



Q3-2010

Interim Report for the First Three Quarters 2010

## FINANCIAL HIGHLIGHTS OF THE PALFINGER GROUP

## Financial Highlights of the PALFINGER Group

TEUR	Q1-Q3 2010	Q1-Q3 2009 <sup>1)</sup>	Q1-Q3 2008	Q1-Q3 2007	Q1-Q3 2006
<b>INCOME STATEMENT</b>					
Revenue	464,916	387,903	607,170	504,608	437,174
EBITDA	38,990	10,171	90,332	84,020	69,137
EBITDA margin	8.4%	2.6%	14.9%	16.7%	15.8%
EBIT	22,367	(6,055)	74,660	73,348	59,270
EBIT margin	4.8%	(1.6%)	12.3%	14.5%	13.6%
Result before income tax	19,427	(10,653)	73,338	75,801	58,984
Consolidated net result for the period	11,753	(9,812)	51,323	53,070	41,778
<b>BALANCE SHEET</b>					
Total assets	644,210	615,698	629,987	479,619	398,896
Non-current operating assets	334,057	305,720	283,908	200,019	149,102
Net working capital (as of the reporting date)	132,378	144,368	169,674	116,620	94,271
Capital employed (as of the reporting date)	466,435	450,088	453,582	316,639	243,373
Equity	315,902	286,939	319,835	277,284	227,950
Equity ratio	49.0%	46.6%	50.8%	57.8%	57.1%
Net debt	150,532	161,525	133,459	39,355	15,423
Gearing	47.7%	56.3%	41.7%	14.2%	6.8%
<b>CASH FLOW AND INVESTMENT</b>					
Cash flows from operating activities	32,887	33,552	31,840	49,012	38,166
Free cash flow	6,844	28,520	(20,177)	3,719	26,879
Investment in property, plant, and equipment	6,745	5,999	38,592	48,324	12,990
Depreciation, amortisation, and impairment	16,623	16,226	15,672	10,672	9,867
<b>PAYROLL</b>					
Average payroll during the reporting period <sup>2)</sup>	4,494	4,567	4,526	3,750	3,414

1) In the course of the final purchase price allocation for the Omaha Standard Group, USA, adjustments with retrospective effect were made.

2) Consolidated Group companies excluding equity shareholdings, as well as excluding temporary workers and workers employed for only very short periods. The calculation of payroll figures was harmonised according to the PALFINGER standard.

## Consolidated Management Report as of 30 September 2010

### ECONOMIC ENVIRONMENT

In the first nine months of 2010 the global economy recovered from the recession, primarily thanks to the emerging markets in Asia and Latin America. In numerous industrial nations, however, low consumer confidence in conjunction with an unemployment-related decrease in income levels curbed growth. On this basis, global economic upswing continues to be fragile. The International Monetary Fund (IMF) forecasts global economic growth of 4.8 percent for 2010, slowing slightly to 4.2 percent for 2011.

In Europe the pace of economic recovery slowed down in the third quarter 2010. The euro-zone economies were showing a mixed picture: While Germany was on its way to posting record growth, Spain, Ireland, and in particular Greece showed increasing signs of another contraction of the economy. The latter development has had a dampening effect on growth in the euro zone, where currently a plus of 1.7 percent is projected for 2010. According to the latest forecasts, a growth rate of 3.7 percent is expected for Central and Eastern Europe.

The economy in the US is characterised by a weak labour market. Current investment behaviour of the business sector, however, suggests that this economic dent is limited in time. Recently the IMF revised its forecast for economic expansion in 2010 slightly downwards to 2.6 percent.

Latin America had a positive track record. In 2010 Brazil's economy has recorded the highest growth in 30 years: Thanks to the booming economy and efficient welfare programmes an increase of 7.5 percent is projected, even though the sharp revaluation of the real jeopardises the competitiveness of the country's export industry.

In Asia, China once again ranks first in terms of GDP growth. The country has become the second largest economy and is expected to record growth of 10.5 percent in 2010. At a predicted 9.7-percent growth rate, expectations for India are also very high.

Most recently financial markets have been marked by the high level of public debts of some European countries, and many stock markets have turned negative. The euro managed to gain some ground in the third quarter 2010, but at the end of September was still more than 5 percent below the level recorded at the end of 2009 in comparison to the US dollar, the Chinese yuan, and also the Brazilian real. The robust demand for commodities pushed prices up, even though inventories were high. The price for one barrel of Brent crude amounted to USD 82.20 on 30 September 2010, which is again higher than the price recorded at the end of 2009.

*Recovery of the global economy:  
emerging markets!  
Some industrial nations still weak*

## GROUP PERFORMANCE

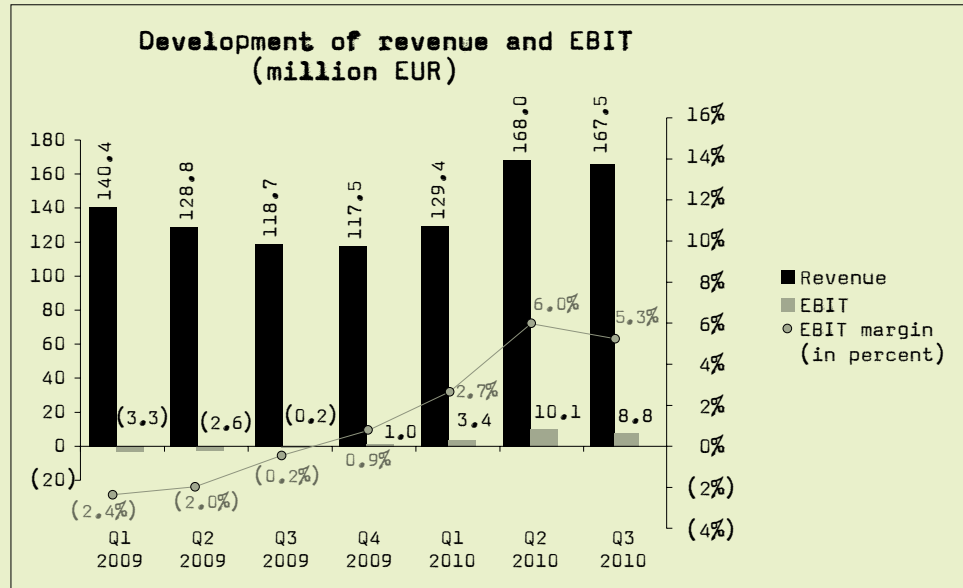
The PALFINGER Group recorded a highly satisfying business performance in the first nine months of 2010. The recovery of the markets was reflected in steady organic growth and results that were clearly positive. Moreover, the Group's entry into the North American market of access platforms through the acquisition of a majority stake in ETI (Equipment Technology, LLC) as well as the integration of the marine customer segment through the acquisition of a majority stake in Ned-Deck Marine (NDM) brought about a favourable inorganic growth of revenue and earnings. The measures that were implemented in 2009 in order to cut costs and make the value-creation process even more flexible as well as the focus placed on increasing earnings in North and in particular in South America were additional factors contributing to the increase in margins. The positive trend of previous quarters was thus continued even though revenue recorded in the third quarter 2010 fell short of the second-quarter level due to the three-week company holiday during the summer months, when earnings are traditionally low.

