How the first six months turned out.

PALFINGER

Interim Report for the First Half of 2019

KEY FIGURES OF THE PALFINGER GROUP

EUR thousand	HY1 2015	HY1 2016	HY1 2017	HY1 2018	HY1 2019
Income statement					
Revenue	606,198	665,571	753,751	801,867	893,372
EBITDA	73,462	86,743	95,230	102,691	120,137
EBITDA margin	12.1%	13.0%	12.6%	12.8%	13.4%
EBIT (operating result)	53,477	64,940	66,840	71,043	83,283
EBIT margin	8.8%	9.8%	8.9%	8.9%	9.3%
Result before income tax	48,635	58,802	59,536	62,177	74,944
Consolidated net result for the period	34,493	39,735	38,624	35,225	43,558
Balance sheet					
Net working capital (average)[1]	270,058	272,631	312,748	311,895	362,908
Capital employed (average)[1]	851,921	953,652	1,100,448	1,038,257	1,115,560
ROCE[1]	7.3%	9.2%	7.2%	1.8%	8.8%
Equity[1]	511,850	540,937	568,349	531,474	589,592
Equity ratio[1]	41.8%	35.5%	35.6%	34.6%	35.8%
Net debt	380,741	507,795	539,550	519,978	570,063
Gearing[1]	74.4%	93.9%	94.9%	97.8%	96.7%
Cash flows and investments					
Cash flows from operating activities	37,606	64,586	30,764	70,793	57,772
Free cash flows	7,010	(69,846)	12,478	33,708	52,437
Net investments	26,894	29,593	32,853	45,950	40,217
Depreciation, amortization and impairment	19,985	21,803	28,390	31,648	36,854
Human resources					
Employees[2]	9,056	9,318	9,888	10,540	11,075
Share					
International Securities Identification Number (ISIN)					AT0000758305
Number of shares	37,593,258	37,593,258	37,593,258	37,593,258	37,593,258
Market capitalization	1,030,055	973,665	1,533,805	1,219,901	1,015,018
Price as at month end (EUR)	27.40	25.90	40.80	32.45	27.00
Earnings per share (EUR)	0.92	1.06	1.03	0.94	1.16

1) Figures were adjusted with retrospective effect (see the explanations on adjustments with retrospective effect on page 18).
2) Since 2018, reporting date figures of consolidated Group companies have been presented excluding equity shareholdings and excluding contract workers; the previous years' figures are average figures.

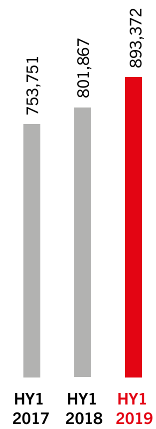
CONSOLIDATED MANAGEMENT REPORT AS AT 30 JUNE 2019

PERFORMANCE OF THE PALFINGER GROUP

The PALFINGER Group continued to record strong growth in the first half of 2019. This positive development was due to the continuous organic expansion of business in the LAND segments, even though the global environment remained heterogeneous. The restructuring in the marine business was largely completed by the end of the first half of 2019, but still had a detrimental effect on earnings in the reporting period. All in all, PALFINGER is well on the way to meeting its growth and profitability targets.

As at the beginning of 2019, PALFINGER implemented a new organizational structure. The central elements of this GLOBAL PALFINGER ORGANIZATION (GPO) are global structures and cooperation across corporate units to unlock synergies and facilitate efficiency enhancements. First successes are already reflected in the current results.

The PALFINGER Group's revenue rose by 11.4 per cent from EUR 801.9 million in the first half of 2018 to EUR 893.4 million in the reporting period, reaching yet another record level for a first-half reporting period. Partly due to required changes in accounting, EBITDA grew at an excellent rate, rising from EUR 102.7 million to EUR 120.1 million. EBIT also increased substantially from EUR 71.0 million to EUR 83.3 million.



DEVELOPMENT OF REVENUE
(EUR thousand)

FINANCIAL POSITION, CASH FLOWS AND RESULT OF OPERATIONS

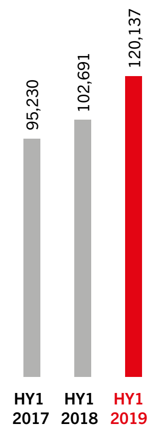
The EMEA region, as the most important market region, accounted for 61.5 per cent of the consolidated revenue of EUR 893.4 million generated in the first half of 2019, followed by North America with 22.9 per cent and CIS with 7.0 per cent. Changes in exchange rates, in particular of the US dollar, had a positive effect on revenue development, increasing it by EUR 6.6 million.

As a consequence of the growth in business, the cost of sales rose from EUR 593.2 million to EUR 665.8 million year on year. The cost of materials increased by 0.7 percentage points, while personnel costs remained stable in proportion to revenue. Gross profit was EUR 227.5 million, as compared to EUR 208.7 million in the first half of the previous year.

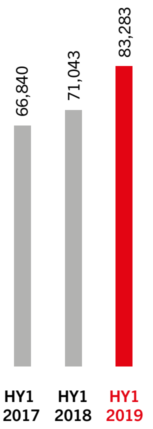
In connection with the business expansion, structural costs for research and development, distribution and administration rose from EUR 136.0 million to EUR 153.2 million. It is expected that the increasing utilization of synergies will be a factor in keeping the growth of these costs at an extremely low level in the future.

EBITDA increased by an impressive 17.0 per cent from EUR 102.7 million in the first half of 2018 to EUR 120.1 million in the first half of 2019. This significant improvement reflects the positive business performance. In addition, the change in lease accounting requirements (IFRS 16 Leases) led to an increase of around EUR 5.4 million. The EBITDA margin came to 13.4 per cent, as compared to 12.8 per cent in the previous year. EBIT grew by 17.2 per cent from EUR 71.0 million to EUR 83.3 million in the first half of 2019, resulting in an EBIT margin of 9.3 per cent, which is higher than the previous year's figure of 8.9 per cent.

Performance over the individual quarters of 2019 shows the further increase in revenue (Q1: EUR 440.9 million; Q2: EUR 452.5 million) achieved by PALFINGER. EBITDA (Q1: EUR 61.2 million; Q2: EUR 58.9 million) and EBIT (Q1: EUR 42.7 million; Q2: EUR 40.6 million) were slightly lower in the second quarter due to a different mix of products and regions.



DEVELOPMENT OF EBITDA
(EUR thousand)



DEVELOPMENT OF EBIT
(EUR thousand)

Despite the first-time application of the new IFRS 16 reporting standard, the net financial result of the PALFINGER Group improved slightly to EUR –8.3 million in the first half of 2019. Due to the improved profit situation, income tax expense came to EUR 20.8 million, which is higher than the previous year's figure of EUR 18.2 million, with the tax rate still being substantially lower than in the same period of the previous year.

