Wacker Neuson Group

Customers in focus
Annual Report 2018

Figures at a glance 2018

WACKER NEUSON GROUP AT DECEMBER 31

IN € MILLION

	2018	2017	Change
Key figures			
Revenue	1,706.5	1,533.9	11%
by region			
Europe	1,248.9	1,129.8	11%
Americas	397.8	357.5	11%
Asia-Pacific	59.8	46.6	28%
by business segment[1]			
Light equipment	455.7	422.7	8%
Compact equipment	920.9	808.6	14%
Services	348.1	320.4	9%
EBITDA	236.8	207.2	14%
Depreciation and amortization	-77.1	-75.8	2%
EBIT	159.7	131.4	22%
EBT[2]	203.0	125.4	62%
Profit for the period	144.6	87.5	65%
Number of employees[3]	6,190	5,546	12%
R&D ratio (incl. capitalized expenses) as a %	3.2	3.2	0.0PP
Share			
Earnings per share in €	2.06	1.25	65%
Dividend[4] per share in € (in brackets: special dividend)	0.60 (0.50)	0.60	0%
Key profit figures			
Gross profit margin as a %	27.8	28.5	-0.7PP
EBITDA margin as a %	13.9	13.5	0.4PP
EBIT margin as a %	9.4	8.6	0.8PP
Cash flow			
Cash flow from operating activities	-18.1	138.0	-113%
Cash flow from investment activities[5]	15.2	-39.0	-139%
Investments (property, plant and equipment, intangible assets)	73.3	47.4	55%
Free cash flow[5]	-2.9	99.0	-103%
Cash flow from financing activities	19.9	-88.2	-123%

	Dec. 31, 2018	Dec. 31, 2017	Change
Key figures from the balance sheet			
Equity	1,221.4	1,113.7	10%
Equity ratio as a %	63.8	68.7	-4.9PP
Net financial debt	208.7	149.7	39%
Gearing as a %	17.1	13.4	3.7PP
Net working capital	643.9	535.8	20%
Net working capital as a % of revenue	37.7	34.9	2.8PP
ROCE II as a %	8.0	7.0	1.0PP

[1] Consolidated revenue before cash discounts.
[2] Includes a profit of EUR 54.8 million from the sale of a real-estate company belonging to the Group in 2018.
[3] Including temporary workers.
[4] At the AGM on May 29, 2019, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2018 as well as an additional special dividend in the amount of EUR 0.50 per share in connection with the positive one-off effect from the sale of a Group real-estate company.
[5] Includes cash inflow of EUR 60.0 million from the sale of a real-estate company belonging to the Group in 2018.
All consolidated figures prepared according to IFRS. To improve readability, the figures in this report have been rounded to the nearest EUR million. Percentage changes refer to these rounded amounts.

The Wacker Neuson Group

The Wacker Neuson Group is an international family of companies and a leading manufacturer of light and compact equipment with over 50 affiliates and 140 sales and service stations. The Group offers its customers a broad portfolio of products and a wide range of services including spare parts services. The product brands Wacker Neuson, Kramer and Weidemann belong to the Wacker Neuson Group. Wacker Neuson is the partner of choice among professional users in construction, gardening, landscaping and agriculture, as well as among municipal bodies and companies in industries such as recycling, energy and rail transport. In 2018, Wacker Neuson achieved revenue of EUR 1.71 billion and employed more than 6,000 people worldwide.

Content

To our Shareholders

Dear Ladies and Gentlemen,

We presented our new strategy in March 2018, outlining the medium-term goals of the Wacker Neuson Group and how we intend to achieve them. At the heart of this strategy is our commitment to systematically align the Group with the needs of our customers. We want to be even closer to our customers, to be even more innovative and agile while at the same time making our Group a faster, more efficient organization. We already took some important steps towards these goals during the course of the past year.

These included reducing the number of global production sites from ten to eight. By integrating our internal logistics companies into an existing production company in Europe and a sales affiliate in the US, we have been able to further streamline our Group-internal supply chain, reduce complexity and dovetail production and sales activities more effectively. We also transformed global procurement into a hybrid organization, allowing us to accelerate decision-making channels and response times while continuing to leverage synergies. In 2018, we tailored our product portfolio even more closely to the regional and technical needs of our customers, particularly through the opening of a new production plant flanked by an R&D center in China. We also made good progress in our drive to offer at least one zero emission machine in each of our main product groups and to advance new digital services to market readiness. We will be showcasing some of our development highlights in April at this year's bauma, the world's largest construction equipment trade show.

Business developed very positively in 2018. The Group reported gains in all regions and business segments. Revenue rose 11 percent to reach a new record high of EUR 1,706.5 million (2017: EUR 1,533.9 million). The agricultural equipment business grew at a particularly dynamic rate. Despite encountering a number of obstacles, profit before interest and tax (EBIT) increased 22 percent to EUR 159.7 million (2017: EUR 131.4 million). We benefited here from business growth and streamlined cost structures, at the same time absorbing costs from restructuring measures, site closures and the relocation of production activities. The EBIT margin improved to 9.4 percent in 2018 (2017: 8.6 percent).

"We want to significantly expand our international market reach and accelerate our current profitable growth path."

We therefore achieved our goals, despite having had to contend with bottlenecks in the supply chain throughout the entire year, which disrupted production processes and delayed deliveries. We were not always able to meet demand from our customers, and the rising number of finished and unfinished machines pushed up our net working capital rose. At the close of the year, it accounted for 37.7 percent of revenue (2017: 34.9 percent), a development we are not entirely satisfied with. Already last summer, we implemented numerous measures to prevent bottlenecks of this kind occurring in the supply chain in future.

The ongoing expansion of our dealer network in North America is another factor that pushed up our net working capital – in this case, a positive one, however. We are focusing here on collaborating with exclusive, highly qualified sales partners and are using a number of measures to support business development, including financing programs to help dealers build up fleets of rental equipment. Our progress in this region is reflected in particular in rising sales of skid steer loaders, which we develop and manufacture in North America for the local market.

We obviously want our shareholders to benefit from our financial success this past year. The Executive Board and the Supervisory Board will therefore propose a dividend of EUR 0.60 per share (2017: EUR 0.60) and an additional special dividend payout of EUR 0.50 per share at the Annual General Meeting in May. This will give our shareholders a stake in the one-off proceeds generated by the sale of our real-estate company.

The global economy continues to grow although the pace of growth has slowed in recent months. Risk factors such as the prospect of a no-deal Brexit and trade restrictions are fueling uncertainty. At the same time, however, the trend towards compact equipment in construction and agriculture – the very products we offer our customers – remains constant, and global megatrends such as urbanization are set to provide lasting momentum for our business. The Group's key target markets are in good shape at the start of 2019 and our order books are well filled. We expect revenue for fiscal 2019 to amount to between EUR 1,775 and 1,850 million. This corresponds to a rise of between 4 and 8 percent. We expect the EBIT margin to lie between 9.5 and 10.2 percent.

In line with our Strategy 2022, we want to increase annual revenue to over EUR 2 billion in the medium term. Our aim is for the EBIT margin to be in excess of 11 percent and net working capital to be no more than 30 percent of revenue. In short, we want to significantly expand our international market reach and accelerate our current profitable growth path.

However, we can only achieve these ambitious goals with support from our committed workforce, reliable business partners and loyal shareholders. We would therefore like to take this opportunity to thank you all for your support and loyalty over this past year. We hope you will continue to place your trust in us.

The Executive Board team of Wacker Neuson SE

From left:

Wilfried Trepels
CFO

Responsible for finance, audit, IT, supply chain and real estate.

Martin Lehner
CEO

Responsible for procurement, production, technology, quality, strategy, investor relations, corporate communication, sustainability, legal matters, compliance and HR.

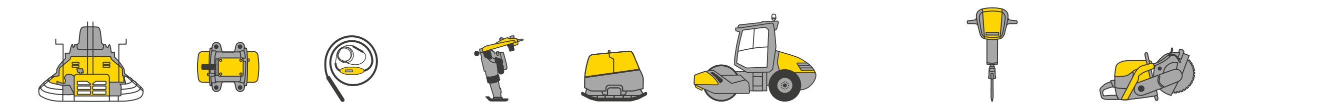
Alexander Greschner
CSO

Responsible for sales, service and marketing.

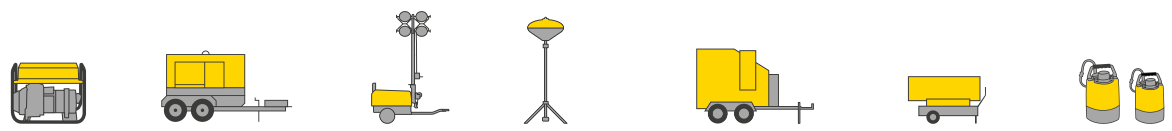
Well Established Brands – Innovative Products.

WACKER NEUSON. THE RELIABLE SOLUTION PROVIDER.

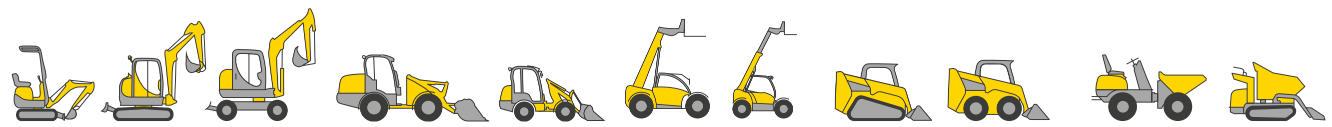
At Wacker Neuson, it's all about the success of our customers. In talking with our customers, we create solutions that considerably facilitate their everyday life by meeting their high and varied requirements. Our customers' trust in us, our products and our services is an incentive for us to do our best every day. In a partnership co-operation, we find the right solutions for the challenges of our customers and help them to be ahead of the competition. We offer them everything they need for this purpose: Wacker Neuson – all it takes!



Concrete technology | Compaction | Demolition



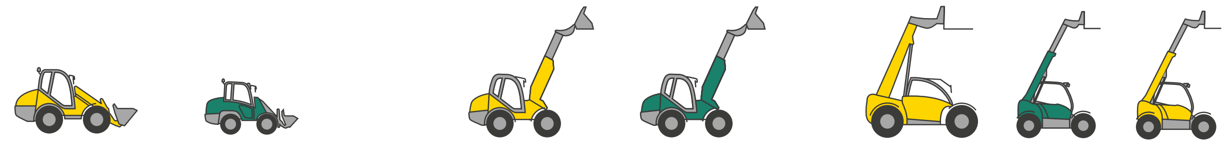
Worksite technology



Excavators | Wheel Loaders | Telehandlers | Skid and Compact Track Loaders | Dumpers

ON THE SAFE SIDE WITH KRAMER.

The traditional brand Kramer has been established on the market for many decades and stands for one value in particular: Safety. The high quality of the innovative machines is only one aspect: as a company, Kramer is also a safe choice for customers and dealers, as the experience and innovative power of the company provide for investment and future security. In short: Kramer – on the safe side.



Wheel Loaders | Tele Wheel Loaders | Telehandlers

WEIDEMANN. A TRADITION OF EFFICIENCY.

For decades, our mission has been to lighten the load of commercial agriculture by the mechanization of stable and yard operations. The close co-operation between the Weidemann developers and our end users has repeatedly led to innovative concepts and a sophisticated product program with high usability and mature technology. Our customers benefit from high productivity and investment security, and have a strong partner in Weidemann, who is always at their side. Our machines and services perform at a high level and bring daily pleasure through their work operation. Made precisely for this. Weidemann – designed for work.

Hoftrac® | Wheel Loaders | Tele Wheel Loaders | Telehandlers

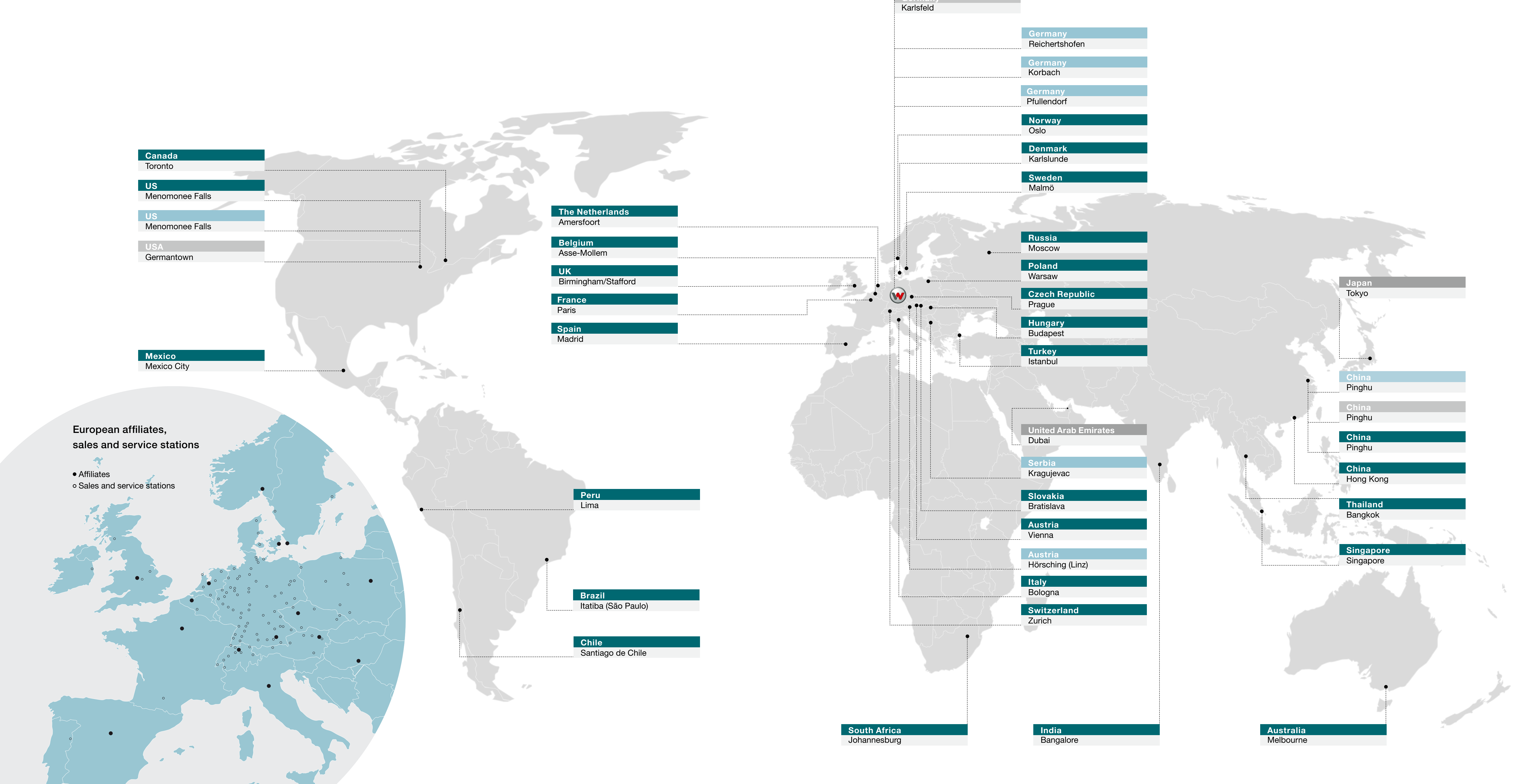
SERVICES[1]:

Repair & Maintenance | Rental | Used Equipment | Financial Solutions | E-Store | EquipCare | The Concrete Experts | Academy | Genuine Parts

[1] Services are country-specific and may vary depending on market and brand.

The Wacker Neuson Group: Around the World

The Wacker Neuson Group is an international group of companies with over 50 affiliates and 140 sales and service stations. The group is headquartered in Munich, Germany. With manufacturing sites in Germany, Austria, the US, China and Serbia, we produce close to our customers and are always within reach.

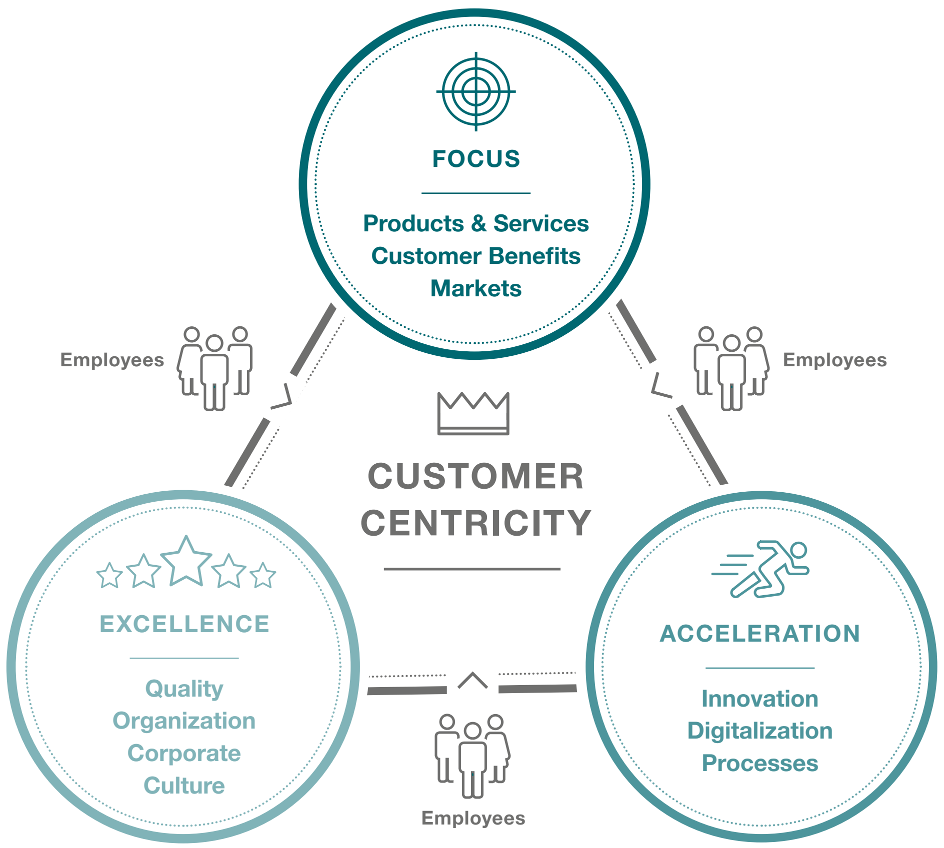


Strategy 2022

The “Strategy 2022” roadmap consolidates our position as one of the world’s leading manufacturers of light and compact equipment. We will further strengthen our sense of customer centricity – every thought and action will begin with the customer. We are guided here by the three pillars of our strategy: “Focus”, “Acceleration” and “Excellence”.

We want to inspire our customers today and in the future by going above and beyond their expectations and we will jointly develop new products and services that maximize customer value.

For us, the key to success is dialogue based on partnership. Because we know: We will only be successful in the future if our customers are the focus of our thoughts and actions.



Our three strategic pillars

Over the coming years, the Wacker Neuson Group will focus on developing its core markets of Europe and North America and will make targeted efforts to increase its market share in these regions with its core products. China will also be an important market by 2022. To support this expansion, the Group will optimize its portfolio of competitive construction equipment by increasing its focus on core products for mature markets and systematically enlarging its offering of locally manufactured products for China and the Asian market.

We have a long tradition of innovation and will continue to invest in targeted research and development activities to expand our portfolio and reinforce our position as a technology leader in our core markets. Innovation hotspots like energy efficiency, alternative drive technologies, driver assistance systems and smart digital networking of products and services will play a key role in creating even greater customer value. The Wacker Neuson Group is also busily developing new business models and continuously optimizing processes likes sales support and production planning.

Striving for even greater operational excellence, we aim to build on and further improve the high quality of our products, processes and workflows across all lines of business. Key success factors include streamlining our internal structures to speed up and improve our workflows, ensuring ongoing employee development, and fostering commitment, agility and teamwork.

How we measure success

With core products
Top 3

Market growth
2 times

Net working capital to revenue
≤ 30%

Revenue
> € 2 bn

EBIT margin
> 11%

Customer success is a powerful driving force

The Wacker Neuson Group offers its products and services to customers in the construction, municipal and agriculture sectors under its Wacker Neuson, Kramer and Weidemann brands. These are the industries where our customers earn their money, putting our products to work for the success of their business. It's tough, hands-on work. But it's also honest. Your word counts. You shake on it – you do it!

For us, "customers" doesn't just mean end users of our products. It also includes our dealers and rental chains. All working together, we can move mountains. Thanks to our broad portfolio of compact and light equipment, we support our customers at every step of the value chain. At the same time, our customers are also a valuable source of inspiration for us and we channel their insights into our own processes – from the development of new products, to optimizing our service offering. Because we are driven by the success of our customers.

PLACING THE CUSTOMER AT THE HEART OF PRODUCT DEVELOPMENT

A product is born

When we develop a new product at Wacker Neuson, we work closely with the people who know best: our customers. Our engineers invite selected users to our production sites in Europe, the US and, in future, China to share their knowledge and experiences. This enables us to factor in the needs of our target groups early on, ensuring they play a key role in the development process. We call this concept “Voice of Customer”. It allows us to remain in regular contact with the ultimate users of our products at every step of the development process from the initial idea to market maturity. This way, we can develop machines that align closely with the needs of our customers.

We unveiled our dual view dumper at the end of 2018. This machine features a rotating operator console that significantly enhances safety levels by enabling operators to always face the direction of travel. The concept behind the new dumper was developed during numerous customer workshops and is a prime example of how we are channeling the central pillar of our Strategy 2022 – customer centricity – into everything we do at the company.

Our engineers closely aligned development of our new dual view dumper with our customers’ needs.

As a long-standing Wacker Neuson customer, I have participated in several Voice of Customer events in Stafford. It has been a real collaborative effort involving the manufacturer, hire companies, contractors and operators. It's great to see how many of our suggestions and recommendations have been implemented in the market-ready dual view dumper.

**JONATHAN HALL, PLANT MANAGER,
MORGAN SINDALL INFRASTRUCTURE LTD.,
UNITED KINGDOM**

Our engineers closely aligned development of our new dual view dumper with our customers' needs.

Turning customer "wants" into real-life products: Our experts in the assembly hall at our plant in Linz carry out a final quality check on every new machine before it is delivered.

STRONG DEALERS FOR STRONG BRANDS

Reliable partners

We take great care when choosing the dealers and sales partners who will act as a local touchpoint for our customers and provide them with competent advice and support services. After all, our customers trust in the quality and reliability of our Wacker Neuson, Kramer and Weidemann brands. And we expect our official dealers to live up to the same high standards.

Our red Weidemann machines, for instance, are distributed exclusively through our long-standing, trusted network of Weidemann dealers. We have been working with the majority of these partners for a number of decades and agricultural customers across Europe really value their expertise and support.

And to support sales of our Kramer machines, we also welcomed numerous dealers from our collaboration partner John Deere to our European partner network at the end of 2017. In just the first year of this alliance, we were able to win over more than half of these dealers with the quality of our Kramer products and thus significantly expand our partner ecosystem.

Successful collaboration: Dealers from the John Deere network have also been distributing Kramer machines in Europe since the end of 2017.

Working together to serve customers, in this case the Herrenhausen Palace Gardens in Hanover (from left to right): Weidemann dealer Heino Lampe, operator Alexander Willers, and Weidemann regional manager Dietmar Große Westerloh.

> The Kramer wheel loaders and telescopic handlers are a big hit with our customers and have really enhanced our portfolio. We are delighted that the collaboration has got off to such a successful start for us. For our business, John Deere and Kramer are a natural fit!

ALEXANDER BRUNS,
REBO LANDMASCHINEN GMBH,
KRAMER UND JOHN DEERE DEALER

Successful collaboration: Dealers from the John Deere network have also been distributing Kramer machines in Europe since the end of 2017.

Working together to serve customers, in this case the Herrenhausen Palace Gardens in Hanover (from left to right): Weidemann dealer Heino Lampe, operator Alexander Willers, and Weidemann regional manager Dietmar Große Westerloh.

BUILDING ON TRUST AND
FINANCIAL SUPPORT

Catalyst for dealer growth

Our financial engagement in North America shows just how important existing and potential business relationships with dealers are. After all, the Wacker Neuson Group isn't just home to engineers, sales experts and production specialists for construction equipment. We also employ financing experts who are dedicated to developing a diverse range of attractive financing concepts designed to support companies looking to expand. These measures provide major dealers such as Franklin Equipment in the US, with valuable financial momentum that allow them to accelerate their growth and boost revenue.

We foster collaborative business relationships with successful dealers such as Franklin Equipment in the US.

North America is an important growth market for us. We offer our dealers flexible financing solutions that enable us to grow rapidly together. As such, we don't just build collaborative relationships with our end customers, we also support our sales partners looking to expand their business success.

WILFRIED TREPELS,
CFO OF WACKER NEUSON GROUP

Our dealer network in North America is expanding in particular through our business with skid steer loaders and other compact equipment.

We foster collaborative business relationships with successful dealers such as Franklin Equipment in the US.

SPEAKING THE SAME LANGUAGE

Connecting with our customers

We know what's important to the people who use our products because we talk to them every day. Our strong dealer network and our direct sales teams in Europe provide an expert ear, answering our customers' questions and helping them resolve any challenges that may arise – directly on construction sites or through our wide-reaching branch network. Our product specialists also offer extensive training courses to ensure that our customers' employees know how to operate our products and put their various features to optimum use. No matter how challenging the task, we are always on hand to help our customers. Drawing on our extensive portfolio of products, we work with them to find the right solution. Whether it's moving material rapidly, putting the perfect finish on concrete work or brightly illuminating a construction site, our mission is to ensure a successful experience for our operators.

“For me, customer focus means supporting our customers on their sites – every time and every place. I’m proud that we can have an expert at our customers’ side in no time at all who will then work with them to find a solution. A collaborative working relationship is a win-win.”

ALEXANDER GRESCHNER,
CSO OF WACKER NEUSON GROUP

Being there, listening ...

... sharing our expertise, working together to find the best solutions ...

... and going the extra mile – that’s what we mean when we talk about “collaborative customer relationships”.

READY FOR THE FUTURE

Finger on the pulse

Engaging closely with our customers will remain key to our success in the future. We know what issues are important to them and what innovations and developments deliver real added value – in other words, we have our finger on the pulse of our markets. Digital transformation is set to revolutionize our customers' industries and create new challenges for our own sector. Innovation hotspots such as energy efficiency, alternative drive technologies, driver assistence systems, and the smart digital networking of products and services play a key role in our efforts to add value to our customers.

Every day, the specialists at our research and development centers focus on identifying technology trends with the potential to add real value for our customers. In product development, for example, we use virtual reality technologies to enable our customers to test products virtually at an early stage of development. Electric mobility is another example of how we are already living tomorrow's technologies today at Wacker Neuson. All three Group brands now offer fully emission-free products as part of their portfolios.

Virtual reality enriches product development: Customers can see and operate virtual prototypes and give valuable feedback directly to engineers.

Networked products and value chains, driver assistance systems, artificial intelligence and digital services are all set to shape our future business. Today, we are already adding real value to our customers through digital services and electromobility – and this will gain momentum as we move forward.

MARTIN LEHNER,
CEO OF WACKER NEUSON GROUP

Autonomous construction equipment: Wacker Neuson is working with renowned universities to turn tomorrow's visionary construction site concepts into today's reality.

Assisted reality using smart glasses: On-site service engineers working on a machine are guided by remote experts, allowing them to carry out even complex repairs.

Virtual reality enriches product development: Customers can see and operate virtual prototypes and give valuable feedback directly to engineers.

PERSONAL HIGHLIGHTS
OF A SUCCESSFUL YEAR

Sharing success

Wacker Neuson looks back on another fiscal year with record revenue figures. This success is powered by the many people who give their all every day, and share their passion for our products – in other words our employees, our customers and our certified Wacker Neuson dealers. In 2018, we had plenty of opportunities at different events to strengthen business ties, build relationships and celebrate the expansion of our Group in style around the opening of our new production plant. In November, for example, over 500 guests attended the official opening of our new site in Pinghu, China, where we develop and manufacture mini excavators, compact excavators and light equipment. June saw the Wacker Neuson Universe hosted at our largest production plant for compact equipment located at Hörsching, near Linz, while October marked our North American dealer event in Wisconsin. These events provided the perfect platform for us share our successes and honor excellent service to the company. Regardless of whether it's a plant opening, the Universe or a dealer event, our many guests are always united by their passion for our products and services, as well as a sense of pride in our achievements.

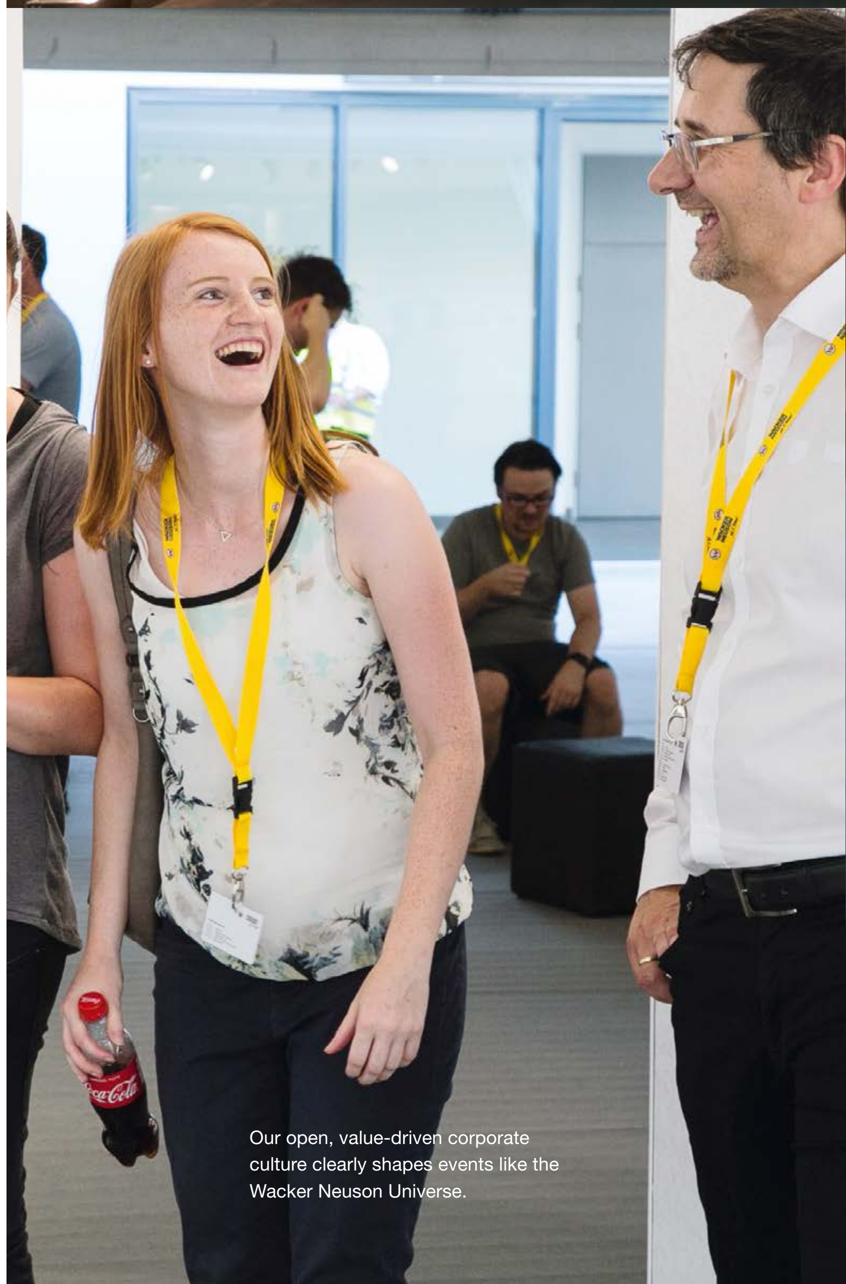
ame together to press a ceremonial button
y.

Logan (left) and
Sinn, representa-
from Logan, based
Moines, Iowa,
ed two awards for
successful sales
ies at the Wacker
n dealer event in
nsin in October.

Niederstätter has been collaborating with Wacker Neuson for a number of decades now. Over this time, we have grown into one of the largest market players in northern Italy. We received an award honoring this long, extremely successful partnership and our excellent customer service. We look forward to many more successful years with our partner Wacker Neuson.

ANTON NIEDERSTÄTTER,
CEO OF NIEDERSTÄTTER AG

Representatives from our management and from the Chinese government came together to press a ceremonial button and officially open our new production plant in Pinghu with a firework display.



Our open, value-driven corporate culture clearly shapes events like the Wacker Neuson Universe.

Bruce Logan (left) and Nick Sinn, representatives from Logan, based in Des Moines, Iowa, received two awards for their successful sales activities at the Wacker Neuson dealer event in Wisconsin in October.

Our Share in 2018

After six successive years of gains, investors in the German stock market had to accept double-digit losses in 2018. In spite of the largely positive news reported by the company, the Wacker Neuson share suffered a loss of around 45 percent by the end of the year. This performance was below the level of the SDAX and the company's international peer group.

Share and index information

Shares in Wacker Neuson SE have been traded in the regulated Prime Standard segment of the Frankfurt Stock Exchange since 2007 and they are listed in the SDAX index. In addition, Wacker Neuson has been included in the "DAXplus Family" index since 2010. This index comprises around 120 German and international companies from the Frankfurt Stock Exchange's Prime Standard segment. For a company to be included in the DAXplus Family Index, the founding family must hold at least 25 percent of the voting rights, or sit on the Executive or Supervisory Board and additionally hold at least 5 percent of the voting rights. The weighting in this index is based on market capitalization of the free float.

Stock market trends in 2018

2018 was a year marked by widespread uncertainty on global stock markets. In particular, political conflict and upheaval impacted the stock and currency exchanges around the world. For investors, the major causes for concern were the trade dispute between the USA and China, the long-drawn-out Brexit negotiations, Italy's budget discussions with the EU, and landmark election results in countries like Brazil and Turkey. A series of key basic rate hikes in the USA and initial signs of a cautious tightening of monetary policy in the eurozone by the European Central Bank piled additional pressure on the world's stock markets.

Following a promising start to the year, which saw the benchmark DAX index climb to a new record high, the German stock market started to edge downwards initially before largely rallying in the second quarter. In the second half of the year, however, the market gradually succumbed to negative sentiment among market players and share prices continued to drop, with the downward trajectory picking up pace towards the end of the year. Germany's blue chips were as much affected by this trend as small- and mid-caps. The pressure to sell was particularly high on tech stock and on shares in cyclical sectors like mechanical engineering. After six successive years of often considerable gains, the DAX ended the 2018 trading year with a loss of over 18 percent. The SDAX fared equally badly, recording a drop in value of around 20 percent for the year.

Like the German indexes, international stock markets had to contend with a series of hits in 2018. The major US indexes suffered comparatively modest losses – the Dow Jones, for example, finished the year down just under 6 percent. By contrast, the UK's FTSE 100 index weakened by over 12 percent. The shares of emerging economies, represented in the MSCI Emerging Markets Index, recorded a fall in value of around 17 percent over the course of the year. The reverse suffered by China's leading index, the CSI 300, was even bigger – a quarter of its value was knocked off in 2018.

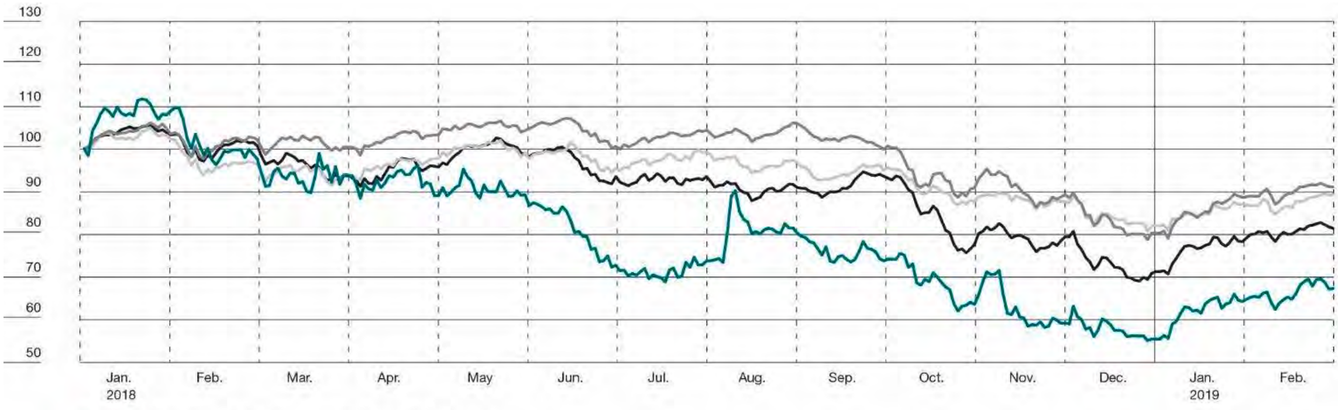
The Wacker Neuson share

Following a gain of over 90 percent in the previous year, the Wacker Neuson share continued its positive trajectory in the first few weeks of 2018, hitting its high for the year of EUR 33.60 on January 19. At the start of February, however, this trend was reversed with the share price declining steadily until signs of a clear revival into the month of August. Positive news from the company was increasingly overshadowed by concerns about escalating trade disputes and their impact on the global economy. Investors also began to turn away from shares viewed as being sensitive to the business cycle in favor of more defensive choices. The announcement of the half-year results and confirmation of the forecast for fiscal 2018 gave a significant boost to the Wacker Neuson share. The gains were short-lived, however, and were reversed over the following months in an increasingly weak overall market. As well as the external factors mentioned above, continued bottlenecks in Wacker Neuson's global supply chain fed investor reluctance to buy. The share reached its low for the year of EUR 16.41 on December 27. It closed at EUR 16.52 on the final trading day of 2018, finishing the year with a loss of around 45 percent. The Wacker Neuson share therefore fared much worse than the DAX and SDAX indexes.