At EUR 464.9 million, revenue in the first three quarters 2010 was 19.9 percent higher than in the same period of 2009, when revenue was EUR 387.9 million. This increase was supported primarily by the non-European regions, in particular North and South America. The European units experienced a strengthening of the crane business, but also distinct declines in the fields of access platforms and hookloaders. The acquisitions made contributed approximately EUR 21 million to this plus in revenues.

In the period under review EBIT came to EUR 22.4 million and, after EUR - 6.1 million in the same period of 2009, showed a significantly larger increase relative to revenues. This development is primarily due to the increased flexibility of the cost structure, which has a positive impact even when revenues are rising. In addition, the residual liability in connection with the acquisition of the Omaha Standard Group was released in the third quarter as the results were below the expectations prevailing at the time of purchase in 2008. On this basis, PALFINGER posted a consolidated net result of EUR 11.8 million in the first nine months of 2010.

The business performance over the first three quarters 2010 reflects the expected decline as a result of the company holiday in the summer. Revenue (Q1: EUR 129.4 million; Q2: EUR 168.0 million; Q3: EUR 167.5 million) in the third quarter 2010 still exceeded the level recorded in the same period of 2009 by 41.1 percent, to which the acquisitions made in 2010 contributed approximately 30 percent. EBIT has turned sustainably positive again (Q1: EUR 3.4 million; Q2: EUR 10.1 million; Q3: EUR 8.8 million). The special effects arising from the acquisition of Omaha Standard accounted for a third of third-quarter earnings and led to a positive result of the AREA UNITS segment.

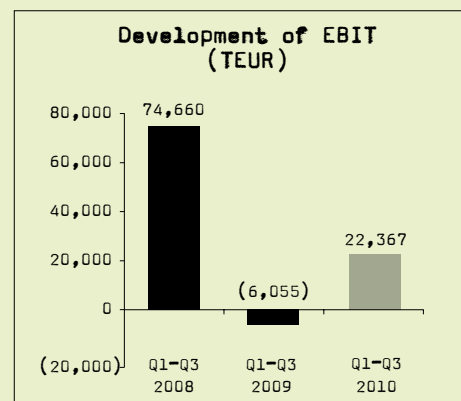
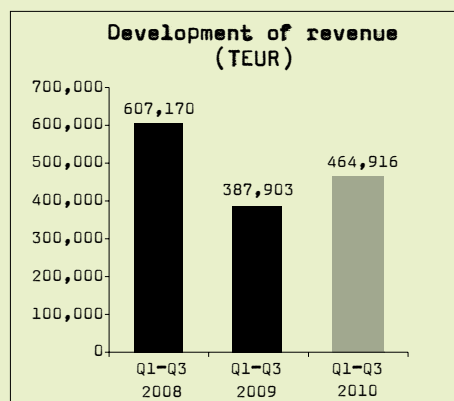
*Continuous recovery -  
despite company holiday in Q3*



In many European core markets business performance has strengthened since the beginning of 2010, which was particularly evident in crane products and tail lifts. In Spain, Great Britain, Ireland, Greece, Portugal, as well as Eastern Europe – countries that were hit particularly hard by the crisis – business was still weak. The de-stocking process carried out by dealers in 2008 and 2009 played a significant role in the immediate effect the market situation had on order intake and thus on revenue recorded. The majority interest in NDM, acquired in July 2010, was for the first time included in the interim consolidated statements of the third quarter and is reported under the EUROPEAN UNITS segment.

Of the areas outside Europe, it was in particular South America that recorded a plus from the second quarter onwards, with the strengthening of the Brazilian currency against the euro being partly responsible for the increase in revenues. In North America, PALFINGER was able to benefit, among other things, from the acquisition of the AWE business in the summer of 2009 and the initial consolidation of ETI in the second quarter 2010. Revenue in Asia increased significantly as well – even though at a low level. Moreover, the rising order intake recorded in these areas is increasingly reflected in revenues; the measures initiated to increase earnings, including the introduction of order-based manufacturing in South America, contributed to an improvement of earnings in the third quarter 2010.

The growing rate of utilisation prompted PALFINGER to end short-time work at the Austrian sites ahead of time, i.e. at the end of August.



## FINANCIAL POSITION, CASH FLOWS, AND RESULT OF OPERATIONS

At 49.0 percent (31 December 2009: 49.7 percent) the equity ratio of the PALFINGER Group was still at a high level as of 30 September 2010. Equity rose from EUR 292.3 million as of 31 December 2009 to EUR 315.9 million as of 30 September 2010, while total assets increased by EUR 56.2 million to EUR 644.2 million. The changes in equity were caused by the positive result after tax, the effects of the exchange rate changes at the Brazilian company and the North American companies, the dividend share of the minority shareholder of EPSILON Kran GmbH, as well as the consolidation of ETI and the fact that NDM was included in the Group's reporting for the first time. The increase in total assets also reflects the inclusion of ETI and NDM and a market recovery, which has resulted in a rise in inventories and accounts receivable as well as trade accounts payable.

It was due to the priority project CC-Top that net working capital of EUR 132.4 million has not risen in the current financial year 2010, although operating performance has improved and ETI and NDM have been included in the Group's reporting. As a consequence of the Group's acquisitions, capital employed was increased as compared to 31 December 2009, amounting to EUR 466.4 million at 30 September 2010. Net debt came to EUR 150.5 million (31 December 2009: EUR 151.9 million), which is the clearest indication of the positive effect of measures carried out by the Group. At 47.7 percent, the gearing ratio thus remained below the figure of 52.0 percent reported at the end of 2009 and also below the medium-term target of 50 percent.

*Balance sheet  
structure further*

The long-term orientation of the financing structure is to be continued. Due to the fact that the Ratcliff investment financing in the amount of EUR 12.4 million, which will be due in February 2011, was reported, non-current financial debt declined in the previous quarters. However, it returned to the level reported at the end of 2009, amounting to EUR 126.6 million, due to the raising of the ETI investment financing. In the first nine months of 2010 cash flows from operating activities came to EUR 32.9 million, thus almost attaining the previous year's level of EUR 33.6 million, while the net working capital build-up caused by the Group's operational performance was almost balanced out by improved earnings. On the basis of the acquisitions of ETI and NDM, cash flows from investing activities increased from EUR - 10.8 million in the same period of 2009 to EUR - 30.8 million in the reporting period. Free cash flow amounted to EUR 6.8 million, underlining PALFINGER's equity financing capability.

*improved:  
sound basis*

When comparing the reporting periods 2010 and 2009, revenues in the amount of EUR 464.9 million (January-September 2009: 387.9 million) reflect the recovery in major product areas as well as the effects of the acquisitions made. A comparison of the respective third quarters also reveals clear improvements of revenues, EBIT in the amount of EUR 22.4 million (January-September 2009: EUR - 6.1 million) and a consolidated net result of EUR 11.8 million (January-September 2009: EUR - 9.8 million) are clearly indicative of the success of the cost-cutting measures taken and of the potential resulting from the recovery of the markets. This development of earnings can be traced back primarily to the positive performance of the EUROPEAN UNITS segment, which posted segment earnings (before financial result, tax, and minority interests) of EUR 34.6 million as compared to EUR 6.1 million in the first nine months of 2009. This corresponds to a margin of 10.2 percent. In the third quarter, the derecognition of the residual purchase price liability from the acquisition of Omaha Standard in 2008 resulted in the AREA UNITS posting a positive segment result as well.