Even though earnings attributable to non-controlling shareholders increased, the consolidated net result of EUR 43.6 million for the first half of 2019 was 23.7 per cent higher than the previous year's figure of EUR 35.2 million. Earnings per share increased year on year from EUR 0.94 to EUR 1.16 in the reporting period.

Total assets increased from EUR 1,537.8 million as at 30 June 2018 to EUR 1,646.1 million as at the reporting date 30 June 2019. The rise in non-current assets from EUR 839.7 million to EUR 892.5 million was primarily related to the changes in accounting requirements in connection with the IFRS 16 reporting standard and an increase in investment activities in the EMEA region. Current assets rose from EUR 698.1 million to EUR 753.6 million, primarily due to higher inventories and an increase in trade receivables caused by the significant expansion of business.

Equity rose from EUR 531.5 million to EUR 589.6 million as at 30 June 2019, primarily as a consequence of the increase in retained earnings occasioned by the good earnings situation. As a consequence, the equity ratio rose from 34.6 per cent to 35.8 per cent.

Non-current liabilities increased from EUR 534.5 million to EUR 574.6 million, while current liabilities, at EUR 482.0 million, remained more or less at the previous year's level. The main reason for this development was the first-time application of the IFRS 16 reporting standard. 93.5 per cent of PALFINGER's total capital employed has been secured on a long-term basis. The changes in accounting had a negative impact of approx. EUR 62 million on net debt. The overall increase was less pronounced, namely from EUR 520.0 million to EUR 570.1 million. As a result, the gearing ratio was 96.7 per cent as at 30 June 2019, as compared to 97.8 per cent as at 30 June 2018.

Net investments – excluding the effect of the sale of the share in Sany Lifting Solutions – during the reporting period came to EUR 40.2 million and comprised primarily the enlargement of production and manufacturing capacities and current replacement investments.

In the first half of 2019, cash flows from operating activities amounted to EUR 57.8 million, as compared to EUR 70.8 million in the first half of the previous year; higher interest expenses, higher income tax payments and the accumulation of working capital had a mitigating effect. Cash flows from investing activities came to EUR –10.5 million in the first half of 2019, as compared to EUR –41.4 million in the same period of 2018. This positive change is based on the sales proceeds of EUR 28.6 million for the 2.5 per cent share in Sany Lifting Solutions, which PALFINGER sold in the first quarter of 2019. Free cash flows thus rose to EUR 52.4 million, as compared to EUR 33.7 million in the first half of 2018.

Cash flows from financing activities amounted to EUR –54.9 million, as compared to EUR –40.5 million in the same period of the previous year, with a major loan repayment in the second quarter having a negative effect.

Average net working capital increased, primarily due to higher inventories of purchased parts and finished equipment, from EUR 311.9 million in the first half of 2018 to EUR 362.9 million in the reporting period. Average capital employed increased year on year from EUR 1,038.3 million to EUR 1,115.6 million in the first half of 2019. Return on Capital Employed (ROCE) improved to 8.8 per cent.

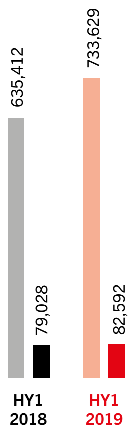
PERFORMANCE BY SEGMENT

At the beginning of 2019, segment reporting was adjusted in line with the new organizational structure. Since then, PALFINGER has divided its business in the previous segment LAND into the new segments SALES & SERVICE LAND and OPERATIONS LAND. The segment SEA will remain a separate segment until full completion of the restructuring programme, when it will be integrated into the new GPO structure. The unit HOLDING will remain a cost centre and continue to comprise the Group's administrative expenses and strategic projects for the future. The corresponding figures from the previous year were adjusted with retrospective effect.

SALES & SERVICE LAND

Business performance in the first half of 2019

The segment SALES & SERVICE LAND contains the sales and service units related to the land-based product lines. Loader Cranes, Timber/Recycling and Hooklifts & Skiploaders were the product lines contributing most to the increase in the segment's revenue from EUR 635.4 million in the first half of the previous year to EUR 733.6 million in the reporting period. As a result, the segment's EBITDA rose from EUR 87.6 million to EUR 93.0 million. The EBIT generated by this segment increased from EUR 79.0 million to EUR 82.6 million, the EBIT margin came to 11.3 per cent in the first half of 2019, falling short of the previous year's figure of 12.4 per cent due to a different mix of products and regions.



SEGMENT SALES & SERVICE LAND
(EUR thousand)
Development of revenue
Development of EBIT

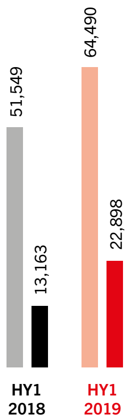
Operational highlights

In the EMEA region, the market environment continued to be strong despite the anticipated economic slowdown, and incoming orders remained satisfactory in the first half of 2019.

In the North America region, the success of the restructuring process completed in 2018 has been increasingly noticeable. The target of raising profitability towards 10 per cent in the course of 2019, provided that demand remains strong, still applies. In the Latin America region, the market environment remained challenging in the first half of 2019. PALFINGER has already adjusted its structures and capacities to the lower level of demand, and this had a positive impact on earnings.

In the CIS region, the economic environment remained difficult, given that sanctions were extended once again. Local value creation has proven to be an advantage for PALFINGER for quite some time now and facilitated further business expansion in the first half of 2019 as well. In the Asia Pacific region, particularly in China, the partnership with SANY has been the foundation for the sound business performance. In the reporting period, the Sany Palfinger joint venture recorded another revenue increase of just under 40 per cent.

OPERATIONS LAND



SEGMENT OPERATIONS LAND
(EUR thousand)

- Development of revenue
- Development of EBIT

Business performance in the first half of 2019

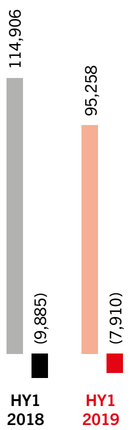
The segment OPERATIONS LAND contains the production sites and/or a company's respective production share as regards all of PALFINGER's product lines for use on land. The external revenue recorded by this segment in the first half of 2019 amounted to EUR 64.5 million, which is 25.1 per cent higher than the previous year's figure of EUR 51.5 million. The segment's EBITDA increased at an excellent rate, from EUR 26.7 million in the first half of 2018 to EUR 38.9 million in the reporting period. The segment's EBIT reached EUR 22.9 million, as compared to EUR 13.2 million in the previous year.

Operational highlights

The order backlog was still at a high level in the first half of 2019, which resulted in excellent capacity utilization in the segment OPERATIONS LAND. For now, there are no signs of a slowdown in incoming orders.

After delivery problems in the previous year, in the first half of 2019 the PALFINGER production and assembly plants managed, in almost all cases, to ensure production in a timely manner, meeting the quality standards required. Initial bottlenecks were compensated through alternative procurement options, and security of supply has now returned to a high level. The outlook for the second half is still positive; PALFINGER therefore continues to expect this segment to make a stable and positive contribution to earnings.