The share recovered significantly in the first two months of 2019. On February 28, 2019, the share price stood at EUR 20.12, which corresponds to a gain of around 22 percent since the start of the year and a market capitalization of EUR 1,411.2 million. The DAX rose 9 percent over the same period and the SDAX increased by 14 percent.

SHARE PRICE TRENDS JAN. 1, 2018 – FEB 28, 2019

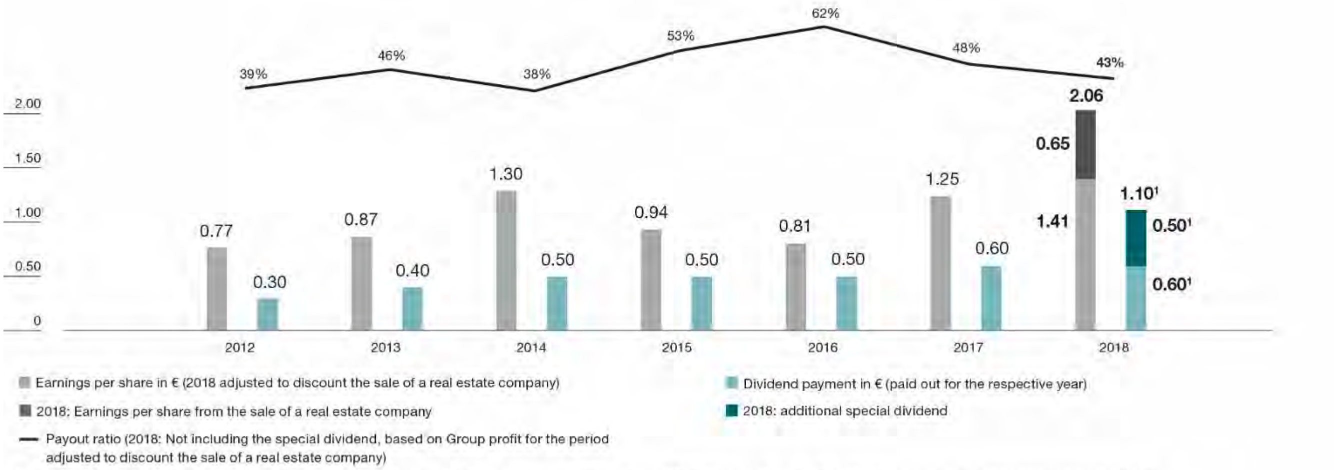
AS A %



Peer group: Ashtead, Atlas Copco, Bauer, Caterpillar, Cramo, Deutz, DoosanBobcat, Haulotte, Husqvarna, John Deere, Komatsu, Manitou, Palfinger, Ramirent, Terex, United Rentals, Volvo.

EARNINGS PER SHARE, DIVIDEND AND PAYOUT RATIO 2012 – 2018

AS A €



[1] At the AGM on May 29, 2019, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2018 as well as an additional special dividend in the amount of EUR 0.50 per share in connection with the positive one-off effect from the sale of a Group real-estate company.

KEY INDICATORS FOR THE WACKER NEUSON SHARE

IN €

	2018	2017
High	33.60	30.08
Low	16.41	15.17
Average	24.19	22.53
Year-end	16.52	30.08
Average daily trading volume in shares[1]	63,583	67,539
Earnings per share[2]	2.06	1.25
Book value per share[2]	17.41	15.88
Dividend payment proposed (special dividend)[2,3]	0.60 (0.50)	0.60
Payout ratio as %[4]	42.6	48.1
Market capitalization at year-end in € million	1,158.7	2,109.5

[1] Day trading: on XETRA.
[2] 70,140,000 shares.
[3] At the AGM on May 29, 2019, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2018 as well as an additional special dividend in the amount of EUR 0.50 per share in connection with the positive one-off effect from the sale of a Group real estate company.
[4] Without special dividend, in relation to the adjusted net profit (adjusted for the positive one-off effect from the sale of a Group real estate company).

SHARE FACTS AT A GLANCE

ISIN/WKN	DE000WACK012/WACK01
Trading symbol	WAC
Sector	Industrial
Reuters/Bloomberg	WACGn.DE/WAC:GR
Stock category	Individual no-par value nominal shares
Share capital	EUR 70,140,000
Number of authorized shares	70,140,000
Stock exchange segment	Regulated market (Prime Standard), Frankfurt Stock Exchange
Indexes	SDAX, DAXplus Family, CDAX, Classic All Shares
IPO	May 15, 2007
Designated sponsors	Bankhaus Lampe, HSBC Trinkaus & Burkhardt, KeplerCheuvreux

Performance of construction and construction supplier shares

The chart above shows how the Wacker Neuson share performed in relation to its peer group since the start of 2018. The peer index includes French companies Manitou, which manufactures construction and agricultural equipment, and lifting equipment specialist Haulotte; Austrian crane and hydraulic lifting systems manufacturer Palfinger; the American construction equipment manufacturers Caterpillar, John Deere and Terex; the American rental company United Rentals; the European rental companies Ashtead, Ramirent and Cramo; the Swedish industrial companies Atlas Copco, Husqvarna and Volvo; the Korean construction equipment manufacturer DoosanBobcat; the Japanese construction equipment manufacturer Komatsu; and German companies Bauer, specialist in underground construction, and Deutz for engines targeted at construction equipment and other industries. While the performance of the Wacker Neuson share largely mirrored that of its peer group up to the middle of April, it lost more ground as the year progressed and underperformed against its peer shares with a deficit of around 19 percentage points.

The share recovered markedly in the first two months of 2019, significantly closing the gap that had developed between the Group and its peer group in 2018. At February 28, 2019, the share was listed at EUR 20.12, which corresponds to a gain of around 22 percent since the start of the year. The peer group increased by 14 percent over the same period.

General meeting and dividends

The Annual General Meeting of Wacker Neuson SE took place in Munich on May 30, 2018. 215 shareholders with 59,694,896 voting rights were represented. Based on a share capital of 70,140,000 shares, this corresponds to 85.11 percent of shareholders.

The AGM approved the proposal to pay out a dividend of EUR 0.60 per share for 2017 (previous year: EUR 0.50). This represented a total payout of EUR 42.08 million. The distribution ratio thus panned out at around 48.1 percent based on Group profit for 2017 of EUR 87.5 million. This was in line with the long-term dividend policy pursued by the Supervisory Board and the Executive Board.

Executive and Supervisory Board members' actions were approved for fiscal 2017. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in Stuttgart was again appointed as the official auditor to review the Annual Financial Statements.

The shareholders also approved a profit transfer agreement concluded between Wacker Neuson SE and its affiliate Wacker Neuson Aftermarket & Services GmbH (formerly: Wacker Neuson Vertrieb Europa GmbH & Co. KG). This deal fitted in with the Group's focus on further expanding the strategically important spare parts segment in 2018.

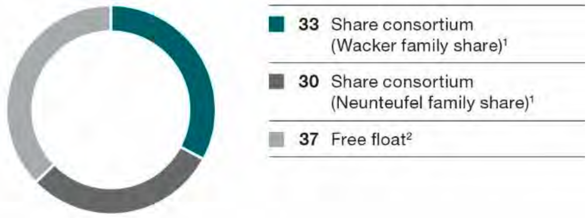
At the AGM on May 29, 2019, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2018 as well as an additional special dividend in the amount of EUR 0.50 per share. This will allow shareholders to share in the success of the Group's operational business and in the one-off income from the sale of a real-estate company held by the Group.

Ownership structure

As of the closing date, December 31, 2018, 63.1 percent of the share capital was held by a consortium made up of the Wacker and Neunteufel families (see information regarding the consortium and pool agreement). → Page 85

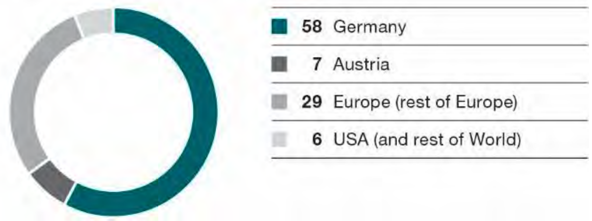
The remaining shares are held by private and institutional investors. To the best of the Group's knowledge, the majority of its free float is held by German investors.

SHAREHOLDER STRUCTURE
AS A %



As of December 31, 2018.
Differences attributable to rounding. Share capital/number of shares: 70.14 million.
[1] See information on consortium and pool agreement (→ page 85ff.).
[2] Including shares held by the Wacker and Neunteufel families independently of the consortium.

REGIONAL DISTRIBUTION OF FREE FLOAT
AS A %



As of December 31, 2018.
Differences attributable to rounding. Share capital/number of shares: 70.14 million.

ANALYST RECOMMENDATIONS

NAME OF BANK	Target price	Buy	Hold	Date
Hauck & Aufhäuser	€36.50	■		Jan. 09, 2019
Berenberg	€27.00	■		Feb. 20, 2019
Warburg	€26.10	■		Nov. 13, 2018
Commerzbank	€25.60	■		Jan. 22, 2019
Metzler	€25.00	■		Jan. 28, 2019
MainFirst	€24.00	■		Nov. 19, 2018
Bankhaus Lampe	€23.00	■		Jan. 17, 2019
Pareto	€21.30		■	Jan. 31, 2019
Kepler Cheuvreux	€19.00		■	Nov. 13, 2018
Mean target price	€25.28			

As of February 28, 2019

Strong relationships – proactive communication

Maintaining good relationships and regular contact with private shareholders, institutional investors, analysts and other stakeholders is essential to give market players the information they need to realistically assess and evaluate the Wacker Neuson share and its development. To ensure this, the Executive Board and the Investor Relations team again actively briefed capital market players at the AGM and, above all, at various investor conferences and roadshows in Germany and abroad during 2018. Communications focused on giving analysts and investors detailed insights into the Wacker Neuson Group's markets, business, strategic aims and developments in these areas. Frequent attendance at a number of international events has also contributed to an increasingly international shareholder structure.

In March 2018, the Group invited analysts and investors to its Capital Market Day in Frankfurt am Main. The Executive Board used this occasion to present the figures for fiscal 2017 released on the same day and the recently finalized growth plan "Strategy 2022". Afterwards, the attendees had an opportunity to engage with all three Board members as well as the Investor Relations team.

A wealth of information is also available on the website → www.wackerneusongroup.com/investor-relations. This includes annual and quarterly reports, press releases and ad-hoc announcements, plus recent presentations. The progress of Wacker Neuson's share and the shares of its peer group can also be tracked on the website.

For fiscal 2018, the Wacker Neuson Group issued a non-financial Group statement in line with Section 315b HGB. This was published at the same time as the Annual Report, as a separate non-financial Group statement, covering environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters.

Analyst recommendations

Nine analysts are currently evaluating the Wacker Neuson share. Commerzbank, MainFirst and Berenberg began covering the share in 2018 and Deutsche Bank discontinued its coverage during the year. As of the February 28, 2019 cut-off date, seven analysts were recommending to "buy" our share and two analysts were recommending "hold". The mean target price was EUR 25.28 and the recommendations ranged from EUR 19.00 to EUR 36.50.

According to the analysts, the Wacker Neuson Group faced the following opportunities and risks:

Opportunities

- One of the leading manufacturers of light and compact equipment
- Strong brand awareness, broad product portfolio and proximity to customers
- Global trend toward more compact, fuel-efficient equipment
- Population growth and urbanization in developing markets combined with infrastructure investment in developed economies
- Strategic alliances with market leaders like John Deere in agricultural equipment
- Market share gains in North America enabled by the relocation of skid steer loader production to the USA
- New market in China for locally produced light and compact equipment
- Clear strategy to increase growth and profitability (stronger customer focus, leaner organization, optimized processes)
- Streamlining of balance sheet through improved net working capital management

Risks

- Dependence on global economic cycles
- Dependence on changes in material and raw material prices
- Slowdown in demand from construction industry and agricultural sector
- Challenges imposed by emissions legislation and increasingly stringent regulatory requirements
- Difficulties in ramping up production in China

Report by the Supervisory Board

Dear Shareholders,

2018 was a successful year for the Wacker Neuson Group despite the uncertainty in a number of areas. Bolstered by positive trends in the core markets of Europe and North America as well as by the systematic implementation of Strategy 2022, Group revenue rose to a new record high of EUR 1.71 billion. Profitability also improved. The EBIT margin increased to 9.4 percent. The success of the Wacker Neuson Group is driven by the efforts of all employees, who shape the development of our Group through their daily actions. I would therefore like to thank all of our people on behalf of the entire Supervisory Board. Despite the current sobering economic outlook, we have every reason to believe that 2019 will be another successful year for the Wacker Neuson Group thanks to the excellent position of our company and its innovative products.

Hans Neunteufel
Chairman of the Supervisory Board

Cooperation between the Supervisory Board and Executive Board

In the period under review, the Supervisory Board performed the tasks assigned to it by law and by the Articles of Incorporation and verified that the Executive Board applied sound, compliant and effective governance practices. Furthermore, the Supervisory Board regularly advised the Executive Board on the management of the company and supervised management activities. The Supervisory Board maintained continuous dialog with the Executive Board regarding business development and corporate strategy and was directly involved in all major decisions regarding the company.

In the run-up to and during its meetings, the Supervisory Board was brought up to date on business developments; changes in assets, earnings and financials; fundamental issues regarding company planning, company strategy, internal control and risk management, and compliance; and other key measures by means of written and verbal reports from the Executive Board. The reports to the Supervisory Board were discussed in depth during Supervisory Board meetings, both among Supervisory Board members and with the Executive Board.

Members of the Executive Board regularly took part in Supervisory Board meetings. When necessary, the Supervisory Board and its committees also convened without the Executive Board, particularly regarding Supervisory Board matters and HR issues relating to the Executive Board. In the year under review, there was no Supervisory Board member who only attended half or fewer than half of the meetings of the Supervisory Board or committees to which they belong. Members of the Supervisory Board undertook the training and further development measures required to discharge their duties on their own initiative and are supported by the company in their efforts here.

Furthermore, the Executive Board provided the Supervisory Board with regular, comprehensive and timely information between meetings about current business trends as well as special or urgent projects. This information was made available in writing and also in person. Where necessary, the Executive Board requested approval from the Supervisory Board for suggested courses of action. Together with the Executive Board, the Supervisory Board discussed and examined in detail proposals that required Supervisory Board ratification. The Supervisory Board voted on resolutions of this kind during scheduled meetings and in writing.

In addition, the Executive Board presented the Supervisory Board with monthly reports on key financial indicators. The Chairman of the Supervisory Board maintained regular contact with the Executive Board, ensuring a continuous flow of information on the current business and financial situation of the Group and its members and on major business events. In many instances, this information was actively presented to the Chairman of the Supervisory Board by the Executive Board, or the CEO in particular.

Main topics of Supervisory Board meetings in fiscal 2018

Seven plenary meetings of the Supervisory Board were held in fiscal 2018. One of these sessions was conducted by telephone. The Presiding Committee met twice and the Audit Committee met on four occasions. In one case, the Supervisory Board voted by means of a written resolution.

The Supervisory Board engaged regularly with the day-to-day business of the Wacker Neuson Group and with planning activities at executive level. Discussions focused in particular on the global economic situation and its impact on the business performance and organizational structures of the company and of the Group. Particular emphasis was placed on the analysis and discussion of Wacker Neuson's financial situation as well as the development of revenue, costs and earnings. During the relevant meetings, any questions from the Supervisory Board that arose in connection with the regular written and verbal reports were answered in full by the Executive Board. In addition to these regular reports, the Supervisory Board concentrated its advice and supervisory activities on the following areas in particular during its meetings:

At the Supervisory Board meeting to approve the financial statements on March 15, 2018, following appropriate preparations by the Audit Committee, the Supervisory Board focused on examining the Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report of Wacker Neuson SE and of the Wacker Neuson Group, the non-financial Group report, as well as related party disclosures for fiscal 2017. In its session immediately before the Supervisory Board meeting, the Audit Committee discussed these documents in detail with the Executive Board, raising numerous questions with the auditing company representative present at the meeting, and discussing these issues at length. This took place in addition to the Supervisory Board's regular examinations as part of its own preparation for the meeting to approve the financial statements. On the basis of this, the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report were approved (by means of a subsequent circular resolution held on March 19, 2018). The appropriation of net profit suggested by the Executive Board was also approved in this meeting together with the AGM agenda, the Supervisory Board report and the non-financial Group report. The Supervisory Board also approved the sale of a real estate company owned by the Group. In addition, this meeting covered the declaration on corporate governance and an assessment of the findings from the Supervisory Board efficiency audit.

On May 4, 2018, the Supervisory Board discussed at length the forthcoming quarterly report. It also approved a construction project proposed for an affiliate. In addition, the Supervisory Board was informed of the sales strategy in North America.

The meeting held on August 3, 2018 focused on the forthcoming publication of the half-year report for 2018 as well as the resolution for availing of certain balance sheet exemptions for various affiliates and the company's obligation to carry the associated loss. The Supervisory Board also discussed the dealer development program in the US and was informed about the Group's participation in an Industry 4.0 fund and ongoing OEM collaboration talks.

In the (telephone) meeting on September 6, 2018, the Supervisory Board approved an OEM partnership for excavators with John Deere Construction & Forestry.

On October 10, 2018, the Supervisory Board met for its annual strategy meeting, where it discussed company strategy with the Executive Board. Key areas of discussion in the meeting included the product portfolio and potential growth opportunities, questions related to sales financing, M&A activities and innovation. The Supervisory Board then focused on HR matters.

The meeting held on November 6, 2018 focused on the overall business situation and, in particular, the forthcoming publication of the quarterly report. The Supervisory Board was also informed of alternative logistics concepts and financing concepts in the US. The resolutions passed included the founding of a new sales affiliate in China and changes to the rules of procedure for the Executive Board and Supervisory Board.

During its meeting on December 13, 2018, the Supervisory Board focused on examining the Executive Board's business plan proposed for fiscal 2019, as well as on medium-term and financial planning. Supervisory Board members not only assessed the plans, but also discussed the associated opportunities and risks in detail with the Executive Board, particularly against the backdrop of the unpredictable global economic climate. Submission of the updated declaration of compliance with the German Corporate Governance Code was also on the agenda. In addition to this, the Supervisory Board again focused on financing concepts in the US and discussed an opportunity to acquire a stake in a dealership in the US. Real estate projects at two production plants were also discussed. Furthermore, Executive Board matters were on the agenda.

The Supervisory Board examined each of the Executive Board's monthly reports on an ongoing basis. During numerous meetings, it also focused in detail on various acquisition and collaboration projects aimed, for instance, at expanding the product portfolio and on further development of the Group's general sales strategy.

Work performed by the Supervisory Board committees in fiscal 2018

The two Supervisory Board committees (the Presiding and Audit Committees) also continued their work during the period under review, effectively supporting the entire Supervisory Board in its duties by preparing Board resolutions and other matters for consideration at its plenary meetings. The members and chairpersons of both committees are listed in the corporate governance report. The chairpersons of the committees reported on the work performed by the committees during the Supervisory Board's plenary meetings.

At a meeting on March 15, 2018, the Supervisory Board Audit Committee prepared the Supervisory Board's resolution on the adoption of the Annual Financial Statements and the Consolidated Financial Statements for the year ending December 31, 2017. The committee also discussed related party disclosures and the non-financial Group report. In addition, the committee discussed the independence and appointment of an auditor, and submitted a recommendation in that regard to the Supervisory Board during its plenary meeting. The Supervisory Board, in turn, followed this recommendation and proposed the same auditor at the AGM. Furthermore, a resolution was passed concerning changes to the guidelines governing the provision of certain non-auditing services by the auditor. The internal audit reports and the risk report were also on the agenda.

At its meetings held on May 4, August 3 and November 6, the Audit Committee primarily dealt with publication of the pending quarterly reports. It additionally focused on the work performed by the internal audit department and issues relating to compliance. Furthermore, the committee looked at various matters relating to finance, controlling and risk management. The meeting on August 3 also focused on the appointment of an external auditor for the separate non-financial Group report.

In two meetings held on October 10 and December 3, 2018, the Presiding Committee focused on various Executive Board matters and prepared corresponding resolutions for the Supervisory Board.

Changes in the composition of executive bodies

There were no changes in the composition of the executive bodies of the company in 2018.

Risk assessment and compliance

The Supervisory Board is satisfied that the company's internal control system and risk management system meet the requirements of Section 91 (2) AktG, that insurable risks are sufficiently insured and that operational, financial and contractual risks are subject to suitable controls through approval procedures and organizational processes. A detailed risk reporting system is in place throughout the Group and is regularly maintained and further developed. The internal control and risk management system was also examined by the duly appointed auditing company, which confirmed that the Executive Board had met the requirements outlined under Section 91 (2) AktG and established a suitable early warning system capable of monitoring and identifying developments that could pose a threat to the company's continued existence as a going concern. The Executive Board informed the Supervisory Board of the current risk situation during Supervisory Board meetings and in individual conversations. All areas deemed to be risks from the perspective of the Supervisory Board and the Executive Board were duly discussed during these sessions. In addition, the Audit Committee addressed compliance issues.

Corporate governance

Both the Supervisory Board and the Executive Board are aware that sound corporate governance is essential to protect shareholder interests and secure the company's long-term success. The Supervisory Board continuously monitored the further development of the German Corporate Governance Code and kept up to date with the capital market and corporate legislative framework. The Executive Board and the Supervisory Board issued an updated declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG on December 13, 2018 for the period under review. The entire declaration is permanently available on the company's website and is also included in the declaration on corporate governance pursuant to Section 289f HGB in combination with Section 315d HGB, which can be found online and in the Annual Report.

There were no conflicts of interest on the part of Executive Board or Supervisory Board members requiring disclosure to the Supervisory Board in accordance with Sections 4.3.4 and 5.5.2 of the German Corporate Governance Code.

Annual and Consolidated Financial Statements for 2018

At the AGM on May 30, 2018, the company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("Ernst & Young") of Stuttgart, Germany, was appointed official auditor for the company and Group for fiscal 2018. Before the Supervisory Board made its proposal to the AGM, based in turn on the recommendation by the Audit Committee, the auditing company submitted written confirmation to the Chairman of the Audit Committee that there are no circumstances that could compromise its independence as an auditor or give rise to doubts about its independence. Ernst & Young also specified the scope of services other than the audit of annual financial statements performed on behalf of the company over the previous fiscal year. The Chairman of the Audit Committee engaged the company in writing with the task of auditing the financial accounting procedures.

The Annual Financial Statements for the company for the year ending December 31, 2018 prepared by the Executive Board in accordance with HGB, and the Consolidated Financial Statements for the company for the year ending December 31, 2018 prepared by the Executive Board in line with the International Financial Reporting Standards (IFRS) as adopted by the EU, and in supplementary compliance with the disclosures required under Section 315a HGB, were audited by Ernst & Young along with the books. The audit did not give rise to any reservations, so an unqualified audit opinion was issued for both the Annual Financial Statements and the Consolidated Financial Statements.

Each member of the Supervisory Board received the audit documents for appraisal in good time. Together with the Audit Committee, the entire Supervisory Board undertook a thorough examination of the Annual Financial Statements as well as the Consolidated Financial Statements, the Combined Management Report for the company and the Group and the related party disclosures in conjunction with the audit reports. The documents were discussed in detail at the Audit Committee and Supervisory Board plenary meetings on March 11 and 12, 2019 respectively, with the Executive Board and – during the Audit Committee meeting – with the auditor. The auditor attended the Audit Committee consultations, reported on the main findings of their audit and answered questions from Supervisory Board members. After its own close examination of the documents, the Supervisory Board raised no objections and endorses the results of the audit report. The Supervisory Board also approves the Consolidated (Group) Management Report and, in particular, the forecast regarding the company's further development.

The final examination by the Supervisory Board did not lead to any reservations. On March 12, 2019, the Supervisory Board therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the company and the Group as prepared by the Executive Board for the year ending December 31, 2018. The 2018 Annual Financial Statements have thus been duly approved. The Supervisory Board further examined the Executive Board's suggested appropriation of profit for fiscal 2018, in particular with regard to the dividend payment policy, impact on Group liquidity and shareholder interests. It did not raise any objections and, in line with the Audit Committee's recommendation, thus gives its unqualified consent to the proposal.

The Supervisory Board also examined the non-financial Group report for 2018 in line with Section 315b HGB. Ernst & Young had been previously tasked with auditing the non-financial Group report to obtain limited assurance in line with the International Standard on Assurance Engagements (ISAE) 3000, and correspondingly prepared and submitted its report to the Supervisory Board. The Supervisory Board received the result of the limited assurance engagement undertaken by Ernst & Young and, following its own in-depth examination, concluded that the Group's non-financial report fulfills the appropriate requirements and there are no objections to raise.

Examination of the Executive Board report on related party disclosures

The Executive Board prepared a report on related party disclosures for fiscal 2018. The Executive Board states in particular that – to the best of its knowledge and based on the information known to it at the time the transactions were entered into – appropriate compensation was received by Wacker Neuson SE in respect of all transactions outlined in the related party disclosures report. As the official auditor, Ernst & Young examined the related party disclosures report and issued the following auditor's opinion:

“Based on our professional examination and evaluation, we hereby confirm that:

1. the factual statements contained in the report are correct, and

2. the performance provided by the company in respect of the transactions listed in the report was not unreasonably high.”

The Audit Committee and the entire Supervisory Board received the Executive Board’s report on related party disclosures in a timely manner. The contents of the report and the assessment thereof by the auditors were read and understood by these bodies, and both documents and their results were examined and discussed with the Executive Board and the auditors. The Supervisory Board endorses the auditor’s assessment of the related party disclosures report. Based on the final results of the discussions and its own examination of the related party disclosures report, the Supervisory Board regards the Executive Board’s conclusions to be true and accurate and has no objection to the closing statement by the Executive Board.

The management and all employees of the Wacker Neuson Group showed great personal dedication in fiscal 2018, making a valuable contribution to the company’s positive development. The Supervisory Board would like to thank all employees and the Executive Board for their commitment and performance – both on a day-to-day basis and under exceptional circumstances.

Munich, March 12, 2019

On behalf of the Supervisory Board

Hans Neunteufel
Chairman of the Supervisory Board

Corporate Governance Declaration and Report

Corporate governance takes high priority at the Wacker Neuson Group. Our Executive and Supervisory Boards see it as their responsibility to comply with principles ensuring responsible, professional and transparent company management, as stipulated in the German Corporate Governance Code. Our activities are geared towards securing our company's long-term success and increasing its value. Embedded throughout the company, our mission statement is thus an integral part of all of our business practices.

Declaration on corporate governance

In the following statement, the Executive Board reports on the company's corporate governance policies and practices – also for the Supervisory Board. It therefore complies with Section 289f in conjunction with Section 315d of the German Commercial Code (HGB) and Section 3.10 of the German Corporate Governance Code.

1. Declaration of compliance pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of Wacker Neuson SE consider the German Corporate Governance Code as an important body of regulations. Both executive bodies feel compelled to comply with its principles of responsible, professional and transparent corporate governance. They have therefore thoroughly examined the recommendations of the German Corporate Governance Code and issued the following declaration of compliance as most recently amended on December 13, 2018.

Declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)

The German Corporate Governance Code contains recommendations and proposals for managing and monitoring German listed companies in relation to shareholders and the Annual General Meeting (AGM), the Executive Board and the Supervisory Board, transparency, accounting and auditing. The German Stock Corporation Act requires the Executive Board and the Supervisory Board of listed companies to disclose each year the recommendations of the German Corporate Governance Code which the company has not followed or is not following, and to explain the reasons for non-compliance ("comply or explain").

The Executive Board and the Supervisory Board identify with the duty as outlined in the German Corporate Governance Code to uphold the principles of a social market economy and maintain the substance of the company as a going concern and its ability to generate value in a sustainable fashion (company interest) and to further promote responsible and transparent management and governance of the company.

In accordance with Section 161 AktG, the Executive Board and the Supervisory Board of Wacker Neuson SE hereby declare that since the submission of the most recent declaration of compliance of December 14, 2017, the company has complied with the recommendations issued by the German Corporate Governance Code Commission published by the German Federal Ministry of Justice (BMJ) in the official section of the Federal Gazette as amended on February 7, 2017 and continues to comply with the recommendations of the Code as amended on February 7, 2017, with the exceptions listed and explained in more detail below:

1. Section 3.8 (3): The company's directors' and officers' (D&O) liability insurance policy for its Supervisory Board has been concluded without a deductible. The company is of the opinion that a deductible would not improve the sense of motivation and responsibility with which the Supervisory Board members perform their duties. D&O insurance safeguards the company against substantial internal risks and – only as a secondary function – protects the assets of members of its executive bodies. Hence it is the company's intention to refrain from implementing a deductible on Supervisory Board members until further notice.

2. Section 4.2.2 (2): According to Section 4.2.2 (2) sent. 3 of the Code, the Supervisory Board, when setting the overall remuneration payable to individual members of the Executive Board, shall set the remuneration of the Executive Board also in relation to the remuneration of senior executives and staff in general, also over time, whereby the Supervisory Board is responsible for defining how senior executives are to be distinguished from staff in general. The Supervisory Board did not follow this recommendation in the past but will do so for future new contracts.

3. Section 4.2.3 (2) sent. 3: Certain remuneration components spanning several years which are not related to the future are and have been agreed upon. The Supervisory Board is currently of the opinion that it is not necessary to relate all variable remuneration components to the future to narrow down the framework delineating reasonable levels of Executive Board remuneration.

However, the Supervisory Board is closely monitoring developments in this area and will re-examine the possibility of complying with this recommendation when concluding new agreements.

4. Section 4.2.3 (6): The AGM is not informed separately about the main terms of and changes to the remuneration system for Executive Board members as this information is already disclosed in the Group Management Report, which is available to all shareholders.

5. Section 4.2.4, 4.2.5, 5.4.6, (3) and 7.1.3: The AGM has decided not to publish the income of each individual Executive Board member in the Notes to the Annual and Consolidated Financial Statements. In line with this, the remuneration report and the corporate governance report do not include an individualized report on the remuneration of the Executive Board. Nor do they contain specific information about share-based incentive systems for the Executive Board (which the company does not have in any case). For this reason, this information is not presented in the model tables recommended in Section 4.2.5 (3) of the German Corporate Governance Code.

   Similarly, the remuneration of individual Supervisory Board members is not published. Remuneration is clearly regulated in the company's Articles of Incorporation. The Executive Board and Supervisory Board are of the view that these Articles coupled with other mandatory legal disclosures provide investors and the public with sufficient information in this area.

6. Section 5.3.3: The Supervisory Board has not formed a nomination committee. The size of the Supervisory Board (four shareholder representatives) and the shareholder structure do not warrant a dedicated committee for proposing the shareholders' Supervisory Board candidates.

7. Section 5.4.1 (1-4) sent. 1-3: When submitting its election proposals to the Annual General Meeting regarding the election of the shareholder representatives, the Supervisory Board takes into account the statutory requirements and recommendations of the German Corporate Governance Code in relation to the personal requirements to be met by Supervisory Board members.

   Here the focus is placed – irrespective of nationality and gender – on the specialist and personal competence of potential candidates, paying special attention to the company-specific situation, and not on meeting a defined profile of skills and expertise or implementing a diversity concept. Within the scope of evaluating competence, the Supervisory Board also places appropriate emphasis on the company's international engagement, potential conflicts of interest, the number of independent members of the Supervisory Board, the age limit stipulated for members of the Supervisory Board and the principle of diversity and, for elected employee representatives, the special regulations set down in Germany's co-determination acts (Mitbestimmungsgesetze).

   The Supervisory Board declines to set a limit on the term of office as it is of the view, given the business context of a family-run enterprise, that continuity is the main priority. Besides, provisions in place stipulating the maximum age effectively limit the term of office assuming members join the Board at the usual age.

   In the Supervisory Board's view, it is not necessary to specify concrete targets for its composition or to define a skills profile or a diversity concept for the board as a whole. Consequently, the corporate governance report similarly does not outline the details of such profiles and concepts or the extent to which they have been implemented – with the exception of statements relating to compliance with legal requirements arising from the German law governing Equal Participation of Women and Men in Management Positions ("women's quota").

8. Section 5.4.1 (5) sent. 3: The Supervisory Board is of the view that the information made available to the Annual General Meeting and published on the company's website as standard practice to date is sufficient – even if it does not comply with the new recommendation under the Code, and thus continues to refrain from complying with the Code's recommendation to draft, publish and update detailed resumes for proposed and current members of the Supervisory Board.

9. Section 5.4.2, 5.4.1 (4) sent. 3, and 5.3.2: The following situation is noted, which is also described in the Group Management Report: A pool agreement is in place between some of the shareholders of the Wacker and Neunteufel families. The parties to this pool agreement collectively hold about 63 percent of the shares of Wacker Neuson SE and can thus jointly (but not individually, i.e. individual members of the pool agreement acting in isolation) control the company. In accordance with the provisions of the pool agreement, each party to the pool agreement must exercise its right to vote and submit proposals at the Annual General Meeting such that two Supervisory Board members nominated as shareholders' representatives by the Wacker family and two by the Neunteufel family are always elected.

   The shareholders' Supervisory Board members thus elected are, however, not bound in any way to the directions of individual, several or all of the parties to the pool agreement and any and all decisions they make within the Supervisory Board are made exclusively in the company's interests. Even though these shareholders' Supervisory Board members always enjoy the special trust of the parties to the pool agreement appointing them, they are not, in the Supervisory Board's view, in any personal or business relationship with a controlling shareholder, which could lead to a fundamental conflict of interest. In the view of the Supervisory Board, the shareholder representatives in the Supervisory Board, including the Chairman of the Audit Committee, are therefore to be considered independent. It is therefore the Supervisory Board's view that the Supervisory Board is composed of a sufficient number of independent members, in particular with regard to the ownership structure. Given the ongoing legal uncertainty surrounding interpretation of the term "independence", the company nonetheless declares non-conformance as a precautionary measure.

   Given the independence of all shareholder representatives on the Supervisory Board and the detailed disclosures relating to their election made herein, the Supervisory Board shall refrain from providing explicit information about what it considers to be an appropriate number of members and their names again in the Corporate Governance report.

10. Section 5.4.3 (3): So that the Supervisory Board can continue to vote impartially for its chairperson, the proposed candidates will not be announced in advance.

11. Section 5.4.6 (2) sent. 2: Along with a fixed remuneration, the Supervisory Board members shall be paid a variable remuneration which depends exclusively on the success of the relevant fiscal year. The Executive Board and the Supervisory Board are of the view that the current remuneration regulation is still appropriate and reflects the Supervisory Board's tasks and functions and therefore are refraining from proposing a change at the Annual General Meeting.

Munich, December 13, 2018

Wacker Neuson SE

Executive Board and Supervisory Board

Martin Lehner Hans Neunteufel

The above declaration has been made permanently available to shareholders on the Wacker Neuson SE company website → www.wackerneusongroup.com under Investor Relations/Corporate Governance. It is updated as required, at least once a year. Previous declarations of conformity are stored for reference purposes on our website for a period of at least five years. Further details on corporate governance are presented in the following corporate governance report.

2. Corporate governance report

This corporate governance report outlines the role of the Executive Board and the Supervisory Board as well as the composition and role of the committees.

Wacker Neuson SE is a European company (Societas Europaea) incorporated under German law. Upon foundation of the company, shareholders chose the dual management system common under the German Stock Corporation Act, comprising two executive bodies, the Executive Board and the Supervisory Board, each vested with different spheres of competence. The two bodies work closely together on a basis of mutual trust and are committed to increasing the company's long-term value.

Executive Board

The Executive Board represents the company vis-à-vis third parties and manages its business in accordance with legal regulations, the Articles of Incorporation and the rules of procedure for the Executive Board. The Executive Board has three members. It is responsible for managing the company and represents it both legally and otherwise. The Executive Board functions on the basis of joint accountability. In other words, all members of the Board are jointly responsible for all areas of company management.

The Executive Board plans the company's strategic direction, aligns it with the Supervisory Board and ensures it is appropriately executed. It is also responsible for establishing the company and Group's business plans for the coming year and beyond as well as preparing legally required reports such as Annual Financial Statements, Consolidated Financial Statements and interim reports. In addition, the Executive Board also ensures that a suitable risk management and control system is in place and that regular, prompt and extensive reports are presented to the Supervisory Board regarding all issues relating to strategy, company planning, business developments, the risk situation, risk management and compliance activities that are relevant to the company and the Group.

Cooperation and areas of responsibilities within the Executive Board are governed by the rules of procedure for the Executive Board. These focus not only on the lines of responsibility vested in individual Executive Board members, but also the issues entrusted to the Executive Board as a whole, resolutions (quorum requirements in particular) and the rights and obligations of the chairperson of the Executive Board (CEO). Executive Board meetings are held regularly and are convened by the CEO or at the request of an Executive Board member. The Executive Board generally reaches decisions based on a simple majority of votes cast unless other legal provisions apply. If an equal number of votes are cast, the chairperson has the casting vote.

The CEO steers and coordinates the entire Executive Board and represents the company and Group vis-à-vis the public, in particular when dealing with the authorities, trade associations and publishing houses.

Mr. Martin Lehner is CEO of Wacker Neuson SE, the parent company of the Group, and a Deputy CEO has not been appointed. Further details on individual members of the Executive Board, in particular their areas of responsibility within the Executive Board, are disclosed in the Notes to the Consolidated Financial Statements in item 32 "Executive bodies" (Wacker Neuson Group Annual Report 2018).