## OTHER EVENTS

After concluding its comprehensive programme to strengthen the structure of the Group's earnings and assets in 2009, PALFINGER dedicated itself to placing a stronger focus in 2010 on process enhancements to reduce current capital employed - inventories, receivables, and trade payables - under its Group-wide follow-up project by the name of CC-Top (for: current capital). As a result, net working capital has already been reduced ~~XXXXXX~~ considerably in proportion to revenues. The capital released was used for investments, without actually augmenting PALFINGER's net debt.

*Expansion of  
the market  
continued!*

At the end of March 2010 PALFINGER acquired an 80-percent shareholding in ETI (Equipment Technology, LLC), an access-platform producing company based in North America. This acquisition was a major step for PALFINGER as it enabled the Group, which had not been present in the North American market with access platforms before, to offer local products there for the first time.

In India, intensive efforts go into establishing assembly facilities and introducing newly developed crane products to the market. The organisational and management structure of the company, which was founded in 2009, has been adjusted to future challenges. The minority interest in the sales cooperation venture Star Palfinger Equipment India Pvt. Ltd. was sold to the majority shareholder in the first half 2010; the cooperation was discontinued.

On 16 July 2010 the PALFINGER Group took another step towards growth by acquiring a 75-percent interest in the Dutch company Ned-Deck Marine B.V. (NDM). With this strategic partnership, PALFINGER has entered the market of ship-mounted cranes, thus expanding its previous truck-related product range. With its rescue boat davits, NDM primarily operates on the market of ships with equipment fulfilling the requirements of the UN Convention for the Safety of Life at Sea (SOLAS).

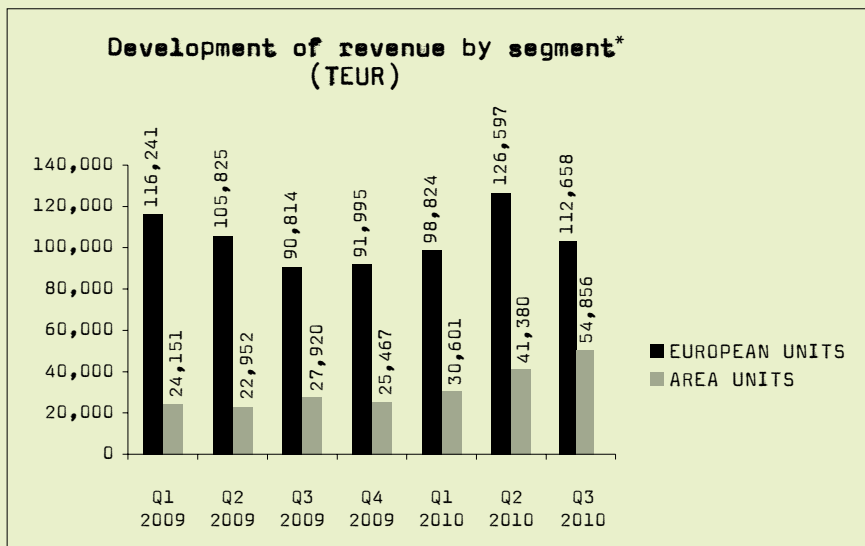
Starting with 1 November 2010, the PALFINGER organisational structure, implemented in 2010, will be completed by the area management for the EMEA (Europe, Middle East, Africa and Australia) region, which will manage the European business units and enable the Management Board to sharpen its focus on the areas outside EMEA and the new business unit Marine Systems.

Investors' interest in PALFINGER shares was also reflected in the 2010 share price development: As of 30 September 2010, shares were listed at EUR 18.81, which is almost 20 percent higher than at the beginning of the year, when the share price was EUR 15.81. The positive trend - also in relation to the relevant stock exchange indices - thus continued. PALFINGER is, on the one hand, considered to be an early-cycle company and thus a trendsetter and, on the other hand, the Group's performance, in particular in comparison with its competitors, attracted increased attention. PALFINGER promoted communications with investors by attending investor conferences and roadshows and recently was presented with several IR awards. According to the rating of the Austrian monthly magazine "trend" the PALFINGER sustainability report published in early July is also among Austria's best.

*Sustainability*

## PERFORMANCE BY SEGMENT

Since the beginning of 2010 the new PALFINGER organisational structure has been officially put into practice. Having achieved the diversification aimed at – cranes currently contribute approximately 50 percent to revenues – PALFINGER is now paying increased attention to internationalisation in order to ensure a well-balanced diversification on a regional level as well in the long run. Increased independence of the European business units and the areas outside Europe has been introduced with the goal of helping the Group to be even better prepared to meet the requirements of its respective markets. Accordingly, the segment figures reported are broken down into EUROPEAN UNITS and AREA UNITS as well as VENTURES. In order to make comparisons possible, the figures from the previous year were adjusted accordingly.



Q1-Q3 AREA UNITS:  
27.3-percent share in revenue

\* No revenues are generated in the VENTURES segment.

### EUROPEAN UNITS

The EUROPEAN UNITS segment comprises the European business units Knuckle Boom Cranes, Timber and Recycling Cranes, Tail Lifts, Access Platforms, Hookloaders, Transportable Forklifts, Railway Systems, the business unit Production, and the distribution company in Germany, as well as the associated subsidiary Palfinger France and since the third quarter 2010 also the business unit Marine Systems.

In the first three quarters 2010 revenue generated by this segment amounted to EUR 338.1 million, which was 8.1 percent higher than the previous year's figure of EUR 312.9 million. A particularly weak second half 2009 was followed by the onset of a clear upward trend, which was caused primarily by the business units Knuckle Boom Cranes and Timber and Recycling Cranes as well as the distribution company in Germany. These areas also posted increases as compared to the previous year, which compensated the declines in Access Platforms and Hookloaders.

The company holiday in the weak summer months made it impossible in the third quarter 2010 to maintain growth rates as pleasing as the ones recorded before the summer. Nevertheless, an increase of EUR 21.8 million or 24.1 percent was achieved as compared to the same quarter of the previous year, with the new business unit Marine Systems contributing approximately EUR 5 million.



Increase in earnings  
confirms success

At EUR 34.6 million the segment's earnings for the first nine months of 2010 were clearly above the previous year's figure of EUR 6.1 million. This enormous improvement was a result of the savings measures implemented in 2009 on the one hand and the improved performance of Cranes, Railway Systems, Tail Lifts, and Production on the other; the distribution company in Germany also showed a positive performance. In addition, the increase in revenues contributed a great deal to this pleasing development of earnings.

In the Knuckle Boom Cranes unit, the bottoming-out in major sales markets in the second half 2009 was increasingly reflected in an increase in revenues in the current year. The most successful sales markets include Germany, France, Austria, Belgium, and Sweden. Market developments in the Middle East and South Africa were positive as well. Spain, Great Britain, Italy, Romania, and Ukraine continue to be weak markets.