SEA



SEGMENT SEA
(EUR thousand)

- Development of revenue
- Development of EBIT

Business performance in the first half of 2019

The segment SEA continues to encompass PALFINGER's entire marine business. In the first half of 2019, order intake was good in all markets, the offshore market started to recover as well. However, the impact on revenue and earnings will not be noticeable before 2020. As expected, the restructuring of the marine business was largely completed in the first half of 2019. Due to the fact that the order intake was weak in previous years, mainly for market-related reasons, the segment's revenue of EUR 95.3 million in the first half of 2019 was once again lower than the 2018 comparative figure of EUR 114.9 million. The segment's EBITDA amounted to EUR –0.1 million, as compared to EUR –2.1 million in the first half of the previous year. Despite declining revenue, the EBIT recorded by this segment improved from EUR –9.9 million to EUR –7.9 million as a result of the structural programme having taken effect. Hence the EBIT margin came to –8.3 per cent in the first half of 2019.

Operational highlights

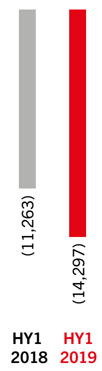
Given that core customers in most of the product groups in this segment depend on the oil price, the latter's very low level in recent years has curbed investment propensity considerably. Moreover, it takes some time for a market recovery to become beneficial to PALFINGER, given that ships are only equipped at the end of a construction period of around two years.

In the first half of 2019, PALFINGER recorded significant improvements in operating performance. The rise in the oil price has been increasingly reflected in the level of incoming orders from the offshore industry. Orders from other customer segments increased significantly as well. In addition, the restructuring of the entire marine business was essentially completed by the end of the first half of the year and has already had positive effects on the earnings performance. PALFINGER expects to exceed the break-even point in the course of the second half of 2019.

In June 2019, PALFINGER agreed on a sales joint venture with Neptune, a Chinese lifeboat manufacturer. This sales and service cooperation will open up new opportunities for PALFINGER in the global market, in particular in the highly dynamic Chinese cruise market.

HOLDING

Business performance in the first half of 2019
Reporting on the unit HOLDING presents the set of group functions that are bundled at headquarters, as well as strategic project costs incurred by PALFINGER Group. In the first half of 2019, the unit's EBITDA amounted to EUR –11.7 million and the unit's EBIT came to EUR –14.3 million, after EUR –11.3 million in the same period of the previous year. The higher costs were primarily attributable to the implementation of the new GLOBAL PALFINGER ORGANIZATION. In addition, higher employee benefits expenses as well as external consulting services impacted on costs. The forward-looking, group-wide initiatives PALFINGER Process Excellence and PALFINGER 21st are also included in the unit's costs.



UNIT HOLDING
Development of EBIT
(EUR thousand)

OTHER EVENTS

The Annual General Meeting of PALFINGER AG took place on 20 March 2019 at PALFINGER World in Lengau, Austria. For the second time in a row, the meeting met all criteria of a "green event", underlining PALFINGER's environmental targets. Amongst other things, the Annual General Meeting adopted a resolution granting the Executive Board authorization to institute a share buyback programme at its discretion.

4 June 2019 marked PALFINGER's 20th anniversary on the Vienna Stock Exchange. To celebrate PALFINGER's success and profitability as a listed company, a gala event was staged, attended by representatives of the capital markets, the Vienna Stock Exchange, policy makers and other long-standing partners of PALFINGER.

In February, PALFINGER founded the joint venture STRUCINSPECT with two technology partners. The company is the first tangible result produced by the PALFINGER 21st innovation hub. It revolutionizes the inspection of structures, such as bridges and roads, through the use of UAVs, state-of-the-art data collection and assessment, and artificial intelligence. First reference projects have already been launched.

In April, the first PALFINGER 21st Innovation Think Tank was organized in Vienna. The three-day workshop with participants from all over the world focused on creative exchange regarding innovation topics, trends and market developments that promise huge potential for PALFINGER's future beyond its successful core business.

In early June, PALFINGER and the Chinese company Jiangyin Neptune Marine Appliance Co. Ltd signed a global sales and service cooperation agreement. One of the main pillars of this agreement is the establishment of a 50:50 joint venture in China by the name of Palfinger Neptune Ltd. with registered offices in Shanghai and Jiangyin. Palfinger Neptune Ltd. will become the exclusive distribution company for maritime lifesaving equipment, spare parts and services of Neptune and PALFINGER in China, Hong Kong, Macau, Taiwan, Korea and Japan. At the same time, PALFINGER will become the exclusive global dealer and service partner for Neptune products outside the joint venture's sales region. The cooperation has already been successfully launched.

MATERIAL RISKS AND UNCERTAINTIES IN THE SECOND HALF OF 2019

The topics of the material risks to which PALFINGER is exposed have hardly changed in the past one and a half years, but uncertainty has risen. Only a year ago, it was obvious that Britain would leave the European Union. Currently, it is not certain whether the United Kingdom will actually exit the EU and if so, under what terms and conditions. The situation is similar when it comes to potential US sanctions. While a year ago the global economy was affected by an imminent trade war with China, it is now impacted by the US threat to impose punitive tariffs on imports of foreign cars.

On a global scale, a substantial economic slowdown can be observed in the industry sector. As yet, this trend has hardly affected PALFINGER's business, mainly due to the still satisfactory demand in mainland Europe and the generally positive economic situation in the USA. In the USA, the main driver of this development is private consumption and it is questionable whether this trend will continue in the long term. Market performance in some emerging markets is heterogeneous. Primarily in Argentina, Venezuela and Brazil, a downward spiral of political uncertainty, discontent on the part of the population and economic issues is to be feared. However, the risks to which PALFINGER is exposed in the Latin America region are manageable. As the weak economic performance has been becoming apparent for quite some time now, PALFINGER has already adjusted its structures and capacities in previous reporting periods.

The relations of the USA as well as the European Union with Russia continue to be strained. Another toughening of the sanctions could intensify cooperation between Russia and China. Even though PALFINGER, thanks to its local value creation, would be able to turn the localization efforts of the Russian government in this respect to its advantage, market performance would nevertheless be affected. Moreover, the economic situation in Russia is not expected to improve any time soon, as the country's dependence on raw material prices and its economic policy, which lacks major reforms, are running counter to an upswing. In the Chinese market, there are signs of steady economic development at the current level. In addition, some changes were made in the management of the two joint ventures with the Chinese construction machinery manufacturer SANY, as well as in the organizational structures of production and sales.

The global developments, such as sanctions imposed against some countries, are having a curbing effect, primarily on PALFINGER's globally driven marine business. The developments in Venezuela and the trade barriers for Iranian crude oil are leading to a contraction of supply and driving up oil and gas prices. Even though an overall increase in oil prices has been observed since 2018, the industry is taking a hesitant approach. Only in the last few months has PALFINGER recorded an increase in orders, both in the service business and for new equipment for facilities. However, further consolidation is recognizable in the market and will step up competitive pressure even further.