Measures and transactions of fundamental importance must be approved by the Supervisory Board as set down in the rules of procedure for the Executive Board and/or the Articles of Incorporation. They are also communicated to shareholders and the capital market in a timely manner, thus ensuring that decision-making processes remain transparent – also throughout the year – and capital market players are kept sufficiently up to date.

Supervisory Board

The Supervisory Board advises the Executive Board in key decisions, monitors its activities, appoints members and relieves them of their duties. The Supervisory Board has six members. In accordance with the agreement on employee representation in the Wacker Neuson SE Supervisory Board and the German One-Third Participation Act (Drittelbeteiligungsgesetz), four of these are shareholder representatives and two are employee representatives. Taking the company-specific situation into consideration, the composition of the Supervisory Board reflects the company's international engagement, the need to avoid conflicts of interest, the number of independent Supervisory Board members in line with the German Corporate Governance Code, the age limit applicable to Supervisory Board members and the principle of diversity.

The terms of office of all Supervisory Board members run until the close of the AGM that tables a resolution to formally approve the actions taken by the company in fiscal 2019. Their terms may be no longer than six years. Further details on individual members of the Supervisory Board are disclosed in the Notes to the Consolidated Financial Statements in item 32, "Executive bodies" (Wacker Neuson Group Annual Report 2018).

The principles of cooperation within the Supervisory Board are governed by the rules of procedure for the Supervisory Board. These rules reflect the recommendations of the German Corporate Governance Code and – as an integral part of the monitoring and controlling process – provide for clear and transparent procedures and structures as well as regular efficiency checks on Supervisory Board work. The Supervisory Board reaches decisions based on a simple majority of votes cast unless other legal provisions apply. In the event of a tie, the resolution or nomination proposal shall be deemed rejected; the chairperson shall not have the casting vote. The chairperson of the Supervisory Board convenes and oversees Supervisory Board meetings and generally coordinates the activities of the Supervisory Board and its committees.

The Supervisory Board defines the Executive Board's information and reporting duties in detail. The core areas of collaboration between the Executive and Supervisory Boards as well as specific details on the Supervisory Board's activities and committees are disclosed in the report by the Supervisory Board.

Composition and role of committees

In contrast to the Executive Board, the Supervisory Board forms two committees, the Presiding Committee and the Audit Committee.

The responsibilities of the Presiding Committee include in particular submitting proposals for Executive Board member appointments, terminations and mandate extensions, for Executive Board remuneration and remuneration scales, and for preparing measures to conclude, amend or terminate contracts with Executive Board members. The Presiding Committee members are Mr. Hans Neunteufel, Prof. Dr. Matthias Schüppen and Ralph Wacker. Mr. Neunteufel is Chairman of the Presiding Committee.

The Audit Committee maintains close contact with the auditors. It appoints the auditors to review the Annual and Consolidated Financial Statements, identifies the focal points of the audit and receives the reports. Furthermore, the Audit Committee negotiates the fee with the auditor, assesses their independence and additional services provided by the auditor and submits a voting proposal with regard to the auditor to the Supervisory Board for the AGM. It prepares the Supervisory Board discussions and resolutions required to approve the Annual and Consolidated Financial Statements and to review the Executive Board's report on related third-party disclosures, as well as preparing the non-financial Group statement. It supports and monitors the Executive Board in particular regarding accounting process issues, the internal control system, risk management system, internal auditing system and compliance. The Audit Committee members are Mr. Kurt Helletzgruber, Prof. Dr. Matthias Schüppen, Mr. Ralph Wacker and Mr. Elvis Schwarzmair. Mr. Kurt Helletzgruber is the Chairman. As an independent financial expert, he fulfills the requirements set out in Sections 100 (5) and 107 (4) AktG.

The committee chairpersons provide the Supervisory Board with regular and timely information about the committees' activities. The committees also reach decisions with a simple majority of votes cast. In the event of a tie, the resolution or nomination proposal shall be deemed rejected; the respective chairpersons shall not have the casting vote.

Further details on the activities of the Supervisory Board and its committees can be found in the current Supervisory Board report (Wacker Neuson Group Annual Report 2018, → page 28).

Shareholders and the AGM

Shareholders exercise their rights, including voting rights, at the AGM. All shares in Wacker Neuson SE provide shareholders with full voting rights and are registered by name. Each share entitles its holder to one vote. The AGM agenda plus the reports and documents required for the AGM are published in good time – also on the company's website, where they can be easily viewed by shareholders.

The AGM this year will take place on May 29, 2019 in Munich. The Executive Board makes it easier for shareholders to exercise their voting rights at the AGM by offering the opportunity to issue binding voting instructions to proxies named by the company. Shareholders can also do this during the AGM. Information on how to vote by proxy will additionally be included in the invitation to the AGM meeting. These named proxies are also available at the AGM to shareholders present at the AGM. Furthermore, it is possible to delegate voting rights to financial institutions, shareholder associations and other third parties.

Accounting and auditing

The Consolidated Financial Statements of Wacker Neuson SE are prepared in line with the International Financial Reporting Standards (IFRS). The Annual Financial Statements and the Combined Management Report of Wacker Neuson SE and its Group are prepared in accordance with the German Commercial Code (HGB).

The Supervisory Board proposes the election of the auditor at the AGM, based on a recommendation from the Audit Committee. Prior to making its proposal, the Supervisory Board obtains a certificate of independence from the auditor in question.

The Chairman of the Audit Committee asked the auditor to immediately report all significant findings or incidents identified during the audit and relating in the broadest sense to Supervisory Board duties if these findings or incidents could not be directly resolved.

Risk management

Responsible handling of risks facing the Group and the company is, as always, a crucial part of sound corporate governance. The Executive Board and the Supervisory Board therefore continually monitor the Wacker Neuson Group's risk management system and internal control system along with the accompanying reporting mechanisms.

Specific details on risk management within the Wacker Neuson Group are disclosed in the risk report in the Combined Management Report (Wacker Neuson Group Annual Report 2018, page 77). This also includes a report on the control system and risk management system in relation to the accounting process.

Transparency

Regular, active dialog with our shareholders and other stakeholders is one of the cornerstones of our corporate governance policy. We provide shareholders, financial analysts, shareholder associations and the media with information about business trends and significant changes within the company promptly, regularly and with the greatest possible transparency. We are fully committed to a policy of active and honest communication.

As stipulated by the German Securities Trading Act (WpHG) and the German Corporate Governance Code, we provide information on our company's business development and financial situation four times a year. This takes the form of one Annual Report, one half-year report and two quarterly reports. The Supervisory Board and the Audit Committee discuss these reports with the Executive Board prior to their publication. In addition, the Executive Board answers shareholders' questions at the AGM. We also use our internet platform as a way of keeping our stakeholders up to date. All up-to-date press and ad-hoc releases, financial reports and our financial calendar detailing important events are permanently available under Investor Relations at → www.wackerneusongroup.com. Interested parties can join our distribution list to receive regular updates.

Director's dealings and significant voting interests

Wacker Neuson SE publishes reports on directors' dealings pursuant to Art. 19 of EU regulation No 596/2014 on market abuse. We use these reports to provide immediate information about securities transactions with regard to Wacker Neuson shares made by members of the Executive or Supervisory Boards as well as by individuals and legal entities closely related to members of these bodies. This information is also disclosed on the company's website → www.wackerneusongroup.com under Investor Relations / Corporate Governance. Also under Investor Relations/IR News, we immediately publish information from shareholders regarding the purchase or sale of significant voting rights in line with Section 33 WpHG and the holding of financial and other instruments in line with Sections 38 and 39 WpHG.

Remuneration report in the corporate governance report
We report on the remuneration system applicable to the Executive Board in our Combined Management Report under the “Remuneration framework” item. The AGM approved a resolution to refrain at present from publishing remuneration details for individual Executive Board members in the interest of their privacy.

The overall remuneration of the Executive Board and the Supervisory Board is disclosed in the above-mentioned section and in the Notes to the Consolidated Financial Statements in item 33 “Related party disclosures” (Wacker Neuson Group Annual Report 2018).

Diversity – Declaration regarding fixed targets for the proportion of women at management level
When appointing members to the Executive Board and the Supervisory Board, the company focuses on the qualifications and personal skills of potential female and male candidates particularly in relation to the company’s specific situation at the time. In the process of evaluating competency profiles, the Supervisory Board also places particular emphasis on the international nature of the company’s business operations and the principle of diversity, also in relation to the age, gender, educational background and professional experience of female and male candidates. In this regard, the company does not pursue an explicit diversity concept as set out in the new CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz). For further information on this and to avoid repetition here, refer to the information in Section 5.4.1 of the German Corporate Governance Code in the above declaration of compliance.

Wacker Neuson SE is required, as a listed company (albeit not one subject to parity codetermination as set out in Section 96 (2) AktG) to declare fixed targets for the proportion of women on the Supervisory Board, Executive Board and on the two management levels below the Executive Board. The Executive Board and the Supervisory Board have already examined this issue several times.

When selecting and appointing members of the Executive Board, the Supervisory Board focuses on the qualifications and personal skills of potential men and women candidates, paying special attention to the company-specific situation. In this context, gender does not play a major role in the decision-making process. There are currently no women on the Wacker Neuson SE Executive Board (current percentage: 0 percent). The Supervisory Board does not wish to be tied by the need to meet quotas for female representation, so it remains free to prioritize qualifications and personal skills as mentioned above. As such, the Supervisory Board has decided to refrain from setting a target percentage for female representation on the Executive Board that would see the number of women rise from the present level by December 31, 2021 (target percentage: 0 percent).

Equally, the Supervisory Board is focused on the qualifications and personal skills of potential men and women candidates when selecting and appointing members of the Supervisory Board, paying special attention to the company-specific situation (petition rights and voting obligations of key shareholder groups governed by a pool agreement). In this context also, gender is not the main priority in the decision-making process. There are currently no women on the Wacker Neuson SE Supervisory Board (current percentage: 0 percent). The Supervisory Board does not wish to be tied by the need to meet quotas for female representation, so it remains free to prioritize qualifications, personal skills and the company-specific situation as mentioned above. As such, the Supervisory Board has decided to refrain from setting a target percentage for female representation on the Supervisory Board that would see the number of women rise from the present level by December 31, 2021 (target percentage: 0 percent).

The Executive Board has defined the following targets for the proportion of women appointed to managerial positions at Wacker Neuson SE, which it intends to achieve by December 31, 2021. These targets refer to staff who are directly employed by the company Wacker Neuson SE. The target percentage for line one below the Executive Board is 27 percent (currently 14 percent) and the target for line two below the Executive Board is 20 percent (currently 25 percent).

3. Corporate governance best practices

Compliance – principles of sound business and financial governance

Moving beyond the guidelines and recommendations of the German Corporate Governance Code, the Wacker Neuson SE Executive Board is committed to conducting its business worldwide in a lawful manner, along socially and ethically responsible lines. Which is why we have developed a Group-wide strategic mission statement that informs the conduct of each and every individual in the Group – from the Executive Board through management to employees. This mission frames the way we do business for shareholders, customers, business partners, the general public and our employees alike.

Values such as integrity, openness, honesty and respect for other people and our surroundings inspire every one of us to succeed, excel and embrace sustainable business practices. Our corporate values can be viewed online at the following link: → www.wackerneusongroup.com/en/sustainability/responsible-employer/corporate-values/

Wacker Neuson has appointed a Chief Compliance Officer. This person serves as a contact point and advisor for compliance issues and is responsible for implementing a compliance management system geared towards the specific requirements of the Wacker Neuson Group. In this context, we defined the "Principles of our company ethics" – a mission statement outlining our commitment to integrity and to systematic compliance with statutory and regulatory requirements. This statement is available to the public at the following link: → www.wackerneusongroup.com/en/the-group/compliance/.

Our principles are equally important to us. They help us establish long-term business relationships built on a foundation of mutual trust at every step of the value chain. Our commitment here is set down in our code of conduct for suppliers at → www.wackerneusongroup.com/en/the-group/compliance/code-of-conduct-for-suppliers/.

Corporate Social Responsibility (CSR)

The Wacker Neuson Group assesses the effects of its value-adding processes on the environment and takes action to maximize resource conservation. As a matter of key importance, efforts here also focus on reducing costs associated with energy consumption and obtaining certification in line with DIN EN ISO 50001 and DIN EN ISO 14001 within the EU.

The Wacker Neuson Group aims to continue developing innovative, value-adding products and services to the same high levels of quality and reliability, while implementing sustainable and environmentally sound production and work processes.

For 2018, we have issued a separate non-financial Group statement, which will be published at the same time as this report and is available on the company website (in line with Section 315b HGB).

Munich, March 11, 2018

Wacker Neuson SE

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

Combined Management Report

The following graphics are provided for information purposes only. Market statistics and page references have not been audited and are therefore not part of the Combined Management Report. Accounting methods, key indicators and financial terms are defined in the glossaries at the end of this annual report. Whereas figures in this Combined Management Report add up precisely to the totals provided, percentages are given as precise values. This may lead to slight discrepan-cies relative to the values provided in the Notes to the Consolidated Financial Statements.

Combined Management Report of Wacker Neuson SE and its Group for Fiscal 2018

Unless otherwise stated, the information contained in this Management Report refers to the Wacker Neuson Group. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU, in addition to the provisions of the German Commercial Code (HGB) set forth in Section 315e (1).

The Annual Financial Statements of Wacker Neuson SE (which is structured as a holding company) have been prepared in accordance with the provisions of the HGB and the German Stock Corporation Act (AktG). The Management Report of Wacker Neuson SE is included in this Group Management Report in line with Section 315 (5) HGB; further details are disclosed in the Section "Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB)". → page 60 **The risks and opportunities facing Wacker Neuson SE cannot be differentiated from those facing the Group.**

The Wacker Neuson Group

The Wacker Neuson Group is an international manufacturer of light and compact equipment. The company offers its customers a broad and deep portfolio of products, a wide range of services and an efficient, global spare parts service. The Group's manufacturing activities are distributed across three sites in Germany, one in Austria, one in the US, one in Brazil and one site in China since 2018. Wacker Neuson manufactures steel components in Serbia. Products are distributed globally via affiliates, Wacker Neuson sales and service stations and an extensive network of sales partners.

Segment reporting is divided into three regions – Europe (EMEA), the Americas and Asia-Pacific.

Revenue is also reported according to the three strategic business segments of light equipment, compact equipment and services.

BUSINESS SEGMENTS

Light equipment	Compact equipment	Services
▪ Concrete technology ▪ Compaction ▪ Worksite technology	▪ Track excavators, mobile excavators ▪ Wheel loaders ▪ Telescopic handlers ▪ Skid steer loaders ▪ Backhoe loaders ▪ Wheel and track dumpers	▪ Repair, maintenance, spare parts ▪ Rental in selected European markets Used equipment ▪ Leasing, financing ▪ Training ▪ Telematics, e-business

Brands

WACKER NEUSON GROUP is the organization's umbrella brand, used for all overarching Group communications. The Group distributes its products and services under the three brands WACKER NEUSON, KRAMER and WEIDEMANN. The broadest portfolio, comprising light and compact equipment, is distributed worldwide under the WACKER NEUSON brand. Under the KRAMER brand, all-wheel drive wheel loaders, tele wheel loaders and telescopic handlers are distributed via two extensive dealer networks serving the construction and agriculture industries. The WEIDEMANN brand is renowned for its long-standing experience in compact, articulated Hoftrac® farm loaders, wheel loaders, tele wheel loaders and telescopic handlers for the agricultural sector, distributed via an international specialist dealer network.

GROUP BRANDS

Wacker Neuson Group — Umbrella brand

Wacker Neuson | Kramer | Kramer | Weidemann — Product brands

Construction industry, gardening and landscaping firms, municipal bodies, recycling, railroad/track construction etc.

Agriculture, tree nurseries, horse breeders etc.

Industries

Wacker Neuson is the partner of choice across a broad spectrum of industries, targeting in particular the construction, gardening and landscaping, agricultural, municipal, recycling, energy, rail transport and manufacturing sectors.

TARGET INDUSTRIES

	Light equipment	Compact equipment
Agriculture		■
Renovation/redevelopment	■	■
Services	■	■
Infrastructure (road and bridge construction)	■	■
Gardening and landscaping	■	■
Cargo handling / port logistics		■
Overground and residential construction	■	■
Demolition	■	■
Maintenance / repairs	■	■
Industrial companies / recycling	■	■
Mining	■	■
Oil and gas (energy sector)	■	
Exhibition and events companies	■	■
Municipal services / building yards	■	■

Organizational and legal structure

Wacker Neuson SE is a European company (Societas Europaea) with its headquarters in Munich. It is registered in the German Register of Companies (Handelsregister) at the Munich Magistrate's Court under HRB 177839. The Company's shares have been listed since May 2007.

The Consolidated Financial Statements of Wacker Neuson SE are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. 54 companies, including the holding company, are fully consolidated in these statements.

Wacker Neuson SE operates as a management holding company with a central governance structure. It directly or indirectly holds the shares in its affiliates, which are mainly sales offices and production sites.

The Executive Board of the holding company is responsible for managing the Group. Wacker Neuson SE also manages various Group functions. Regional presidents for the Wacker Neuson brand each have responsibility for their designated sales region and report directly to the Group's Executive Board – as do the executive bodies of the affiliates.

Please refer to the section entitled "General information on accounting standards" in the Notes for detailed information on the legal structure.
→ page 103

PERFORMANCE INDICATORS (5-YEAR-PERIOD)

AS A %

	2018	2017	2016	2015	2014
Revenue in € million	1,706.5	1,533.9	1,361.4	1,375.3	1,284.3
EBIT margin	9.4	8.6	6.5	7.4	10.2
Net working capital at Dec. 31 as a % of revenue	37.7	34.9	41.8	41.8	41.4
ROCE II[1]	8.0	7.0	4.6	5.3	7.4
Equity ratio	63.8	68.7	69.1	68.9	70.2
Net financial debt in € million	208.7	149.7	205.8	199.1	179.5
Gearing	17.1	13.4	18.8	18.6	17.7
Free cashflow in € million	-2.9	99.0	35.4	23.7	27.5

[1] ROCE II = NOPLAT as a % of Capital Employed at Dec. 31, see page 56.

Corporate governance and value management

As a centralized function, the controlling department of the holding company is responsible for the Group's internal controlling. It monitors deviations between "as is" and "to be" figures, primarily based on the development of revenue, profit and net working capital reported by affiliates. In addition, it prepares key performance indicators at Group level. The control system is dynamically adapted as required to reflect developments both within and beyond company walls.

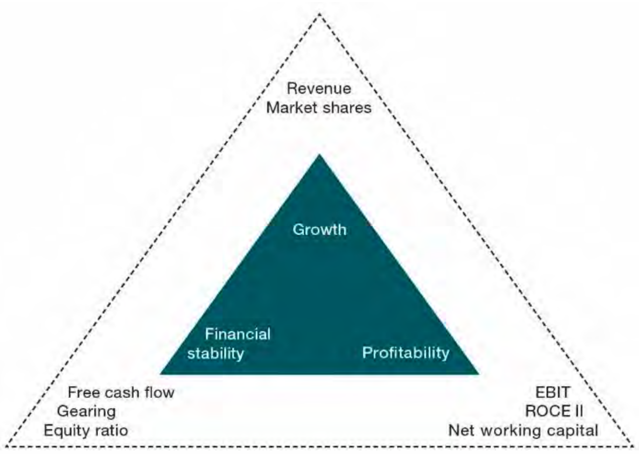
Important decisions on projects initiated by the company in response to changing market and customer requirements are generally made by management committees. These committees include members of the Executive Board as well as first and second line managers.

Company management focuses on growth, profitability and financial stability. The overarching aim here is to create a lasting increase in company value. The company has invested heavily over the past few years to achieve these goals. Its most important key performance benchmarks and targets are revenue, profit before interest and tax (EBIT) – in absolute terms and as a percentage of revenue – and net working capital.

The company also closely monitors its dividend payment policy, financing structure and return on capital employed. It uses the following indicators for this purpose: Net working capital as a percentage of revenue and return on capital employed after tax (ROCE II). Equity ratio, net financial debt and gearing are also used as indicators of balance sheet performance. Free cash flow is an important indicator of the company's ability to finance itself.

The table above shows a year-on-year comparison of how these key indicators have developed. The terms are explained in the financial glossary. → page 166

PERFORMANCE INDICATORS



In addition to these financial performance indicators, key leading indicators for operational business trends are regularly monitored and analyzed. Important indicators for the construction business include future investment plans in the construction equipment and rental industries, the development of production volumes and market shares, the number of building permits issued, and the development of real estate prices.

Operative leading indicators for the European agricultural industry include the rate of mechanization among landholdings, trends in agricultural technology, and the development of milk, food and animal feed prices.

The Group monitors the development of these leading indicators and uses them to respond early to global economic developments and dynamically adapt its course accordingly.

General background

Overall economic trends

- Global economic growth losing momentum
- China reports lowest growth in 28 years
- Euro loses ground against other leading currencies

According to estimates made by the International Monetary Fund (IMF), world gross domestic product (GDP) increased by 3.7 percent in 2018, compared with a 3.8 percent rise in the previous year. Global economic growth lost momentum in the second half of the year, however, due in particular to escalating trade disputes. This development affected both industrialized and emerging countries. Economic growth in the industrialized nations fell to 2.3 percent (previous year: 2.4 percent). Meanwhile, the emerging economies expanded by 4.6 percent (previous year: 4.7 percent).

A stronger-than-average downturn was experienced in the eurozone, where economic output increased by just 1.8 percent (previous year: 2.4 percent). The major factors behind this trend were the ongoing uncertainty surrounding Brexit and concerns about Italy's future development. Marked slowdowns in growth were recorded in all of Europe's big economies.

In Germany, GDP grew by just 1.5 percent, a full percentage point lower than the previous year's rate of 2.5 percent. As well as the macroeconomic factors mentioned above, the problem-strewn introduction of the new WLTP emissions test for motor vehicles had a negative impact on the economically crucial automobile production industry.

The US economy bucked the international trend in 2018 with significantly stronger growth of 2.9 percent compared to 2.2 percent in the previous year. The tax reform played a significant stimulating role here. The introduction of further interest rate rises by the US Federal Reserve (Fed) prevented even stronger growth momentum.

REAL GDP (CHANGE FROM PREVIOUS YEAR)

AS A %

	2018	2017
World	3.7	3.8
Eurozone	1.8	2.4
Germany	1.5	2.5
USA	2.9	2.2
South America	1.1	1.3
China	6.6	6.9
Russia	1.7	1.5
Middle East and North Africa	2.4	2.2
South Africa	0.8	1.3

Source: IMF, January 2019

China, still the engine driving the world economy, recorded growth of 6.6 percent – its lowest GDP rise for almost three decades. While it is true that the Chinese government has been implementing a restrictive lending policy and measures to bring about structural change in its economy for some time now to counteract overheating, it is possible that the trade dispute with the US will exert an unintentionally severe braking effect.

Currency trends

A combination of an increasingly restrictive monetary policy in the US and recent doubts about political and economic stability in the eurozone led to a devaluation of the euro against the US dollar in the year under review. The common European currency also lost ground against the currencies of other established economies like Switzerland and Japan. It was a different story in relation to emerging economies like Brazil or Russia, whose currencies decreased further in value against the euro in 2018 owing to weak economic growth.

PERFORMANCE OF KEY CURRENCIES AGAINST THE EURO (END OF YEAR RATES)

1 Euro equals

	2018	2017	Change in %
US dollar (USD)	1.1450	1.1993	-4.5
Swiss franc (CHF)	1.1269	1.1702	-3.7
British pound (GBP)	0.8945	0.8872	0.8
Japanese yen (JPY)	125.8500	135.0100	-6.8
Australian dollar (AUD)	1.6220	1.5346	5.7
Brasilian real (BRL)	4.4440	3.9729	11.9
Chinese yuan (CNY)	7.8751	7.8044	0.9
Indian rupee (INR)	79.7298	76.6055	4.1
Canadian dollar (CAD)	1.5605	1.5039	3.8
Russian ruble (RUB)	79.7153	69.3920	14.9
South African rand (ZAR)	16.4594	14.8054	11.2

Source: Notes to the Consolidated Financial Statements, page 111.

Overview of construction and agricultural industries

- Global construction sector on a sound footing
- Record year for construction equipment sector
- Slowdown in agricultural sector over the course of the year

Developments in the global construction industry have a significant impact on the business performance of the Wacker Neuson Group. The sector can look back on another year of solid growth. According to Euroconstruct, construction activity in Europe rose by 2.8 percent, fueled primarily by residential construction. In terms of regional breakdown, a number of Central and Eastern European markets stood out with double-digit growth rates. By contrast, the German construction sector expanded at a modest rate. In the UK, construction activity was muted due to uncertainties around Brexit. More moderate growth relative to the previous year was also evident in the US construction industry. The twin factors of higher interest rates and the rising cost of construction materials combined to slow down construction activity.

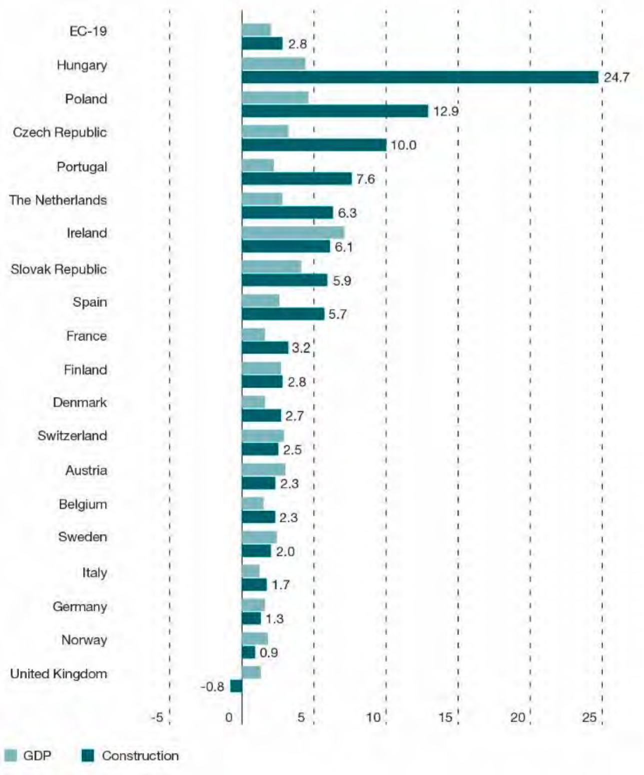
The construction equipment sector capitalized on the strong global growth conditions to achieve a record year of sales. According to Off-Highway Research, over one million construction equipment units were shipped globally in 2018, up from just under 900,000 units in the previous year. The German Engineering Federation (VDMA) estimated that the global market volume in the year under review exceeded EUR 130 billion for the first time. All of the major sales markets recorded double-digit growth rates. China, as the world's largest construction equipment market by a distance, stood out with exceptional growth, estimated at over the 40-percent mark after nine months by the VDMA. The Middle East and Africa were the only markets to record declines in sales. According to the VDMA, German equipment manufacturers increased their sales by 8 percent in 2018. The boom also had inconvenient consequences, however, in the form of bottlenecks in global supply chains, longer delivery times, higher freight and material costs and staff shortages for manufacturers.

Mixed outlook in the agricultural machinery industry

On the whole, 2018 was a good – albeit borderline – year for the European agricultural machinery industry. The business barometer of its umbrella association CEMA reached its highest level since 2012 in the first quarter of the year. The positive outlook wore off in the course of the year, however. This was mainly due to a significant decline in the order intake from markets outside of Europe, with demand from European customers remaining by and large steady. The important French market showed a particularly positive trend. The average growth rate for European manufacturers in 2018 was around the 6 percent mark.

CHANGES IN GDP AND THE EUROPEAN CONSTRUCTION INDUSTRY 2018E

AS A %



Source: Euroconstruct, November 2018.

General legal framework

- Focus on protection for users and the environment
- Continued implementation of new technological requirements
- EU Stage V emissions standard in force in Europe

As a global supplier of light and compact equipment, the Wacker Neuson Group has to observe numerous national and international statutory guidelines governing environmental and user protection. Above all, these include provisions regulating exhaust gas emissions and ergonomics as well as noise and vibration-induced impact.

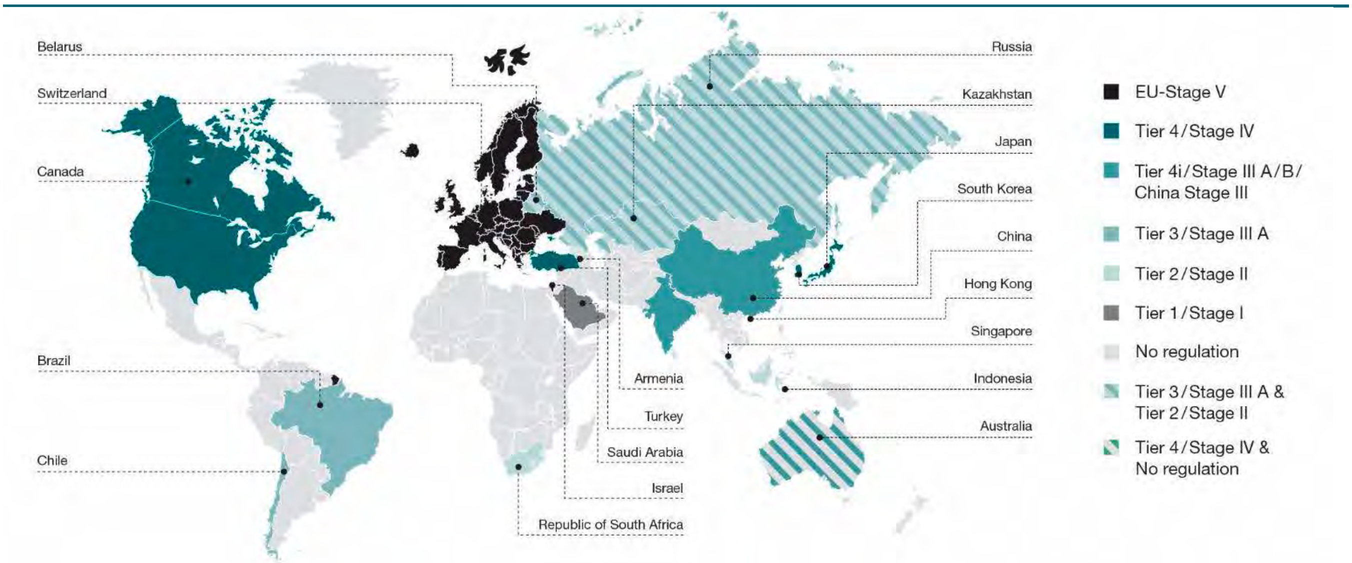
The company's product portfolio is reviewed and, if necessary, adapted on an ongoing basis to ensure compliance with new requirements and harmonized standards and norms. The aim is always to integrate new regulations as promptly as possible in processes and products.

Emissions standards for light and compact equipment
Statutory exhaust emissions regulations have a major impact on the sale of compact equipment. These apply to diesel engines in non-road mobile machinery – in other words, construction equipment, forklifts and agricultural machines. The Tier 4 final emissions regulations in the US (mandated by the Environmental Protection Agency, EPA) and Stages III A, B and V of Directive 97/68/EC in Europe are currently the strictest standards worldwide. Older, and generally less stringent, emissions regulations are in force in other markets.

On January 1, 2019, the emissions Stage V came into force in Europe. Stage V also covers power categories under 19 kW and over 56 kW for the first time. The count and weight limits for particulate matter are even lower than the already strict US standards. These new limits apply to machinery introduced to the market from January 1, 2019 (power class <56 kW and ≥130 kW) and January 1, 2020 (power class ≥56 kW and <130 kW). In response to pressure from numerous stakeholder groups, a transition period of 24 months has been agreed so that manufacturers can continue putting equipment with EU Stage IV engines on the market.

Despite this concession, EU Stage V remains a major challenge for all manufacturers and their suppliers, especially as it will necessitate the widespread use of closed diesel particulate filter systems in machines with power classes >19 kW and the use of urea in machines with power classes >56 kW. The Wacker Neuson Group is particularly affected by EU Stage V as the different technological solutions will require new developments for many machines. The Group has made thorough preparations for the transition to the new emissions stage in recent years.

INCREASING INTENSIFICATION OF EMISSIONS REGULATIONS FOR DIESEL ENGINES



The figure shows a simplified overview of emissions regulations for diesel engines in non-road mobile machinery that are not harmonized at global level. Regulations are most stringent in Europe and the US. The stricter emissions regulations mandate a reduction in nitrogen oxides (NOx) and carbon monoxide (CO) levels as well as a reduction in particulate emissions. In some cases, this can only be done using a diesel particulate filter. Since January 1, 2019, EU Stage V has been in force in Europe for machines with engines under 56 kW and over 130 kW. The majority of machines produced by the Wacker Neuson Group are equipped with engines under 56 kW. The Group has made thorough preparations for the transition to the new emissions stage in recent years. The level of complexity involved will result in significant challenges for development, production, logistics and sales. As such, the Group will make use of the 24-month transition phase provided for by legislators during which manufacturers can continue to put machines with EU Stage IV engines on the market. The Group built up an appropriate stock of pre-buy engines in fiscal 2018.

The Group built up an appropriate stock of pre-buy engines for the 24-month transition phase.

Beyond that, the Group is currently not aware of any other legislative changes that would have a significant impact on its business activities.

Competitive position

- Differentiation from the competition through broad range of products, innovations and diversified sales channels
- Electrification and digitalization as key market drivers

The global construction equipment market, which is the Wacker Neuson Group's competitive landscape, is very heterogeneous at both market and product level. The majority of the Group's competitors focus either on light equipment or heavy equipment (machines weighing over 15 tons), or a combination of compact and heavy equipment. The Wacker Neuson Group's portfolio of light and compact equipment weighing up to 15 tons and targeted at professional users is one of the main factors that sets it apart from the competition.

In the light equipment segment, the Group faces a variety of competitors, including Ammann, Bomag, Husqvarna, Multiquip and Weber. In the compact equipment segment, Wacker Neuson also competes with specialist manufacturers and global companies such as Bobcat (Doosan), Kubota, Takeuchi, Yanmar, Manitou and JCB. Some international heavy equipment manufacturers such as Komatsu, Liebherr, Case New Holland, Caterpillar or Volvo CE also offer compact equipment and are therefore part of the competitive landscape.

In addition, the Wacker Neuson Group operates in the agricultural equipment sector through its Weidemann brand. Weidemann-branded articulated wheel loaders and telescopic handlers enjoy a leading position in the Central European agricultural market. Through its partnership with John Deere, Kramer has also expanded its agriculture business, supplying the sector with its portfolio of all-wheel drive machines. In this sector, the Group competes with companies such as Schaeffer, Manitou and JCB.

A leading global manufacturer

The Group's strong market position is built mainly on innovative strength, outstanding product and service quality, comprehensive product development and manufacturing know-how and an efficient sales and service network. Many of the Group's products have established excellent market positions across the globe. However, there are few official statistics available for market segmentation, making it difficult for the Group to provide a concrete overview of market shares, especially in the case of light equipment.

End customers, dealers and professional rental companies select the manufacturer that offers the most appealing overall package consisting of innovative products, a strong brand, simple and efficient logistics and all-in service with a sound price/performance ratio across the entire product lifecycle. Customers generally prefer a single point of contact to the manufacturer, since this greatly simplifies processing and administration. The Wacker Neuson Group meets precisely these customer expectations with a one-stop offering spanning a broad portfolio of light and compact equipment.

Changes in the competitive landscape

The key trends in the competitive landscape observed in the previous year continued in fiscal 2018. In particular, the alternative drive technologies and digitalization trends are becoming increasingly important in the key markets for the Wacker Neuson Group.

Market players responding to intensified competition with consolidations, mergers and acquisitions

Rental companies were especially busy with M&A activities in 2018. United Rentals, one of the largest global rental companies for worksite technology based in North America, made as many as four acquisitions in the course of the year. One of the companies acquired, BlueLine Rental, was a competitor formerly ranked in the top ten of the sector in North America. In Europe, Kiloutou, Loxam and Boels were also highly active, completing several acquisitions apiece. Hitachi Construction Machinery also strengthened its position in the rental business – firstly by acquiring a 33.3-percent share in US company Acme and secondly by introducing a unique new rental concept for the European market. Under this model, Hitachi retains ownership of the machines while the rental customer dealers pay a monthly fee to operate equipment from the machine pool.

In the agricultural equipment sector, John Deere's takeover of Spanish company King Agro expanded its know-how in the area of carbon fiber technology, which is used among other things for self-propelled plant sprayers.

Capacity adjustments and measures to increase efficiency

Caterpillar was particularly resolute in driving forward the restructuring program it began in 2015. During the period under review, the world's largest construction equipment manufacturer announced further site closures in the US and Panama. In addition, the company put its plant in Aurora/Illinois up for sale. These closures brought the number of jobs axed since 2015 to over 15,000.

Other manufacturers have taken the path of a targeted expansion of their capacities in the United States. Liebherr, for example, is investing around USD 45 million in the expansion of its Newport News/Virginia plant until 2020. Kubota plans to establish three new production sites in the US by 2022 with an investment budget equivalent to over USD 180 million.