After a distinct decline in the course of 2009, revenues in the Timber and Recycling Cranes unit were on the rise again in 2010 thanks to the onset of recovery in the forestry industry. As the order situation improved increasingly, revenues of this profitable unit were clearly above the figure reported for the first three quarters of 2009, but still failed to match the outstanding results achieved in the years before 2009.

In the Tail Lifts unit, revenues increased continuously after a weak first quarter, resulting in a further improvement of earnings. In recent months, the performance of markets in Great Britain and Germany was particularly satisfying.

In the previous year the Access Platforms unit still profited from the orders on hand which stemmed from economically better times and were taken over in the course of the acquisition of WUMAG ELEVANT. However, the market continued to be weak in this late-cycle area during 2010. The restructuring measures currently underway are expected to contribute to a distinct improvement of earnings in the course of 2011 after the considerable reduction of earnings experienced in 2010.

The Hookloaders unit continued to be marked by the weak recycling industry. France, the main market, faced a drop in revenues of nearly 40 percent as compared to the previous year. The operational management of this unit in France was reinforced by the participation of the Vincent Group, a long-standing partner and successful local player. The measures taken in this connection have become effective and give reason to expect positive earnings as the market recovers.

The Transportable Forklifts unit continued its success in the key account business, in particular in Germany. All in all, earnings improved considerably, a trend which is expected to continue in the fourth quarter due to the planned deliveries.

The Railway Systems unit was still at full capacity utilisation and continues to be a reliable contributor to revenues and earnings, although a slight decline in infrastructure investment was recorded in the third quarter.

In the Production unit, the consistent structural and cost-related measures taken in the previous year continued to have a positive effect on performance. Third-party manufacturing is being further expanded, with positive contributions to earnings being achieved, in spite of the summer months, as capacity utilisation is on the rise.

The new Marine Systems unit generated the operating results expected upon acquisition but will still be affected by the impacts of the purchase price allocation for several quarters.

## AREA UNITS

The AREA UNITS segment comprises the areas North America, South America, Asia and Pacific, India, and CIS with their regional business units as well as the associated Russian distribution company, which was founded in 2009.

The areas outside Europe are still being developed, which was reinforced by the recent acquisitions in North America and the initiatives started in China, India, and Russia. As these areas are at the development stage and, in addition, the US market is still weak, this segment is posting a negative result. By integrating and/or further expanding its strategic initiatives, PALFINGER aims to enter the profit zone in the AREA UNITS on the basis of continuous growth.

*Growth  
in the areas*

In the first nine months of 2010 revenue generated by this segment was increased by 69.1 percent, from EUR 75.0 million in the same period of 2009 to EUR 126.8 million. Consequently, the share of the areas outside Europe in the consolidated revenues increased from 19.3 percent in the first three quarters of 2009 to 27.3 percent in the reporting period, reflecting the consistent implementation of the Group's internationalisation strategy. In the third quarter 2010, revenue was again stepped up by more than 30 percent as compared to the previous quarter. While in North America revenues were boosted primarily by ETI with a 50-percent improvement; in South America the good operating business and the strong local currency were the factors contributing the most.

At EUR - 5.7 million the segment's result for the first three quarters 2010 was clearly better than the figure of EUR - 7.2 million recorded for the same period in 2009. The main burdens were the market development expenses for new regions and products in North and South America and the integration costs incurred in connection with the acquisitions. However, as early as in the third quarter the transition to order-based manufacturing in South America showed very favourable results. In addition, the one-time balance-sheet effects from the Omaha Standard purchase agreement resulted in the third quarter 2010 closing with a positive EUR 0.8 million.

In the area North America the local product programme was completed with the acquisition of ETI. Since its initial consolidation in April 2010 ETI has contributed EUR 15.5 million to the Group's revenues. The local dealer structure was streamlined and realigned due to the merger of the former PALFINGER dealer in Tiffin with the dealer network acquired

in the course of the takeover of Omaha Standard. The service crane presented in the first quarter 2010 was received well by the market. This meant another milestone in the development of the still volatile US market.

The area South America has recorded a continuous increase in demand for PALFINGER crane products since the beginning of the year and succeeded in putting the first EPSILON cranes on the market. The distribution structures in São Paulo are being further expanded, which results in upfront investment costs. In the field of telescopic cranes, the current market situation has proved to be difficult.

In the Asia and Pacific area successes were recorded in particular in the field of market development for PALFINGER hookloaders. Crane sales in this region were stepped up as well.

In the area India intense work to set up local assembly facilities is underway, which is scheduled to start operations before the end of 2010. The management team was completed by a local industry specialist and an experienced PALFINGER employee specialised in value creation.

The CIS area is profiting more and more from the local distribution organisation, which was implemented in 2009. The number of PALFINGER dealers has already been increased considerably, and the search for additional local partners is progressing well.

## VENTURES

The VENTURES segment is still composed of all major strategic projects for the future pursued by the PALFINGER Group up to their operational maturity, with the costs of such projects being reported under this segment.

In the first nine months of 2010 the Group-wide priority project for this year, CC-Top, was further promoted and the corner stone for the strategic planning in 2010 was laid, on the one hand, and numerous strategic projects, in particular for the areas outside Europe, were coordinated, on the other. The acquisition of the majority interests in ETI and NDM marked the completion of major projects for the PALFINGER Group. In the third quarter intense work went into the further expansion of the Marine Systems unit.

The projects included in the VENTURES segment do not generate revenues. In the first three quarters 2010 the segment's result amounted to EUR - 5.2 million as compared to EUR - 2.9 million in the same period of 2009. The year-over-year increase in expenses reflects the fact that the PALFINGER Group consistently promotes its projects for the future.

## OUTLOOK

After 2009, when the market was extremely weak, the year 2010 started out for the PALFINGER Group with a positive market trend that was perpetuated in the first nine months. The sound corporate basis and consistently implemented structure and process-related measures have made an essential contribution towards this development. On this basis PALFINGER has succeeded in seizing market opportunities and continuing its strategic activities in a targeted manner in the past few months. Even though the results did not reach pre-crisis record levels, management is still satisfied with the development and the milestones reached.

With the acquisition of ETI, a manufacturer of access platforms in the US, PALFINGER has, for the time being, completed its strategic acquisition-driven growth in this market. The next regional steps in the Company's growth strategy are therefore going to be taken in other markets which promise a huge potential. With the acquisition of NDM in July 2010 PALFINGER entered the market of ship-mounted cranes and deck equipment, thus expanding its previous truck-related product range. The negotiations governing the acquisition of the marine crane division of Palfinger systems GmbH are expected to be concluded in the fourth quarter 2010. The business is well positioned in the marine crane segment and in addition is the market leader in cranes for offshore wind power plants. Through the reinforcement of its marine business, PALFINGER will be firmly rooted in two promising customer segments with great future potential that will also support the further internationalisation and profitability enhancement. Moreover, numerous synergies present themselves with the existing business of the Group. After inclusion of the acquired company, the operations of the Marine Systems unit will contribute approximately 8 percent to the Group's revenue in the future.

The satisfactory business performance was also continued in the third quarter 2010, even though revenue and earnings remained below the previous quarter's levels due to the company holiday. A continuation of the underlying slight upward trend is expected for the fourth quarter.

For the entire 2010 financial year management therefore reckons with a plus in organic and inorganic growth of more than 20 percent, assuming that the very strong increase in earnings will continue and that total earnings will be clearly positive.