Earnings in the segment SEA are being curbed not only by market developments, but also by the restructuring measures until these become fully effective. The restructuring process is scheduled to be finally completed before the end of 2019.

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 cooperation risk.

Orders on hand at PALFINGER's European manufacturing and assembly plants have remained high. In this situation, delivery problems concerning externally procured materials keep posing new challenges to PALFINGER. The high level of value creation at PALFINGER is an asset because it makes PALFINGER more independent of external suppliers, but production downtimes in PALFINGER's internal supplier plants may impair delivery capacity. Therefore, this is one of the most 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, and investing in the training of apprentices, 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 for future changes.

In the marine business and in Railway Systems, dependence on a small number of large customers is inherent in the Company's business model. This concentration risk, as well as volatility in orders, pose substantial risks for PALFINGER's project business. In order to counter these risks, PALFINGER is striving to achieve diversification within those product lines.

PALFINGER continues to promote initiatives for standardizing and optimizing its core processes. This allows for the utilization of synergies, the establishment of a group-wide uniform system landscape and primarily the long-term reduction of costs. In particular, the complexity of these endeavours as well as their far-reaching effects on PALFINGER's business operations constitute central risks. Any delays or difficulties in implementing new systems immediately lead to higher lead times of projects and negatively affect EBIT.

The restructuring of functions and areas of responsibility in the course of the implementation of the GLOBAL PALFINGER ORGANIZATION (GPO) may lead to frictional losses, primarily at the beginning, resulting in decisions being delayed and/or responsibilities not being clearly defined. These weak points must be identified and eliminated step by step.

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 to 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.

Increased activities to promote the integration of acquisitions and investments in new technologies and business models increase structural costs, at least for a short period of time. Should sales figures decline, these costs would limit PALFINGER's scope of action.

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 PALFINGER operates. Given its global market presence, PALFINGER is also exposed to compliance risks resulting from possible violations, which may result in penalties that can be quite substantial.

Global enterprises have increasingly become 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, and counteracts them, primarily through awareness-raising measures. In addition, PALFINGER has created a central data security office, which coordinates both the technological and organizational aspects of the global implementation of the relevant measures.

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, where revenue is recognized in accordance with the percentage of completion 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.

A routine review of the consolidated financial statements for the year ended 31 December 2017 and of the interim consolidated financial information as at 30 June 2018 carried out by the Austrian Financial Reporting Enforcement Panel (AFREP) in accordance with the (Austrian) Accounting Control Act (Rechnungslegungs-Kontrollgesetz) resulted in a substantial need for impairment in the amount of EUR 82.4 million. There is also the risk that the remaining goodwill of the segment SEA, in the amount of EUR 74.4 million, may have to be impaired as well. 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 126.6 million were shown under investments in companies reported at equity as at the balance sheet date 30 June 2019. These investments include goodwill of EUR 65.3 million. The intrinsic value of these shares is reflected in the sales proceeds of EUR 28.6 million for the 2.5 per cent share in Sany Lifting Solutions, which SANY recently bought back. Whether these investments in SANY will have to be impaired depends on the development of the Chinese economy and the degree of success of the internationalization strategy. In China, the need for impairment of these investments will be influenced primarily by the performance of the construction industry. The progressing urbanization and the necessary infrastructure projects resulting from it 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 participation in SANY's lifting business will have to be impaired.

The advancing internationalization and the growing volatility in 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 the first half of 2019, PALFINGER's order books continued to be full and the number of incoming orders remained high. Therefore, the outlook for 2019 remains positive: The management expects revenue and earnings for the second half of the year to be higher than the previous year's figures. For 2019 as a whole, on the basis of current market trends, PALFINGER reckons with revenue growth to EUR 1.7 billion and a further increase in profitability. The EBIT margin is expected to come to 9 per cent.

For the years to come, PALFINGER sees continued growth potential, also in new products and new business models. PALFINGER has set itself the target of achieving an organic increase in revenue to around EUR 2 billion, and an average EBIT margin of 10 per cent and an average ROCE of approx. 10 per cent over the economic cycle by 2022.

INTERIM CONSOLIDATED FINANCIAL INFORMATION AS AT 30 JUNE 2019

CONSOLIDATED INCOME STATEMENT (CONDENSED)

EUR thousand	Note	Apr–June 2018	Apr–June 2019	Jan–June 2018	Jan–June 2019
Revenue	1	407,639	452,454	801,867	893,372
Cost of sales		(300,598)	(337,593)	(593,180)	(665,828)
Gross profit		**107,041**	**114,861**	**208,687**	**227,544**
Other operating income	2	4,439	4,071	8,659	8,791
Research and development costs		(8,488)	(10,786)	(16,447)	(19,110)
Distribution costs		(28,623)	(34,177)	(56,225)	(64,645)
Administrative costs		(31,799)	(35,542)	(63,369)	(69,396)
Other operating expenses	2	(7,240)	(3,687)	(12,764)	(9,138)
Income from companies reported at equity	5	2,156	5,840	2,502	9,237
Earnings before interest and taxes – EBIT		**37,486**	**40,580**	**71,043**	**83,283**
Net financial result		(5,088)	(4,003)	(8,866)	(8,339)
Result before income tax		**32,398**	**36,577**	**62,177**	**74,944**
Income tax expense		(10,250)	(9,036)	(18,161)	(20,847)
Result after income tax		**22,148**	**27,541**	**44,016**	**54,097**
thereof shareholders of PALFINGER AG (consolidated net result for the period)		**17,332**	**22,420**	**35,225**	**43,558**
thereof non-controlling interests		**4,816**	**5,121**	**8,791**	**10,539**
EUR					
Earnings per share (undiluted and diluted)	7	0.46	0.60	0.94	1.16
Average number of shares outstanding		37,593,258	37,593,258	37,593,258	37,593,258

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONDENSED)

EUR thousand	Apr–June 2018	Apr–June 2019	Jan–June 2018	Jan–June 2019
Result after income tax	**22,148**	**27,541**	**44,016**	**54,097**
Amounts that will not be reclassified to the income statement in future periods				
Remeasurement acc. to IAS 19 (after tax)	0	(1,994)	0	(1,985)
Amounts that may be reclassified to the income statement in future periods				
Unrealized profits (+)/losses (–) from foreign currency translation (after tax)	5,601	(5,581)	2,646	8,780
Unrealized profits (+)/losses (–) from cash flow hedge (after tax)	65	(201)	908	1,403
Other comprehensive income after income tax	**5,666**	**(7,776)**	**3,554**	**8,198**
Total comprehensive income	**27,814**	**19,765**	**47,570**	**62,295**
thereof shareholders of PALFINGER AG	**24,269**	**14,482**	**40,602**	**51,535**
thereof non-controlling interests	**3,545**	**5,283**	**6,968**	**10,760**