Alternative drive technologies and digitalization

Electric drives are playing an ever more important role in the Wacker Neuson Group's target product segments. What's more, in anticipation of the industry-leading trade fair bauma in April 2019, several manufacturers presented new machines and concepts in 2018. As part of its Innovation Summit, Volvo Construction Equipment unveiled the prototype of an electric wheel loader. Starting mid-2020, the company plans to market a range of electric excavators and wheel loaders and phase out the development of new diesel-powered models of these series. Deutz meanwhile equipped two construction telescopic handler prototypes from Manitou with hybrid and fully electric drives. Cummins and Hyundai Construction Equipment are cooperating to develop an all-electric mini-excavator. A recently established joint venture will also see Hitachi Construction Machinery and Kiesel Technologie und Entwicklung GmbH advance the development of battery powered excavators and specialist machinery for demolition work and foundation engineering.

The choice of digital solutions for more efficient operation of light and compact equipment is also growing all the time. United Rentals partnered with Trackunit to equip a portion of its rental fleet with telematics systems from Trackunit. The benefits include keyless and personalized access control to prevent unauthorized use of the machines. The

Finnish rental company Cramo is planning to offer its customers access to Building Information Modeling (BIM). This software support for construction projects allows users to plan, visualize, control and ultimately optimize all relevant data and work processes.

Market share down in places despite revenue growth

Taking the revenue developments of listed competitors as an indicator, the Wacker Neuson Group was not able to increase its market share across the board in fiscal 2018. One reason for this was that the potential for higher sales remained unfulfilled due to bottlenecks in the global supply chain. On top of this, the Group's long-term capacity planning does not factor in exceptional boom years like 2018. Nevertheless, the Wacker Neuson Group remains well-positioned in Europe and the US in particular. In a sustained period of market growth, the Group benefits from its innovative strength and flexibility as well as ever increasing diversification across target markets, cross selling between product areas, and from its strong financial position and independence.

Strategic alliances

The Group enters into strategic alliances with industry-leading companies to expand its market presence more rapidly by accessing established sales networks or to make targeted additions to its product portfolio by concluding agreements with OEMs.

John Deere

In 2018, the Wacker Neuson Group entered into a strategic alliance with the construction equipment division of John Deere for the distribution of mini-excavators and compact excavators under the "Deere" brand in China, Australia and select Southeast Asian countries. It is hoped that this will lead to long-term cooperation in these important growth markets. The aim of the partners is to further develop their market positions in the mini-excavators and compact excavators segment. The agreement also underlines the importance of the Chinese market for the Group. The Asia-Pacific region should grow strongly as part of the Strategy 2022 plan. The new partnership covers machines in the 1.7- to 7.5-ton weight categories, which were specially developed by Wacker Neuson to meet the requirements of the Asian markets. Wacker Neuson will supply most of the machines from its Chinese plant in Pinghu, where mini-excavator and compact excavator production has been ongoing since January 2018. The partnership will therefore improve capacity utilization at the plant.

In 2017, Group affiliate Kramer and John Deere entered into a strategic alliance for the distribution of telescopic handlers and wheel loaders for the agricultural sector. The agreement covers the sale of Kramer-branded compact equipment known as the "green line". Featuring the Kramer design and brand, the machines will initially be distributed via the John Deere dealer network in Europe and subsequently rolled out to other regions. The collaboration got off to a successful start in 2017 and also proved extremely positive in 2018. Kramer was able to get several dealers on board, particularly in Central European markets. The current focus is on Southern and Eastern Europe. The market for material handling products is growing rapidly in the agricultural sector. The long-term collaboration with the John Deere dealers should help Kramer sustain and expand its market reach in the segment. John Deere recommends Kramer to its sales partners as the preferred supplier for compact wheel loaders and tele wheel loaders and telescopic handlers. The products are developed and manufactured at the Kramer site in Pfullendorf.

MHE-Demag

At the end of 2017/beginning of 2018, Wacker Neuson entered into a collaboration with Singapore-based MHE-Demag, a manufacturer of industrial cranes, façade access equipment, automated car parking systems, fork lift trucks and hydraulic loading ramps. MHE-Demag distributes its products in the ASEAN region via a network of over 60 sales and service locations. As part of the collaboration, the company offers a range of compact equipment from Wacker Neuson to its customers for sale and rent, including track excavators, telescopic handlers, wheel loaders and wheel dumpers. These products meet the local market's demand for compact and efficient construction equipment. The deal allowed the Wacker Neuson Group to further develop its brand presence and the availability of its products in the region.

ISEKI

ISEKI, a Japanese manufacturer of tractors, farming machinery and gardening equipment, markets Weidemann-branded wheel loaders and telescopic handlers via its sales network in Japan. The sales partnership between ISEKI and Group affiliate Weidemann was agreed in 2017 and gives Weidemann products a foothold in the Japanese market. ISEKI is planning to expand distribution of agricultural machinery in Japan.

Randon

The Wacker Neuson Group and Randon, a Brazilian manufacturer of backhoe loaders, have agreed a partnership for the production of backhoe loaders. The compact machines are manufactured at Randon's production site in the Brazilian city of Caxias do Sul and distributed in South America via the Wacker Neuson sales network. This enables Wacker Neuson to offer backhoe loaders in the 6- to 7-ton weight class tailored specifically to local requirements.

Wirtgen/Hamm

Hamm AG, a member of the Wirtgen Group, which was acquired by John Deere in 2017, entered into a strategic alliance with Wacker Neuson in 2015 for the manufacture of tandem rollers in the 1.8- to 4.5-ton category and compactors weighing up to 12 tons in line with technical and design specifications developed by Wacker Neuson. This future-oriented cooperation complements the Wacker Neuson product portfolio in the soil and asphalt compaction segment.

Trackunit

The Group is continuing to expand its digital offering. Trends like the digital networking of products and services play a key role in adding value for customers. To support these efforts, the Wacker Neuson Group entered into a strategic alliance for the development and use of telematics systems and mobile apps for compact equipment with the Danish telematics specialist Trackunit in 2018.

Caterpillar

Wacker Neuson has been developing and manufacturing mini excavators with a total weight of up to three tons for Caterpillar since 2010. Caterpillar distributes these machines globally under its own brand via its sales network, with the exception of Japan. As reported, this strategic alliance came to an end on May 31, 2018. Wacker Neuson nevertheless expects that like in 2018, it will continue to supply individual OEM models to Caterpillar in the next two years, albeit in significantly lower volumes.

Forming strategic alliances will remain an important avenue for the Group to open up new sales channels or complement its own portfolio with selected products.

Business trends

- Revenue growth in all regions and business segments
- Profitability increases again
- Delivery bottlenecks prevent stronger growth

General statement on business performance

Bolstered by its long-term global growth strategy and overall positive trends in its core markets of Europe and North America, the Wacker Neuson Group again reported gains in revenue and profit in fiscal 2018. Revenue rose to a new record high of EUR 1,706.5 million. Nominal revenue was thus 11.3 percent higher than the previous year (2017: EUR 1,533.9 million). Adjusted for currency effects, this corresponds to a rise of 13.3 percent.

In Europe, revenue for the past fiscal year rose 10.5 percent to EUR 1,248.9 million (2017: EUR 1,129.8 million). The Group reported its strongest gains in Germany and Poland, as well as in Austria, England, France, Spain and the Benelux countries. The agricultural business made an above-average contribution to regional growth with Group brands Kramer and Weidemann reporting an 18.4 percent increase in revenue.

Revenue for the Americas rose 11.3 percent to EUR 397.8 million (2017: EUR 357.5 million) The Group reported major gains above all in North America. During the first half of the year, the weak US dollar made exports from the eurozone more expensive. The situation increasingly improved, however, during the last six months of the year. Adjusted for currency effects, revenue growth amounted to 16.7 percent. In this region, the Group benefited in particular from strong demand among customers in the North American rental industry and from the targeted development of strategic anchor dealers.

In the Asia-Pacific region, revenue rose significantly compared with the previous year, increasing 28.3 percent to EUR 59.8 million (2017: EUR 46.6 million). China, Australia and New Zealand were key growth drivers in the region. Wacker Neuson opened a new production plant in China in January 2018. Initially, mini excavators with operating weights of less than two tons were manufactured at the plant. During the course of the year, production was expanded to include other equipment products tailored to the Asian market. The plant also started to produce larger compact excavator models in December 2018.

Profitability also improved again. Profit before interest and tax (EBIT) rose 21.5 percent to EUR 159.7 million (2017: EUR 131.4 million). The EBIT margin reached 9.4 percent (2017: 8.6 percent). The continued improvement in EBIT was primarily driven by the rise in revenue and streamlined cost structures throughout the Group. However, profit was negatively impacted by increased material prices and bottlenecks in the global supply chain, which significantly affected production processes at the production plants. Productivity was also impacted by the closure of the Group's production plants in Norton Shores, USA, and Manila, Philippines, as well as the relocation of these sites' production lines to other locations. This move improves the Group's focus and – in the medium term – will help reduce complexity and lead to a sustained increase in profitability.

Cash flow impacted by increased net working capital and the expansion of the dealer network in North America
Cash flow from operating activities was negative at EUR -18.1 million (2017: EUR 138.0 million). This is primarily due to the expansion of the dealer network in North America, increased investments in the Group's own rental fleet and a rise in net working capital. This last factor was attributable to the increased number of finished and unfinished machines, which was caused by bottlenecks in the supply chain, a more conservative inventory strategy for raw materials and supplies as well as targeted efforts to increase stocks of pre-buy engines. The volume of trade receivables also rose markedly. This was primarily driven by the rise in business volume in North America. Free cash flow amounted to EUR -2.9 million (2017: EUR 99.0 million).

Comparison between the actual and projected performance
In its forecast for fiscal 2018, the Executive Board expected Group revenue to amount to between EUR 1.65 and EUR 1.70 billion, which corresponds to a rise of 8 to 11 percent relative to the previous year. The EBIT margin, which measures how profitable the company is, was expected to lie between 9.0 and 10.0 percent. At the close of the fiscal year, revenue and earnings had both developed in line with the projected forecast, with revenue amounting to EUR 1.71 billion (a rise of 11.3 percent) and the EBIT margin coming in at 9.4 percent.

	Forecast March 2018	Achieved 2018
Revenue	€ 1.65 to € 1.70 billion	€ 1.71 billion
EBIT margin	9.0 to 10.0%	9.4%

Medium-term financial basis
In the first quarter of the past fiscal year, the Group placed a promissory note (Schuldschein) in US dollars for the first time via the Wacker Neuson Corporation, its wholly owned affiliate in the US. Before this, the Group used internal loans to finance its business in the US. In total, the Group borrowed USD 100 million with terms of five and seven years. In addition, the Wacker Neuson Group replaced its previous short-term credit lines with medium-term credit lines in the amount of EUR 75 million extended by three banks. This has secured the Group's financing in the medium term.

Financials and assets remain healthy
With an equity ratio of 63.8 percent at the closing date, the Group's financials and assets remain strong despite the additional borrowings (2017: 68.7 percent). Gearing increased to 17.1 percent (2017: 13.4 percent).

No changes in the composition of the executive bodies
No changes were made to the composition of the Executive Board or the Supervisory Board of Wacker Neuson SE in fiscal 2018.

Sale of Group real-estate company
In June 2018, Wacker Neuson SE sold a real-estate company with a former industrial property in Munich-Milbertshofen. The property was no longer required following the construction of a new R&D center for light equipment in Reichertshofen. The sale generated profit before tax of EUR 54.8 million.

Targeted implementation of Strategy 2022
The Wacker Neuson Group unveiled its new Group strategy in March 2018. The aim of Strategy 2022 is to ensure that the company is focused 100 percent on its customers' needs. It is designed to make the Group more streamlined and more agile. Guided by the initiative's three strategic pillars of "focus", "acceleration" and "excellence", the Group aims to further expand its market positions while at the same time driving growth and increasing profitability. → page 8

The Group successfully implemented a wide range of initiatives within the framework of Strategy 2022 during fiscal 2018:

Consolidating production plants
As part of its efforts to optimize production capacities and logistics processes, the Group closed its factories in Norton Shores, USA, and Manila, Philippines, in the second half of 2018. The products previously manufactured at these sites were relocated to production plants in Menomonee Falls, USA, and Pinghu, China. This new facility close to Shanghai started series production of mini excavators in January 2018, reflecting rising demand for compact equipment in China. The Group will also cease production at its plant in Itatiba, Brazil, in 2019. This facility focused primarily on the assembly of mobile generators for the rental market in South America. This means that the Group will manufacture products at a total of seven production sites as of mid-2019.

Focus at the production plant in Menomonee Falls, USA
The management team at the US facility in Menomonee Falls, which manufactures light and compact equipment, implemented a range of measures to reduce complexity and strengthen its focus on core areas of expertise. As such, the facility was able to significantly reduce vertical integration. Production processes and site logistics will be further optimized.

Streamlining the Group's internal supply chain
As part of its efforts to streamline the supply chain, the Group transferred functions based at the internal logistics company for Europe to the European production company for light equipment during the second quarter of 2018. This production company now works directly with all sales affiliates worldwide. Furthermore, the Group dissolved its North American logistics company during Q4. All functions were transferred to the Group's US sales affiliate. Eliminating the logistics companies from the internal supply chain has enabled the Group to more closely align its sales and production activities and significantly streamline planning and order processing.

Realigning global procurement
The Group realigned its global procurement organization in fiscal 2018. During this initiative, procurement and quality functions were decentralized and assigned to the managing directors of the production plants. This realignment has accelerated decision-making channels and response times across the Group. The procurement of certain cross-factory commodity groups will continue to be managed globally, ensuring that the Group continues to benefit from bundling procurement volumes. The Group aims to dovetail its production activities more tightly with the supply chain through more effective supplier management and dedicated supplier qualification. The Group also launched a Group-wide project in 2018 aimed at systematically integrating suppliers via suitable IT solutions. The first suppliers are already connected and further suppliers will gradually be added.

Progress in establishing strategic anchor dealers in North America
Last year, Wacker Neuson made significant progress in expanding its North American dealer network. To further increase market reach, the Group is placing a strategic focus on anchor dealers who – acting as exclusive and extremely knowledgeable sales partners – manage their own branch network. This will reduce the overall number of North American dealers while at the same time expanding the Group's coverage in the region. In order to grow dynamically through its dealers, Wacker Neuson provides its customers with flexible financing solutions – in some instances in collaboration with partners.

Profit, financials and assets

The report on profit, financials and assets covers a total of 54 consolidated Group companies (2017: 58) including the holding company, Wacker Neuson SE.

Profit

- Group revenue climbs to new all-time high
- EBIT margin improves significantly
- Supply bottlenecks dampen business performance

Group revenue for fiscal 2018 increased 11.3 percent to EUR 1,706.5 million (2017: EUR 1,533.9 million). The rise in revenue was fueled by positive developments in target markets in Europe, North America and Asia-Pacific. Adjusted for currency effects, revenue rose 13.3 percent.

The following factors had a particular impact on revenue:

- Continued growth in the global construction industry
- Positive development of the Group's collaboration with John Deere covering agricultural equipment (Kramer)
- High levels of investment among North American rental chains, especially in light equipment segment
- Sales of compact equipment produced in Europe on the rise in North America
- Expansion of business with key accounts
- Higher volume of business in China, in particular with excavators and demolition products

In addition to gains in revenue, the Group also reported a rise in profit. Profit before interest and tax (EBIT) rose 21.5 percent to EUR 159.7 million. The EBIT margin thus came to 9.4 percent (2017: EUR 131.4 million; 8.6 percent). The further improvement in EBIT relative to the previous year was primarily attributable to the rise in revenue as well as streamlined cost structures throughout the Group.

On the other hand, however, increased material prices and bottlenecks in the global supply chain had a negative impact on profit. These bottlenecks significantly disrupted production processes at the Group's plants. Productivity was also dampened by the closure of the production plants in Norton Shores, USA, and Manila, Philippines, together with the associated relocation of these production lines and their integration at other sites. This increased focus will – in the medium term – help reduce complexity and lead to a lasting increase in profitability for the Group. In the first half of 2018, the weak US dollar and resulting price effect also impacted sales of machines produced in Europe to the US.

Profit developments in detail
Over this past fiscal year, the cost of sales rose at a slightly higher rate than revenue, increasing 12.3 percent to EUR 1,232.5 million (2017: EUR 1,097.4 million). Gross profit thus amounted to EUR 474.0 million (2017: EUR 436.5 million). This corresponds to a gross profit margin of 27.8 percent (2017: 28.5 percent).

The following factors had a particular impact on the gross profit margin:

- Increased prices for raw materials and purchased components
- Limited material availability caused by bottlenecks in the supply chain
- Increased personnel expenses
- Site closures and the relocation of production activities
- Extensive restructuring measures at the plant in Menomonee Falls, USA
- Start of production at the new plant in Pinghu, China

REVENUE AND MARGIN DEVELOPMENT 2014 TO 2018

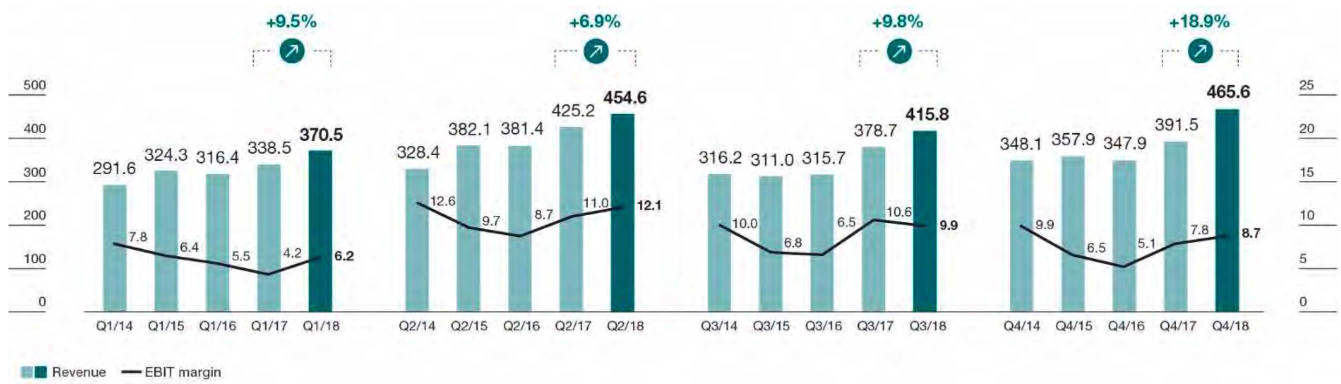
IN € MILLION AS A %

- Over the past five years, Group revenue rose by an average of 7.4 percent per year. In 2018, revenue grew 11.3 percent.
- The EBIT margin rose 0.8 percentage points to 9.4 percent in 2018 as a result of the rise in revenue and streamlined processes and cost structures.
- In 2015 and 2016, profitability was negatively impacted by weak demand in the agriculture sector, the North American construction industry and the oil and gas industry.

Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of fiscal 2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values since 2014 have been accordingly adjusted.

QUARTER-ON-QUARTER COMPARISON: REVENUE AND EBIT MARGIN 2014 TO 2018

IN € MILLION



Currency effects resulting from the valuation of receivables and payables in foreign currencies and from the valuation of cash and cash equivalents are recognized in the financial result as of Q1/2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values since 2014 have been accordingly adjusted.

Conversely, economies of scale and the expansion of the Group's flexible rental business had a positive impact on gross profit.

Thanks to improved cost management, operating costs – sales, general and administrative (SG&A) expenses and research and development (R&D) expenses – developed at a much slower rate, increasing 5.4 percent to EUR 328.4 million (2017: EUR 311.5 million). The cost-to-revenue ratio decreased to 19.2 percent (2017: 20.3 percent).

Viewed as a separate item, selling expenses rose 10.3 percent to EUR 219.7 million (2017: EUR 199.1 million). This rise is primarily attributable to the higher volume of business, increased personnel expenses and the Group's strategy to expand its international sales activities in all three regions under review.

Research and development costs amounted to EUR 35.9 million and were thus on a par with the prior-year level (2017: EUR 35.8 million). A total of EUR 18.4 million in development costs was capitalized in 2018 in conjunction with the development of new products (2017: EUR 13.4 million). The research and development ratio, including capitalized expenditure, amounted to 3.2 percent of revenue (2017: 3.2 percent).

General and administrative expenses decreased 5.0 percent to EUR 72.8 million (2017: EUR 76.6 million). The administrative cost ratio fell to 4.3 percent (2017: 5.0 percent). This change is attributable to strict cost control measures and one-off expenses for redundancy payments and pensions incurred in the previous year.

At EUR 15.1 million, other operating income was higher than the previous year (2017: EUR 10.9 million). This was attributable to increased income from the sale of property. Other operating expenses decreased to EUR 1.0 million (2017: EUR 4.5 million). The prior-year figure includes special effects resulting from impairment losses on a property in Australia earmarked for sale as well as up-front costs related to the sale of a real estate property owned by the Group.

Profit before interest, tax, depreciation and amortization (EBITDA) rose 14.3 percent to EUR 236.8 million, compared with EUR 207.2 million in the previous year. The EBITDA margin improved to 13.9 percent (2017: 13.5 percent).

Write-downs in 2018 amounted to EUR 77.1 million in total and were thus slightly higher than in the previous year (2017: EUR 75.8 million). This was due to investments in strategic growth. This figure includes write-downs on the Group's own stocks of rental equipment, which it had expanded in the past fiscal year, in the amount of EUR 36.6 million (2017: EUR 32.6 million).

Profit before interest and tax (EBIT) rose 21.5 percent to EUR 159.7 million. This corresponds to a margin of 9.4 percent (2017: EUR 131.4 million; 8.6 percent).

Profit for the previous year was impacted by expenses for one-off effects and restructuring measures in the total amount of EUR 12.6 million. This included effects resulting from impairment losses on old inventory, reorganization of the Executive Board and up-front costs related to the sale of a real-estate company owned by the Group. In fiscal 2017, the Group also made provisions for expenses related to the restructuring of foreign affiliates.

The financial result for the year under review (comprising financial income and expenses) amounted to EUR -11.5 million (2017: EUR -6.0 million). For further information on the financial result, refer to the "Financial position" section and item 5, "Financial result", in the Notes to the Consolidated Financial Statements.

Profit before tax (EBT) amounted to EUR 203.0 million and was thus significantly higher than the previous year (2017: EUR 125.4 million). This figure includes one-off income of EUR 54.8 million from the sale of a real-estate company owned by the Group.

Tax expenditure came to EUR 58.4 million (2017: EUR 37.9 million), which corresponds to a Group tax rate of 28.8 percent (2017: 30.2 percent). Please refer to item 6, "Taxes on income", in the Notes to the Consolidated Financial Statements.

The Wacker Neuson Group thus realized profit of EUR 144.6 million in 2018, which represents an increase of 65.3 percent (2017: EUR 87.5 million).

After adjusting profit to discount the one-off effect resulting from the sale of the real-estate company owned by the Group, operating profit for the period amounted to EUR 98.8 million (2017: EUR 87.5 million). This corresponds to a rise in earnings of 12.9 percent.

70.14 million ordinary shares were in circulation at all times during fiscal 2018. This resulted in earnings per share (diluted and undiluted) of EUR 2.06 (2017: EUR 1.25). After discounting the sale of the real estate property, adjusted earnings per share amounted to EUR 1.41.

Quarterly developments

The figure above shows quarterly revenue and profit for fiscal years 2014 to 2018. Revenue for the first quarter of the past fiscal year was 9.5 percent higher than the previous year. However, the pace of growth slowed to 6.9 percent during the second quarter. This was primarily due to bottlenecks in the global supply chain. Group revenue grew at a rate of 9.8 percent in the third quarter of 2018. The pace of growth accelerated markedly towards the end of the year with revenue increasing by 18.9 percent in the fourth quarter. A number of factors contributed to this strong growth. These included the ongoing, very healthy situation in key target markets as well as the Group's targeted efforts to reduce stocks of unfinished machines that had built up during previous quarters and the sale of old inventory. Both measures, however, had a negative impact on the gross profit margin. The company's performance in the fourth quarter is described in more detail under "Developments in Q4 2018". → page 58

Financial position

- Cash flow impacted by rise in net working capital and the expansion of the dealer network in North America
- Forward-looking investments underpin long-term growth strategy

Principles and targets of financial management

At the Wacker Neuson Group, financial management encompasses the planning, management and controlling of all measures related to the sourcing (financing) and utilization (investment) of funds. The main focus is on ensuring and maintaining liquidity in the form of sufficient credit lines or liquid funds. Financial management also aims to optimize the company's risk/return ratio or profitability (return on equity and on assets) while ensuring conformity with the company's general risk policy (investment and financing risks). The Group draws on set balance sheet ratios and key indicators to manage its financing needs. The most important indicators here are net financial debt – resulting from current net financial liabilities and non-current financial liabilities – and the equity ratio.

The company's aim is to fund day-to-day operations with cash flow from operating activities. Surplus funds are invested in safe, highly liquid instruments where they earn the prevailing interest rates. The Wacker Neuson Group uses standard derivative financial instruments such as foreign exchange forward contracts and foreign exchange swaps to minimize risks.

Refinancing developments

The Wacker Neuson Group benefits from its outstanding credit rating, which is also acknowledged by the banks. In 2018, Deutsche Bundesbank again confirmed that Wacker Neuson SE was eligible for credit. The company aims to maintain its independence, directly sourcing its own diverse refinancing lines on the market.

In the first quarter of fiscal 2018, the Group placed a promissory note (Schuldschein) in US dollars for the first time via the Wacker Neuson Corporation, its wholly owned affiliate in the US. Before this, the Group used internal loans to finance its business in the US. In total, the Group borrowed USD 100 million with terms of five and seven years. In addition, the Wacker Neuson Group replaced its previous short-term credit lines with medium-term credit lines in the total amount of EUR 75 million extended by three banks. This represents a first step in securing the Group's medium-term growth plans by stabilizing its financing structure moving forward.

Ensuring payment flow through liquidity management

The main objective of liquidity management is to ensure that the Wacker Neuson Group has sufficient funds to meet payment obligations as they arise. To this end, the Group maintains cash pools in which almost all of its companies are incorporated. All participants can draw on the positive cash pool balances provided by Wacker Neuson SE up to individually fixed, fair market limits. Interest accrues on deposits and withdrawals effected by participants in keeping with the market conditions prevailing in the respective currency and company. In addition to these highly short-term loans, Group companies also have access to Group loans with terms of up to one year.

KEY FINANCIAL INSTRUMENTS

	Amount in €/USD million	Due	Interest rate as a %
Promissory note (Schuldschein) 2012 in € (Tranche II)	29.9	2019	3.66
Promissory note (Schuldschein) 2017 in €	124.9	2022	0.69
Promissory note (Schuldschein) 2018 in USD (Tranche I)	77.4	2023	3.97
Promissory note (Schuldschein) 2018 in USD (Tranche II)	22.5	2025	4.26
Borrowings from banks in €	33.8	n/a	variable

Cash flow impacted by rise in net working capital and the expansion of the dealer network in North America
Cash flow from operating activities for the past fiscal year was negative at EUR -18.1 million (2017: EUR 138.0 million). The marked rise in net working capital was a key factor here. → page 54

Discounting investments in net working capital, cash flow from operating activities amounted to EUR 122.0 million (2017: EUR 165.5 million). Two key factors contributed to the change in comparison with the previous year: Investments in the Group's own rental equipment and its strategy to create anchor dealers in North America, which the Group is flanking with tailored financing programs. This last initiative led to a marked rise in miscellaneous assets.

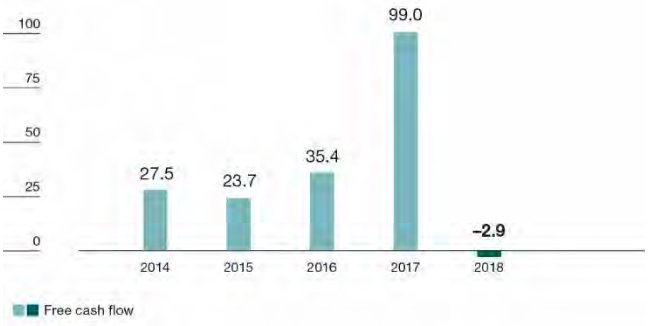
Cash flow from investment activities remained positive at EUR 15.2 million in 2018 (2017: EUR -39.0 million). This item includes the cash inflow from the sale of a real-estate company owned by the Group in the amount of EUR 60.0 million. Adjusted for proceeds on disposal of assets, cash outflow from investment activities was more than 50 percent higher than the previous year.

Cash flow from financing activities was positive at EUR 19.9 million (2017: EUR -88.2 million). The largest items here were the cash inflow from the promissory note (Schuldschein) placed in February 2018 in the amount of EUR 81.4 million and the cash outflow from the dividend payout. The dividend increase resulted in a payout of EUR -42.1 million, which is higher than the prior-year figure (2017: EUR -35.1 million). In 2017, the Group repaid current liabilities, including bank loans, as well as the first tranche of the promissory note (Schuldschein) placed in 2012.

Free cash flow corresponds to cash flow from operating activities less cash flow from investment activities. In fiscal 2018, free cash flow amounted to EUR -2.9 million as a result of the factors described above (2017: EUR 99.0 million).

Please refer to item 30, "Cash flow statement", in the Notes to the Consolidated Financial Statements for further information.

FREE CASH FLOW 2014 – 2018[1]
IN € MILLION



[1] Please refer to item 30 in the Notes to the Consolidated Financial Statements for further information about the cash flow statement.

Liquidity situation
The Wacker Neuson Group was able to meet liquidity needs in 2018 through a combination of existing liquid assets, the promissory note (Schuldschein) placed in February and credit lines extended by banks. For further details on the terms and conditions of credit lines, refer to item 21, "Financial liabilities", in the Notes to the Consolidated Financial Statements.

The Group reported liquid funds to the value of EUR 43.8 million at December 31, 2018 (2017: EUR 27.3 million). These funds are held by Wacker Neuson SE and affiliates that cannot participate in the existing cash pool structures for legal reasons. The Wacker Neuson Group continues its efforts to improve this situation within the limits of what is legally possible.

Net financial debt expressed as a ratio of EBITDA amounted to 0.9 at the closing date (2017: 0.7). At the same time, total debt[1] expressed as a ratio of EBITDA came to 1.3 (2017: 1.1). Both figures underscore the Group's strong financial position. Wacker Neuson is able to gene-

IN € MILLION

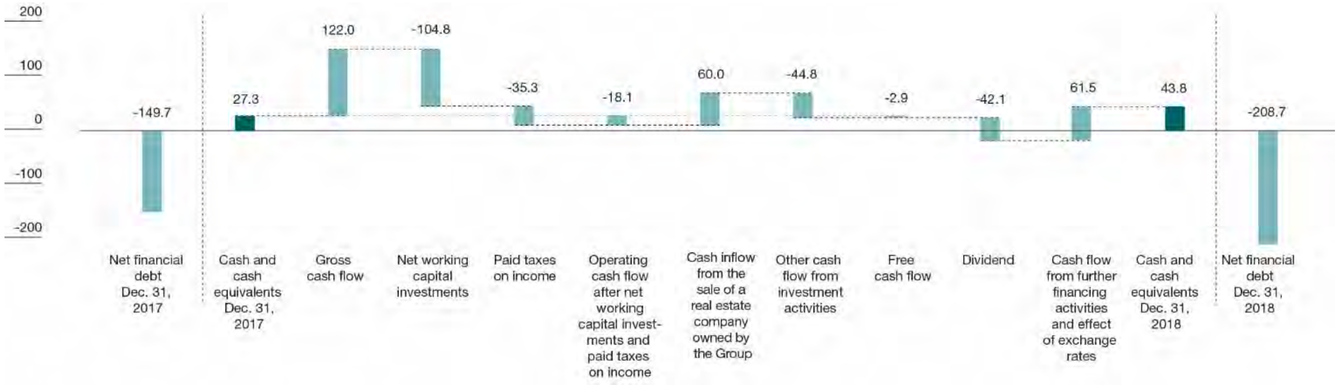
	2018	2017	2016	2015	2014
Cash flow from operating activities	**-18.1**	**138.0**	**79.4**	**78.5**	**63.5**
Purchase of property, plant and equipment	-37.3	-29.5	-32.3	-42.3	-24.5
Purchase of intangible assets	-36.0	-17.9	-16.2	-17.7	-16.5
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	28.5	8.4	4.5	5.0	5.0
Proceeds from the sale of a real-estate company	60.0	–	–	–	–
Change in consolidation structure	–	–	–	0.2	–
Cash flow from investment activities[1]	**15.2**	**-39.0**	**-44.0**	**-54.8**	**-36.0**
Free cash flow	**-2.9**	**99.0**	**35.4**	**23.7**	**27.5**

[1] Includes cash inflow of EUR 60.0 million from the sale of a real-estate company belonging to the Group.

[1] Corresponds to financial debt plus provisions for pensions.

LIQUIDITY SITUATION

IN € MILLION



A number of factors had an impact on cash flow in 2018. The rise in net working capital, increased activities related to dealer financing and investments in further growth across the Group all played a key role here. At EUR -42,1 million, the dividend payout in 2018 was higher than the previous year (2017: EUR -35.1 million). The Group reported liquid funds to the value of EUR 43.8 million at December 31, 2018 (2017: EUR 27.3 million). Net financial debt rose to EUR 208.7 million (2017: EUR 149.7 million).

rate the funds it needs to meet its payment obligations from its day-to-day business activities.

Forward-looking investments in future growth

The Wacker Neuson Group again made significant investments in future growth during fiscal 2018. During the period under review, the Group invested a total of EUR 73.3 million (2017: EUR 47.4 million), EUR 37.3 million of which was channeled into property, plant and equipment (2017: EUR 29.5 million) and a further EUR 36.0 million into intangible assets (2017: EUR 17.9 million). Investments in intangible assets included capitalization of development activities and also software, which increased significantly in the past year. Property, plant and equipment for 2018 does not include investments in the Group's own rental equipment in Europe, which came to EUR 92.6 million (2017: EUR 71.7 million). The ratio of investments in tangible and intangible assets to write-downs amounted to 1.8 (2017: 1.1) and thus underscores the Group's commitment to further growth.

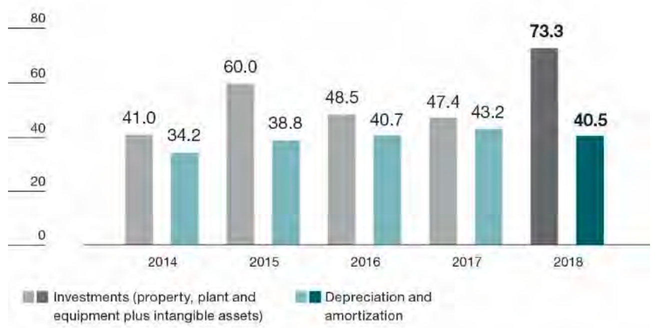
Rise in net working capital

Targeted inventory management is crucial for ensuring that the Group can meet the needs of the global market. The company needs to maintain higher stock levels due to the many different product parts and model versions it now requires as a result, in part, of the amended emissions legislation governing construction equipment. Furthermore, the Group's inventory levels of finished products are relatively high in comparison with competitors as it distributes its products in Europe via its own affiliates, as well as its sales and service stations. This contrasts with the "dealer-only" model operated by almost all of its competitors, which means that inventories of competitors' finished machines are primarily reported in their dealers' balance sheets.

At EUR 643.9 million, the Wacker Neuson Group's net working capital rose much more than planned in fiscal 2018 (2017: EUR 535.8 million). Net working capital expressed as percentage of revenue for the year increased by around three percentage points to 37.7 percent (2017: 34.9 percent). This was primarily attributable to increased inventory and a rise in trade receivables.

INVESTMENTS AND WRITE-DOWNS 2014 – 2018[1]

IN € MILLION

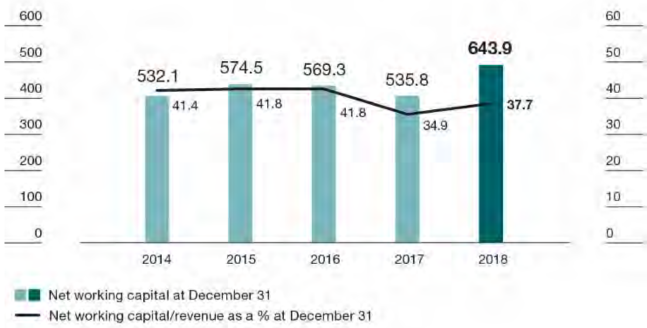


- The Group invested a total of EUR 73.3 million in 2018 (2017: EUR 47.4 million), of which EUR 37.3 million was channeled into property, plant and equipment (2017: EUR 29.5 million) and EUR 36.0 million into intangible assets (2017: EUR 17.9 million).
- Group investments were much higher than write-downs in 2018 (ratio of investments[1] to write-downs[1] = 1.8). This underscores the Group's long-term growth strategy.

[1] Based on property, plant and equipment and intangible assets, the Group's own rental equipment is not included here.

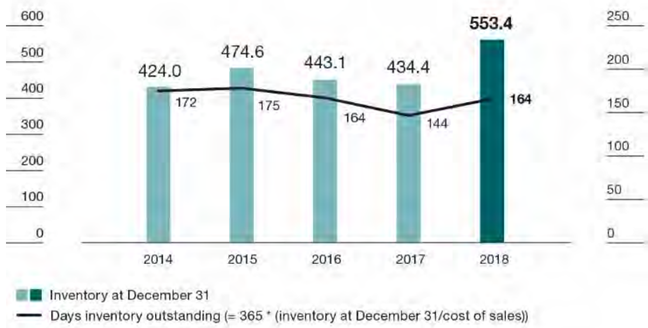
NET WORKING CAPITAL 2014 – 2018

IN € MILLION



INVENTORY AND DAYS INVENTORY OUTSTANDING 2014 – 2018

AS A % IN € MILLION IN DAYS



Net working capital rose sharply in fiscal 2018. Expressed as a percentage of revenue, net working capital rose to 37.7 percent (2017: 34.9 percent). Increased inventory levels caused by bottlenecks in the Group's global supply chain and a sharp rise in trade receivables played a key role here. This last factor was mainly attributable to the strategic expansion of the Group's business activities in North America. In the medium term, the Group aims to achieve a net working capital ratio of ≤ 30 percent and days inventory outstanding of < 130 days.