*2010 growth -  
organic and inorganic*

## Interim Consolidated Financial Statements as of 30 September 2010

### CONSOLIDATED BALANCE SHEET

TEUR	Note	30 Sep 2010	31 Dec 2009	30 Sep 2009
<b>Non-current assets</b>				
Intangible assets*		98,109	74,013	73,451
Property, plant, and equipment*		192,601	191,977	192,508
Investment property		1,065	1,096	1,108
Investments in associated companies	1	14,946	15,726	14,895
Deferred tax assets*		25,075	25,535	21,388
Non-current financial assets		2,820	1,821	1,231
Other non-current assets		2,261	2,587	2,370
		<b>336,877</b>	<b>312,755</b>	<b>306,951</b>
<b>Current assets</b>				
Inventories*	2	162,550	148,705	159,015
Trade receivables*	3	102,442	80,196	90,215
Other current assets*		11,370	12,117	16,075
Tax receivables		376	1,127	1,627
Cash and cash equivalents		30,595	33,073	41,815
		<b>307,333</b>	<b>275,218</b>	<b>308,747</b>
<b>Total assets</b>		<b>644,210</b>	<b>587,973</b>	<b>615,698</b>
<b>Equity</b>				
Share capital		35,730	35,730	35,730
Additional paid-in capital		30,407	30,363	30,208
Treasury stock		(1,509)	(1,509)	(1,509)
Retained earnings*	4	243,289	231,453	228,340
Revaluation reserve		0	0	0
Valuation reserves pursuant to IAS 39		(576)	(363)	(410)
Foreign currency translation reserve*		(3,928)	(7,287)	(8,955)
		<b>303,413</b>	<b>288,387</b>	<b>283,404</b>
Non-controlling interests		12,489	3,890	3,535
		<b>315,902</b>	<b>292,277</b>	<b>286,939</b>
<b>Non-current liabilities</b>				
Non-current financial liabilities*		126,606	127,420	136,040
Non-current provisions*		19,592	21,965	24,145
Deferred tax liabilities*		14,089	11,370	11,013
Other non-current liabilities*		4,173	2,566	1,958
		<b>164,460</b>	<b>163,321</b>	<b>173,156</b>
<b>Current liabilities</b>				
Current financial liabilities		59,420	59,078	70,722
Current provisions		12,889	12,926	15,684
Tax liabilities		2,543	1,626	2,628
Trade payables and other current liabilities*	5	88,996	58,745	66,569
		<b>163,848</b>	<b>132,375</b>	<b>155,603</b>
<b>Total equity and liabilities</b>		<b>644,210</b>	<b>587,973</b>	<b>615,698</b>

\* In the course of the final purchase price allocation for the Omaha Standard Group, USA, adjustments with retrospective effect were made.

## CONSOLIDATED INCOME STATEMENT

TEUR	Note	July-Sep 2010	July-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
<b>Revenue</b>		167,514	118,734	464,916	387,903
Changes in inventory		(3,509)	(7,131)	3,442	(9,986)
Own work capitalised*	6	436	1,543	2,528	3,816
Other operating income*		5,022	3,928	10,038	12,320
Materials and external services*		(87,640)	(57,177)	(247,343)	(204,640)
Employee benefits expenses*		(43,144)	(34,361)	(128,762)	(113,867)
Depreciation, amortisation, and impairment expenses*		(6,273)	(5,218)	(16,623)	(16,226)
Other operating expenses*		(23,563)	(20,510)	(65,829)	(65,375)
<b>Earnings before interest and taxes - EBIT</b>					
(before associated companies)		8,843	(192)	22,367	(6,055)
<b>Income from associated companies</b>		330	463	1,352	2,129
Interest income		124	344	300	664
Interest expenses		(2,321)	(2,946)	(7,391)	(8,533)
Exchange rate differences		551	161	2,777	1,052
Other financial result		(1)	33	22	90
<b>Net financial result</b>		(1,647)	(2,408)	(4,292)	(6,727)
<b>Result before income tax</b>		7,526	(2,137)	19,427	(10,653)
Income tax expense*	7	(2,289)	559	(5,830)	1,553
<b>Result after income tax</b>		5,237	(1,578)	13,597	(9,100)
attributable to					
<b>shareholders of PALFINGER AG</b>					
(consolidated net result for the period)		4,482	(1,799)	11,753	(9,812)
<b>non-controlling interests</b>		755	221	1,844	712
EUR					
Earnings per share (undiluted and diluted)	4			0.33	(0.28)
Average number of outstanding shares				35,402,000	35,386,176

\* In the course of the final purchase price allocation for the Omaha Standard Group, USA, adjustments with retrospective effect were made.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TEUR	July-Sep 2010	July-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
<b>Result after income tax</b>	5,237	(1,578)	13,597	(9,100)
Unrealised profits (+)/losses (-)				
from foreign currency translation*	(7,294)	148	3,309	3,149
Unrealised profits (+)/losses (-) from cash flow hedge				
Changes in unrealised profits (+)/losses (-)	1,306	(321)	(828)	(700)
Effective taxes thereon	(407)	0	111	0
Deferred taxes thereon	65	79	85	159
Realised profits (-)/losses (+)	263	(144)	553	313
Effective taxes thereon	(20)	0	(91)	(73)
Deferred taxes thereon	(43)	40	(43)	15
<b>Other comprehensive income</b>	<b>(6,130)</b>	<b>(198)</b>	<b>3,096</b>	<b>2,863</b>
<b>Total comprehensive income</b>	<b>(893)</b>	<b>(1,776)</b>	<b>16,693</b>	<b>(6,237)</b>
attributable to				
<b>shareholders of PALFINGER AG</b>	<b>(1,106)</b>	<b>(1,997)</b>	<b>14,899</b>	<b>(6,949)</b>
<b>non-controlling interests</b>	<b>213</b>	<b>221</b>	<b>1,794</b>	<b>712</b>

\* In the course of the final purchase price allocation for the Omaha Standard Group, USA, adjustments with retrospective effect were made.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Note	Share capital	Additional paid-in capital	Treasury stock
At 1 Jan 2009		35,730	30,177	(1,730)
<b>Total comprehensive income</b>				
<b>Result after income tax</b>		0	0	0
<b>Other comprehensive income</b>				
Unrealised profits (+)/losses (-)				
from cash flow hedge		0	0	0
Unrealised profits (+)/losses (-)				
from foreign currency translation		0	0	0
		0	0	0
		0	0	0
<b>Transactions with shareholders</b>				
Dividends		0	0	0
Other changes		0	31	221
		0	31	221
At 30 Sep 2009		35,730	30,208	(1,509)
At 1 Jan 2010		35,730	30,363	(1,509)
<b>Total comprehensive income</b>				
<b>Result after income tax</b>		0	0	0
<b>Result directly recognised in equity</b>				
Unrealised profits (+)/losses (-)				
from cash flow hedge		0	0	0
Unrealised profits (+)/losses (-)				
from foreign currency translation		0	0	0
		0	0	0
		0	0	0
<b>Transactions with shareholders</b>				
Dividends	4	0	0	0
Changes in ownership interests in fully consolidated companies not resulting in a loss of control		0	0	0
Other changes		0	44	0
		0	44	0
At 30 Sep 2010		35,730	30,407	(1,509)

\* In the course of the final purchase price allocation for the Omaha Standard Group, USA, adjustments with retrospective effect were made.