CONSOLIDATED BALANCE SHEET

EUR thousand	Note	30 June 2018[1)]	31 Dec 2018	30 June 2019
Non-current assets				
Intangible assets	3	290,045	277,304	281,106
Property, plant and equipment	4	321,471	339,398	417,405
Investment property		298	288	0
Investments in companies reported at equity	5	168,493	140,689	146,044
Other non-current assets		1,218	1,385	2,724
Deferred tax assets		32,179	27,045	26,067
Non-current financial assets	10	26,012	25,199	19,161
		839,716	**811,308**	**892,507**
Current assets				
Inventories	6	325,286	327,440	367,874
Trade receivables	6	224,298	227,602	253,424
Contract assets from customer contracts	6	67,160	49,238	51,247
Other current receivables and assets		46,160	37,715	41,621
Income tax receivables		1,309	6,736	6,976
Current financial assets	10	5,550	4,837	4,762
Cash and cash equivalents		28,370	34,684	27,715
		698,133	**688,252**	**753,619**
Non-current assets held for sale		0	28,524	0
		698,133	**716,776**	**753,619**
Total assets		**1,537,849**	**1,528,084**	**1,646,126**
Equity				
Share capital		37,593	37,593	37,593
Additional paid-in capital		86,844	86,844	86,844
Retained earnings	7	414,060	440,135	463,238
Foreign currency translation reserve		(39,952)	(52,264)	(42,082)
Foreign currency translation reserve from assets held for sale		0	1,725	0
Total equity of the shareholders of PALFINGER AG		**498,545**	**514,033**	**545,593**
Non-controlling interests		32,929	41,693	43,999
		531,474	**555,726**	**589,592**
Non-current liabilities				
Liabilities from puttable non-controlling interests		2,696	0	0
Non-current financial liabilities	10	458,196	482,544	494,350
Non-current purchase price liabilities from acquisitions	8, 10	8,665	9,731	10,053
Non-current provisions	9	47,280	48,967	54,510
Deferred tax liabilities		14,012	11,842	12,202
Non-current contract liabilities from customer contracts		3,499	3,841	3,372
Other non-current liabilities		163	95	83
		534,511	**557,020**	**574,570**
Current liabilities				
Current financial liabilities	10	121,634	97,840	127,271
Current purchase price liabilities from acquisitions	8, 10	1,182	1,355	1,055
Current provisions		21,941	21,609	25,034
Income tax liabilities		14,424	9,939	11,745
Trade payables and other current liabilities		276,306	260,036	286,936
Current contract liabilities from customer contracts		36,377	24,559	29,923
		471,864	**415,338**	**481,964**
Total equity and liabilities		**1,537,849**	**1,528,084**	**1,646,126**

1) Figures were adjusted with retrospective effect (see the explanations on adjustments with retrospective effect on page 18).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONDENSED)

EUR thousand	Equity attributable to the shareholders of PALFINGER AG					
	Share capital	Additional paid-in capital	Retained earnings	Foreign currency translation reserve	Non-controlling interests	Equity
As at 1 Jan 2018[1)]	**37,593**	**86,844**	**394,901**	**(41,555)**	**32,765**	**510,548**
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	1,603	(1,823)	(220)
Unrealized profits (+)/losses (–) from cash flow hedge	0	0	908	0	0	908
	0	**0**	**36,133**	**1,603**	**6,968**	**44,704**
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[1)]	**37,593**	**86,844**	**414,060**	**(39,952)**	**32,929**	**531,474**
As at 1 Jan 2019	**37,593**	**86,844**	**440,135**	**(50,539)**	**41,693**	**555,726**
Total comprehensive income						
Result after income tax	0	0	43,558	0	10,539	54,097
Other comprehensive income after income tax						
Remeasurement acc. to IAS 19	0	0	(1,883)	0	(102)	(1,985)
Unrealized profits (+)/losses (–) from foreign currency translation	0	0	0	8,457	323	8,780
Unrealized profits (+)/losses (–) from cash flow hedge	0	0	1,403	0	0	1,403
	0	**0**	**43,078**	**8,457**	**10,760**	**62,295**
Transactions with shareholders						
Dividends	0	0	(19,173)	0	(9,786)	(28,959)
Addition non-controlling interests	0	0	0	0	1,332	1,332
Disposal non-controlling interests	0	0	(802)	0	0	(802)
Other changes	0	0	0	0	0	0
	0	**0**	**(19,975)**	**0**	**(8,454)**	**(28,429)**
As at 30 June 2019	**37,593**	**86,844**	**463,238**	**(42,082)**	**43,999**	**589,592**

1) Figures were adjusted with retrospective effect (see the explanations on adjustments with retrospective effect on page 18).

CONSOLIDATED STATEMENT OF CASH FLOWS (CONDENSED)

EUR thousand	Jan–June 2018	Jan–June 2019
Cash flows from operating activities		
Result before income tax	62,177	74,944
Write-downs (+)/write-ups (–) of non-current assets	31,666	36,853
Gains (–)/losses (+) on the disposal of non-current assets	(55)	(736)
Change in purchase price liability	1,271	420
Interest income (–)/interest expenses (+)	6,361	7,046
Income from companies reported at equity	(2,502)	(9,237)
Other non-cash income (–)/expenses (+)	468	(633)
Increase (–)/decrease (+) of assets	(58,050)	(66,227)
Increase (+)/decrease (–) of provisions	677	6,212
Increase (+)/decrease (–) of liabilities	48,506	30,987
Cash flows generated from operations	**90,519**	**79,629**
Interest received	291	368
Interest paid	(6,737)	(6,495)
Dividends received from companies reported at equity	2,695	3,186
Income tax paid	(15,975)	(18,916)
	70,793	**57,772**
Cash flows from investing activities		
Cash receipts from the sale of intangible assets and property, plant and equipment	1,626	3,608
Cash payments for the acquisition of intangible assets and property, plant and equipment	(47,253)	(48,361)
Cash payments for the acquisition of subsidiaries net of cash acquired	0	316
Cash receipts from the sale of investments in companies reported at equity	0	28,600
Cash receipts from the disposal of other business units in previous year	609	0
Cash payments for the acquisition of securities	(12)	0
Cash receipts from the sale of securities	0	103
Cash payments for/cash receipts from other assets	3,648	5,275
	(41,382)	**(10,459)**
Cash flows from financing activities		
Dividends to shareholders of PALFINGER AG	(17,669)	(19,173)
Dividends to non-controlling shareholders	(6,647)	(7,922)
Cash payments for the acquisition of non-controlling interests	(6,447)	(1,350)
Cash payments for the acquisition of non-controlling interests in the previous year	0	(2,018)
Repayment of loans for the acquisition of interests	(13,542)	(14,000)
Non-current refinancing of redemptions and maturing current loans	30,000	0
Repayment of maturing/terminated loans	(30,000)	(20,000)
Repayment of current financing	(2,678)	0
Cash payments for/cash receipts from other financial liabilities	6,531	9,560
	(40,452)	**(54,903)**
Total cash flows	**(11,041)**	**(7,590)**
Free cash flows[1]	**33,708**	**52,437**

