian Standards for Chartered Accountants, in particular in compliance with KFS/PG 11 “Principles of Engagements to Review Financial Statements”, and with the International Standard on Review Engagements (ISRE) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

A review of interim financial information includes making inquiries, primarily of Company personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Austrian standards on auditing and international standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed interim consolidated financial information has not been prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS) for Interim Reporting as adopted by the EU.

STATEMENT ON THE CONSOLIDATED MANAGEMENT REPORT AS AT 30 JUNE 2018 AND ON THE STATEMENT OF LEGAL REPRESENTATIVES IN ACCORDANCE WITH SEC. 87 OF THE AUSTRIAN STOCK EXCHANGE ACT

We have read the consolidated management report as at 30 June 2018 and evaluated whether it does not contain any apparent inconsistencies with the condensed interim consolidated financial information. Based on our evaluation, the consolidated management report as at 30 June 2018 does not contain any apparent inconsistencies with the condensed interim consolidated financial information.

The interim financial information contains the statement of legal representatives pursuant to sec. 87 para. 1 sub-para. 3 of the Austrian Stock Exchange Act.

Salzburg, 25 July 2018

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

Gerhard Schwartz m.p.	Diether Dämon m.p.
Certified Public Accountant	Certified Public Accountant

FINANCIAL CALENDAR

29 October 2018	Publication of results for the first three quarters of 2018
18 February 2019	Publication of the Integrated Annual Report 2018 (Balance sheet presentation on 19 February 2019)
10 March 2019	Record date Annual General Meeting
15 March 2019	Deadline for certificates of deposit
20 March 2019	Annual General Meeting
22 March 2019	Ex-dividend date
25 March 2019	Record date dividend
26 March 2019	Dividend payment date
30 April 2019	Publication of results for the first quarter of 2019
30 July 2019	Publication of results for the first half of 2019
29 October 2019	Publication of results for the first three quarters of 2019

Additional dates, such as those of trade fairs, will be announced on the Company's website under Financial Calendar.

INVESTOR RELATIONS

Hannes Roither, Company Spokesperson

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

This report contains forward-looking statements made on the basis of all information available at the date oft he 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 30 July 2018.

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