Bottlenecks in the supply chain caused delays in production processes, which meant that production and sales activities were no longer aligned. Despite the challenging situation, the Group decided not to forego any production slots wherever possible to prevent any further disruption to productivity at the factories and to ensure it remains well placed to meet demand in 2019. This resulted in increased numbers of finished machines at the closing date. In many cases, the lack of material also meant that machines could not be completed for customer orders. As a consequence, the number of unfinished machines was also significantly higher than normal. Inventory levels were pushed up further by a more conservative inventory strategy for raw materials and supplies as well as targeted efforts to increase stocks of pre-buy engines as a result of the new EU Stage V emissions standards coming into force. At the closing date, inventory levels rose 27.4 percent relative to the prior-year figure to EUR 553.4 million (2017: EUR 434.4 million). Days inventory outstanding increased from 144 to 164 days.[1]

The rise in inventory levels also caused trade payables to increase at an above-average rate of 59.2 percent to EUR 212.8 million (2017: EUR 133.7 million). This increase offset growth in net working capital. The range increased to 63 days (2017: 44 days).[2]
Trade receivables rose markedly due to a number of factors, including the increased volume of business in North America and the Group's targeted efforts to expand its dealer network in the region. At the close of the year, trade receivables amounted to EUR 303.3 million (2017: EUR 235.1 million). The range increased to 65 days (2017: 56 days).[3]

Measures aimed at reducing net working capital introduced
The Group's Executive Board introduced numerous initiatives to help permanently reduce net working capital in relation to revenue back in 2017. This included a project to integrate the sales affiliates into a uniform IT platform that provides a much more transparent overview of Group-wide inventory levels. This improved product availability and significantly reduced the risk of high levels of old inventory building up. Net working capital was also made an integral part of the incentive program for senior management. Although the first signs of success started to be seen at the end of fiscal 2017, the effects described above, in particular, caused net working capital to rise at an above-average rate in the past fiscal year.

IN € MILLION

	2018	2017	2016	2015	2014
Inventory at Dec. 31	553.4	434.4	443.1	474.6	424.0
Days investory outstanding	164	144	164	175	172
Average Inventory = (opening + closing)/2	493.9	438.8	458.9	449.3	378.9
Trade receivables at Dec. 31	303.3	235.1	213.8	180.0	173.3
Trade payables at Dec. 31	212.8	133.7	87.6	80.1	65.2
Net Working capital at Dec. 31	643.9	535.8	569.3	574.5	532.1
Net Working Capital as a % of revenue	37.7%	34.9%	41.8%	41.8%	41.4%
Average Net Working Capital = (opening + closing)/2	589.9	552.6	571.9	553.3	492.6
Average Net Working Capital to revenue ratio	34.6%	36.0%	42.0%	40.2%	38.4%

[1] Note on calculation: Inventory level at December 31 / cost of sales * 365 days.
[2] Note on calculation: Trade payables at December 31 / cost of sales * 365 days.
[3] Note on calculation: Trade receivables at December 31 / revenue * 365 days.

To prevent the supply bottlenecks that occurred in the past year from happening again in future, in 2018 the Group concluded agreements at an early stage with suppliers to ensure it will have access to the parts it requires in 2019. Corresponding standard agreements have been signed. The Group also expanded its supplier base. Furthermore, the Group was able to continue harmonizing its production activities with the supply chain by intensifying its management of suppliers and auditing targeted suppliers. In order to improve production planning processes, the Group also launched a Group-wide project in 2018 aimed at systematically integrating suppliers via suitable IT solutions. The first suppliers are already connected and further suppliers will gradually be added.

In addition to this, the Wacker Neuson Group is committed to reducing its receivables range in the long term. To this end, the Group plans – among other things – to intensify its collaboration with external financing partners, in particular with regard to its expansion into North America.

Within the framework of Strategy 2022, the Group remains committed to achieving a net working capital ratio of ≤ 30 percent of revenue.

Return on capital employed

Fueled by the growth in revenue and the rise in net working capital described above, capital employed increased 9.7 percent to EUR 1,428.9 million (2017: EUR 1,302.5 million).[1] Following the significant improvement in profit, ROCE I (return on capital employed before tax) rose from 10.1 percent in the previous year to 11.2 percent in 2018. ROCE II (after tax) increased 1.0 percentage points to 8.0 percent (2017: 7.0 percent).

CALCULATING ROCE I AND II (RETURN ON CAPITAL EMPLOYED)

IN € MILLION

	2018	2017	2016	2015	2014
EBIT	**159.7**	**131.4**	**88.8**	**102.4**	**130.4**
NOPLAT = EBIT – (EBIT x tax rate)	**113.8**	**91.7**	**62.4**	**70.0**	**92.3**
Non-current assets	**822.4**	**759.2**	**773.0**	**754.0**	**730.0**
Other long-term financial assets	-78.8	-35.6	-24.5	-10.8	-16.2
Deferred tax liabilities	-34.6	-32.5	-30.8	-33.5	-33.2
Assets used in business	**709.0**	**691.1**	**717.7**	**709.7**	**680.6**
Current assets	**1,091.8**	**862.5**	**807.8**	**798.1**	**717.5**
Other short-term financial assets	-16.2	-11.3	-2.5	-2.8	-5.1
Cash and cash equivalents	-43.8	-27.3	-17.6	-25.0	-14.2
Trade payables	-212.8	-133.7	-87.6	-80.1	-65.2
Short-term provisions	-15.7	-16.9	-15.7	-13.1	-12.8
Current tax payable	-1.0	-1.0	-1.8	-3.2	-1.4
Other current non-financial liabilities	-82.4	-60.9	-44.7	-53.1	-50.4
Net Working Capital in a broader sense	**719.9**	**611.4**	**638.0**	**620.8**	**568.4**
Capital Employed	**1,428.9**	**1,302.5**	**1,355.6**	**1,330.5**	**1,249.2**
Average Capital Employed	**1,365.7**	**1,329.1**	**1,343.1**	**1,289.9**	**1,207.5**
Derivation via equity and liabilities					
Equity	1,221.4	1,113.7	1,092.5	1,069.1	1,016.2
Long-term financial borrowings	217.3	156.1	30.0	124.4	126.6
Long-term provisions	58.2	59.1	54.3	48.2	49.4
Short-term borrowings from banks	33.8	20.3	190.5	99.3	66.7
Current portion of long-term borrowings	1.4	0.6	2.9	0.4	0.4
Other short-term financial liabilities	35.6	26.9	30.0	27.7	25.3
Other long-term financial assets	-78.8	-35.6	-24.5	-10.8	-16.2
Cash and cash equivalents	-43.8	-27.3	-17.6	-25.0	-14.2
Other short-term financial assets	-16.2	-11.3	-2.5	-2.8	-5.1
Capital Employed	**1,428.9**	**1,302.5**	**1,355.6**	**1,330.5**	**1,249.2**
Capital Employed as a % of revenue	83.7%	84.9%	99.6%	96.7%	97.3%
ROCE I	**11.2%**	**10.1%**	**6.6%**	**7.7%**	**10.4%**
(EBIT/Capital Employed)					
ROCE I	**11.7%**	**9.9%**	**6.6%**	**7.9%**	**10.8%**
(EBIT/average Capital Employed)					
ROCE II	**8.0%**	**7.0%**	**4.6%**	**5.3%**	**7.4%**
(NOPLAT/Capital Employed)					
ROCE II	**8.3%**	**6.9%**	**4.6%**	**5.4%**	**7.6%**
(NOPLAT/average Capital Employed)					

[1] Goodwill is also included in capital employed as of fiscal 2017. Prior-year figures have been adjusted accordingly.

Assets

- Slight increase in gearing
- High equity ratio compared with industry peers
- Solid balance sheet structure underpins future growth

Increase in inventories, rental stock and receivables characterizes assets side of the balance sheet
In fiscal 2018, the balance sheet total of the Wacker Neuson Group rose 18.0 percent to EUR 1,914.2 million (2017: EUR 1,621.7 million).

As of December 31, 2018, assets increased to EUR 701.7 million (2017: EUR 681.8 million). Goodwill amounted to EUR 237.8 million (2017: EUR 237.4 million). At EUR 143.5 million, other intangible assets were higher than the previous year (2017: EUR 125.6 million).

The group intensified its financing activities in connection with the strategic development of anchor dealers in North America. As a result of this, other non-current financial assets doubled to EUR 78.8 million (2017: EUR 35.6 million). Please refer to item 11 in the Notes to the Consolidated Financial Statements for further information.

At the end of the reporting period, the non-current assets totaled EUR 822.4 million (2017: EUR 759.2 million).

The development of current assets was also notable in the assets side of the balance sheet. These totaled EUR 1,091.8 million on the balance sheet date (2017: EUR 862.5 million). This rise was primarily due to the increase in inventories, rental stock and trade receivables (see section on “Financial position”, → page 54ff.).

Solid financing structure with high equity ratio
Profit for the period increased Group equity to EUR 1,221.4 million at the closing date (2017: EUR 1,113.7 million). The significant increase in the balance sheet total was accompanied by a dip in the equity ratio, down to 63.8 percent (2017: 68.7 percent). It thus remains at a high level. The company’s share capital remained unchanged at EUR 70.14 million.

Non-current liabilities increased to EUR 310.1 million (2017: EUR 247.7 million). This is attributable to a promissory note (Schuldschein) in the amount of USD 100 million placed in February 2018, which increased long-term borrowings to EUR 217.3 million (2017: EUR 156.1 million). At EUR 58.2 million, long-term provisions fell just below the level of the previous year (2017: EUR 59.1 million). Please refer to item 19 in the Notes to the Consolidated Financial Statements for further information on provisions for pensions.

Deferred tax liabilities increased to EUR 34.6 million as of December 31, 2018 (2017: EUR 32.5 million).

Total current liabilities increased to EUR 382.7 million as at December 31, 2018 (2017: EUR 260.3 million). This was primarily due to the increase in trade payables. The upturn in business activities and the rise in inventories brought this figure to EUR 212.8 million (2017: EUR 133.7 million).

The business upturn in the period also increased short-term borrowings to EUR 35.2 million (2017: EUR 20.9 million). A rise was also recorded in the Group’s other financial and non-financial liabilities. Please refer to item 23 in the Notes to the Consolidated Financial Statements for further details.

At December 31, 2018, 55.5 percent of liabilities were current and 44.5 percent non-current.

Financial structure
Please refer to the “Financial liabilities” section, item 21 in the Notes to the Consolidated Financial Statements, for information on the financial structure, financial covenants and the terms of covenants.

Off-balance-sheet assets and financial instruments
In addition to the assets shown in the consolidated balance sheet, the Group also makes customary use of assets that cannot be recognized in the balance sheet. These generally refer to leased, let or rented assets (operating leases). Please refer to the “Other financial liabilities” section, item 26 in the Notes to the Consolidated Financial Statements, for further details.

The Group utilizes off-balance-sheet financial instruments, such as the sale of receivables (factoring), to a limited extent only.

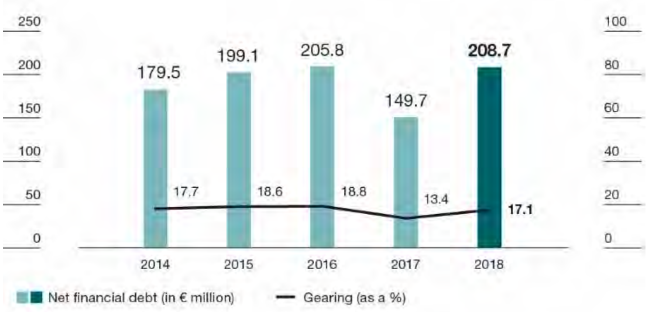
Judgments and estimates
During the past fiscal year, no voting rights were exercised and no balance-sheet disclosures made which, if exercised or disclosed differently, would have had a material effect on the net assets, financials and profits of the Group.

NET FINANCIAL POSITION
IN € MILLION

	2018	2017	2016	2015	2014
Long-term borrowings	-217.3	-156.1	-30.0	-124.4	-126.6
Short-term borrowings	-33.8	-20.3	-190.5	-99.3	-66.7
Current portion of long-term borrowings	-1.4	-0.6	-2.9	-0.4	-0.4
Cash and cash equivalents	43.8	27.3	17.6	25.0	14.2
Total net financial position	**-208.7**	**-149.7**	**-205.8**	**-199.1**	**-179.5**

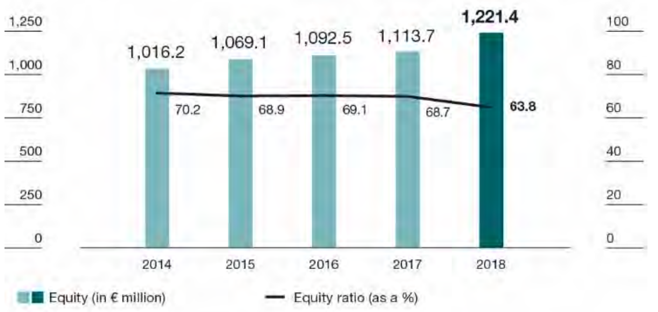
NET FINANCIAL DEBT AND GEARING 2014 – 2018

IN € MILLION AS A %



EQUITY AND EQUITY RATIO 2014 – 2018

IN € MILLION AS A %



With a high equity ratio of 63.8 percent (2017: 68.7 percent), Wacker Neuson is in a strong financial position. Net financial debt for 2018 increased to EUR 208.7 million (2017: EUR 149.7 million). At the closing date, gearing thus amounted to 17.1 percent (2017: 13.4 percent).

Information about the use of estimates, assumptions and judgments made – especially in connection with the valuation of property, plant and equipment, intangible assets and goodwill – with regard to debts, pension liabilities, provisions, contingencies and information about tax expenses is presented in the Notes to the Consolidated Financial Statements under "Material discretionary decisions, estimates and assumptions". → page 120

Developments in Q4 2018

Group revenue for the fourth quarter of 2018 increased 18.9 percent relative to the prior-year quarter to reach EUR 465.6 million (Q4/2017: EUR 391.5 million). Several factors contributed to this strong rate of growth, including the consistently upbeat sentiment among target markets. Significant headway was also made in the effort to reduce the number of unfinished machines, which had increased in the course of the year. Furthermore, the Group was able to market some of its old stock.

Gross profit amounted to EUR 123.4 million (Q4/2017: EUR 110.2 million). This corresponds to a gross profit margin of 26.5 percent (Q4/2017: 28.1 percent). The main reasons for this decrease were the impact from the restructuring exercise in the US, which dampened productivity, and the higher costs incurred to complete machines affected by the material bottlenecks. The sale of old stock also had a dampening effect here. Profit before interest and tax (EBIT) nevertheless increased thanks to a solid cost base by 32.9 percent to EUR 40.4 million (Q4/2017: EUR 30.4 million). The EBIT margin thus rose to 8.7 percent (Q4/2017: 7.8 percent).

Profit for the period rose to EUR 23.4 million (Q4/2017: EUR 16.5 million).

Regional developments

The sales situation in Europe continued to benefit from high demand in the construction and agricultural sectors, increasing by 16.6 percent to EUR 342.7 million (Q4/2017: EUR 293.8 million). EBIT amounted to EUR 41.7 million (Q4/2017: EUR 38.5 million).

A significant increase of 16.5 percent was recorded for revenue in the Americas, giving a total of EUR 98.3 million (Q4/2017: EUR 84.4 million). Profit before interest and tax (EBIT), negatively impacted by factors such as restructuring costs, amounted to EUR -7.1 million (Q4/2017: EUR -2.7 million).

The results from the Asia-Pacific region were particularly satisfying, with revenue increasing here by 85.0 percent to EUR 24.6 million (Q4/2017: EUR 13.3 million). Segment profit before interest and tax (EBIT), impacted by the start-up costs for the new factory in Pinghu, amounted to EUR -1.5 million (Q4/2017: EUR -4.0 million).

For further information, refer to the section "Segment reporting by region" → page 63

Segment reporting by business segment

The pace of growth in the light equipment segment picked up rapidly in the fourth quarter, with revenue growing 21.2 percent to EUR 117.2 million (Q4/2017: EUR 96.7 million).[1]

Compact equipment revenue grew 20.0 percent to EUR 256.7 million (Q4/2017: EUR 214.0 million).[1] This figure includes agricultural equipment, where revenue increased by 28.1 percent to EUR 81.7 million (Q4/2017: EUR 63.8 million).

Revenue in the services segment grew 12.3 percent to EUR 96.7 million in the fourth quarter (Q4/2017: EUR 86.1 million).[1]

For further information, refer to the section "Segment reporting by business segment" → page 66

[1] Before cash discounts.

Free cash flow in the fourth quarter

The increase in net working capital, extra financing activities in North America and increased investment activity led to a negative free cash flow of EUR -11.7 million in the fourth quarter (Q4/2017: EUR 46.3 million).

DEVELOPMENT IN Q4

IN € MILLION

	Q4/2018	Q4/2017	Change
Indicator			
Revenue	465.6	391.5	18.9%
Gross profit	123.4	110.2	12.0%
Gross profit margin as a %	26.5	28.1	-1.6PP
EBIT	40.4	30.4	32.9%
EBIT margin as a %	8.7	7.8	0.9PP
Profit for the period	23.4	16.5	41.8%
EPS (in €)	0.33	0.24	37.5%
Revenue according to region			
Europe	342.7	293.8	16.6%
Americas	98.3	84.4	16.5%
Asia-Pacific	24.6	13.3	85.0%
EBIT according to region[1]			
Europe	41.7	38.5	8.3%
Americas	-7.1	-2.7	163.0%
Asia-Pacific	-1.5	-4.0	-62.5%
Revenue according to business segment[2]			
Light equipment	117.2	96.7	21.2%
Compact equipment	256.7	214.0	20.0%
Services	96.7	86.1	12.3%
Cash flow			
Changes in Net Working Capital	-4.8	25.1	-119.1%
Cash flow from operating activities	7.7	63.2	-87.8%
Cash flow from investment activities	-19.4	-16.9	14.8%
Investments (property, plant and equipment and intangible assets)	-28.1	-19.6	43.4%
Free cash flow	-11.7	46.3	-125.3%
Cash flow from financing activities	17.6	-90.0	-119.6%

[1] Before consolidation.
[2] Consolidated revenue before cash discounts.

General overview of economic situation

The Group achieved double-digit revenue and profit growth in fiscal 2018. It was aided here by largely positive market trends in the construction and agriculture sectors. Business activity was clearly bolstered in all regions and business segments under review.

With an equity ratio of 63.8 percent (2017: 68.7 percent) and gearing of 17.1 percent (2017: 13.4 percent), the Group's financials and assets remain very strong compared with industry peers. In light of the secure liquidity situation, the Group was able to meet all of its financial obligations in 2018.

Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB)

The Annual Financial Statements of Wacker Neuson SE have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (Aktiengesetz). For the 2018 fiscal year, the Management Report of Wacker Neuson SE has been combined with the Group Management Report.

The Annual Financial Statements describe the results of business activities conducted by Wacker Neuson SE during fiscal 2018. Here it should be noted that the company has been operating as a management and holding company since fiscal 2011. Following the reorganization of Group members based in Munich, additional Group services were bundled at Wacker Neuson SE from 2018 onwards. In particular, this refers to the areas of marketing, human resources, IT, financial services, corporate real estate management and procurement. As a result of this reorganization, 180 employees have been transferred to Wacker Neuson SE. The company's business activities were expanded to include these services.

The corporate purpose of Wacker Neuson SE is holding and managing shares in companies that are directly or indirectly involved in the development, manufacture and sale of machines, equipment, tools and processes – particularly for the construction and agricultural industries – as well as the provision of all associated services.

The central Group functions based in Munich are allocated to Group-wide and/or non-transferable contractual relationships and other legal relationships, receivables and liabilities of Wacker Neuson SE. The holding is responsible for strategic functions of Group management. The Group Executive Board plus the following central, Group-wide departments are vested with the holding company: Group controlling, Group accounting, Group treasury, legal (including patent management), internal auditing, compliance, real estate, strategy, mergers and acquisitions, investor relations, sustainability, corporate communication, Corporate IT, Corporate marketing, Corporate taxes and Corporate human resources. The company employed 228 people on average in fiscal 2018 (2017: 52).

In its capacity as a management and functional holding, the company also delivers administrative, financial, commercial and technical services for the holding entities in return for a fee under the terms and conditions customary in the market. Some of these service contracts are reciprocal agreements.

The Annual Financial Statements were prepared in accordance with the German Commercial Code (HGB), in the version applicable at the balance sheet date. The income statement is prepared in the "cost-of-sales" format.

Revenue for 2018 amounted to EUR 46.9 million (2017: EUR 18.1 million). This was generated through the provision of services by Wacker Neuson SE to its affiliates. The volume of these services was much higher than in the previous year due to the bundling of additional Group services at Wacker Neuson SE. The additional services are mainly connected with IT (EUR 15.1 million), management (EUR 14.8 million), marketing (EUR 8.1 million), the Wacker Neuson Training Center (EUR 2.3 million) as well as other sales and administration services (EUR 5.0 million). The figure also includes rental income from the letting of premises in Munich to the affiliates based there and to an external tenant (EUR 1.6 million).

Broken down by region, revenue comprises EUR 42.2 million of revenue generated in Europe (2017: EUR 15.6 million), EUR 4.5 million generated in the Americas (2017: EUR 2.4 million) and EUR 0.2 million in Asia-Pacific (2017: EUR 0.1 million).

Cost of sales amounted to EUR 44.3 million (2017: EUR 17.2 million) and gross profit came to EUR 2.6 million (2017: EUR 0.9 million).

INCOME STATEMENT FOR WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	2018	2017
Revenue	46.9	18.1
Cost of sales	-44.3	-17.2
Gross profit	**2.6**	**0.9**
General and administrative expenses	-28.1	-28.8
Other income	21.5	38.9
Other expenses	-9.2	-20.5
Income from participating interests	161.9	46.4
Income from profit transfer agreements	38.3	28.8
EBIT	**187.0**	**65.7**
Interest and similar income	15.8	14.3
Write-downs on financial assets	-8.1	-5.5
Interest and similar expenses	-5.9	-7.8
Taxes on income and earnings	-19.1	-14.5
Profit after tax	**169.7**	**52.2**
Other taxes	-0.1	-0.2
Net profit/loss	**169.6**	**52.0**
Profit/loss carried forward	86.7	76.8
Retained earnings	**256.3**	**128.8**

General administrative expenses amounted to EUR 28.1 million in fiscal 2018 (2017: EUR 28.8 million). Other income came to EUR 21.5 million. This figure primarily includes income from the provision of IT and marketing services and from currency conversions. Other income for the previous year was posted at EUR 38.9 million. This was due to increased income from IT and marketing services rendered by affiliates as well as a rise in currency gains. Other operating expenses amounted to EUR 9.2 million in fiscal 2018 (2017: EUR 20.5 million). This primarily comprises exchange losses. The change relative to the previous year is directly linked to the evaluation of items in US dollars posted under receivables from affiliated companies.

The dividend payment made by Wacker Neuson SE to its shareholders is dependent on the performance of its holding entities and the profit that they yield. In 2018, Wacker Neuson SE received EUR 161.9 million in dividends from the Group (2017: EUR 46.4 million). This increase is due to the dividend payments of a subgroup being deferred from fiscal 2017 to fiscal 2018.

Income from shareholdings in companies (dividends plus proceeds from the profit transfer agreement) amounted to EUR 200.2 million (2017: EUR 75.2 million). The income from the profit transfer agreement stems from an agreement concluded between affiliates and Wacker Neuson SE.

Wacker Neuson SE realized profit before interest and tax (EBIT) of EUR 187.0 million (2017: EUR 65.7 million). Income after tax came to EUR 169.7 million (2017: EUR 52.2 million). This resulted in profit for the period of EUR 169.6 million (2017: EUR 52.0 million).

Assets and financials

Group software licenses, primarily for the ERP (Enterprise Resource Planning) system as well as for the operating systems and office applications deployed across the Group are capitalized at Wacker Neuson SE. The holding company provides Group members with these licenses in return for a fee. Wacker Neuson SE reported intangible assets of EUR 15.6 million at December 31, 2018 for licenses and similar rights (2017: EUR 11.5 million). The main reason for the increase was continued work on software developments to optimize business processes.

The property held by Wacker Neuson SE refers to the site of the Group headquarters in Milbertshofen, Munich (Germany). Wacker Neuson SE reported property, plant and equipment in the amount of EUR 30.6 million at December 31, 2018 (2017: EUR 31.3 million).

Financial assets are comprised of holdings in Group members amounting to EUR 621.3 million (2017: EUR 715.7 million), loans to affiliated companies in the amount of EUR 53.1 million (2017: EUR 0.8 million) and shareholdings amounting to EUR 3.0 million (2017: EUR 0.0 million). The change in the holdings in affiliated companies resulted from capital increases of EUR 10.1 million (2017: EUR 2.9 million), reductions in capital of EUR 105.9 million (2017: EUR 31.7 million), additions to shares in the amount of EUR 9.6 million (2017: EUR 16.2 million) and an impairment loss in line with Section 253 (3) sentence 4 HGB in the amount of EUR 8.1 million (2017: EUR 5.5 million) as well as write-ups in the amount of EUR 0.0 million (2017: EUR 0.5 million). The increase in loans is attributable to a loan made to an affiliated company in the amount of EUR 52.4 million. The maturity of this loan was changed to a long-term date back on December 31, 2017, however, the amount was posted under receivables from affiliated companies in the previous year, and not under loans. Shares were also bought in a company (EUR 3.0 million), which invests specifically in innovative start-ups. The purpose behind this was to gain access to new technologies.

Total assets attributable to Wacker Neuson SE amounted to EUR 723.6 million at the closing date (2017: EUR 759.3 million).

Trade receivables due from customers and sales partners within Germany and beyond also accrue almost entirely to the operational companies. Receivables from affiliated companies fell to EUR 409.2 million (2017: EUR 457.6 million). Wacker Neuson SE receivables are mainly related to its shareholdings in Group members, in particular resulting from short-term borrowings and receivables within the framework of the cash pool. Wacker Neuson SE reported liquid funds of EUR 111.6 million at December 31, 2018 (2017: EUR 65.2 million).

Total current assets amounted to EUR 523.3 million at the closing date (2017: EUR 526.0 million). The balance sheet total came to EUR 1,252.8 million (2017: EUR 1,286.6 million).

At December 31, 2018, the company's equity amounted to EUR 993.3 million (2017: EUR 865.7 million). Wacker Neuson SE's share capital remained stable at EUR 70.14 million. This refers to 70,140,000 registered shares, each representing a proportionate amount of the share capital of EUR 1.00.

BALANCE SHEET OF WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017
Intangible assets	15.6	11.5
of which: licenses for industrial property rights and similar	10.2	10.6
of which: payments on account/assets	5.4	0.9
Property, plant and equipment	30.6	31.3
of which: land, land titles and buildings on third-party land	28.8	30.1
of which: office and other equipment	1.8	1.2
Financial assets	677.4	716.5
of which: shareholdings in affiliated companies	621.3	715.7
of which: loans to affiliated companies	53.1	0.8
of which: interests	3.0	–
Assets	**723.6**	**759.3**
Trade receivables	0.2	–
Receivables from affiliated companies	409.2	457.6
Other assets	2.3	3.2
Liquid funds	111.6	65.2
Current assets	**523.3**	**526.0**
Deferred items	**3.3**	**1.3**
Deferred tax assets	2.6	–
Balance sheet total (assets)	**1,252.8**	**1,286.6**
Equity	**993.3**	**865.7**
of which: subscribed capital	70.1	70.1
of which: capital reserves	584.0	584.0
of which: retained earnings	82.8	82.8
of which: net profit/loss	256.4	128.8
Special tax-free reserves	**–**	**–**
Other provisions	**38.0**	**21.1**
Liabilities	**221.5**	**398.4**
of which: borrowings from banks	191.8	200.4
of which: trade payables	4.8	2.0
of which: payables to affiliated companies	20.2	194.9
of which: other liabilities	4.7	1.1
Deferred items	**–**	**–**
Deferred tax liability	–	1.4
Balance sheet total (liabilities)	**1,252.8**	**1,286.6**

Other provisions amounted to EUR 38.0 million (2017: EUR 21.1 million). This rise was mainly attributable to higher tax provisions (EUR 13.3 million), provisions for outstanding purchase invoices (EUR 2.2 million) and pension liabilities (EUR 0.6 million). The change in tax provisions in 2018 is primarily attributable to the fact that although advance tax payments remained at a high level, taxable income from investments and profit transfer agreements increased markedly relative to the previous year. The provisions for previous years had to be adjusted accordingly when tax returns were completed.

Wacker Neuson SE has significant external financial liabilities as a result of the cash pools and other financing agreements with Group companies. These liabilities are managed by the holding's corporate treasury department, which is the central instance responsible for securing and managing liquidity across the Group. Borrowings from banks decreased to EUR 191.8 million (2017: EUR 200.4 million).

DIVIDEND TRENDS

	2019	2018	2017	2016	2015
Eligible shares (million)	70.14	70.14	70.14	70,14	70,14
Dividend per share in € (in brackets: special dividend)[1]	0.60 (0.50)	0.60	0.50	0,50	0,50
Total payout € million	77.15	42.08	35.07	35,07	35,07
Payout ratio as a % of Group profit for previous years[2]	42.6	48.1	61.7	53.0	38.3

[1] At the AGM on May 29, 2019, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2018 as well as an additional special dividend in the amount of EUR 0.50 per share in connection with the positive one-off effect from the sale of a Group real-estate company.
[2] Without special dividend, in relation to the adjusted net profit (adjusted for the positive one-off effect from the sale of a Group real-estate company).

Wacker Neuson SE includes trade payables and current liabilities from the cash pool in payables to affiliated companies. At the closing date, payables to affiliated companies amounted to EUR 20.2 million (2017: EUR 194.9 million). The decrease is primarily due to dividend payments of a subgroup being deferred from 2017 to 2018.

Other liabilities amounted to EUR 4.7 million (2017: EUR 1.1 million). The increase is primarily due to liabilities from agreements to provide capital in connection with the acquired shareholding which have not yet been taken up (EUR 2.5 million).

In summary, company management feels that Wacker Neuson SE's financial position remains strong.

Dividend proposal

At the AGM on May 29, 2019, the Executive Board and Supervisory Board will propose a dividend of EUR 0.60 per eligible share for fiscal 2018 as well as an additional special dividend of EUR 0.50 per share. This will allow shareholders to share in the success of the Group's operational business and in the one-off income from the sale of a real-estate company held by the Group.

The auditing company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany, has audited the Annual Financial Statements of Wacker Neuson SE in full and approved them without qualification. The audited report will be published in the electronic Federal Gazette. It can be downloaded from → www.wackerneusongroup.com under Investor Relations.

Forecast of Wacker Neuson SE

Wacker Neuson SE believes that it will continue to receive sufficient income from its participating interests in the future for it to make appropriate dividend payments to its shareholders.

Statement from the Executive Board pursuant to Section 312 AktG

The following declaration concludes the Executive Board report regarding relations with related entities:

"Our company received appropriate compensation in respect of all transactions entered into with associated companies. These transactions did not put the company at a disadvantage. No measures were taken during the year under review that would have required reporting. This assessment is based on the circumstances known to us at the time of transactions subject to reporting."

The Executive Board

Segment reporting by region

- Strong growth in revenue and earnings in Europe
- Sharp growth in North America impacted by restructuring measures
- Asia-Pacific in transition, with China as key growth driver

With its broad range of products and services, the Wacker Neuson Group targets end customers as well as dealers, rental companies and importers worldwide. Segment reporting provides an overview of business developments according to region (Europe, Americas and Asia-Pacific). These geographical segments form the basis for corporate governance.

Europe

Strong growth in revenue and earnings
In fiscal 2018, Group revenue for Europe rose sharply by 10.5 percent to EUR 1,248.9 million (2017: EUR 1,129.8 million). When adjusted for currency effects, this corresponds to an increase of 11.4 percent. The Europe region continues to account for the lion's share of Group revenue at 73.2 percent (2017: 73.7 percent).

Germany remains the country with the highest share of revenue. The Group has a strong market position here thanks to its dense network of branch offices that includes more than 60 of its own sales and service stations flanked by a supporting network of dealers. Bolstered by an extremely healthy domestic construction industry, the Group reported significant gains.

This trend was reflected across the region with the broad majority of European countries contributing to this revenue growth. In particular Poland, Austria, England, France, Spain and the Benelux countries played a contributory role. The Group also reported gains in Italy, Denmark and the Czech Republic, albeit at a comparatively low level. In contrast, Norway and Hungary developed below the previous year's level. The situation in Turkey remained challenging.

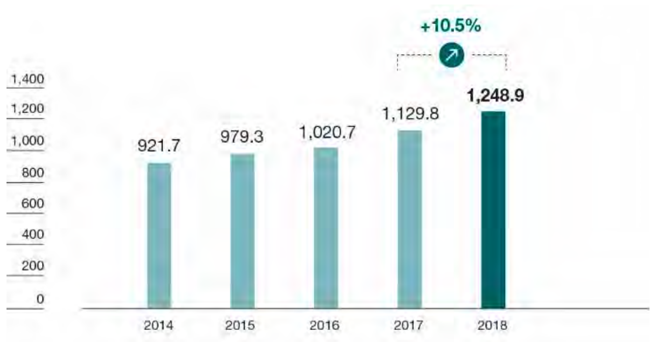
2018 REVENUE DISTRIBUTION BY REGION
AS A % (PREVIOUS YEAR)

The Group was able to further expand its business in the European agricultural sector. The partnership between Group affiliate Kramer and US agricultural equipment manufacturer John Deere, which started back in 2017, developed very positively. The Group brand Weidemann also reported a significant rise in business. Revenue generated by these two agricultural Group brands increased 18.4 percent.

In the past fiscal year, the Europe region also benefited from strong demand among major customers. The services business segment, which includes the Group's activities in the maintenance, repair, spare parts and flexible rental business fields, also developed positively and contributed to growth across the region.

Profit for the region grew at an even faster rate than revenue in 2018. Profit before interest and tax (EBIT) rose 17.5 percent to EUR 175.6 million (2017: EUR 149.5 million). Positive trends in the agricultural equipment business plus stronger results from the services segment contributed to the rise in profit.

REVENUE DEVELOPMENT IN EUROPE[1]
IN € MILLION



EBIT DEVELOPMENT IN EUROPE[1,2,3,4]
IN € MILLION

[1] Including South Africa, Turkey and Russia. The Wacker Neuson Group reports these countries in its Europe segment even though – geographically speaking – they are located outside of the region.
[2] Before consolidation.
[3] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of fiscal 2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values since 2014 have been adjusted accordingly.
[4] Segment reporting was adjusted in 2015 due to further developments in internal reporting. The intrasegment business transactions that were previously reported under EBIT for the individual segments are now listed in the consolidation column. Values for 2014 have been adjusted.

REVENUE DEVELOPMENT IN THE AMERICAS
IN € MILLION

EBIT DEVELOPMENT IN THE AMERICAS[1,2,3]
IN € MILLION

[1] Before consolidation.
[2] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of fiscal 2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values since 2014 have been adjusted accordingly.
[3] Segment reporting was adjusted in 2015 due to further developments in internal reporting. The intrasegment business transactions that were previously reported under EBIT for the individual segments are now listed in the consolidation column. Values for 2014 have been adjusted.

Americas

Strong revenue growth with negative impacts on profit
Revenue for the Americas region for the period under review rose 11.3 percent to EUR 397.8 million (2017: EUR 357.5 million). Business in the first half of the year was still impacted by the weak US dollar. When adjusted for currency effects, revenue for the year rose 16.7 percent. In 2018, the average EUR/USD exchange rate was EUR 1 to USD 1.18 (2017: EUR 1 to USD 1.13).

The Group's business benefited from strong demand in the North American rental industry, in particular for light equipment.

Sales of skid steer loaders manufactured in the US increased as a result of improved market penetration. Developed specifically for the North American market, these machines are an essential success factor in Wacker Neuson's bid to win new dealers and rental chains. Sales of other compact equipment imported from European production facilities including excavators, wheel loaders and telescopic handlers also increased alongside skid steer loaders.

The Wacker Neuson Group made significant progress in expanding its North American dealer network. In line with its strategy for the region, the Group is focusing on developing anchor dealers who will then support multiple sales and service stations. These exclusive, highly qualified sales partners not only sell equipment but also rent machines and offer a range of services. This reduces the overall number of dealers while at the same time expanding the Group's reach in the region.