## Equity attributable to the shareholders of PALFINGER AG

Retained earnings*	Revaluation reserve	Valuation reserves pursuant to IAS 39	Foreign currency translation reserve*	Total	Non-controlling interests	Equity
251,636	(112)	(124)	(12,104)	303,473	6,411	309,884
(9,812)	0	0	0	(9,812)	712	(9,100)
0	0	(286)	0	(286)	0	(286)
0	0	0	3,149	3,149	(88)	3,061
0	0	(286)	3,149	2,863	(88)	2,775
(9,812)	0	(286)	3,149	(6,949)	624	(6,325)
(13,788)	0	0	0	(13,788)	(3,500)	(17,288)
304	112	0	0	668	0	668
(13,484)	112	0	0	(13,120)	(3,500)	(16,620)
228,340	0	(410)	(8,955)	283,404	3,535	286,939
231,453	0	(363)	(7,287)	288,387	3,890	292,277
11,753	0	0	0	11,753	1,844	13,597
0	0	(213)	0	(213)	0	(213)
0	0	0	3,359	3,359	(50)	3,309
0	0	(213)	3,359	3,146	(50)	3,096
11,753	0	(213)	3,359	14,899	1,794	16,693
0	0	0	0	0	(1,085)	(1,085)
113	0	0	0	113	(113)	0
(30)	0	0	0	14	8,003	8,017
83	0	0	0	127	6,805	6,932
243,289	0	(576)	(3,928)	303,413	12,489	315,902

## CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Jan-Sep 2010	Jan-Sep 2009
Result before income tax	19,427	(10,653)
Cash flows from operating activities	32,887	33,552
Cash flows from investing activities	(30,752)	(10,849)
Cash flows from financing activities	(4,817)	9,937
<b>Total cash flows</b>	<b>(2,682)</b>	<b>32,640</b>

TEUR	2010	2009
<b>Funds at 1 Jan</b>	<b>33,073</b>	<b>9,096</b>
Effects of foreign exchange differences	204	79
<b>Total cash flows</b>	<b>(2,682)</b>	<b>32,640</b>
<b>Funds at 30 Sep</b>	<b>30,595</b>	<b>41,815</b>

## SEGMENT REPORTING

TEUR	Revenue		EBIT (before associated companies)		Segment result	
	Jan-Sep 2010	Jan-Sep 2009	Jan-Sep 2010	Jan-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
EUROPEAN UNITS	338,079	312,880	32,628	3,957	34,578	6,086
AREA UNITS	126,837	75,023	(5,072)	(7,159)	(5,670)	(7,159)
VENTURES	-	-	(5,189)	(2,853)	(5,189)	(2,853)
<b>PALFINGER Group</b>	<b>464,916</b>	<b>387,903</b>	<b>22,367</b>	<b>(6,055)</b>	<b>23,719</b>	<b>(3,926)</b>

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### GENERAL

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

### REPORTING BASES

In principle, the same accounting and valuation methods as used in the consolidated financial statements for the 2009 financial year were applied to these interim consolidated financial statements of PALFINGER AG and its subsidiaries as of 30 September 2010, which were prepared on the basis of IAS 34. The consolidated financial statements as of 31 December 2009 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 applied, reference is made to the consolidated financial statements of PALFINGER AG as of 31 December 2009.

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

### CHANGES IN SEGMENT REPORTING

In the course of the adjustment of the Group's organisational structure, segment reporting was adjusted as well in line with the new management and control structures starting with 1 January 2010. The figures from the same period of the previous year were adjusted accordingly.

A major target of the adjustment of the organisational structure was to strengthen the independence of the areas and business units in order to be in a better position to satisfy the requirements of the respective markets with local products and products adjusted to local needs.

The entrepreneurial management of the European business is carried out directly via the business units of the product groups and the business unit Production. At the same time the areas outside Europe - North America, South America, Asia and Pacific, India, and CIS - are to be strengthened. Regarding the Group-wide corporate functions a distinction is made between target functions and service functions.

### CHANGES IN ACCOUNTING AND VALUATION METHODS

The following IFRS, whose application was mandatory for the first time in the 2010 financial year, resulted in changes in the interim consolidated financial statements of PALFINGER AG and/or clarifications of facts relevant for the Group.

The Amendment to IAS 39 **Financial Instruments: Recognition and Measurement - Eligible Hedged Items** specifies the application of the basic principles of hedge accounting in two particular situations - the designation of inflation risks in a financial hedged item and the designation of a one-sided risk in a hedged item. The first application of this amendment did not have any material impact on the Group's assets, finances, and earnings during this or previous reporting periods.

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The first application of **IFRS 3 Business Combinations** and **IAS 27 Consolidated and Separate Financial Statements** in their revised versions did not have any material impact on the Group's assets, finances, and earnings during this or previous reporting periods as they refer exclusively to future acquisitions of companies on the one hand and as PALFINGER has already recognised acquisitions of minority interests in the balance sheet before on the other. The major change concerns the recognition of acquisitions of less than 100 percent of the shares in a company. The option to recognise the goodwill from an acquisition under the full goodwill method, i.e. including the amount of the share allocable to the minority shareholders, was introduced. In addition, acquisitions and/or partial sales of shares without loss of control are to be reported in the balance sheet as transactions between shareholders. The full incidental acquisition costs are to be reported as expenses.

The amendments of the collective standard **Improvements to IFRS** in the course of the Annual Improvements Process Project 2009, which had to be applied to these interim consolidated financial statements for the first time, did not have any material impact on the Group's assets, finances, and earnings during this or previous reporting periods.

No changes in accounting and valuation methods other than those mentioned herein were made.

**ADJUSTMENTS MADE IN THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

In the course of the final purchase price allocation for the Omaha Standard Group, USA, in the fourth quarter 2009 the consolidated balance sheet as of 30 September 2009 was adjusted with retrospective effect as follows:

TEUR	30 Sep 2009	Adjustments	30 Sep 2009 adjusted
<b>Non-current assets</b>			
Intangible assets	68,748	4,703	73,451
Property, plant, and equipment	193,770	(1,262)	192,508
Deferred tax assets	21,173	215	21,388
<b>Current assets</b>			
Inventories	158,683	332	159,015
Trade receivables	90,222	(7)	90,215
Other current assets	15,899	176	16,075
<b>Equity</b>			
Retained earnings	226,103	2,237	228,340
Foreign currency translation reserve	(8,749)	(206)	(8,955)
<b>Non-current liabilities</b>			
Non-current financial liabilities	136,020	20	136,040
Non-current provisions	24,129	16	24,145
Deferred tax liabilities	8,997	2,016	11,013
Other non-current liabilities	1,810	148	1,958
<b>Current liabilities</b>			
Trade payables and other current liabilities	66,643	(74)	66,569



In the course of the final purchase price allocation for the Omaha Standard Group, USA, in the fourth quarter 2009 the consolidated income statement as of 30 September 2009 was adjusted with retrospective effect as follows:

TEUR	Jan-Sep 2009	Adjustments	Jan-Sep 2009 adjusted
Own work capitalised	3,559	257	3,816
Other operating income	12,030	290	12,320
Materials and external services	(204,490)	(150)	(204,640)
Employee benefits expenses	(113,760)	(107)	(113,867)
Depreciation, amortisation, and impairment expenses	(16,127)	(99)	(16,226)
Other operating expenses	(65,474)	99	(65,375)
Income tax expense	(261)	1,814	1,553
<b>Result after income tax</b>	<b>(11,204)</b>	<b>2,104</b>	<b>(9,100)</b>
attributable to			
shareholders of PALFINGER AG (consolidated net result for the period)	(11,916)	2,104	(9,812)
non-controlling interests	712	0	712

#### SCOPE OF CONSOLIDATION

The number of companies included in the interim consolidated financial statements has changed several times since the last balance sheet date due to reorganisations, acquisitions, and disinvestments.