	2018	2019
Funds as at 1 Jan	39,756	34,684
Effects of changes in foreign exchange rates	(345)	621
Total cash flows	(11,041)	(7,590)
Funds as at 30 June	**28,370**	**27,715**

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

As at the beginning of the year, PALFINGER implemented the new GLOBAL PALFINGER ORGANIZATION (GPO). Its central elements are global structures and cooperation across corporate units to unlock synergies and facilitate efficiency enhancements. The GPO will not only increase profitability but also enhance service orientation due to a deeper understanding of the customers' needs. Segment reporting was adjusted in line with the new organizational structure: Since the beginning of 2019, PALFINGER has divided its business in the previous segment LAND into the new segments SALES & SERVICE LAND and OPERATIONS LAND. The segment SEA will remain a separate segment until full completion of the restructuring measures, when it will be integrated into the new GPO structure. The unit HOLDING will remain a cost centre and continue to comprise the Group's administrative expenses and strategic projects for the future. The corresponding figures from the previous year were adjusted with retrospective effect.

The **segment SALES & SERVICE LAND** contains the sales and service units related to the land-based product lines. The **segment OPERATIONS LAND** contains the production sites and/or a company's respective production share as regards all of PALFINGER's product lines for use on land. The **segment SEA** continues to encompass PALFINGER's entire marine business.

Jan–June 2018[1)]

EUR thousand	SALES & SERVICE LAND	OPERATIONS LAND	SEA	HOLDING	Segment consolidation	PALFINGER Group
External revenue	635,412	51,549	114,906	–	–	801,867
Intra-group revenue	0	394,298	9,680	–	(403,978)	0
EBIT	79,028	13,163	(9,885)	(11,263)	0	71,043

1) Figures were adjusted to the new segmentation with retrospective effect.

Jan–June 2019

EUR thousand	SALES & SERVICE LAND	OPERATIONS LAND	SEA	HOLDING	Segment consolidation	PALFINGER Group
External revenue	733,629	64,490	95,253	–	–	893,372
Intra-group revenue	0	457,513	8,819	–	(466,332)	0
EBIT	82,592	22,898	(7,910)	(14,297)	0	83,283

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 2018 financial year, with the exception of the changes resulting from the new standard IFRS 16 Leases, were applied to this condensed interim consolidated financial information of PALFINGER AG and its subsidiaries as at 30 June 2019, which was prepared on the basis of IAS 34. Other new, revised and/or supplemented standards and interpretations to be applied for the first time in the 2019 financial year did not have any impact on this interim consolidated financial information. The consolidated financial statements for the year ended 31 December 2018 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 2018.

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

CHANGES IN ACCOUNTING AND VALUATION METHODS

IFRS 16 Leases, which supersedes IAS 17 and the related interpretations, contains new rules on lease accounting. As of now, lessees have to recognize assets (rights to use the leased assets) and liabilities for most leases in the balance sheet, irrespective of whether these are classified as operating leases or finance leases according to the criteria of the former IAS 17. The application of IFRS 16 is mandatory for financial years beginning on or after 1 January 2019.

The first-time application of IFRS 16 did not have any impact on compliance with the covenants contained in the currently existing contracts on promissory note loans and loan agreements.

PALFINGER has been applying IFRS 16 since 1 January 2019. The modified retrospective method was selected for the first-time application of that standard. As a consequence, the accumulated effect from the change was presented as a correction of the opening balance as at 1 January 2019 without any adjustment of the same period of the previous year. The lease liabilities were stated at the present value of the outstanding lease payments and the rights of use were stated at the amount of the recognized lease liability, adjusted by advance payments and deferred lease payments. PALFINGER has adopted the practical expedient according to which IFRS 16 is to be applied to all contracts entered into before 1 January 2019, which were defined as leases in accordance with IAS 17 and IFRIC 4. In addition, PALFINGER has selected the option of not including any initial direct costs when measuring the right of use. Leases of low-value assets (such as printers, laptops, mobile phones and other office equipment), short-term leases with a lease term of less than twelve months and leases ending within twelve months from 1 January 2019 are not capitalized, but recognized as expenses on a straight-line basis, given that the relevant exemption provided for in the standard was selected. Moreover, IFRS 16 is not applied to intangible assets.

The most significant effect on the consolidated financial information was the new recognition of assets and liabilities for operating leases and rentals of office, production and warehouse facilities as well as machines and vehicles, which resulted in a significant increase in non-current assets and total assets and an increase in net debt at the time of initial application. Following initial recognition, the rights of use are reported at cost less any accumulated depreciation and impairment losses.

The lease liabilities were recognized at the present value of the outstanding lease payments, discounted using the incremental borrowing rate. The weighted incremental borrowing rate as at 1 January 2019 was 2.2 per cent.

EUR thousand	
Liabilities from operating leases and tenancy commitments acc. to IAS 17, as at 31 Dec 2018	**60,762**
Discounting	(5,513)
Current leases	(2,366)
Low-value leased assets	(1,899)
Adjustments due to extension and termination option	13,692
New contracts/amended contracts	2,100
Index adjustment and others	(494)
Leasing liabilities as at 1 Jan 2019	**66,282**
thereof current	11,274
thereof non-current	55,008

The capitalized rights of use are divided into the following asset classes:

EUR thousand	30 June 2019	1 Jan 2019
Land and buildings	55,964	60,490
Plants, machinery and fixtures, fittings and equipment	1,608	1,614
Vehicles	3,988	4,270
Total rights of use	**61,560**	**66,374**

The type of expenses incurred in connection with these leases and rentals has changed as well, as IFRS 16 replaced recognition of lease and rental payments on a straight-line basis with depreciation of the rights of use and interest expense for the lease liability. At the same time, cash flows from operating activities will improve given that payments for rentals and leases are now divided into repayments of capital and interest payments and the first category is reported as cash flows from financing activities.

The adjustment effect from IFRS 16 as at 1 January 2019 was as follows:

EUR thousand	31 Dec 2018	Adjustment IFRS 16	1 Jan 2019
Property, plant and equipment	339,398	66,374	405,772
Other current receivables and assets	37,715	(92)	37,623
Total assets	**1,528,084**	**66,282**	**1,594,366**
Non-current financial liabilities	482,544	55,008	537,552
Current financial liabilities	97,840	11,274	109,114
Total equity and liabilities	**1,528,084**	**66,282**	**1,594,366**

The rights of use are recognized as property, plant and equipment. The lease liabilities are recorded in the items non-current and current financial liabilities.