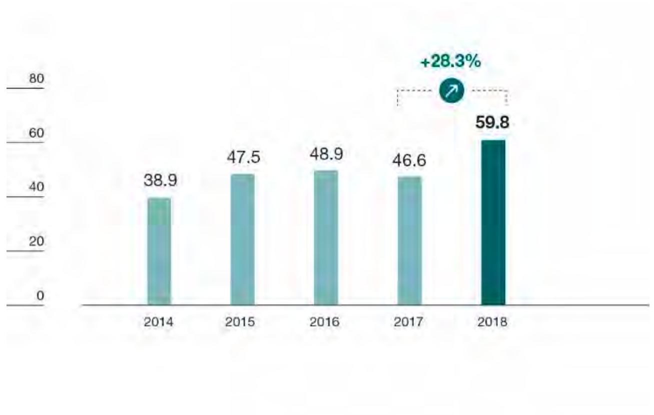
The region's share of Group revenue remained unchanged at 23.3 percent (2017: 23.3 percent). As in previous years, the USA accounted for the lion's share of Group revenue. The Group also reported strong gains in Canada. The improved economic situation and an upturn in business with major customers had a positive impact here. However, changes in emissions legislation led to pre-buy effects, which is likely to dampen demand for new equipment somewhat in 2019. Business in South America was shaped by political uncertainties and thus remained at the same level as the previous year. The Group was only able to reach its goals in Mexico and Peru.

As part of its efforts to reduce the number of international production sites, the Group closed its facility in Norton Shores, Michigan, in the third quarter, and relocated these production lines to the plant in Menomonee Falls, Wisconsin. Extensive restructuring measures were carried out at Menomonee Falls in 2018 as a result of this move. One such measure included significantly reducing the degree of vertical integration. To reduce complexity even further, the Group also realigned its site and distribution logistics processes for North America. These two measures together with bottlenecks in the supply chain had a major impact on productivity. EBIT for the region decreased to EUR -8.7 million during the period under review (2017: EUR -1.2 million). This reduction in fixed costs coupled with efficiency gains at the plant in Menomonee Falls will lead to a sustainable rise in profit in the region in the medium term.

In line with Strategy 2022, which aims to strengthen the Group's focus on its core areas of expertise, the Group will also close its production facility in Itatiba, Brazil, during the first half of 2019. This factory primarily focused on the assembly of portable generators for the rental market in South America.

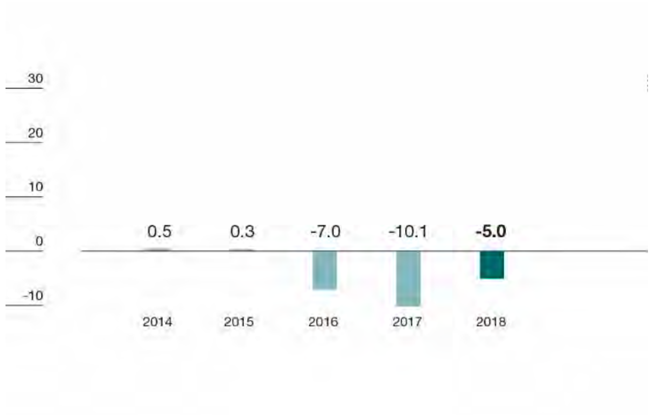
REVENUE DEVELOPMENT IN ASIA-PACIFIC

IN € MILLION



EBIT DEVELOPMENT IN ASIA-PACIFIC[1,2,3]

IN € MILLION



[1] Before consolidation.
[2] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of fiscal 2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values since 2014 have been adjusted accordingly.
[3] Segment reporting was adjusted in 2015 due to further developments in internal reporting. The intrasegment business transactions that were previously reported under EBIT for the individual segments are now listed in the consolidation column. Values for 2014 have been adjusted.

Asia-Pacific

Strong growth driven by China

The Asia-Pacific region developed extremely strongly in fiscal 2018. Revenue was significantly higher than the previous year, increasing 28.3 percent to EUR 59.8 million (2017: EUR 46.6 million). Adjusted for currency effects, revenue rose by an impressive 35.0 percent. The region's share of Group revenue totaled 3.5 percent (2017: 3.0 percent). Growth in the region was fueled in particular by China.

In January 2018, the Group opened a production facility for light and compact equipment in the Chinese city of Pinghu, close to Shanghai. The factory initially produced mini excavators with operating weights of less than two tons. During the course of the year, production was expanded to include light equipment products such as floor saws and vibratory plates for the Asian market and export markets. The Group started to manufacture larger compact excavator models in December 2018. China is an important strategic market for the Wacker Neuson Group. The Group aims to grow significantly in the country as part of its Strategy 2022 and laid the foundation for this expansion with the opening of the new production plant.

Parallel to expanding its activities in China, the Group also closed its production facility in Manila, Philippines, during the period under review. The site previously manufactured light equipment for export and for the Asian market. The Group has relocated these production activities to China.

Shutting down production in the Philippines and relocating the production lines together with the start-up costs associated with the new plant in China resulted in negative earnings for the Group. EBIT for the region thus amounted to EUR -5.0 million (2017: EUR -10.1 million). Profit for the prior-year period was impacted by the sale of old inventory and costs for restructuring measures in Australia. This last initiative started to show the first signs of success in the year under review. Revenue for Australia/New Zealand grew by a significant double-digit margin and the Group also reported major improvements in earnings.

OEM partnership with John Deere covering mini and compact excavators

Despite the short-term uncertainties surrounding the development of the economy and local currencies, Wacker Neuson regards the Asia region as a key strategic market for the future. Demand for high-quality products is rising continuously. The Group distributes selected products tailored to the specific market needs of the region. It also collaborates with targeted partners in order to harness established sales networks and strengthen its market position more rapidly. This will enable the Group to leverage revenue potential without having to establish its own dedicated structures. The Wacker Neuson Group entered into partnerships with the Asian companies ISEKI and MHE-Demag back in 2017.

In 2018, it started an OEM alliance with the construction equipment division of John Deere. Under the terms of this agreement, Wacker Neuson supplies machines in the 1.7- to 7.5-ton classes that are designed specifically for the requirements of Asian markets. The majority of machines are manufactured at the Chinese factory in Pinghu and distributed under the "Deere" brand via the John Deere dealer network. This new agreement once again underscores the importance of the Chinese market for the Group.

Please refer to "Strategic alliances" for further information on the Group's collaborations. → page 47

Segment reporting by business segment

- Continued growth in light and compact equipment
- Above-average growth in agricultural equipment
- Services segment is important complement to the new equipment business

In addition to control-relevant geographical segmentation, the Group also breaks down revenue according to business segment (light equipment, compact equipment and services).

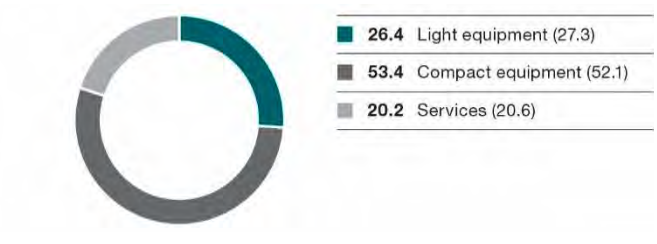
Light equipment

Significant growth in worksite technology and compaction
The light equipment business segment covers the Wacker Neuson Group's activities within the strategic business fields of concrete technology, compaction and worksite technology. Production is synchronized with demand and delivery times are short. Orders are usually delivered within a few days.

Wacker Neuson products complement each other perfectly to support construction workflows and so customers often deploy several items of equipment on the same construction site. The Group is committed to making high-quality equipment that excels under what are usually harsh conditions and delivering product innovations tailored to customer requirements. These factors have enabled the Group to secure its leading market position in light equipment in many regions of the world. Light equipment is manufactured in Germany, the US, and since 2018 also in China.

The Group distributes a range of light equipment products tailored to local markets in Asia and other emerging economies such as South America and Africa (Value Line). This particularly robust line of products has primarily been manufactured at the new Chinese plant in Pinghu since the middle of 2018. The site in Manila, Philippines, was shut as part of the rationalization of the global plant network.

REVENUE DISTRIBUTION 2018 BY BUSINESS SEGMENT[1]
AS A % (PREVIOUS YEAR)



[1] Consolidated revenue before cash discounts, differences attributable to rounding.

Wacker Neuson was able to report yet another increase in light equipment sales following strong demand in all three reporting regions. Revenue from compaction and worksite technology equipment rose particularly sharply. Aside from positive developments in the European market, this increase was fueled by high demand from North American rental companies. The Group also significantly increased sales of its breaker products in China. Revenue from concrete technology equipment was only slightly above the previous year's level. Total revenue in this segment increased by 7.8 percent in the period under review to EUR 455.7 million (2017: EUR 422.7 million).[1] Adjusted for currency effects, revenue rose 11.8 percent. Due to a strong performance by compact equipment, the light equipment segment's share of total revenue fell slightly to 26.4 percent (2017: 27.3 percent).

Compact equipment

Compact equipment remains main driver of growth
The compact equipment business segment covers machinery targeted at the construction, gardening and landscaping, agricultural, municipal, recycling and manufacturing sectors. The portfolio includes wheel loaders, tele wheel loaders, telescopic handlers, backhoe loaders, skid steer loaders, wheel and track dumpers and wheel and track excavators weighing up to 15 tons. The Group also offers special attachments and accessories for products in this segment. The Group produces the machinery in Austria and Germany. Skid steer loaders are produced in the US. Since the start of 2018, excavators for the Asian market have also been produced in China.

Financing options are becoming increasingly important for customers as part of developing the compact equipment segment. The Wacker Neuson Group is extending its offering here to more international markets and collaborating with strong, independent financing partners.

A high level of product acceptance, measures to increase market penetration and gradual expansion of the existing sales network fueled revenue growth in almost all countries where the Group distributes compact equipment. Revenue increased relative to the previous year by 13.9 percent to EUR 920.9 million (2017: EUR 808.6 million).[1] Adjusted for currency effects, revenue grew by 15.2 percent. As a result, this segment's share of total revenue increased slightly to 53.4 percent (2017: 52.1 percent).

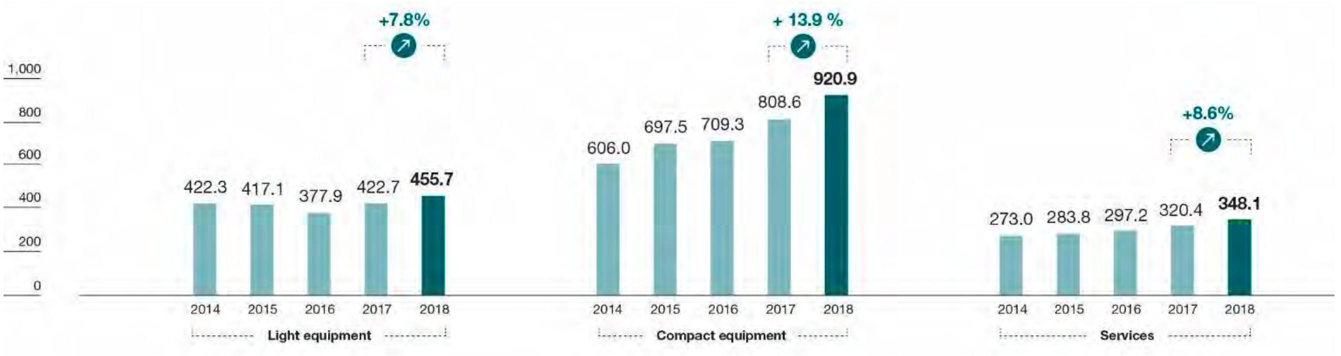
Growth was fueled by strong demand from the construction sector and positive development of the agricultural equipment business. In the US, the skid steer loaders produced in Menomonee Falls, Wisconsin, proved to be a driving force for additional sales of compact equipment in the fast growing business with anchor dealers. Strong revenue growth from excavators, wheel loaders, telescopic handlers and dumpers was reported in the region. In China, the Group significantly increased sales of its excavator products. Growth in Europe was spread across all product groups.

The agricultural sector is an increasingly important compact equipment target market for the Group. Sharper global competition in the agricultural market means that landholders have to make investments to raise the efficiency of their operations. The Group offers agricultural equipment under the Kramer and Weidemann brands. Whereas Weidemann already has a dense network of dealers – particularly in Central Europe – Kramer's agricultural sales network is currently at the development stage. In 2017, Kramer entered into a partnership with US-based John Deere to aid its expansion. The strategic alliance covers the distribution of wheel loaders, tele wheel loaders and telescopic handlers for the agricultural sector. Featuring the Kramer design and brand, the machines will initially be distributed via the John Deere dealer network in Europe. The collaboration got off to a successful start in 2017 and also proved successful in 2018. Kramer was able to get several dealers on board, particularly in Central European markets.

[1] Before cash discounts.

DEVELOPMENT BY BUSINESS SEGMENT 2014 – 2018[1]

IN € MILLION



[1] Revenue before cash discounts.

In a largely positive market environment, both of the agricultural equipment brands were able to report significant double-digit growth. Overall, agricultural equipment revenue grew 18.4 percent to reach EUR 256.0 million (2017: EUR 216.2 million). Agricultural compact equipment's share of Group revenue[1] thus rose by 0.9 percentage points to 14.8 percent (2017: 13.9 percent).

The OEM partnership with Claas therefore more than paid off in the first year following its termination. For over a decade up until 2017, the Group enjoyed a successful market development collaboration with Claas focused on telescopic handlers.

REVENUE BY BUSINESS SEGMENT

IN € MILLION

	2018	2017	Change
Segment revenue from external customers			
Light equipment	455.7	422.7	7.8%
Compact equipment	920.9	808.6	13.9%
Services	348.1	320.4	8.6%
	1,724.7	**1,551.7**	**11.1%**
Less cash discounts	-18.2	-17.8	2.2%
Total	**1,706.5**	**1,533.9**	**11.3%**

Services

Continued growth in the services segment

The Wacker Neuson Group places great importance on customer-centric service as well as intensive, individualized support. The Group complements new equipment sales with an extensive range of services. The services segment covers the business fields of repair, service and spare parts, used equipment, financing, telematics solutions, e-business and flexible rental solutions in Central Europe.

In the 2018 fiscal year, revenue in the services segment increased 8.6 percent to EUR 348.1 million (2017: EUR 320.4 million).[1] Adjusted for currency effects, revenue grew by 10.2 percent. The services segment's total share of revenue nevertheless decreased slightly to 20.2 percent due to strong growth in the compact equipment segment in particular (2017: 20.6 percent).

The extensive services portfolio supports the Group's customer-centric strategy, which focuses on guaranteeing maximum product availability for owners and users. The Group offers its customers a high degree of flexibility through tailor-made financing options[2] and the Wacker Neuson rental fleet in Central Europe.

During periods of peak demand, machines can be made available to customers immediately. In particular, however, the Group's agile service offering also focuses on medium- and longer-term solutions, re-rentals, hire-purchase agreements and a well-varied fleet of relatively new used equipment. Again in 2018, Wacker Neuson's 100-plus European sales and service stations responded with great flexibility to customer requirements, making the rental equipment that customers needed available at short notice wherever it was needed.

As a complementary part of its used equipment business, the Group allows customers to trade in their used equipment. Wacker Neuson reconditions these used machines and places them in the used equipment market.

The Group is continuing to expand its digital offering. Trends like digital connectivity to integrate customers into different business processes are key to adding further value to the Group's products. The installation of telematics modules is one way the Group is addressing the trend toward greater networking on the building site. This paves the way for future solutions designed specifically for potential customer challenges.

Customers will enjoy benefits like remote tracking of equipment on their mobile devices and optimized planning of upcoming maintenance. Digital technology is set to make the use, operation and maintenance of equipment more environmentally friendly and efficient while minimizing downtime. Telematics solutions also provide good protection against theft. For rental chains, the technology also brings new opportunities in fleet management and machine monitoring.

[1] Before cash discounts.

[2] Including in cooperation with third parties.

Once again, the traditional repair and service business was an important and successful part of the Group's growth strategy in 2018. The Group made significant progress in improving the availability of spare parts. This area was restructured in November 2017 and had to deal with initial supply shortages.

Other factors that impacted on results

RESEARCH AND DEVELOPMENT[1]

	2018	2017	2016	2015	2014
R&D costs (€ million)	35.9	35.8	34.8	33.6	28.8
R&D share (as a %) of revenue	2.1	2.3	2.6	2.4	2.2
Capitalized expenses (€ million)	18.4	13.4	13.5	11.0	12.5
R&D costs incl. capitalized expenses (€ million)	54.3	49.2	48.3	44.6	41.3
R&D share incl. capitalized expenses (as a % of revenue)	3.2	3.2	3.5	3.2	3.2

[1] Previous years adapted to current booking basis.

Research and development

- Research and development as a key success factor
- Transition to EU Stage V emissions standard in Europe
- Expansion of fully electric light and compact equipment offering

Research and development underpin long-term success
R&D is a core element of the Wacker Neuson Group's overall success. In fiscal 2018, the Group filed 22 new patents and utility models around the world (2017: 5), and 51 patents and utility models were granted (2017: 32). In total, the Wacker Neuson Group owns over 274 patents and utility models worldwide. At EUR -35.9 million, research and development costs for 2018 were on a par with the previous year (2017: EUR -35.8 million). During the period under review, the Group also capitalized costs of EUR 18.4 million, which is higher than the previous year (2017: EUR 13.4 million). The R&D ratio (R&D share of total revenue including capitalized expenditure) came to 3.2 percent (2017: 3.2 percent).

Around 8 percent of the Wacker Neuson Group's employees worldwide work in research and development. The R&D payroll mainly consists of mechanical and electrical engineers, technical engineers and other skilled workers. The Group provides suitable ongoing training for these employees to help them master their demanding jobs.

The Group only procures third-party services for R&D projects in exceptional cases. However, it did intensify its collaboration with engine suppliers in order to seamlessly integrate the new engines, particularly in connection with the introduction of the EU Stage V emissions standard. The Wacker Neuson Group is also engaged in a number of joint projects with national and international universities and renowned research institutes. This gives it non-stop access to the latest scientific insights in its areas of research.

Coordination through cross-factory innovation team
Uniform processes and Group standards across factories are drawn up and implemented at the various locations in collaboration with the Corporate Technology, Standardization & Design central function, which is responsible for coordination and also for the technology roadmap and global product design. Cross-factory expert committees meet on a regular basis to identify strategic topics and advise on Group standards and the standardization of processes.

Product development in tune with regional customer demand
Group strategy envisages even bigger emphasis on developing and manufacturing products "in the region, for the region", following the largest sales markets. In line with this strategy, Wacker Neuson opened a factory in China in 2018. The site also includes a local development center for the light and compact equipment manufactured at the facility. This reflects the Group's commitment to systematically developing new products in line with the needs and regulations of its target markets. The overarching aim here is to tailor its development activities, delivery conditions and service offering as closely as possible to the concrete requirements of its customers around the globe. The requirements placed on products in terms of features, drive technologies and emissions performance (noise, exhaust gas) vary hugely from region to region. The Group's development departments around the world are working on concepts that will enable the Group in future to provide discerning customers with the premium products they expect, and more price-sensitive customers with products suited to their needs.

Market insights through front loading
The Wacker Neuson Group attaches considerable importance to front loading in its product development process. The aim of front loading is to build functions, operational performance, technological and other features of products into the development process as early as possible by means of digital modeling. Customers are involved in concept discussions and product development at an early stage. These findings resulting from customer engagement are then channeled into development projects and help to enable continual product improvements. This approach strengthens the Group's innovative drive and enables it to develop solutions that address specific customer needs. Intensive dialog with dealers, rental companies and users in "voice of the customer" workshops is an important factor securing the Group's competitive position. The Group also uses value engineering (optimizing value and benefits while using resources as efficiently as possible) as a further means of ensuring its products remain competitive in the long term.

Digitalization and virtual product development
The Wacker Neuson Group uses new technologies to develop its construction equipment. The opportunities presented by virtual and augmented reality are being harnessed in industrial and product design and will also be deployed for optimized planning of production processes in future. They enable engineers and customers to experience machines in a virtual environment and test, for example, the ergonomic design of the cockpit before an initial prototype has even been built. These technologies can also be used to simulate product assembly processes. Non-linear system simulation methods are also used to model drive technology systems in connection with multibody models.

Focus on product safety and energy efficiency
The Group is a global technology leader with many of its products. Its development work is geared in particular towards extending its pioneering position in product safety, operator safety and environmental protection. The aim with light equipment is to create machines that are

easy to use and pose no risk to operators. Measures here include reducing hand-arm vibrations, in other words the vibrations that directly affect an operator's body when using vibrating equipment, and reducing noise and emissions produced by combustion engines.

Looking beyond functional design, development work also focuses heavily on user ergonomics. The Group's engineers also focus on developing new drive concepts such as electric and battery-powered drives as well as increasing energy efficiency and standardizing components used in different models and product groups.

The Group prioritizes its eco-efficiency activities as a key instrument to meet customer demand for products that are even more environmentally sound and safe in future. The Group is also making progress in its services area. Telematics, for example, enables operators and machines to communicate automatically, recording data such as operating hours. This allows users to plan maintenance in good time and ensure that machines operate as environmentally friendly and efficiently as possible.

The industry as a whole – and subsequently the Wacker Neuson Group – is channeling a significant portion of development resources into ensuring compliance with ever stricter legislation, especially in the area of emissions. In preparation for the new EU Stage V emissions regulation, which came into effect in the European Union on January 1, 2019, the Group's development activities in 2018 focused on adapting and further developing the systems and components used in conjunction with engines. Components such as cooling systems and exhaust gas treatment systems have to be modified. The Group is utilizing the two-year transition period set by legislators in order to keep the costs and complexity of this changeover as low as possible and to ensure it can seamlessly transition to the new standard. For detailed information on new exhaust emissions regulations, please refer to "General legal framework". → page 45

Pioneering role with the zero emission portfolio

Moving beyond its obligation to continuously check whether its portfolio meets current legal requirements and to modify products accordingly, the Group made a conscious decision to expand its range of environmentally sound products and services. Electromobility is an integral part of Strategy 2022 and is also hardwired into the Group's technology roadmap for the coming years. The Wacker Neuson Group is one of the first manufacturers worldwide to offer a broad portfolio of electrically powered construction equipment under its three brands. These products offer enhanced protection for users and the environment. They also require less maintenance and have much lower operating costs. The Group therefore aims to offer an alternative emissions-free solution in every one of its core product groups in the medium term. In 2018, the portfolio included rammers, vibratory plates, wheel loaders, track dumpers and a mini excavator with dual power technology. Modular standards are a top priority for the Group here. Its vibratory plates and rammers, for example, use batteries and chargers that allow operators to switch them between machines whenever necessary.

Sales of fully electric products are rising even if this line still accounts for a small share of revenue. These low-maintenance solutions are an interesting addition to existing portfolios, especially for rental companies. The Wacker Neuson Group firmly believes that alternative drive concepts will play a key role in the future of the construction and agricultural equipment industries and is committed to investing further in this area.

New products and innovations in 2018

2018 was a strong year for new product innovations in the Group. Various basic models were developed for the global market and these can be adapted to meet country-specific requirements thanks to numerous options and model variants.

Wacker Neuson

In 2018, the Wacker Neuson brand added two battery-powered vibratory plates to its zero emission range. It also unveiled its first electric wheel dumper and a fully electric zero tail mini excavator. Both machines will be launched in 2019. To view the full zero emission product range, go to → www.wackerneuson.com/zeroemission

The 3.5-ton ET35 and EZ36 excavators were two important market launches in 2018. These new machines replace the previous models and have been completely remodified and optimized. To ensure the equipment offers maximum customer benefits, the Group worked closely with customers in "voice of the customer" events to identify and implement key requirements and potential for improvement. This latest model generation is thus much more efficient and features optimized ergonomics, ensuring the machines are easier to use.

At the end of 2018, new compact excavators in the 5- to 7-ton classes were launched in China. The products were developed specifically to meet the needs of the Asian market. Together with the 1.7-ton mini excavators, which the Group started manufacturing at its new plant in Pinghu in January 2018, these machines will help drive the Group's growth in the region.

Wacker Neuson also launched another innovation, a dumper with dual view technology, in the fourth quarter of 2018. Dual view is an innovative concept with a rotating seat that redefines safety on construction sites. It allows operators to turn the entire operating and seat console by 180 degrees. In contrast to conventional dumper models, this ensures that operators can always drive forwards, giving them a clear view in the direction of travel.

Wacker Neuson rounded up its wheel loader portfolio to a larger class in 2018. With an operating weight of over 10 tons, the WL95 takes the company into a new power class and is primarily targeted at customers with particularly high-volume material handling requirements such as large construction companies and recycling plants.

Kramer

In 2018, the Kramer brand added two new telescopic handlers to its product portfolio. Following the launch of the new KT407 and KT429 machines (and equivalent 4007 and 4209 models), the company now offers eleven models for the agricultural and construction sectors respectively. With lifting heights of up to nine meters, each machine is equipped with innovative features for professional users. In addition to the new models, the company introduced a new operating concept in response to new regulations governing large telescopic handlers. All relevant vehicle data and settings as well as images from the rear-view camera are now displayed on a new 7-inch display.

In 2018, Kramer also unveiled its 8155 wheel loader for the construction industry and the KL60.8 model for the agricultural sector. With an operating weight of 9 to 11 tons, this new model opens up a new class in the company's portfolio, meeting customers' requirements for a powerful yet extremely efficient machine. This typical Kramer product with four-wheel drive steering has the same base as the Wacker Neuson WL95 and the Weidemann 9080, both of which are articulated. As with all models in the 8 series, this model is available with four-wheel drive, crab steering and front axle steering as standard.

Weidemann

The Weidemann brand presented its 9080 wheel loader in the 11-ton class back in 2017 at the agricultural equipment trade show Agritechnica in Hanover, Germany. The machine was launched in 2018. Weidemann's new 90 series is targeted at customers with heavy-duty material handling requirements at large-scale landholdings and biogas plants, for instance. The machines can be equipped with an optional new power drive gear box that delivers more traction and higher speeds than previous solutions yet still retains all the benefits of earlier drive technologies in terms of compact design, energy efficiency and operator ergonomics. The power drive technology enables operators to move through the entire speed range from 0 to 40 km/h without changing gear.

Production and logistics

- Streamlining the number of international production sites
- Improving processes at the production sites
- Focus on digitalization and supply chain management

Streamlining the number of international production sites
In 2018, the Wacker Neuson Group manufactured equipment at a total of ten sites worldwide:

- Reichertshofen, Germany (light equipment)
- Pfullendorf, Germany (compact equipment)
- Korbach, Germany (compact equipment)
- Hörsching, Austria (compact equipment)
- Menomonee Falls, USA (light and compact equipment)
- Norton Shores, USA (light equipment)
- Pinghu, China (light and compact equipment)
- Manila, Philippines (light equipment)
- Itatiba, Brazil (light equipment)
- Kragujevac, Serbia (Group's internal supplier of steel construction components)

As part of its efforts to optimize production capacities and logistics processes, the Group closed its factories in Norton Shores, USA, and Manila, Philippines, in the second half of 2018. The products manufactured at these sites were transferred to the existing production plant in Menomonee Falls, USA, and the factory in Pinghu, China, which started production in January 2018. The Group will also cease production at its plant in Itatiba, Brazil, during the first half of 2019. This facility focused primarily on the assembly of mobile generators for the rental market in South America. Wacker Neuson will continue to provide its customers in South America with mobile generators produced to the same high quality levels.

In January 2018, the Wacker Neuson Group started operations at a new production plant in China. The site is also home to an R&D center. This move reflects China's position as a key growth market for the Group. It also underscores Wacker Neuson's long-term commitment to the Chinese market and strengthens the Group's ties with partners in the country.

In 2017, the Group opened a new engineering center and administration building with an adjoining test hall at its site in Reichertshofen. In order to meet increased production volume, an additional production and logistics hall was built at the site in fiscal 2018 covering an area of more than 8,000 square meters.

In 2019 and 2020, the Group will be making additional investments to prepare for the expected growth.

Improving processes at the production sites
Group-wide standardization and optimization projects at production facilities and the transfer of knowledge between global sites played a key role again in 2018. The Group department Corporate Operations & Excellence was created specifically to leverage potential for improvement at individual production plants and coordinate Group-wide improvement initiatives. Key focus areas here include measures aimed at raising productivity, flexibility and ergonomics. Digitalization, new technologies ("smart factory") and process improvements in production, material management and along the order processing workflow are all key factors for achieving operational excellence. The Group uses the planning and management tool Hoshin Kanri to implement these initiatives (policy deployment). This method is systematically applied at all levels in the organization, from executive to operational level, to ensure that all activities are aligned with strategic goals and that these goals can be achieved more rapidly.

Methods-time measurement (MTM) is an important initiative aimed at improving ergonomics and productivity in assembly areas. The Group introduced this time management standard in 2018. Following two preliminary short studies, a practical trial was successfully concluded in an initial pilot project at the Hörsching production site, near Linz. The trial produced reliable data and a transparent overview of assembly workflows. It also led to improvements in line balancing and at work stations – all of which convinced management to roll out MTM to all production plants across the Group This will provide the Group with a uniform standard for structuring work systems and time management, which will then form the basis for further process improvements.

Digitalization in production and procurement logistics
Alongside the development of new product and construction site concepts and virtual product development, "smart factory" technologies are a cornerstone of the Group's digitalization efforts, which are firmly anchored in its Strategy 2022. The Group has launched a range of initiatives here including assistance systems in assembly, production and intralogistics processes as well as digital fault and quality management. In addition to this, it aims to increasingly use digital objects and models to create digital twins that map the physical world and enable improvements to be made in planning projects as well as in machine utilization and availability.

Within the framework of Strategy 2022, the Group also aims to increasingly digitalize its business processes. In 2018, the Group established procedures and systems to streamline and digitalize direct and indirect procurement processes at all production plants and companies, enabling these to be carried out efficiently and in line with recognized industry standards. Building on its efforts here, the Group aims to digitalize its entire "procure-to-pay" process.

Optimizing the supply chain
Supply chain challenges have intensified significantly due to the increase in the number of product variants, stricter emissions legislation, the introduction of new systems and components and the internationalization of procurement, production and spare parts processes. The new Group function Corporate Supply Chain Management was created at the end of 2017 to support Group-wide optimization of inventory management and the planning process across customers, sales, logistics, production and procurement. The department uses existing planning tools and tools yet to be developed to optimize processes. This includes optimizing inventory at logistics centers, and at sales and service stations. As such, this function is not involved in internal logistics at production sites. Instead, it focuses on optimizing the entire supply chain process from initial customer request to the receipt of payment.

As part of its efforts to streamline the internal supply chain, the Group transferred the functions responsible for coordinating sales activities in Europe from the former logistics company to the European production company for light equipment during the second quarter of 2018. This production company will now work directly with all sales affiliates worldwide. In addition, the North American logistics company was dissolved in the fourth quarter. Its functions were transferred to the US sales affiliate, which will now coordinate sales activities for North America. As a result, the warehouse and material handling technology at this site will be updated and the process flows and IT structures modernized and standardized in 2019.

Procurement and quality

- Realigning global procurement
- Networking production and supply chain
- Sustainable supplier management

Introduction of a hybrid procurement organization
The global procurement organization was realigned in 2018 as part of the Group's Strategy 2022. During this initiative, procurement and quality functions were decentralized and assigned to the managing directors of the production plants. This realignment will help accelerate decision-making channels and response times across the Group. The procurement of certain cross-factory commodity groups will continue to be managed globally, ensuring that the Group continues to benefit from bundling procurement volumes. Committees comprising managers and department heads have been set up to ensure the organization can continue to leverage synergies and capitalize on potential for improvement at Group level. Commodity groups will continue to be managed globally by the Global Commodity Manager function.

Networking production and logistics
The Group aims to continue harmonizing its production activities with the supply chain by intensifying its management of suppliers and auditing specific suppliers. In 2018, the Group continued to strengthen its ties with key suppliers and incorporate them into production planning processes at an earlier stage. These measures are aimed in particular at securing material availability as production volumes continue to rise. The Group ensures optimum purchasing conditions by concluding long-term contracts and supply plans with strategic suppliers and implementing measures to improve efficiency. The Group also launched a Group-wide project in 2018 aimed at systematically integrating suppliers via suitable IT solutions. The first suppliers are already connected and further suppliers will gradually be added.

Sustainable development of suppliers
The Group is committed to continually auditing suppliers to ensure the quality of parts supplied by third parties and to secure reliable deliveries from new and existing suppliers. The Group works closely with suppliers and develops their performance, from initial selection through nomination to series production. For new projects, it works with suppliers that best meet its requirements regarding quality, delivery capabilities and cost. To ensure suppliers can meet the stringent requirements of Wacker Neuson, the Group regularly carries out supplier audits.

In its Code of Conduct, the Wacker Neuson Group and its employees commit to conducting themselves in a legal, ethical manner in their business dealings. The Group also expects its suppliers to comply with legal regulations and the principles set out in Wacker Neuson's corporate ethics. These are outlined in the Group's Code of Conduct for Suppliers.
→ www.wackerneusongroup.com/en/the-group/compliance/code-of-conduct-for-suppliers/

Globalization of the procurement market
Under manufacturing costs, the cost of materials and third-party services constitute the largest cost factors. To manufacture its products, the company requires various components and raw materials – particularly steel, aluminum and copper – and also steel construction components and precast parts as well as engines, electrical/electronic components and hydraulic and chassis components. Procurement continues to be shaped by the growing pace of globalization. Choosing the right procurement markets is therefore becoming an increasingly important success factor in securing the Group's competitive position also in future.

Reacting to price fluctuations in procurement markets
Raw materials prices rose in 2018. Prices for steel components rose particularly sharply due to a number of factors, including international trade disputes. The situation is further compounded by the continued trend towards higher wages, especially in Eastern Europe. The purchasing organization was able to offset these price increases to some extent through long-term contracts and measures to improve supplier efficiency. However, material costs look set to rise in 2019 as a result of the positive market situation.

The Wacker Neuson Group relies on natural hedging and hedging of currencies to mitigate currency risks and make them calculable.

Human resources

- Employees as a key success factor
- Focus on employee development programs
- Implementation of measures derived from the global employee survey
- Targeted expansion of occupational health services

Employees as a key success factor
The Group employs over 6,000 people. Their unconditional customer focus forms the foundation for the Wacker Neuson Group's success and continued growth. Recruiting talented people, providing them with the right training, continually developing their skills and identifying – as early as possible – potential for optimizing workplace ergonomics, occupational health and wellbeing for all of its people are top priorities for the Group.

One of the cornerstones of the Group's HR strategy focuses on securing and developing the skills and expertise required to continually drive growth throughout the company. Employees are constantly facing new challenges as a result of technological, procedural and organizational changes. It is important to the Wacker Neuson Group that its people feel equipped to face these challenges head on.

The global HR strategy aligns closely with Strategy 2022. It provides Group-wide global guidelines, standards and processes to promote sustainable growth across the company. Global topics are jointly defined and developed by Group HR and local HR officers.

Strategy 2022 is also embedded in the incentive program for senior management. Variable remuneration components are based on the achievement of central strategic goals for revenue, EBIT and net working capital. The Group aims to recruit most senior and executive managers from its own ranks. It therefore works with all managers to draw up succession plans for their positions, ensuring it can identify suitable successors quickly and professionally in the event of a change of personnel. At the same time, the Group makes targeted efforts to develop these potential successors and prepare them for a possible management position early on.

Headcount trends in 2018
As a result of its growth, the Group increased headcount by 11.6 percent in fiscal 2018. This increase was primarily due to new hires at the production plants, in particular in Hörsching (Austria), Reichertshofen (Germany) and Kragujevac (Serbia). At the closing date, the Group employed a total of 6,190 people (2017: 5,546).

Excluding temporary staff, Group headcount came to 5,370 (2017: 5,064). These figures are calculated by converting the number of people working for the company into full-time equivalents (FTEs). The following figures are based on these FTEs:

4,332 (80.7 percent) of all employees were based in Europe at the balance sheet date (2017: 4,020).

HEADCOUNT BY REGION
AS A %

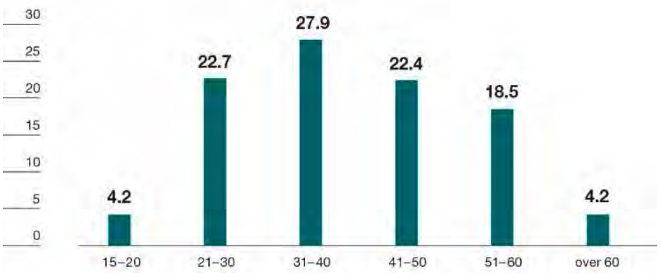
EMPLOYEES BY SECTOR
AS A %

774 people were employed in the Americas region (2017: 766), with 264 in the Asia-Pacific region (2017: 278). In the past fiscal year, 42.8 percent of employees worked in production, 38.5 percent in sales and service, 10.5 percent in administration and 8.2 percent were employed in research and development.

Personnel costs amounted to EUR 351.7 million in total in 2018 (2017: EUR 330.8 million).

Age structure
The largest age group are the 31- to 40-year-olds, who make up around 28 percent of the workforce. More than 22 percent of employees are over 51 years of age. The average age remained the same as the prior year at around 40.

AGE STRUCTURE
NUMBER OF EMPLOYEES AS A %



Focus on employee development programs
The Group HR department regularly presents staff development measures and programs to the Executive Board and the local managing directors and plays a joint role in planning the scope of the

measures to be implemented. The local HR departments are responsible for managing individual employee qualification measures.

The development of technical/commercial and soft skills is a key element of the Group's corporate culture. In order to keep employees up to speed on the latest technology and methodology developments in their specialist area and ensure that they can deal with changes in the demands placed on them, the Group offers them targeted training either with in-house instructors or external further training service providers.

The Group strives to ensure that employees can utilize opportunities to complete study programs or further training programs alongside their jobs. Wherever possible, the Group provides them with financial and organizational support, for example through flexible and tailored working time models.

PerspACTIVE

The PerspACTIVE young manager program has been running in German-speaking countries for many years now and is very popular with employees and managers alike. 2018 saw the seventh group embark on the program. PerspACTIVE is a tool for developing management skills across all lines of business. In addition to building specialist management skills by bringing participants together from different lines of business and locations, PerspACTIVE also helps to foster a common management culture.