#### Fully consolidated companies

In order to simplify the Group's structure, FTEC, Inc., USA, and Tiffin Loader Crane, Co., USA, were merged into Paltec Truck Equipment, Co., USA, as the absorbing company with effect as of 1 January 2010. In the first quarter 2010 the company's name was changed to Palfleet Truck Equipment, Co.

With effect as of 22 February 2010, 20 percent of Guima Palfinger S.A.S., France, was transferred to Compagnie Générale Vincent, France, for a purchase price of EUR 1.00. In addition, Palfinger France S.A. was granted a purchase option for 100 percent in Guima France S.A.S., France. The exercise of this purchase option is conditional on a sustainable turnaround of the Guima Group. The purchase price will be based on the equity of Guima France S.A.S.

#### ACQUISITION OF THE ETI GROUP

On 9 April 2010 the acquisition, which had been agreed upon on 27 March 2010, of 80 percent in Equipment Technology, LLC, holding a 60-percent interest in Ideal Crane, LLC, USA, as well as a 56.75-percent interest in Composite Works, LLC, USA, was closed. The purchase price in the amount of USD 24.5 million was paid in cash. The US group of companies headquartered in Oklahoma primarily produces and distributes access platforms of up to 45 ft. (approx. 15 m) and employs a staff of around 190. The ETI Group allows PALFINGER to realise its North America strategy of becoming a truly local player in another of the Group's strategic core business segments. The access platform business accounts for the majority of the revenues generated by the ETI Group, which also manufactures service

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

cranes. The products are distributed via direct sales forces and supported by a nationwide network of independent service outlets and field service employees. In 2009 the ETI Group generated revenues of approximately USD 45 million making it one of the top players in the field of access platforms in the North American market.

For the remaining 20 percent a put-option as well as a call-option was agreed. The exercise price of the options is governed by the average EBIT over the three years preceding the exercise of the option on the basis of a customary multiple.

Non-controlling interests were valued at fair value at the time of acquisition. At the time of acquisition, the purchase price was allocated on the basis of the fair values as follows:

TEUR	2010
Purchase price paid in cash (80 percent)	18,210
Fair value of non-controlling interests	4,503
Net assets	(17,252)
<b>Goodwill</b>	<b>5,461</b>
of which	
non-controlling interests	1,080

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

TEUR	Fair value
<b>Non-current assets</b>	
Intangible assets	7,635
Property, plant, and equipment	4,485
Deferred tax assets	440
Non-current financial assets	743
	13,303
<b>Current assets</b>	
Inventories	5,758
Trade receivables	1,684
Other current assets	204
Cash and cash equivalents	2,202
	9,848
<b>Non-current liabilities</b>	
Non-current financial liabilities	809
Other non-current liabilities	1,089
	1,898
<b>Current liabilities</b>	
Current financial liabilities	281
Current provisions	423
Tax liabilities	50
Trade payables and other current liabilities	3,247
	4,001
<b>Net assets</b>	<b>17,252</b>

Goodwill generated in the course of the acquisition primarily reflects the benefit expected from the entry into the US access platform market.

Net cash flows from the acquisition were as follows:

TEUR	2010
<b>Cash flows from operating activities</b>	
Transaction costs	(386)
<b>Cash flows from investing activities</b>	
Purchase price paid in cash	(18,210)
Cash and cash equivalents	2,202
<b>Net cash flows from the acquisition</b>	<b>(16,394)</b>

#### ACQUISITION OF THE NDM GROUP

On 16 July 2010 the contracts governing the acquisition of a 75-percent interest in the Dutch company Ned-Deck Marine B.V., including the 100-percent interests in Ned-Deck Marine Vietnam Co. Ltd., Vietnam, and Fast RSQ B.V., Netherlands, as well as the 95-percent interest in NDM Romania S.r.l., Romania, were signed and closed. The purchase price of EUR 10.5 million was paid in cash. The NDM Group is one of the leading manufacturers of rescue boat davits, a special application of marine cranes. The group is among the world market leaders in the standard segment of davit systems (A-frame davits and liferaft davits) and posts steep growth in special applications for the Navy and Coast Guard. The existing management team will stay in place to safeguard the continued success of the company.

With the entry in the market of ship-mounted cranes PALFINGER is expanding its previous truck-related product range. With its davit systems the NDM Group primarily operates on the market of ships with equipment fulfilling the requirements of the UN Convention for the Safety of Life at Sea (SOLAS). The obligatory annual servicing of the safety equipment by the manufacturer or a party certified by the manufacturer makes after-sales services a substantial part of total business operations.

With a staff of approximately 100, the NDM Group generated revenues of almost EUR 18 million in 2009.

For the remaining 25 percent a put-option as well as a call-option was agreed. The exercise price of the options is governed by the average EBIT over the three years preceding the exercise of the option on the basis of a customary multiple.

The difference was calculated using the estimated fair values at the date of acquisition. As the complete valuation reports for the property in Vietnam and the customer base are still outstanding, the fair values (intangible assets and property, plant, and equipment) and hence also goodwill may still change in the 2010 consolidated financial statements.

Non-controlling interests were valued using the estimated fair values at the time of acquisition. At the time of acquisition, the purchase price was allocated on the basis of the estimated fair values as follows:

TEUR	2010
Purchase price paid in cash (75 percent)	10,500
Fair value of non-controlling interests	3,500
Net assets	(9,783)
<b>Goodwill</b>	<b>4,217</b>
of which	
non-controlling interests	1,054

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

TEUR	Estimated fair value
<b>Non-current assets</b>	
Intangible assets	7,459
Property, plant, and equipment	925
Deferred tax assets	55
	<b>8,439</b>
<b>Current assets</b>	
Inventories	3,546
Trade receivables	3,485
Other current assets	336
Cash and cash equivalents	5,001
	<b>12,368</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities	1,810
	<b>1,810</b>
<b>Current liabilities</b>	
Current provisions	270
Tax liabilities	633
Trade payables and other current liabilities	8,311
	<b>9,214</b>
<b>Net assets</b>	<b>9,783</b>

Goodwill generated in the course of the acquisition primarily reflects the benefit expected from the entry into the market of ship-mounted cranes.