The effects of the application of IFRS 16 as at 30 June 2019 were as follows:

Consolidated balance sheet

EUR thousand	30 June 2019 as reported	Adjustment IFRS 16	30 June 2019 without IFRS adjustments
Property, plant and equipment	417,405	(61,560)	355,845
Other current receivables and assets	41,621	32	41,653
Total assets	**1,646,126**	**(61,528)**	**1,584,598**
Equity	589,592	228	589,820
Non-current financial liabilities	494,350	(50,291)	444,059
Deferred tax liabilities	12,202	84	12,286
Current financial liabilities	127,271	(11,549)	115,722
Total equity and liabilities	**1,646,126**	**(61,528)**	**1,584,598**

Consolidated income statement

EUR thousand	Jan–June 2019 as reported	Adjustment IFRS 16	Jan–June 2019 without IFRS adjustments
Earnings before interest and taxes – EBIT	**83,283**	**(388)**	**82,895**
Net financial result	(8,339)	700	(7,639)
Result before income tax	**74,944**	**312**	**75,256**
Income tax expense	(20,847)	(84)	(20,931)
Result after income tax	**54,097**	**228**	**54,325**
Consolidated net result for the period	**43,558**	**228**	**43,786**
Earnings per share (undiluted and diluted)	1.16		1.16

Additional information regarding the new standard is to be found in the Integrated Annual Report 2018 on page 150.

ADJUSTMENTS WITH RETROSPECTIVE EFFECT

The error found by the Austrian Financial Reporting Enforcement Panel (AFREP) regarding the test for impairment of goodwill in the segment SEA necessitated adjustments with retrospective effect in the 2018 consolidated financial statements (for details see PALFINGER's Integrated Annual Report 2018, page 144). The impact on the first half of 2018 was as follows:

EUR thousand	30 June 2018 as reported	Impairment goodwill	30 June 2018 adjusted
Intangible assets	375,293	(85,248)	290,045
Deferred tax assets	16,454	15,725	32,179
Total assets	1,607,371	(69,522)	1,537,849
Equity	598,276	(66,802)	531,474
Income tax liabilities	17,144	(2,720)	14,424

SCOPE OF CONSOLIDATION

Newly founded companies and reorganizations

Effective January 2019, Palfinger Boats Vietnam Co., Ltd. was merged into Palfinger Marine Vietnam Co., Ltd.

The liquidation of Dreggen (Hong Kong) Company Ltd. was completed in January 2019 as well.

In February 2019, the liquidation of Noreq LLC was completed.

Acquisitions

On 19 December 2018, the contracts for the acquisition of a 51 per cent interest in UAV Structural Inspection GmbH, Austria, were signed. The company's name was then changed to Palfinger Structural Inspection GmbH. The service provider uses a combination of UAVs, multi-sensor technology, artificial intelligence and three-dimensional data processing for the inspection of structures. This results in competitive advantages, as the time periods required for the inspections are shortened considerably and it is no longer necessary to close these areas to traffic. The transaction closed on 8 January 2019.

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

EUR thousand	**2019**
Purchase price paid in cash	752
Contingent consideration	1,205
Pro-rata net assets of non-controlling interests	1,880
Subtotal	**3,837**
Net assets	(3,837)
Goodwill	**0**

The contingent purchase price based on technical and commercial criteria will probably be paid out at the beginning of 2020.

EUR thousand	**Fair value**
Non-current assets	
Intangible assets	2,689
	2,689
Current assets	
Other current receivables and assets	753
Cash and cash equivalents	1,068
	1,821
Non-current liabilities	
Deferred tax liabilities	672
	672
Current liabilities	
Trade payables and other current liabilities	1
	1
Net assets	**3,837**

Net cash flows from the acquisition were as follows:

EUR thousand	2019
Cash flows from operating activities	
Transaction costs	(100)
Cash flows from investing activities	
Purchase price paid in cash	(752)
Cash and cash equivalents	1,068
Net cash flows from the acquisition	**216**

Since the time of initial consolidation, the acquisition has not added any revenue to the consolidated revenue of PALFINGER AG and contributed EUR –203 thousand to the consolidated net result for the period.

Given the short time period between the closing of the transaction and the preparation of the interim financial information the purchase price allocation is based on preliminary values. The final valuation of the purchase price allocation will be effected within twelve months of the date of acquisition, once all the bases for calculating the fair values have been analysed in detail.

Non-controlling interests

Effective 11 April 2019, Palfinger S. Units GmbH acquired the remaining 23 per cent of the shares in Palfinger Platforms Italy s.r.l. from the former non-controlling shareholder for a purchase price of EUR 1,350 thousand. The difference between the purchase price and the carrying amount of the non-controlling shares was EUR –802 thousand and was directly recognized in equity as retained earnings.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Jan–June 2018

EUR thousand	SALES & SERVICE LAND	OPERATIONS LAND	SEA	PALFINGER Group
EMEA	389,105	43,160	74,260	506,525
NAM	155,764	1,702	10,457	167,923
LATAM	17,700	1,284	1,974	20,958
CIS	40,569	4,815	11,447	56,831
APAC	30,061	588	16,768	47,417
Revenue from customer contracts (IFRS 15)	**633,199**	**51,549**	**114,906**	**799,654**
Other revenue	2,213	0	0	2,213
Total revenue	**635,412**	**51,549**	**114,906**	**801,867**

Jan–June 2019

EUR thousand	SALES & SERVICE LAND	OPERATIONS LAND	SEA	PALFINGER Group
EMEA	437,491	53,888	58,036	549,415
NAM	185,462	3,109	13,266	201,837
LATAM	23,361	2,154	3,379	28,894
CIS	49,219	4,551	9,002	62,772
APAC	35,369	788	11,570	47,727
Revenue from customer contracts (IFRS 15)	**730,902**	**64,490**	**95,253**	**890,645**
Other revenue	2,727	0	0	2,727
Total revenue	**733,629**	**64,490**	**95,253**	**893,372**

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 2018	Jan–June 2019
Exchange rate differences income	3,904	3,541
Exchange rate differences expenses	(5,883)	(2,147)
Exchange rate differences in at equity result	(116)	188
Earnings before interest and taxes – EBIT	**(2,095)**	**1,582**
Exchange rate differences of the net financial result	(1,237)	(1,268)
Result from exchange rate differences	**(3,332)**	**314**

NOTES TO THE CONSOLIDATED BALANCE SHEET

(3) Intangible assets

The carrying amount of goodwill in the segment SEA was EUR 74.4 million as at 30 June 2019. 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 2018 due to additions to land and buildings in the amount of EUR 2,206 thousand (previous year until 30 June 2018: EUR 3,887 thousand), to plants, machinery and tools in the amount of EUR 5,472 thousand (previous year until 30 June 2018: EUR 7,348 thousand) and to fixtures, fittings and equipment in the amount of EUR 10,759 thousand (previous year until 30 June 2018: EUR 9,377 thousand). Prepayments and assets under construction increased due to additions in the amount of EUR 18,787 thousand (previous year until 30 June 2018: EUR 17,431 thousand). See page 16 for details on the impact of IFRS 16.