Leadership Excellence Program (LEP)

The Leadership Excellence Program (LEP) is aimed at experienced managers in strategic key positions in the Group such as managing directors and heads of Group functions from all regional companies.

Participants in the LEP focus on four modules covering the strategic topics "Organization in Change", "Result & Business Orientation", "Strategy & Leadership" and "Innovation & Knowledge Management". The program aims to promote communication between participants, giving them greater insight into the Group's corporate strategy and providing them with important input and ideas. This enables them to reflect on their own management style and makes it easier for them to implement the company's goals.

The Group's own academies in Europe (Reichertshofen, Germany) and the US are equipped with state-of-the-art training facilities and product testing areas for both theoretical and practical learning experiences. The experienced team of instructors also oversees a wide selection of courses for customers and dealers. The HR training portal on the global intranet offers a range of site-specific training opportunities for employees in German-speaking countries. In 2018, internal training and further development measures focused on product and service skills.

INTRAMove

The established INTRAMove exchange program further improves the internal flow of communication across geographical boundaries and areas of expertise. The aim of participating in INTRAMove is to foster global networking and improve knowledge transfer within the Group. Since 2015, employees from a wide range of departments have had the opportunity to take part in this program and experience working at different locations such as Switzerland, the UK, the US and China.

ReflACTION

The ReflACTION development center for middle managers was set up in 2018. The structure is designed so that middle managers can discover their personal strengths and potential for further development. Participants are given qualification recommendations and their subsequent progress is monitored. The Group also aims to use external advisers to create a more robust process for identifying next-generation managers.

"Train and Grow – T.A.G."

The Group-wide T.A.G. (Train and Grow) trainee program was introduced in 2015 as a cornerstone of the Group's policy to secure the next generation of talent. The program is aimed at Master's graduates from technical and business administration disciplines and takes a maximum of 24 months to complete. The duration of the participants' placements in individual departments varies between two and four months. At least one placement must be completed in a foreign affiliate. The variety of experience gained in the different departments allows the program participants to get to know the Group in a short space of time and from different perspectives. Like the "INTRAMove", "PerspACTIVE", "ReflACTION" and "LEP" employee programs, the T.A.G. program facilitates networking across different Group companies.

Staff development costs for fiscal 2018 amounted to EUR 2.2 million (2017: EUR 1.8 million).

Qualified vocational training

To ensure young people can deal with the demands of the different working environments across the Wacker Neuson Group, vocational training is coordinated decentrally at the different locations within the Group.

In 2018, the Group provided training for 210 young people in Germany, Austria, Switzerland, the Netherlands and Serbia in industrial, technical and commercial positions (2017: 213). Opportunities were also provided within the framework of practical training programs flanked by studies at technical or vocational colleges. The take-up rate for trainees who completed their courses was 93.2 percent (2017: 98.2 percent).

Since 2018, the teaching content from German apprenticeship programs is being increasingly transferred to the US location of Menomonee Falls, Wisconsin, to ensure needs-driven qualification of staff and uniformly high levels of training.

Implementation of measures derived from the global employee survey

The Group carried out a global employee survey once again in November 2017. The aim of the survey was to identify the organization's strengths and weaknesses, and find out exactly what it can do better. The results of the survey were presented to all employees at the start of 2018 at various employee meetings and via the social intranet. 62 percent of employees took part in the survey. The results provide an objective overview of employee satisfaction levels in eleven core areas. Overall, the survey showed that results for ten out of the eleven areas covered had improved compared with the results of the same survey held in 2014.

NUMBER OF EMPLOYEES (GROUP)[1] AS OF DECEMBER 31

	2018	2017	2016	2015	2014	2013	2012
Employees	5,370	5,064	4,792	4,632	4,372	4,157	4,096
incl. temporary workers	6,190	5,546	5,181	5,005	4,990	4,438	4,342

[1] Number of full-time jobs (FTE).

The Group is gradually developing the potential for improvement identified in the employee survey in order to successfully increase employee satisfaction levels and improve the company's position as an attractive employer in the long term. Using the results, the Group has already developed – and will continue to develop – concrete measures for specific departments. These are recorded in a central online action planning tool. The central HR department is responsible for monitoring their implementation. Regular progress updates are posted on the Group's social intranet.

The Group plans to carry out the next employee survey in fall 2019. It aims that more than 70 percent of all employees worldwide to take part.

Targeted expansion of occupational health services

In order to systematically anchor health management across the entire company, health committees are working at different Group locations to develop suitable measures in cooperation with external service providers. To further expand occupational health management, the Group has formed various cooperations with health insurance providers, for example, which will help establish and support the process. A number of initiatives aimed at promoting general health were implemented in 2018, including back therapy courses, programs for stopping smoking and stress management courses. The cross-location cooperation between the committees proved particularly successful in 2018, and this is set to be stepped up in 2019.

HUMAN RESOURCES FIGURES[1]

	Dec. 31, 2018	Dec. 31, 2017
Part-time apprentices	5.7%	5.2%
Expenses for personnel development in € million	2.2	1.8
Average age in years	39.7	39.7
Proportion men	82.5%	83.3%
Proportion women	17.5%	16.7%
Number of years with the company	9.2	8.5
Fluctuation	13.3%	12.7%
Sickness rate[2]	5.4%	5.1%

[1] Without temporary workers.
[2] Based on 60 percent of all employees (Germany and Austria only; 2017: 59 percent).

Voluntary benefits

The Group again offered employees at different locations numerous voluntary benefits in 2018, including an employer-funded company pension plan, healthcare schemes and a bonus plan for employees who work at the company for a certain number of years.

Sales, service and marketing

- Successful marketing via diversified sales channels
- Further expansion of dealer networks in North America and China
- Partnerships with market leaders to increase market penetration

The Group's customer-centric culture puts customers at the heart of everything it does. As such, the marketing and sales activities in every area of the company are tailored towards the specific needs of the company's target groups.

Global sales network – diversified sales channels

The Wacker Neuson Group's corporate culture enables an organization with decentralized responsibility, capable of responding quickly, collaboratively and unbureaucratically to the needs of sales partners and customers. Sales structures are aligned with local market dynamics and different brands and channels are used to market Group products, spare parts and services. The Weidemann and Kramer brands, for example, are almost exclusively distributed by dealers and importers. For the Wacker Neuson brand, however, the Group maintains a dense network of direct sales channels in Central Europe alongside its strong dealer network. The Group also distributes its products and services via large rental companies and retail chains.

In a number of markets, the Group has local sales affiliates that support and advise customers and dealers. The Group continually optimizes its market- and customer-specific sales network in order to consolidate and further expand its position in different markets. In 2018, the Group identified and certified new dealers across the world.

Further expansion of dealer network in North America and China

Wacker Neuson efficiently expanded its sales strategy in North America in 2018. The Group is increasingly working with key anchor dealers here, taking proactive measures to qualify and develop these partners and support them with suitable financing solutions. The dealers operate numerous branch offices in their business areas, ensuring the requisite proximity to customers. The Group's strategy of focusing on a few major dealers will enable dealers to obtain maximum qualification and integrate digitally in the sales processes, while allowing the Group to maximize the impact of its sales activities and ensure that it – and its partners – grow sustainably.

The Group expanded its dealer network in China in 2018, focusing in particular on developing dealers for its compact equipment portfolio. The opening of the Chinese production plant in Pinghu made it much easier for the Group to find suitable partners. This show of commitment to the Chinese market and to establishing long-term partnerships is an important factor for Chinese dealers when choosing suppliers. The situation was further helped by the mini and compact excavators tailored specifically to the Asian market that the Group started manufacturing in 2018. The Group's sales efforts were further bolstered by the tailored financing packages that Wacker Neuson offers to its dealers in collaboration with external partners and the new alliance with John Deere, which covers a number of countries including China.

Digitalization in sales

The Wacker Neuson e-store complements existing sales channels. Customers can easily use the online platform at any time to find out more about products, spare parts, accessories and services, check their availability, configure compact equipment and place orders for equipment or spare parts. The e-store is currently available to dealers in Germany, the UK, France, the US, Canada and Peru, and to end customers in Germany. It is gradually being rolled out to other countries. The Group is also working on connecting with major customers more directly.

The Wacker Neuson Group invests in targeted research and development to expand its service portfolio and strengthen its position as a technology leader in its core markets of Europe and North America, and to achieve this position in China in the medium term. Topics such as the digital networking of products and services are extremely important in the move to systematically increase customer value. With this in mind, in 2018 the Wacker Neuson Group established a strategic alliance with Danish telematics experts Trackunit for the development and use of telematics systems and mobile apps for compact equipment. The company is also committed to continuously developing new business models and optimizing its portfolio of services and sales support activities.

Partnerships with market leaders

To further extend its market reach, the Wacker Neuson Group partners with market leaders to distribute its products via their sales networks. In 2018, the Group focused in particular on expanding its collaboration with John Deere, which it entered into in 2017. The partnership covers wheel loaders, tele wheel loaders and telescopic handlers for agricultural markets in the EMENA region. Wacker Neuson entered into another collaboration with John Deere in 2018 focusing on the distribution of mini and compact excavators under the "Deere" brand in China, Australia and selected countries in Southeast Asia. Detailed information on the collaboration is available on → page 47.

Diverse customer base

The Group's products and services are targeted at a broad range of customers in order to spread economic risk and drive further growth. The Group's end customer base in 2018 included construction companies (public and private enterprises), gardening and landscaping firms, rental firms, the agricultural sector, municipal bodies, the energy sector, the mining sector and industrial companies. The Group is not dependent on individual customers to any significant degree and no single customer accounts for more than 5 percent of total revenue.

Individualized solutions and customer-centric strategy

During the period under review, the sales and service team focused on customer acquisition, promotional measures and attractive financing models – primarily via external service providers. The Wacker Neuson Group also offered customers individualized product and service solutions tailored to their needs and held various specialist seminars around the world. These were targeted at the internal sales and service team as well as at dealers, rental companies and customers. Participants had the opportunity to find out more about the Group's efficient, versatile range of products and its extensive service offering. Digital training opportunities are becoming increasingly important here as they allow employees, sales partners and customers to participate in training at any time and from any location.

The Group always aims to develop new products and services that help customers' businesses thrive. It collaborates closely with its customers to ensure it understands exactly what they need. Customers are invited to "voice of the customer" workshops at an early stage of product development. These events provide an uncomplicated platform for participants to test equipment and machines under real-life conditions and for Wacker Neuson to capture suggestions for improvement so they can be front-loaded into the development process (→ page 69).

Customer satisfaction is crucial to the company's success. Customers are looking for new solutions for their daily processes and challenges. They require a flexible and cost-effective approach flanked by professional consulting services and have high expectations of the quality and availability of the Group's products and services. The company therefore regularly surveys customers on its products and services and uses this feedback to continually improve its offering.

Strong resonance at industry trade fairs

The company made successful appearances at many different trade shows in 2018, including – for example – World of Concrete in Las Vegas, the Mawev Show in Austria, Intermat in Paris, Öga in Switzerland, Hillhead in the UK and GaLaBau in Nuremberg. It also took part in a number of agricultural exhibitions including Eurotier in Hanover and Eima in Bologna. At each exhibition, the Wacker Neuson Group gave visitors a chance to experience an interesting assortment of products, services and innovative solutions, all designed to meet evolving customer needs. The Group uses trade shows as a platform for presenting new products, connecting with new customers and acquiring new dealers.

Once a year, the Group organizes the Wacker Neuson Universe in order to showcase new products and innovations from the Wacker Neuson brand and give customers and business partners the chance to test these on site. It is the ideal platform for strengthening customer ties and also provides the company with valuable market feedback. Over 5,000 visitors attended the event in 2018, which was held at the production plant in Hörsching, near Linz, Austria.

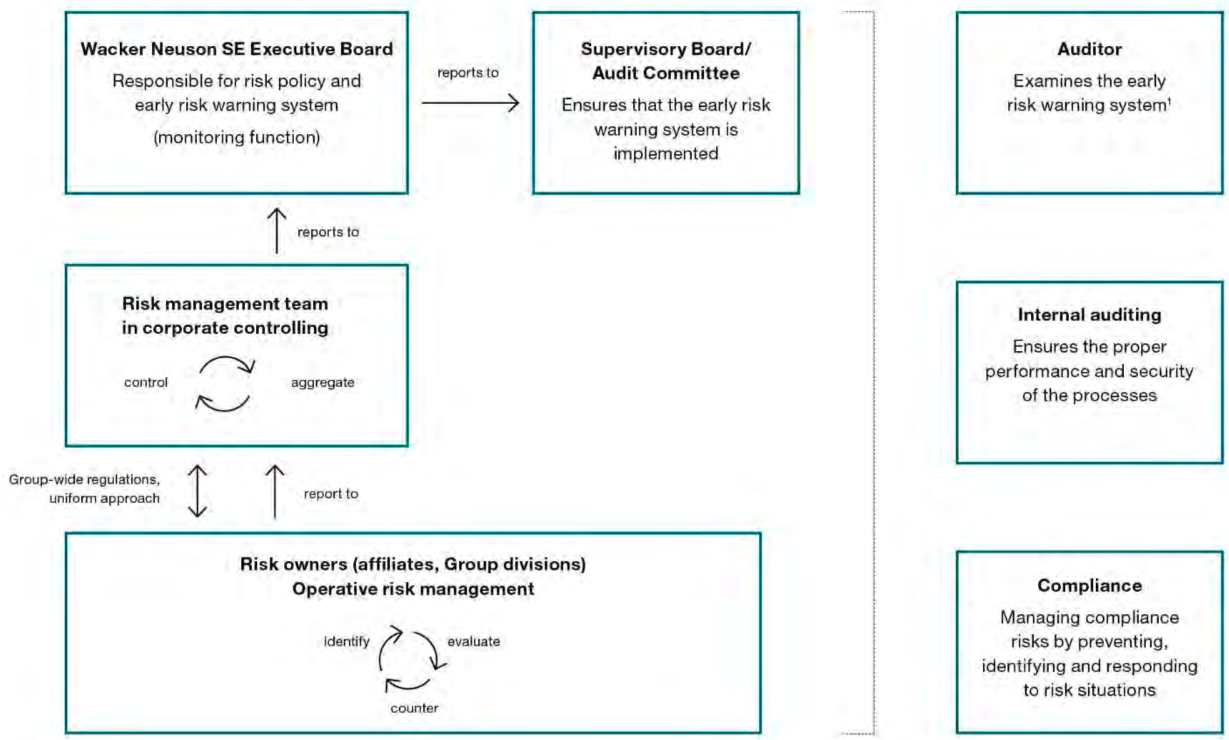
Risk report

As Wacker Neuson SE is fully affiliated with the companies of the Wacker Neuson Group through its direct and indirect shareholdings in Wacker Neuson Group members, the risk situation facing Wacker Neuson SE is mainly determined by the risk situation facing the Wacker Neuson Group. The statements evaluating the overall risk situation for the Group made by the Executive Board therefore also summarize the risk situation facing Wacker Neuson SE.

Presentation of the internal control and risk management system including information in accordance with Section 315 (4) and Section 289 (4) of the German Commercial Code (HGB) plus an explanatory report from the Executive Board

Risk reporting activities include presentation of the company's risk management goals and methods in the Management Report. Furthermore, the key steps involved in the internal control system and the risk management system in relation to the (consolidated) accounting process must be described in detail pursuant to Section 315 (4) and Section 289 (4) HGB. Since the internal control system is an integral part of the overall risk management system, the Executive Board has decided to present both together. These disclosures are explained in more detail, including in relation to the financial accounting process.

CONTROL AND RISK MANAGEMENT



[1] According to Section 317 (4) HGB: In a listed stock corporation, the audit should evaluate whether the Executive Board has met the obligations set down in Section 91 (2) AktG to a suitable degree, and whether the monitoring system to be set up on that basis is capable of fulfilling its role.

At the start of fiscal 2018, the Wacker Neuson Group realigned its risk management system in order to use it even more effectively as a steering tool. Comparing the current risk report to the disclosures in the previous year's report has certain limitations due to the changes made to the risk system and reporting structure. As a result, the risk landscape for 2017 was transferred to the new risk system in the 2018 risk report to ensure the current situation can be compared with the previous year in the 2018 risk report.

In addition to creating an efficient process organization with clearly defined responsibilities, the Group has outlined new risk categories with specific core risks. The Wacker Neuson Group has redefined the basic principles of the risk policy for every risk category. These principles serve as guidelines for the different risk owners across the Group. Risks are now defined in more detail and the new risk groups are used for evaluating risks. At the start of 2018, the risks identified at the close of fiscal 2017 were transferred to the new risk management system and evaluated by risk owners in accordance with the Group's new guideline. The creation of new risk categories with new specific core risks has led to a change in a risk category's percentage share of total risk for 2017. To enable a clearer comparison of the following comments about the risk categories, the percentages for 2017 are based on the new system and therefore differ from the information given in the 2017 Annual Report. From now on, individual risks will not be presented in tabular form.

Risk management system

The Group-wide risk management system serves as an early-warning safety net that identifies, assesses and appropriately communicates risks and enables the Group to implement corresponding counteractive measures in good time. This calls for the reliable identification, evaluation and monitoring of all risks that may prevent this goal from being achieved. Risks are evaluated on a rolling, 12-month basis, which may also include additional years if the risk is deemed to apply beyond this period. The risk management system includes a planning process for each of the core business segments as well as a comprehensive Group reporting system covering all affiliates, which is regularly analyzed, discussed, evaluated and submitted to all decision-makers. The risk management system also covers process definitions for all business segments, Group auditing and compliance.

The risk management handbook outlines the Group's risk policy in terms of defining, assessing and quantifying potential risks, and the structure and workflow of the risk management system. It also assigns roles and responsibilities for identifying, analyzing, monitoring and communicating risks. This allows the Group to take suitable measures to actively counteract known risks. Risk owners immediately report any risks that have been identified to the Corporate Controlling department. Following completeness and plausibility checks, the risks are recorded in a risk database and made available to those responsible. High-risk ratings are reported to the Executive Board, who acknowledge receipt of this information by signing the risk bulletin. The Executive Board regularly informs the Supervisory Board about known risks.

The risks are then assessed using both quantitative and qualitative methods that are uniform throughout the Group, allowing comparison across the various business segments. Please refer to the Notes to the Consolidated Financial Statements for further information on the risk management system (item 31).

Key features of the internal control and risk management system in relation to financial accounting plus related disclosures

The internal control system covers the basic principles, processes and measures required to ensure effective, efficient, due and proper performance of financial accounting processes in compliance with the relevant legal guidelines. This also includes the internal auditing system, to the extent that it relates to financial accounting. As part of the risk management system, the internal control system – similar to the auditing system – draws on appropriate control and monitoring processes for financial accounting. This refers in particular to items on the balance sheet recognizing the Group's risk hedging positions.

The Wacker Neuson Group's internal control and risk management systems in relation to financial accounting can be described as follows:

- Responsibility for financial accounting is clearly defined at the level of Wacker Neuson SE and its affiliates: Responsibility has been vested with the central accounting, controlling, auditing and treasury departments. Ultimate responsibility for financial accounting lies with the Executive Board. Within financial accounting, in general there is a clear differentiation between booking and auditing financial data.
- Employees involved in financial accounting are qualified to the highest standards.
- The Group has suitable systems and processes in place for planning, reporting, controlling and risk management, and implements these across the Group. Reports due on a quarterly or monthly basis, financial accounting reports included, enable the Group to respond quickly to unexpected negative developments.
- The Group-wide procedural guidelines set down in the accounting manual, the tax manual and the treasury manual are accessible at all times to all relevant Group employees. Other regulations such as the rating guide and specific instances subject to second sign-off also apply. These guidelines guarantee uniform handling of similar scenarios throughout the entire Group. They are updated as required and aligned with new circumstances and requirements.
- Proven standard software supports accounting functions, and all systems deployed are secured against unauthorized access from third parties.
- Effective controls (including second sign-off and analytical checks) are in place for accounting-related processes (payment runs, for example).
- Processes related to financial accounting are regularly checked by internal auditing.
- Various internal bodies, such as the auditing department or the Audit Committee of the Supervisory Board, regularly review and rate the effectiveness of the internal control and risk management systems in relation to financial accounting processes.
- The audit performed by the auditor includes an examination of the early warning system (functional test). According to Section 317 (4) HGB, the audit should determine whether the Executive Board has implemented the measures for detecting risks early on in a suitable way in line with Section 91 (2) AktG and whether the monitoring system is capable of adequately monitoring these measures. Concrete implementation measures to overcome and manage risks are not relevant for the early risk warning system pursuant to Section 91 (2) AktG and thus not relevant for the audit performed by the auditors pursuant to Section 317 (4) HGB.

The aim of the internal control and risk management systems in relation to financial accounting is to ensure that all Group dealings and circumstances are disclosed, calculated and categorized correctly on the balance sheet, and correctly represented in the accounting system. This enables the Group to largely avoid accounting errors.

This efficient control process ensures that business transactions are captured, processed and documented in the accounting systems of the company and Group in compliance with commercial law and other statutory regulations, international accounting standards, the Articles of Incorporation and internal Group guidelines, and that these figures are rapidly and correctly recognized in the accounts. The Group's risk management strategy enables the Group to identify risks at an early stage, respond appropriately and communicate them in a timely manner. At the same time, it ensures that assets and liabilities are correctly evaluated and disclosed in the Annual and Consolidated Financial Statements. This provides Group stakeholders with reliable, meaningful and timely information.

Where possible and economically viable, insurance policies are in place to cover insurable risks.

Risks

This section outlines all key risks that have been identified for the Group and that could, from today's perspective, influence the assets, financials and earnings, and/or reputation of Wacker Neuson SE or its individual subsidiaries.

The risks are evaluated on the basis of the following risk probability and risk exposure information:

RISK PROBABILITY

RATING

	Risk probability as a %
Low	0 to 10
Medium	10 to 30
High	30 to 50
Very high	> 50

As part of its efforts to reorganize the risk management system, the Group redefined the categories for risk probability. In the previous year, the category "Low" was set at between 0% and 5%, the "Medium" category at between 5% and 20%, the category "High" at between 20% and 50% and the category "Very high" at greater than 50%.

Risk exposure (= value of anticipated damages) is calculated by multiplying the potential value of damages by the risk probability.

RISK EXPOSURE

RATING

	Value of anticipated damages
Low	Limited impact, < € 2 million EBIT risk
Medium	Medium impact, > € 2-5 million EBIT risk
High	Significant impact, > € 5-10 million EBIT risk
Very high	Damaging impact, > € 10 million EBIT risk

As part of its efforts to reorganize the risk management system, the Group redefined the categories for risk exposure in terms of the value of anticipated damages. In the previous year, limited impact amounted to EUR < 1 million and medium impact between EUR > 1 - 2 million EBIT risk. Significant impact was put at between EUR > 2 - 10 million and damaging impact at > EUR 10 million EBIT risk.

Individual risks with a risk exposure of > 5 percent of Group EBIT (Group EBIT 2018: EUR 159.7 million) are considered the largest individual risks at Group level:

GREATEST INDIVIDUAL RISKS AT DECEMBER 31, 2018

RISK CATEGORY

	Risk probability	Change relative to previous year
Currency devaluation	High	Increased
Price increases / delivery delays for parts supplied by third parties / raw materials	High	Increased

According to the company's calculations, there are no individual risks with a risk exposure in excess of 10 percent of Group EBIT.

Individual risks are assigned to the following categories together with their percentage share of overall risk:

DISTRIBUTION OF RISK ACCORDING TO CATEGORY

AS A %

	Percentage share of total risk
Financial risks	42
Operational risks	35
Legal and regulatory risks	11
Strategic risks	2
Personnel risks	8
Technology and development risks	2

Operational risks – risks associated with the overall economic situation, risks in sales and procurement markets, quality risks

At 35 percent, operational risks account for a sizable share of overall risk (2017: 32 percent). The risk exposure in this category has grown slightly relative to the previous year. This is primarily attributable to increased risks in the procurement market related to the on-time delivery of parts for production, mitigated by a drop in risks associated with sales in the core markets of Europe and North America due to ongoing strong demand for the Group's products and services there.

The Wacker Neuson Group is dependent on the general economic climate and international construction industry trends. The affiliates Weidemann GmbH and Kramer-Werke GmbH are also dependent on developments in agriculture. The international nature of its business means the Group is exposed to a variety of political and economic risks.

Although forecasts for the global agricultural and construction industries in 2019 are positive, there is still an underlying risk that some markets could be affected by an economic downturn.

The Wacker Neuson Group is active in cyclical and volatile markets. Falling demand, especially in the core markets of Europe and North America, could impact the Group's revenue and profit levels. In addition, demand is subject to seasonal fluctuations, which can have an impact on revenue trends during the year. The Group counters these risks through targeted diversification across various sectors and by maintaining an international footprint. In addition, its commitment to increasing its presence in established markets, expanding into targeted new markets and launching new products should offset any economic fluctuations at country and industry level. The Group regularly monitors key leading indicators in order to implement appropriate countermeasures in good time whenever fluctuations are identified. In addition, the Group uses flexible work and production models in its organization and also employs staff under leasing contracts to absorb any fluctuations in capacity utilization.

The Wacker Neuson Group faces tough international competition. The Group is countering the risk of losing market share by using qualified sales partners and strategic alliances to continue expanding its global distribution and by aligning services and product innovations with customer needs. In particular, the Wacker Neuson Group is addressing the digitalization trend and responding to the resulting changes in customer and business relationships as it aligns its business processes specifically with these needs.

Customer structures vary from one country to another. Within an individual country, the loss of a major customer due to insolvency or market consolidation could have a serious impact on demand for products and services from the affiliate concerned. The Group counters this risk by diversifying its customer base, continually acquiring new customers, proactively maintaining strong customer relationships and developing new, competitive products.

There is an ongoing trend towards mergers and acquisitions among the Group's customer base across all markets. This development can have a positive or negative impact on Wacker Neuson Group sales and revenue.

The Group requires components and raw materials to manufacture its products – particularly steel, aluminum, copper and crude oil. It is dependent on the availability of these materials and parts, and also on fluctuations in their prices. In addition, the Group relies on raw materials and parts supplied by third parties being free of defects and meeting the relevant specifications and quality standards. Defects in pre-manufactured parts could result in quality complaints by Wacker Neuson Group customers on the one hand and slow production on the other, which may ultimately delay product deliveries to customers. These scenarios could damage the Group's brand and corporate image and potentially result in contractual penalties, claims for damages and losses in market share. The Group is countering this risk by preemptively auditing key suppliers, rating the key indicators of quality, timescale and cost. These key suppliers are supported on site by qualified Wacker Neuson Group personnel at every step of the process flow, from initial nomination through prototyping to series production. To ensure security of supply, the Group focuses on ensuring short lead times so that it can react to fluctuations in demand. In order to reduce the risk associated with suppliers yet further, the Group introduced a code of conduct for suppliers. The aim for the Group here is to ensure a sustainable supply chain and prevent the risk of reputational damage as a result of supplier shortcomings.

Due to the current high level of demand, supplier-side delivery bottlenecks may result in delayed deliveries of equipment and spare parts to customers. It is therefore not possible to satisfy customers who require delivery within a short timeframe if supplier bottlenecks occur. To secure delivery capabilities, the Group maintains close and regular contact with its suppliers and concludes binding supplier agreements. If required, it also opens up new supply sources to meet short-term rises in demand and stabilize the supplier base.

Another fundamental risk in this category is the potential loss of a supplier, due to insolvency, for instance, which could compromise the Group's delivery capabilities and thus its sales targets. The Wacker Neuson Group is countering this risk by defining commodity strategies to ensure that the loss of a supplier will only affect individual product groups and not an entire production facility. It also endeavors to mitigate this risk further by developing close relationships with suppliers and concluding special standard agreements that secure its partners' delivery capabilities to a certain extent.

Increases in the prices of raw materials, in particular for steel but also for other components, caused by a rise in demand as well as speculation on the raw materials markets, currency effects and international trade policy, could push up the cost of materials. Raw materials prices rose in 2018, with steel and plastic components as well as energy costs particularly affected. As a result, there is a risk that suppliers could demand higher prices. These price increases in the procurement market could lead to higher manufacturing costs. The Group is countering this risk by developing a more flexible and diverse global procurement strategy and concluding longer-term contracts with fixed prices in some cases. The Group maintains regular contact with business partners and suppliers to jointly develop forward-looking solutions. Furthermore, the Group aims to offset rising procurement costs by passing on price increases to the market. However, these usually take effect with a time lag of around six months.

Financial risks – risks resulting from currency transactions/foreign currency risks as well as risks resulting from the loss of bank deposits, the impairment of assets and the loss of receivables

Financial risks account for 42 percent of overall risk to the Group. This is a decrease on the previous year's figure of 45 percent. The risk exposure in this category is also slightly lower than the previous year.

The financial risk to the Group primarily stems from the ongoing risk of currency devaluation; a risk the Group has identified for certain emerging market currencies relative to the Group's production currencies, namely the euro and US dollar. This would diminish the value of revenue and profit from these countries when they are translated into the Group's consolidated financial statements, which are drawn up in euro.

A euro that has gained in value, in particular against the US dollar, negatively impacts exports of products manufactured in the eurozone. The Group is countering this risk by continually monitoring currencies and in some cases negotiating euro or US dollar prices on deals with customers based in countries outside of the eurozone or US dollar area. International production sites also enable the Group to counter currency effects to a certain extent through natural hedging.

Liabilities in foreign currencies have also increased due to the rise in production volumes in 2018. If exchange rates develop unfavorably for the company in relation to payables expressed in foreign currency, this will increase the value of liabilities expressed in euros. The Group is monitoring the corresponding currencies on an ongoing basis. The Group makes use of targeted hedging instruments to counteract the risks of devaluation.

With regard to receivables from customers, the Group is exposed to the risk of individual customers defaulting on payments. The short- and medium-term financing needs of dealers in North America are increasing as a result of the Group's expansion of its dealer network in the region. The Wacker Neuson Group is countering this risk by establishing efficient receivables management systems that include checks on customers' credit ratings and credit limits, by applying the legal instrument of retention of title, by selling receivables in part to finance companies without recourse and by securing financial guarantees from the owners of dealer organizations.

The impairment of assets could have a negative impact on the Group's annual profit. The main risks within this context include one-off write-downs on intangible assets, in particular capitalized development projects, and the loss of bank deposits. The Group is countering the risk of asset impairments through its risk policy, which includes an efficient, globally standardized project management system for product development with targeted controls to ensure products make a positive contribution to the Group's business. The Wacker Neuson Group works exclusively with renowned banks across the globe that have excellent ratings. Any bank balances in risk-prone countries are kept as low as possible.

Please refer to the Notes to the Consolidated Financial Statements for further information on financial risks (items 24 and 31).

Legal and regulatory risks – risks related to non-compliance with regulations/guidelines/laws, product liability, tax proceedings/arrears, trade restrictions, loss of intellectual property and other pending legal proceedings

The risks in this category account for 11 percent of overall risk (2017: 4 percent). The risk exposure has also increased accordingly. This rise is primarily attributable to an increase in risks associated with potential trade restrictions as well as tax and customs proceedings and the possibility of public subsidies not being provided due to preconditions not being met.

Trade restrictions on imports of Group products in some countries or restrictions preventing the Group from bringing its products to market could have a negative impact on its revenue and earnings. The Group tries to influence developments here by participating in committees and carrying out lobbying activities. The Group is also committed to exploring and pursuing legal avenues where necessary to prevent the possibility of trade restrictions. The Group is closely monitoring political developments around the regulation of combustion engines and their use in urban areas and – if necessary – quickly incorporating any policy changes into R&D planning. If any individual bans are imposed on the use of diesel-powered compact and light equipment in cities, the Group already has a portfolio of zero emission products which it is expanding all the time.

Warranty and product liability claims can result in claims for damages and injunctions. The Wacker Neuson Group is minimizing these risks by taking the greatest of care in the development and manufacture of its products and by concluding appropriate insurance policies.

Due to the Wacker Neuson Group's global business activities and the resulting tax obligations in various countries, there is a risk of an unfavorable Group tax rate arising, depending on how income develops in the different regions. There is also a risk of changes to tax laws and related conditions in individual countries. In the case of an audit, the Group assesses the risk, taking all circumstances into account, and makes provisions to the extent that audit findings are binding and a reliable assessment is possible, or in the case of possible liabilities that are likely, reports them under contingent liabilities. The Group has drawn up a tax compliance guideline to minimize tax risks.

Market-leading products are increasingly being copied by manufacturers in emerging markets and this could reduce sales. If the Group were no longer able to protect its intellectual property sufficiently, this would impair its competitive ability. The Group is reducing this risk through focused patent and intellectual property management and by enforcing its intellectual property rights. The Group averts the risk of disputes with third parties over intellectual property rights through appropriate prior investigations and research.

New regulatory measures and changing customs regulations could have a negative impact on sales of Group products and also manufacturing costs. In turn, this could increase legal risks to the Group. The Group is countering this risk by implementing measures in good time to ensure compliance with regulatory requirements and safeguard sales of its products.

There is a risk that corrupt or fraudulent activities by employees of the Wacker Neuson Group could inflict financial damage on the Group or harm its image. The Wacker Neuson Group has set out transparent compliance rules in its code of conduct for employees and has made a reporting system available to employees and business partners to prevent unfair behavior or uncover any such behavior in good time.

No legal proceedings are currently underway or pending that might have a significant impact on the Wacker Neuson Group's financial situation. The Wacker Neuson Group has concluded insurance policies worldwide to protect as far as possible against significant liability risks arising from potential damages attributable to the Group.

Strategic risks – risks associated with missing or inadequate strategies and negative developments in the competitive landscape

In 2018, the strategic risk category's share of overall risk fell to 2 percent (2017: 13 percent). The risk exposure also decreased. This decrease is due to the lower risk assessment regarding negative developments in the Group's competitive landscape.

The Wacker Neuson Group continues to expand its business segments as well as its sales and service network in line with the Group's growth strategy. In this context, there is a risk that the strategies and business models deployed by the Group will fail to yield the desired results and will have to be adapted. As part of its risk policy, the Group regularly implements strategic planning processes comprising the latest planning methods. Action plans and fall-back positions are developed and business models are regularly checked.

Unfavorable developments in the competitive landscape and customer environment in the form of mergers, for example, could negatively impact the Group's ability to achieve its strategic goals. Being dependent on major customers could also pose a risk to strategic goals if one of these business relationships is terminated. The Group is limiting its risk exposure here by closely monitoring developments in its markets and customer base and also developing appropriate action plans.

Sales from the current alliance with Caterpillar for mini excavators are set to fall from 2019 onwards. If the Group is not able to compensate for this loss of volume by becoming more proactive in the markets itself, revenue and profit losses may be incurred.

The Wacker Neuson Group also considers and carefully assesses alliances and acquisitions as a means of gaining market share and expanding its product portfolio. However, there is still a basic risk that the alliance or acquisition will fail to produce the expected outcome and that integration of the new company into the Group's business operations will cause problems. Failure to evaluate risks accurately when acquiring another company or entering into a partnership may have a negative impact on Group business development and growth prospects. The Group counters such risks through professional project management and by setting up integration teams.

Personnel risks – risks associated with the loss of key employees and changes to employment contracts
Personnel risks' share of overall risk rose to 8 percent in 2018 (2017: 3 percent). The risk exposure also increased. This rise is primarily attributable to risks associated with potential changes in employment contracts.

The success of the Wacker Neuson Group is due in large part to the skill and motivation of its employees. The loss of highly qualified people in key positions could impact negatively on the Group's growth plan. The Wacker Neuson Group is countering this risk by offering employees incentives to commit themselves to the company, for example attractive remuneration and long-term personal development opportunities.

There is a risk that changes to employment contracts could have a negative impact on the Group's profitability. With unemployment currently at a low level, labor relation negotiations could result in above-average cost increases for the Wacker Neuson Group.

In order to pursue its ambitious expansion strategy, the Group needs to hire qualified staff, in particular mechanical and electrical engineers. However, as the labor market stands, it may not be possible for the Group to meet or fully meet its need for staff in these areas. The Group is mitigating this risk with dedicated recruitment efforts, both in Germany and abroad. It also offers attractive remuneration schemes and interesting work opportunities promising a high degree of personal responsibility.

Technology and development risks – risks arising from disruptive business models and technologies, risks from the development of new products and processes, and from product development projects
This risk category's share of overall risk increased to 2 percent in 2018 (2017: 1 percent). The risk exposure also rose. Risks associated with manufacturing processes resulting from potential machine failure and potential delays in product development were responsible for the change in this risk category.

The success of the Wacker Neuson Group depends largely on its ability to develop new products and bring these to market in good time. Compliance with ever stricter national and international laws and directives and factoring these into product development is essential. New regulations regarding noise emissions, environmental and user protection, for example, could result in higher costs for the Wacker Neuson Group. If these new regulations are not implemented on an ongoing basis, the Group's competitive position and growth opportunities may be temporarily impaired. The Group's R&D department therefore continuously works to develop new products and develop and enhance its existing portfolio, always aligning its activities with market demands and observing applicable regulations, laws and directives.

Disruptive business models and technologies developed by competitors or new market participants could significantly impair the Wacker Neuson Group's ability to implement its strategy if the Group is unable to harness these new developments for its own benefit and develop them further. As such, the Group closely follows the development and application of new technologies in the industry and uses these for its own products where appropriate. The Group additionally aims to develop innovative, market-ready technologies in order to enhance its own competitive position.