Net cash flows from the acquisition were as follows:

TEUR	2010
<b>Cash flows from operating activities</b>	
Transaction costs	(224)
<b>Cash flows from investing activities</b>	
Purchase price paid in cash	(10,500)
Cash and cash equivalents	5,001
<b>Net cash flows from the acquisition</b>	<b>(5,723)</b>

## PRO FORMA DISCLOSURES

Since the time of initial consolidation, the ETI and NDM Groups have been contributing TEUR 20,811 to the consolidated revenues of PALFINGER AG and TEUR 989 to its consolidated net result for the period.

If the transactions had been made with effect as of 1 January 2010, the consolidated net result for the period of PALFINGER AG would have been as follows:

TEUR	Jan-Sep 2010 stated	Jan-Sep 2010 pro forma
Revenue	464,916	482,001
Consolidated net result for the period	11,753	13,513
Earnings per share in EUR	0.33	0.38

#### Companies consolidated using the equity method

With effect as of 15 February 2010 the distribution partnership with Mr Hameed Salahuddin and Western Auto L.L.C. was terminated and the 26-percent share in Star Palfinger Equipment India Pvt. Ltd., India, was transferred to Mr Hameed Salahuddin.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. INVESTMENTS IN ASSOCIATED COMPANIES

The changes in investments in associated companies are shown in the following table:

TEUR	2010	2009
At 1 Jan	15,726	13,633
Additions	994	2,996
Share in net result for the period	1,352	2,037
Dividends	(3,306)	(3,025)
Exchange rate differences	180	85
At 30 Sep/31 Dec	14,946	15,726

### 2. INVENTORIES

Inventories are broken down as follows:

TEUR	30 Sep 2010	31 Dec 2009
Materials and production supplies	58,514	60,101
Work in progress	49,998	43,005
Finished goods and goods for resale	53,313	44,899
Prepayments	725	700
<b>Total</b>	<b>162,550</b>	<b>148,705</b>

### 3. TRADE RECEIVABLES

Trade receivables include receivables from associated companies in the amount of TEUR 6,115 (31 December 2009: TEUR 4,894).

Based on experience, an allowance for doubtful debts was made in the amount of TEUR 6,707 (31 December 2009: TEUR 7,762) to take into account insolvency risks.

**4. EQUITY**

In the Annual General Meeting on 31 March 2010, it was resolved not to distribute any dividend (2009: EUR 0.39 per share or TEUR 13,788).

In the same Annual General Meeting it was resolved to grant 50,000 stock options to the Management Board member Christoph Kaml.

Each stock option may be exercised in exchange for one share at an exercise price of EUR 16.57. The stock options may be exercised (one half each) at two exercise dates. In order to be able to exercise stock options, the average ratio of earnings before taxes (EBT) to revenues as reported in the consolidated financial statements of PALFINGER AG must have been at least four percent (exercise date 1 in 2013) or five percent (exercise date 2 in 2015) for each of the three balance sheet dates preceding the date the option is exercised.

The maximum number of shares available for subscription is equivalent to the number of options issued. If the EBT ratio is less than four or five percent, no options may be exercised and there is no entitlement to subscription. If the EBT ratio is four or five percent, the entitled person enjoys the right to exercise 25 percent of his stock options at the relevant exercise date. If the EBT ratio exceeds four or five percent, the number of stock options to be exercised by a person at the relevant exercise date rises in linear progression up to an EBT ratio of nine or 11 percent.

The changes in shares outstanding are illustrated in the following:

Shares	2010	2009
At 1 Jan	35,402,000	35,354,000
Exercise of stock option	0	48,000
At 30 Sep/31 Dec	35,402,000	35,402,000

On the basis of the consolidated net result for the period in the amount of TEUR 11,753 (Jan-Sep 2009: TEUR - 9,812) undiluted earnings per share were EUR 0.33 (Jan-Sep 2009: EUR - 0.28). Due to the low dilutive effect of the stock option programme, diluted earnings per share were identical with undiluted earnings per share.

**5. TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

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

TEUR	30 Sep 2010	31 Dec 2009
Trade payables	53,727	35,162
Liabilities to associated companies	727	445
Prepaid orders	5,351	1,989
Liabilities on accepted bills of exchange	5	18
Liabilities to employees	15,620	10,473
Liabilities relating to social security and other taxes	8,844	7,018
Other liabilities	4,400	3,384
Deferred income	322	256
<b>Total</b>	<b>88,996</b>	<b>58,745</b>

TEUR 726 (31 December 2009: TEUR 337) of the liabilities due to associated companies in the amount of TEUR 727 (31 December 2009: TEUR 445) resulted from the provision of goods and services.



## NOTES TO THE CONSOLIDATED INCOME STATEMENT

### 6. OWN WORK CAPITALISED

Own work capitalised resulted mainly from capitalised development expenditure from the knuckle boom crane, services, and railway divisions and local product developments in North America.

TEUR	Jan-Sep 2010	Jan-Sep 2009
Capitalised development expenditure	2,528	3,630
Own work capitalised for property, plant, and equipment	0	186
<b>Total</b>	<b>2,528</b>	<b>3,816</b>

### 7. INCOME TAX EXPENSE

The Group's effective tax rate, in other words, the total income tax expense expressed as a percentage of the result before income tax, was 30.0 percent (Jan-Sep 2009: 14.6 percent).

TEUR	Jan-Sep 2010	Jan-Sep 2009
Result before income tax	19,427	(10,653)
Income tax expense	(5,830)	1,553
<b>Effective tax rate</b>	<b>30.0%</b>	<b>14.6%</b>

## CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as of 30 September 2010.

## RELATED PARTIES

As regards business transactions with related parties, no substantial changes occurred in comparison to 31 December 2009. All transactions with related parties are carried out on generally acceptable market conditions. For further information on the individual business relations please see the consolidated financial statements of PALFINGER AG as of 31 December 2009.

## KEY EVENTS AFTER THE REPORTING DATE

After the reporting date there have been no material events that would require disclosure.

## Report on the Audit Review

### INTRODUCTION

We have reviewed the accompanying interim consolidated financial statements of PALFINGER AG, Salzburg, Austria for the nine-month period from 1 January 2010 to 30 September 2010. These interim consolidated financial statements comprise the consolidated balance sheet as of 30 September 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

### SCOPE OF THE AUDIT REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the Group at 30 September 2010, and of its financial performance and its cash flows for the nine-month period then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

Salzburg, 27 October 2010

ERNST & YOUNG  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT M.B.H.

ANNA FLOTZINGER m.p.  
Chartered accountant

PPA CHRISTOPH FRÖHLICH m.p.  
Chartered accountant

**Shareholder Information**

Q1-Q3 2010	
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International Securities Identification Number (ISIN)	AT0000758305
Number of shares issued	35,730,000
thereof number of own shares	328,000
Price at 30 September 2010	EUR 18.81
Earnings per share (Q1-Q3 2010)	EUR 0.33
Market capitalisation as of 30 September 2010	TEUR 672,081

**SHARE PRICE DEVELOPMENT**



## INVESTOR RELATIONS

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## FINANCIAL CALENDAR

24 January 2011	Publication of preliminary results 2010
23 February 2011	Balance sheet press conference
30 March 2011	Annual General Meeting
10 May 2011	Publication of results for the first quarter 2011
10 August 2011	Publication of results for the first half 2011
10 November 2011	Publication of results for the first three quarters 2011

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

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

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

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