(5) Investments in companies reported at equity

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

EUR thousand	2018	2019
As at 1 Jan	167,266	140,689
Share in the net result for the period	9,536	7,436
Impairment	(911)	0
Dividends	(4,638)	(3,220)
Foreign currency translation	(2,040)	1,139
Reclassification	(28,524)	0
As at 31 Dec/30 June	**140,689**	**146,044**

The reclassification in 2018 refers to the 2.5 per cent share in Sany Automobile Hoisting Machinery in the segment LAND, which at the end of the year was reported as “held for sale” pursuant to IFRS 5. On 25 October 2018, PALFINGER and SANY signed an agreement for the repurchase of shares held by PALFINGER in Sany Lifting Solutions (SANY Automobile Hoisting Machinery Co., Ltd.). The purchase price of EUR 28.6 million was paid, and the transaction thus closed, in March 2019. The proceeds from this sale amounted to EUR 76 thousand and, together with exchange rate gains of EUR 1,725 thousand resulting from the recycling of the currency translation gains recognized in OCI, were reported as income from companies reported at equity.

(6) Inventories and receivables

Inventories increased by EUR 40,434 thousand as compared to 31 December 2018, mainly due to demand-related inventory build-up in the regions North America and Latin America as well as the strong demand and high delivery backlog caused by bottlenecks in supply in the EMEA region.

The increase in trade receivables of EUR 25,822 thousand refers primarily to the EMEA region.

The receivables sold in connection with the existing factoring agreement amounted to EUR 53,924 thousand (31 December 2018: EUR 47,250 thousand) as at the balance sheet date (30 June 2019) and were fully derecognized in accordance with the rules of IFRS 9 due to the transfer of control.

Receivables from contract manufacturing and rendering of services are 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 20 March 2019 adopted a resolution for payment of a dividend in the amount of EUR 19,173 thousand out of the 2018 profits. This dividend – paid to PALFINGER AG shareholders on 26 March 2019 – was equivalent to a dividend of EUR 0.51 per share (previous year: EUR 0.47 per share).

On the basis of a consolidated net result for the period of EUR 43,558 thousand (Jan–June 2018: EUR 35,225 thousand) undiluted earnings per share were EUR 1.16 (Jan–June 2018: EUR 0.94). Diluted earnings per share were identical to undiluted earnings per share.

(8) Purchase price liabilities from acquisitions

EUR thousand	2018	2019
As at 1 Jan	15,478	11,086
Allocation	3,125	525
Interest cost	905	0
Use	(6,447)	0
Reversal	(37)	420
Addition	0	1,055
Disposal	(1,715)	(1,978)
Foreign currency translation	(223)	0
As at 31 Dec/30 June	**11,086**	**11,108**

As at the balance sheet date, purchase price liabilities from acquisitions included purchase price portions not yet due from the acquisition of subsidiaries in 2016. The contingent consideration for the acquisition of the MYCSA Group will become due in 2021 and depends on the units' future earnings before interest and taxes. The amount for the payment of this contingent consideration is not capped.

The purchase price liability from the put/call option to sell/buy the remaining 20 per cent in the PM-Group as well as a disproportional dividend for the years up to 2017 was 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 consisted of a disproportional dividend for 2018 and was paid out in March 2019.

The purchase price liability from the acquisition of 20 per cent in Palfinger Boats B.V. in the amount of EUR 623 thousand was paid in the first quarter of 2019.

The addition refers to Palfinger Structural Inspection GmbH.

(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. Due to the strong decrease in the actuarial interest rate applied, a remeasurement of the major obligations was carried out for this interim consolidated financial information. To this end, an actuarial interest rate of 75-100 basis points below the actuarial interest rate applied as at 31 December 2018 was used. The result was an increase in non-current provisions of EUR 3.614 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 2019, 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 2018	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018	30 June 2019
Assets								
Non-current financial assets	1,466	1,294	1,389	1,294	77	0	0	0
Trade receivables	65,612	66,335	0	0	0	0	65,612	66,335
Current financial assets	2,170	1,209	0	0	2,170	1,209	0	0
Liabilities								
Non-current financial liabilities	899	1,802	0	0	899	1,802	0	0
Non-current purchase price liabilities from acquisitions	9,085	10,029	0	0	0	0	9,085	10,029
Current financial liabilities	3,706	1,780	0	0	3,706	1,780	0	0
Current purchase price liabilities from acquisitions	1,355	1,055	0	0	0	0	1,355	1,055

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

EUR thousand	2018	2019
As at 1 Jan	8,496	10,440
Interest cost	882	525
Redemption	(125)	0
Increase through profit and loss	3,125	420
Addition	0	1,055
Disposal	(223)	(1,356)
Exchange rate differences through profit and loss	(1,715)	0
As at 31 Dec/30 June	**10,440**	**11,084**

In the income statement, interest cost was recorded under interest expenses and the increase was reported under other operating expenses. 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 2019:

		Change in fair value	
EUR thousand	Change in assumption	Increase	Decrease
Interest rate	+/−1 BP	(156)	160
Projected profit measure	+/−10%	518	(518)

CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 30 June 2019.

RELATED PARTIES

There were no 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 2018 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. 125 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 2019

Andreas Klauser m.p.	Felix Strohbichler m.p.	Martin Zehnder m.p.
Chief Executive Officer	Chief Financial Officer	Chief Operating and Chief Technology 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 2019 of PALFINGER AG, Bergheim near Salzburg, for the period from 1 January 2019 to 30 June 2019. This condensed interim consolidated financial information comprises the condensed consolidated balance sheet as at 30 June 2019, 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 2019 to 30 June 2019 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 based on our review. Our liability towards the Company and towards third parties is limited pursuant to sec. 125 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 Austrian legal requirements and 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 2019 AND ON THE STATEMENT OF LEGAL REPRESENTATIVES IN ACCORDANCE WITH SEC. 125 OF THE AUSTRIAN STOCK EXCHANGE ACT

We have read the consolidated management report as at 30 June 2019 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 2019 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. 125 para. 1 sub-para. 3 of the Austrian Stock Exchange Act.

Salzburg, 25 July 2019

Ernst & Young

Wirtschaftsprüfungsgesellschaft m.b.H.

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

FINANCIAL CALENDAR

29 October 2019	Publication of results for the first three quarters of 2019
18 February 2020	Publication of the Integrated Annual Report 2019 (Balance sheet presentation on 19 February 2020)
8 March 2020	Record date Annual General Meeting
13 March 2020	Deadline for certificates of deposit
18 March 2020	Annual General Meeting
20 March 2020	Ex-dividend date
23 March 2020	Record date dividend
24 March 2020	Dividend payment date
30 April 2020	Publication of results for the first quarter of 2020
30 July 2020	Publication of results for the first half of 2020
30 October 2020	Publication of results for the first three quarters of 2020

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

INVESTOR RELATIONS

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