IT-related risks – risks associated with system failure, cyber attacks and unauthorized entry to IT areas/access to IT systems
The company uses IT systems in numerous areas. Failure of these systems could negatively impact on production and the flow of goods, resulting in loss of revenue. The Group is countering this risk through IT backup strategies and the use of standardized software as well as professional hardware security. It is pursuing a strict project management policy to counter risks that can occur during the roll-out of global IT systems and to prevent additional costs. Cyber attacks and unauthorized access to IT systems could inflict damage on the company. To combat this risk, the Wacker Neuson Group uses data protection and authorization systems that prevent unauthorized access to IT systems.

Summary of risk situation facing the Group - assessment of risk situation by the Executive Board
Viewed as a percentage of overall risks, the main risks lie in the financial risk, operational risk, and legal and regulatory risk categories. Together, these three categories represent around 88 percent of total risk (2017: 82 percent).

The overall risk has increased relative to the previous year. The main reason for this development is the rise in operational risks as well as legal and regulatory risks. This is primarily due to uprating of risks associated with the supply of materials on the procurement side and risks related to trade restrictions. The Group expects the risk associated with material supplies to decrease during the course of 2019 as a result of the measures it implemented in 2018. The main risks are listed in this risk report.

The Wacker Neuson Group is not currently aware of any other significant risks to it. Furthermore, it has not at present identified any risks to its continued existence as a going concern.

The risk profile of the Wacker Neuson Group is not analyzed or evaluated by an external body such as a rating agency.

Main non-financial risks
EU Directive 2014/95/EU on the disclosure of non-financial information requires companies to also report on basic non-financial risks arising from their business activities with an impact on environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. The Group reports on these basic non-financial risks in its non-financial Group statement, which is published separately. → page 88

Opportunity management system
Opportunities relate to internal and external developments that could have a positive impact on the Group. The direct responsibility for identifying and managing opportunities in a timely manner is vested in committees rather than specific individuals. These committees make

decisions on matters like strategic projects initiated by the Group in response to changing market and customer requirements. These committees include experts and high-ranking decision-makers from across the Group. The Wacker Neuson Group's decision-making process focuses on opportunities while at the same time taking the associated risks into account. Opportunities should be identified and adapted at an early stage to improve the chances of successful capitalization on those opportunities. Selected potential opportunities for the Wacker Neuson Group are outlined in the "Opportunities for future development" section. → page 90

Information in accordance with Section 315a (1) HGB and Section 289a (1) HGB plus an explanatory report from the Executive Board in accordance with Section 176 (1) Sentence 1 AktG

According to Section 315a (1) HGB, listed companies must disclose information on the composition of capital, shareholders' rights and restrictions, participating interests and corporate bodies that may be relevant for takeovers in the Group Management Report. The same information must also be disclosed in the Management Report of Wacker Neuson SE, pursuant to Section 289a (1) HGB. Furthermore, according to Section 176 (1) Sentence 1 AktG, the Executive Board must submit a report containing this information to the AGM. The following contains a summary of the information pursuant to Section 315a (1) and Section 289a (1) HGB as well as the corresponding explanatory comments pursuant to Section 176 (1) Sentence 1 AktG.

Composition of subscribed capital

At December 31, 2018, the company's share capital amounted to EUR 70,140,000.00, divided into 70,140,000 individual no-par-value nominal shares, each representing a proportionate amount of the share capital of EUR 1.00 according to Section 3 (2) of the Articles of Incorporation of Wacker Neuson SE. There is only one type of share; all shares are vested with the same rights and obligations as outlined in detail in particular under Sections 12, 53a, 133 ff. and 186 AktG. The provisions of AktG apply to Wacker Neuson SE in accordance with Section 9 (1) c) ii) and Section 10 of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (referred to as "SE Regulation" in the following), unless otherwise specified in the SE Regulation.

Restrictions affecting voting rights or the transfer of shares

Information on the pool agreement
There is a pool agreement between some of the shareholders and companies attributable to the Wacker family (Wacker shareholders) on the one hand, and shareholders and companies of the Neunteufel family on the other (Neunteufel shareholders). Prior to each AGM of Wacker Neuson SE, the pool members decide how to exercise voting and petition rights in the meeting. Each pool member undertakes to exercise their voting and petition rights in the AGM in line with the pool's decisions, or to have these rights exercised in this manner. If the pool does not reach a decision with regard to a resolution on the allocation of annual profits, adoption of the Annual Financial Statements by the AGM, approval of Executive and Supervisory Board members' actions, appointment of the auditor, upholding of minority interests and compulsory changes to the Articles of Incorporation as a result of changes to legislation or jurisdiction, the pool members have the right to freely exercise their voting rights. In all other cases, the pool members must vote to reject the proposal. Two members of the Supervisory Board are appointed by the Neunteufel shareholders in the pool, and two by the Wacker shareholders in the pool.

Shares can be transferred without restriction to spouses, registered partners, pool members' children, children adopted when they were minors by pool members, siblings, foundations set up by pool members that are either charitable foundations or in which the beneficiaries and the controlling members of the management board satisfy the aforementioned criteria, and companies where the direct or indirect shareholders also satisfy the aforementioned criteria. If shares are transferred to any such persons, they must join the pool agreement. If shares are transferred to third parties, either with or without consideration, the other pool members have the right to acquire these shares. If the shares are to be sold to third parties in an off-exchange capacity, all of the other pool members have a preferential purchase right. If a pool member intends to transfer shares in such a way that more than 50 percent of voting rights in Wacker Neuson SE would be held by third parties who do not satisfy the criteria defining those individuals to whom transfers can be freely made, the remaining pool members have the right to also sell their shares. If a pool member is excluded from the pool for good reason, the other pool members have a right to acquire the shares or a preferential purchase right. This also applies if a pool member ceases to qualify as a pool member.

Information on the partnership agreement of Wacker Familiengesellschaft mbH & Co. KG
Some of the Wacker shareholders hold part of their shares via Wacker Familiengesellschaft mbH & Co. KG, which in turn also holds shares via Wacker-Werke GmbH & Co. KG. Economic ownership of the shares is attributed to the Wacker shareholders.

The pool agreement has precedence over the regulations of the partnership agreement as long as Wacker Familiengesellschaft mbH & Co. KG is party to the above pool agreement. A partners' meeting is held prior to every AGM of Wacker Neuson SE. In this meeting, the Wacker shareholders define how they will vote and exercise their petitioning rights. Votes in the AGM are to be cast in line with the pool's decisions. Two of the Wacker shareholders each have the right to propose a Supervisory Board member from among the owners. This member is then to be elected by the remainder.

Only the acquisition and preferential purchase rights in the pool agreement apply to Wacker shareholders who are party to the pool agreement. In the case of a sale by a Wacker shareholder who is not a pool member, acquisition and preferential purchase rights apply if shares are sold to third parties who do not fulfill the criteria defining those individuals to whom shares can be freely transferred set forth in the above-mentioned pool agreement. If a Wacker shareholder exits the company as a result of a termination, the remaining pool members have a preferential purchase right to buy the shares for a period of two years from the date this shareholder exits the company. In addition, the partners' meeting can resolve that the exiting Wacker shareholder does not receive compensation in cash but rather in the form of the shares to which they are financially entitled. Every Wacker shareholder exiting the company can request compensation in the form of the shares to which they are financially entitled.

Pool agreement between Mr. Martin Lehner and Neunteufel shareholders
Martin Lehner and one of the Neunteufel shareholders have a pool agreement. Under the terms of this agreement, the Neunteufel shareholder exercises voting rights in the company associated with all shares acquired by Martin Lehner as part of the merger between the company and Neuson Kramer Baumaschinen AG (now Wacker Neuson Beteiligungs GmbH). The Neunteufel shareholder is not bound by any instructions and will always exercise these voting rights at their discretion in the same way as for the shares that they themselves hold. The Neunteufel shareholder has a preferential purchase right to these shares in the event of a transfer to parties other than the Neunteufel shareholder.

The Executive Board is not otherwise aware of any restrictions affecting voting rights or the transfer of company shares.

Direct or indirect participating interests in equity that exceed ten percent of voting rights
Under the German Securities Trading Act (WpHG), every shareholder of a listed company is obliged to inform the German Financial Services Supervisory Authority and the company in question, in this case Wacker Neuson SE, of the percentage of their voting rights as soon as these holdings reach, exceed or fall below certain thresholds. These thresholds are 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent.

The Executive Board has been informed of the following direct or indirect participating interests in the share capital that exceed 10 percent of voting rights:

The voting rights held by the below-mentioned shareholders correspond to around 63.1 percent of the share capital. The shareholders are bound to exercise these voting rights under the terms of a reciprocal pool agreement (see “Restrictions affecting voting rights or the transfer of shares”). → Page 84

The information below is based on notifications pursuant to Section 33 ff. WpHG that Wacker Neuson SE has received and published since 2007, which was the year the company went public. The disclosures are explained in detail in the Notes to the Annual Financial Statements of Wacker Neuson SE under the section “Notifications and disclosures of changes to voting interests pursuant to Section 33 ff. WpHG”. The Executive Board is not aware of any other direct or indirect participations in the company’s share capital that exceed 10 percent of voting rights.

NAME/COMPANY

	Direct/indirect participating interests that exceed 10 percent of voting rights
Wacker Familiengesellschaft mbH & Co. KG, Munich, Germany	Indirect
Baufortschritt-Ingenieurgesellschaft mbH, Munich, Germany	Indirect
Wacker-Werke GmbH & Co. KG, Reichertshofen, Germany	Direct and indirect
Interwac Holding AG, Volketswil, Switzerland	Indirect
VGC Invest GmbH, Herrsching, Germany	Indirect
Dr. Ulrich Wacker, Germany	Indirect
Vicky Schlagböhmer, Germany	Indirect
Christiane Wacker, Germany	Indirect
Georg Wacker, Germany	Indirect
Estate of Dr. h. c. Christian Wacker, Germany	Indirect
Andreas Wacker, Germany	Indirect
Bärbel Wacker, Germany	Indirect
Ralph Wacker, Germany	Indirect
Susanne Wacker-Waldmann, Germany	Indirect
Barbara von Schoeler, Germany	Indirect
Benedikt von Schoeler, Germany	Indirect
Jennifer von Schoeler, Germany	Indirect
Leonard von Schoeler, Germany	Indirect
Petra Martin, Germany	Indirect
Dr. Andrea Steinle, Germany	Indirect
NEUSON Forest GmbH (previously: NEUSON Ecotec GmbH), Haid bei Ansfelden, Austria	Direct and indirect
NEUSON Industries GmbH, Leonding, Austria	Indirect
PIN Privatstiftung, Linz, Austria	Indirect
Johann Neunteufel, Austria	Indirect
Martin Lehner, Austria	Indirect

Bearers of shares with extraordinary rights that grant the holders controlling powers

There are no shares with extraordinary rights that grant the holders controlling powers.

Type of control of voting rights if employees hold participating interests and do not directly exercise their controlling rights

The company’s employees can exercise the controlling rights attributable to them from shares directly, as is the case for other shareholders, according to statutory provisions and the Articles of Incorporation.

Statutory provisions and provisions of the Articles of Incorporation regarding the appointment and dismissal of members of the Executive Board and changes to the Articles of Incorporation

Members of the Executive Board are appointed and dismissed according to Sections 84 and 85 AktG. The Executive Board of Wacker Neuson SE must have at least two Board members according to Section 6 (1) of the Articles of Incorporation of Wacker Neuson SE. The Supervisory Board otherwise determines the number of Executive Board members (Section 6 (2) Sentence 1 of the Articles of Incorporation). The Supervisory Board is also responsible for appointing and dismissing Executive Board members; a simple majority of votes cast suffices for these decisions.

Wacker Neuson SE Executive Board members shall be appointed for a maximum term of six years (Section 9 (1) and Section 39 (2) and Section 46 of the SE Regulation, Sections 84 and 85 AktG and Section 6 (2) Sentence 1 of the Articles of Incorporation). The Supervisory Board can appoint a Chairman of the Executive Board, a Deputy Chairman of the Executive Board and a Spokesperson for the Executive Board (Section 6 (2) Sentence 2 of the Articles of Incorporation). Currently, a Chairman of the Executive Board has been appointed.

Sections 179 ff. AktG must be observed in the event of changes to the Articles of Incorporation. Changes to the Articles of Incorporation must be approved by the shareholders at the AGM (Sections 119 (1) No. 5 and 179 (1) AktG). Under the charter of a European company (Societas Europaea or SE) such as Wacker Neuson SE, all decisions affecting the Articles of Incorporation must be approved with a majority of no less than two thirds of the votes cast, unless the legislation for listed companies of the state where the SE is based mandates or allows a larger majority to apply (Section 59 (1) of the SE regulation). Each member state is free, however, to rule that a simple majority of votes cast suffices, provided at least half of the subscribed capital is represented (Section 59 (2) of the SE regulation). The German legislator has instituted this option in Section 51 (1) of the law governing implementation of the SE in Germany. This does not apply to changes relating to the object/purpose of the company or relocation of the company's registered office. Similarly, it does not apply to instances where the law mandates that the votes cast must represent a higher percentage of the subscribed capital (Section 51 (2) of the law governing implementation of an SE in Germany). Accordingly, Section 21 (1) of the Articles of Incorporation states that unless otherwise stipulated by law, changes to the Articles of Incorporation require a two-thirds majority of the votes cast or – if at least half of the share capital is represented – a simple majority of votes cast.

The Supervisory Board is entitled to approve changes to the Articles of Incorporation that are merely a matter of wording (Section 179 (1) Sentence 2 AktG, Article 15 of the Articles of Incorporation).

The Executive Board's powers, in particular with regard to the possibility of issuing or buying back shares

Treasury shares

By a resolution passed at the AGM on May 30, 2017, the Executive Board is authorized, subject to the prior approval of the Supervisory Board, to acquire a total of 7,014,000 treasury shares by May 29, 2022. This acquisition may also be performed by one of the Group members, or on or for its or their account by third parties. The authorization can be exercised in whole or in parts, in the latter case also on multiple occasions. In so doing, the shares acquired as a result of this authorization together with other shares in the company that it has already acquired and still holds may not at any time correspond to more than 10 percent of the existing share capital. Shares must not be purchased for the purpose of trading company shares on the stock exchange.

At the discretion of the Executive Board, treasury shares may be acquired on the stock exchange or by means of a public offering addressed to all company shareholders or by means of a public invitation to shareholders to submit offers for sale (the latter two options jointly referred to as "public purchase offering" in the following).

If treasury shares are acquired via the stock exchange, the purchase price per share paid by the company (excluding incidental acquisition costs) may not be more than 10 percent above or 20 percent below the volume-weighted average closing price of a company share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange over the last three trading days prior to the date on which the purchase obligation is entered into.

In the event of acquisition by way of public purchase offering, the company may determine a fixed purchase price or a purchase price range per share (excluding incidental acquisition costs) within which it is prepared to acquire shares. In the event of a public offering by the company, the purchase price or price range offered may not be more than 10 percent above or 20 percent below the volume-weighted average closing price of a company share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange over the last three trading days prior to the date on which the offer is publicly announced.

In the event of an invitation to shareholders to submit offers for sale, the purchase price per company share (excluding incidental acquisition costs) calculated based on the offers submitted may not be more than 10 percent above or 20 percent below the volume-weighted average closing price of a company share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange over the last three trading days prior to the date on which the invitation to submit offers for sale is published.

In principle, following authorization, the treasury shares acquired by the company may be re-sold in whole or in part, in the latter case also on multiple occasions, by means of a public offering addressed to all shareholders or on the stock exchange. They may also be redeemed – with or without a reduction in share capital.

In addition, the treasury shares acquired by the company may be used in whole or in part, in the latter case also on multiple occasions, for other purposes; this may mean excluding shareholder subscription rights in whole or in part, or that shareholder subscription rights are – by definition – excluded:

In the case of a public offering of treasury shares made to all shareholders, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholder subscription rights for fractional amounts. The Executive Board is authorized to issue treasury shares to persons who are or were employed by the company or an affiliated company and to members of executive bodies of companies affiliated with the company. This constitutes an authorization to issue employee shares. To the extent that shares are to be sold to Executive Board members within the scope of an Executive Board participation model, the terms are decided on by the Supervisory Board on the basis of a separate authorization granted to it within the framework of its mandate to determine the total remuneration for Executive Board members.

The Executive Board is also authorized, with the approval of the Supervisory Board, to offer and transfer treasury shares as consideration in connection with mergers or acquisitions of companies, operations, parts of companies or participating interests.

It is also envisaged that treasury shares may be used to issue a scrip dividend. In the case of a scrip dividend using treasury shares, an offer is made to all shareholders to waive their entitlement to dividend payment resulting from the resolution on appropriation of net profit passed by the Annual General Meeting, in order to subscribe for treasury shares instead.

The Executive Board is also authorized, with the approval of the Supervisory Board, to sell the treasury shares yet to be acquired to third parties – also in return for cash contributions – subject to the exclusion of shareholder subscription rights, provided that the sale price per share is not significantly lower than the stock exchange price of shares in the company at the time of sale. The final sale price for treasury shares will be determined shortly before the sale. The Executive Board will keep any reduction on the stock exchange price as narrow as the market conditions prevailing at the time of placement permit. Under no circumstances will the discount relative to the stock exchange price at the time the authorization is exercised exceed 5 percent of the current stock exchange price. This authorization also applies with the proviso that shares issued subject to the exclusion of subscription rights may not exceed a total of 10 percent of share capital, neither at the time the resolution is passed nor at the time the authorization is exercised. This limit shall include shares issued or sold during the term of the resale authorization in direct or corresponding application of Section 186 (3) Sentence 4 AktG. This also includes shares issued to service convertible bonds, bonds with warrants, or profit-sharing certificates with conversion or option rights, to the extent that these bonds were issued, subject to the exclusion of subscription rights, during the term of this authorization by that point in time.

Authorized Capital 2017

According to Article 3 (3) of the Articles of Incorporation, the Executive Board is authorized to increase the company's share capital by May 29, 2022, with the approval of the Supervisory Board, by issuing new, registered shares against cash contributions and/or contributions in kind, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000 (Authorized Capital 2017).

However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholder subscription rights:

- in the case of fractional amounts resulting from the subscription ratio;
- in the case of capital increases resulting from the granting of shares in exchange for contributions in kind, in particular for the purpose of acquiring companies, parts of companies or participating interests in companies or other assets, or entitlements to acquire assets including accounts receivable payable by the company or Group members;
- in the case of capital increases resulting from the granting of shares in exchange for cash contributions, provided that the issue price of the new shares is not significantly below the stock market price of the company's shares listed at the time when the issue price is finally determined in accordance with Section 203 (1) and (2) in conjunction with Section 186 (3) Sentence 4 AktG and that the number of shares issued subject to the exclusion of subscription rights does not exceed ten percent in total of the share capital neither on the date on which this authorization takes effect nor on the date this authorization is exercised. This limit of ten percent shall include shares which are sold, issued or due to be issued subject to the exclusion of subscription rights during the term of this authorization up until the point in time when it is exercised by virtue of other authorizations in direct or corresponding application of Section 186 (3) Sentence 4 AktG.

In all other respects, the Executive Board shall, with the approval of the Supervisory Board, decide on the nature of the respective share rights and other conditions relating to issuance of shares, including the issue amount.

The authorized capital provisions described above reflect the practices typical of listed businesses similar to Wacker Neuson. They are not intended to obstruct takeover bids.

Key company agreements that are subject to a change of control clause following a takeover bid and the resulting impact

The promissory notes (Schuldschein) with terms between five and seven years placed by Wacker Neuson SE in February 2012 and February 2017 give the respective creditors termination options if third parties acquire at least 50 percent of voting rights in the company. Similar conditions are also contained in the promissory notes (Schuldschein) with terms between five and seven years placed by Wacker Neuson Corporation, USA (a wholly-owned subsidiary of the company) in February 2018.

Kramer-Werke GmbH, a Group member, and the John Deere Group have entered into a strategic alliance for the international sale of wheel loaders and telescopic handlers for the agricultural market. The agreement contains a provision that allows John Deere to terminate the agreement under certain conditions should a competitor to John Deere acquire a direct or indirect share in Kramer-Werke GmbH or Wacker Neuson SE in excess of 25 percent or should a competitor gain the right to determine the majority of the membership of Kramer-Werke GmbH's or Wacker Neuson SE's executive bodies. The list of competitors is specified in detail in the agreement. As part of this alliance, John Deere has acquired a financial stake in Kramer-Werke GmbH. Should a direct competitor of John Deere from the agricultural or construction equipment industries gain more than 25 percent of shares in Wacker Neuson SE, the Wacker Neuson Group must negotiate with John Deere regarding the sale of its shares in Kramer-Werke GmbH to John Deere, to the extent permitted by law.

Compensation agreements between the company and the members of the Executive Board or its employees in the event of a takeover bid

There is no such agreement.

Concluding remark

During the period under review, the Executive Board had no reason to address issues concerning a takeover, or engage with disclosure details stipulated under the German Takeover Directive Implementation Act (Übernahmerichtlinie-Umsetzungsgesetz). The Executive Board therefore does not see the need to add further details to the information provided above.

Declaration on corporate governance according to Section 289f HGB in combination with Section 315d HGB

On March 11, 2019, the Executive Board of Wacker Neuson SE issued a corporate governance declaration pursuant to Section 289f of the German Commercial Code (HGB) in combination with Section 315d HGB. This can be downloaded from the Wacker Neuson SE website at → www.wackerneuson.com/declaration-on-corporategovernance.

Non-financial Group statement for 2018

Like the majority of German companies that trade on a regulated market, Wacker Neuson SE has been required to disclose non-financial information as of fiscal 2017 following implementation of EU Directive 2014/95/EU by German legislators. This requires the Group to report every year on environmental, social and employee-related issues and provide information on the observance of human rights and the prevention of corruption and bribery. To this end, the Wacker Neuson Group has issued a separate non-financial Group statement in accordance with Section 315b HGB for fiscal 2018. This statement was published at the same time as the Annual Report. The 2018 non-financial Group statement published by the Wacker Neuson Group is also available on the company website at: → www.wackerneusongroup.com.

Remuneration framework

Information on the Executive Board

According to the German Executive Board Remuneration Disclosure Act (Vorstandsvergütungs-Offenlegungsgesetz), listed companies must also disclose individualized information on the Executive Board's remuneration in the Notes to the Annual and Consolidated Financial Statements, broken down into performance-related and non-performance-related components as well as long-term incentives. The Act stipulates that information may be withheld if the AGM resolves this with a majority of 75 percent of votes cast. This type of resolution can be passed for a maximum period of five years. The company has availed of this opportunity for fiscal years 2016 to 2020 inclusive by way of a resolution by the AGM on May 31, 2016.

The Executive Board's remuneration is defined by the entire Supervisory Board and reviewed at regular intervals. Defining the structure and amount of the remuneration is based on the company's size and economic position as well as the tasks and performance of the members of the Executive Board.

The remuneration for active members of the Executive Board comprises:

- A fixed annual basic salary
- A variable annual salary
- Compensation upon an early exit, in part transitional pay
- Remuneration in the case of accident, illness or death
- Non-cash remuneration and other additional remuneration
- A pension commitment

The individual remuneration components are as follows:

- The annual fixed salary is paid in equal monthly installments.
- The variable salary is based on average consolidated earnings after taxes for the previous three fiscal years, as reported in the approved Consolidated Financial Statements for the respective fiscal years, as well as on the return on capital employed as reported in the Consolidated Financial Statements. The Group's performance is another indicator for determining variable salary, measured by a combination of the extent to which revenue goals are achieved and the size of the EBIT margin. The variable salary based on this indicator is paid out only in part on approval of the Consolidated Financial Statements for the fiscal year in question. The remaining part (longer-term component) is paid out only if the performance indicators in the two subsequent years lie above a defined threshold. An upper threshold for the overall variable remuneration has been agreed for all Executive Board members.
- The proportion of the variable remuneration within the overall remuneration package differs in each individual case and ranges from 64 to 67 percent in the reporting period for 100-percent achievement of targets.
- If Executive Board member employment contracts are terminated prematurely, but not for good cause, the members of the Executive Board shall each receive compensation in the amount of their average discounted annual remuneration for the remainder of the contractual period including their variable remuneration, up to a maximum of two annual remunerations. If a contract is terminated after the age of 55 and prior to the member reaching the age of 62, the member of the Executive Board in question may claim transitional payments.
- If they are temporarily prevented from working through no fault of their own, members of the Executive Board continue to receive their fixed annual salary and bonus for a limited period. In the event of death, widows and dependent children receive corresponding payments for a limited period. This does not affect widow's and orphan's pensions under the pension commitment.
- The non-cash remuneration and other remuneration includes a subsidy for health insurance and pension provisions, premiums for accident insurance, the use of a company car, etc.
- Under the pension commitment, the members of the Executive Board receive an old-age pension for life upon reaching the age of 62 unless the employment relationship with the company was terminated for good cause that is the fault of the Executive Board member. In addition, an invalidity pension is paid in the event of disability, and a widow's and orphan's pension is paid in the event of death. Other remuneration may have to be offset against these amounts payable.

Total remuneration for the Executive Board

Total remuneration for the Executive Board in the fiscal year under review amounted to EUR 3.2 million (2017: EUR 4.7 million). Total remuneration for the Supervisory Board for the same period amounted to EUR 0.5 million (2017: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed to refrain from itemizing information in line with Section 61 of the SE Regulation in conjunction with Section 285 no. 9a sentences 5 to 8 HGB and Section 314 (1) no. 6a sentences 5 to 8, as well as Section 315a (1) HGB (in the applicable version), in accordance with Section 286 (5) sentence 1, Section 314 (3) sentence 1, Section 315a (1) HGB.

Information on the Supervisory Board

The remuneration structure for the members of the Supervisory Board is set down in Section 14 of the Articles of Incorporation. It was last amended by the AGM in May 2012. In line with this provision, the fixed remuneration for each individual member of the Supervisory Board amounts to EUR 30,000. The Chairman of the Supervisory Board receives twice this amount, and his/her deputy receives 1.5 times the fixed remuneration. Members of committees receive an additional fixed remuneration, with the Chairman of each committee receiving twice the regular committee remuneration. The members of the Supervisory Board also receive a fixed allowance for each Supervisory Board meeting in which they participate. In addition, members of the Supervisory Board are reimbursed for their out-of-pocket expenses and any VAT that may be due on their remuneration and out-of-pocket expenses. The individual Supervisory Board members shall also be paid a variable remuneration.

This variable remuneration is based on the consolidated earnings after taxes. It is capped at 0.75 times their respective fixed remuneration. It is calculated in line with the company's approved Consolidated Financial Statements taking Section 113 (3) AktG into account.

Supplementary report

Please refer to the Notes to the Consolidated Financial Statements (Note 28) for information on events since the reporting date, December 31, 2018.

Opportunities and outlook

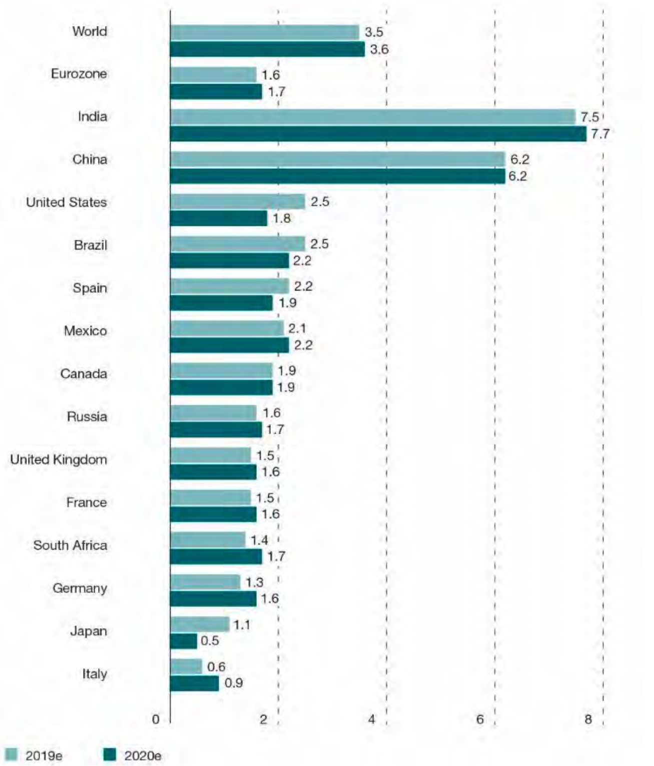
Overall economic outlook

- Increased risks to the global economy
- Growth expected to slow in industrialized countries
- Development in China key to the global economy

According to the International Monetary Fund (IMF), the pace of growth in the global economy is set to slow slightly in 2019, with experts anticipating a rise of 3.5 percent, compared with 3.7 percent in 2018. The risk factors that started to impact economic growth in the second half of 2018 are expected to continue shaping the global economic climate in 2019 and may even intensify during the course of the year according to IMF predictions. These risks include, in particular, the ongoing trade tensions between the US, China and the European Union, the open issues surrounding the timing and conditions of Brexit, a greater-than-expected slowdown in growth in China and generally unfavorable financing conditions for countries and businesses. There is also a risk of the European debt crisis flaring up again and potential for unrest in some European countries. Developments in Syria and the underlying tensions between the US and North Korea are further sources of uncertainty.

GLOBAL GDP GROWTH 2019E AND 2020E

AS A %



Source: IMF, World Economic Outlook, Update January 2019.

The risk factors listed above will primarily impact the economic balance sheets of industrialized countries, with the IMF projecting growth of just 2.0 percent in 2019 for these economies. Emerging markets as a whole are projected to expand at a rate of 4.5 percent, although rates of growth are expected to differ significantly from region to region. Experts at the IMF have forecast GDP growth in the eurozone of 1.6 percent. Meanwhile, the European Commission revised its growth forecast downward still further in February 2019 to 1.3 percent.

According to the IMF, the US economy is expected to follow a more stable path, with a growth forecast of 2.5 percent. However, the stimulating effects of the tax reform implemented at the close of 2017 are expected to fade gradually in 2019.

Economic trends in China will play a crucial role in the further development of the global economy. Experts currently predict a growth rate of 6.2 percent for the country, which is comparatively weak by Chinese standards. As a result, the Chinese government announced a rise in public spending shortly after the economic forecast was issued. It also aims to reduce taxes and other fees to lighten the burden on smaller companies.

Outlook for construction and agricultural industries

- Outlook remains positive for the construction sector
- US rental industry expects positive market development in 2019 and 2020
- Cautious optimism among European agricultural machinery manufacturers

Pace of growth slows in the construction equipment sector
The global construction industry looks set to grow further over the coming years, with GlobalData projecting average annual growth of 3.6 percent for the period from 2018 to 2022. At 3.7 percent, the industry is expected to develop slightly above this average in 2019. The short-term outlook for the European construction sector is not quite as positive. According to Euroconstruct, construction investment is set to rise by 2.0 percent in 2019 and the market in Germany is expected to stagnate.

The VDMA expects growth in the construction equipment industry in 2019 to be weaker than the record year of 2018. Despite these trends, global growth in this sector is projected to be around 5 percent. 2019 may well be remembered as the year when European markets reached tipping point. According to the VDMA, manufacturers in this region could see revenue decline by around 5 percent. However, the Committee for European Construction Equipment (CECE) does not believe that this will result in a major recession as the long-term trends in demand will remain intact. Strong demand for infrastructure investment across the globe will continue to provide major opportunities for global construction equipment manufacturers.

The American Rental Association (ARA) is optimistic about the coming years. The US rental industry is expected to grow by between five and six percent in 2019 and 2020.

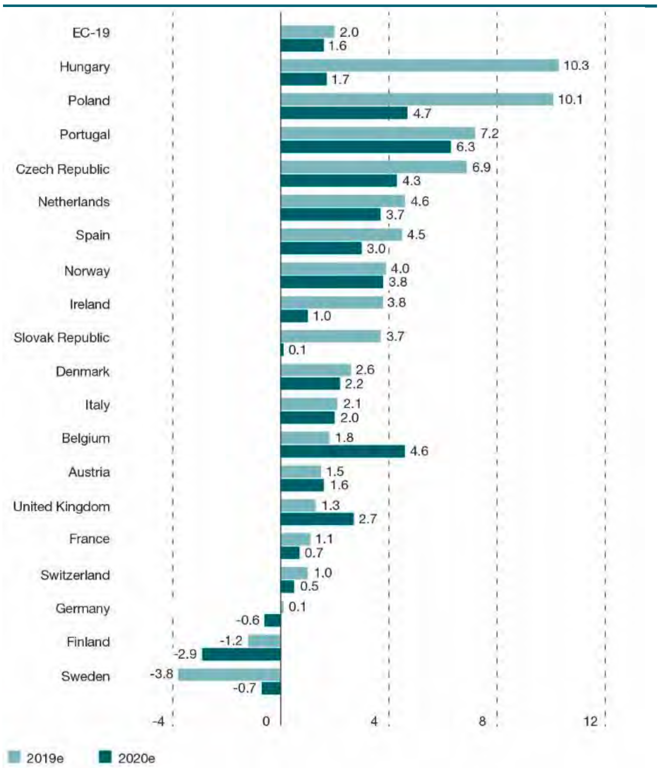
Cautious optimism in European agricultural equipment sector
Although the mood among European agricultural machinery manufacturers deteriorated slightly during the course of 2018, the sector continues to remain positive overall about its short-term prospects accord-

ing to the business barometer published by the CEMA. A stable upward trend in Spain and France could balance out the weaker performance expected in the German market. European manufacturers expect revenue to grow by an average of 3 percent in 2019.

According to the German Farmers' Association, the mood in the German agricultural sector was subdued at the start of 2019 due to the negative effects of the unusually dry summer of 2018, the sharp rise in the price of inputs and uncertainties in global agricultural markets caused by political developments. Nevertheless, the barometer for agricultural activity revealed a slight increase in willingness to invest among German landowners compared with the previous year. This especially applies to yard and stable equipment, both of which are key areas for the Wacker Neuson Group.

Universal trends – such as the world's growing population and the resulting ongoing increase in demand for foodstuffs – should continue to have a positive effect on the agricultural equipment sector in the medium and long term. The basic need for modern, compact machines – aimed in particular at increasing efficiency on agricultural holdings – should therefore continue to increase. Falling market prices for agricultural commodities in particular could thus increase pressure on landholders to invest in efficiency-enabling powerful machinery.

PROJECTED DEVELOPMENT OF THE EUROPEAN CONSTRUCTION SECTOR: 2019E AND 2020E



Source: Euroconstruct, November 2018.

Opportunities for future development

- Megatrends drive business performance
- Systematic implementation of Strategy 2022
- Innovations as a lever for increasing market share

Megatrends drive business performance
Global megatrends are fueling a continued rise in demand for light and compact equipment worldwide. The biggest growth drivers for the Group are:

- Population growth: By 2050, the world's population will have grown from nearly 8 billion today to over 10 billion. This will push up global demand for food and other basic necessities. In addition, investments will continue to be made in road, rail and telecommunication networks as well as in the modernization of buildings, fueling increased demand for compact and light equipment.
- Increased prosperity: In developing and emerging economies in particular, greater purchasing power and rising demand from new groups of consumers will lead to more construction activity. At the same time, rising wages will further drive mechanization in the construction and agricultural sectors.
- Urbanization: By 2025 already, around two thirds of the world's population will be living in cities. Megacities with populations of over 10 million will be facing the greatest challenges in terms of construction, housing and infrastructure. This will further drive demand worldwide for versatile, compact construction equipment.
- Climate change: Global warming and air pollution are increasingly being seen as global problems that need to be addressed ever more decisively at national and international level. As a result, renewable energy and electric mobility are becoming increasingly important areas in the construction and agricultural equipment industries.

These trends present long-term growth opportunities for the Wacker Neuson Group. As a leading manufacturer of light and compact equipment, the Group is committed to developing innovative products and tailor-made services for customers in order to expand its business on a global level. Compact equipment has been well established in Europe for many years. The markets in North America and Asia, however, are relatively new by comparison. As such, they generally offer higher growth rates. The Group aims to capitalize on this potential, and win market shares with its innovative machines.

The Wacker Neuson Group is already able to offer its customers a broad portfolio of electrically powered light and compact equipment. All three Group brands offer zero emission products, which are proving very popular among customers. Their current share of overall Group revenue is still comparatively low. However, the importance of fully electric products is set to rise rapidly over the coming years. As such, the Group will continue to make targeted investments to expand its portfolio of fully electric machines.

TRENDS DRIVING GROUP BUSINESS

Construction industry

- Modernization, maintenance and expansion of infrastructure in mature and emerging markets
- Increase in residential and non-residential construction in cities (urbanization)
- Reconstruction (renovation, modernization)
- Increased prosperity and demand from new consumer groups in particular in emerging markets
- Expansion of broadband networks
- Increased use of electrically powered equipment
- Digitalization of products and services

Agriculture and other sectors

- Increasing global demand for food and fodder due to population growth
- Shift towards larger holdings (especially in Europe) with greater demand for mechanization
- Increasing industrialization/automation of agricultural operations, including in emerging economies
- More efficient transportation of material in the industrial sector
- Increased use of electrically powered equipment
- Digitalization of products and services

Systematic implementation of Strategy 2022

The Group unveiled its new Group strategy in March 2018. The aim of Strategy 2022 is to ensure that the company is focused 100 percent on its customers' needs. It is designed to make the Group more streamlined and more agile. Guided by the initiative's three strategic pillars of "focus", "acceleration" and "excellence", the Group aims to further expand its market position while at the same time driving growth and increasing profitability.

Focus

Over the coming years, the Wacker Neuson Group will focus on developing its core markets of Europe and North America and will make targeted efforts to increase its market share in these regions with its core products. China will also be an important market by 2022. To support this expansion, the Group will optimize its portfolio of competitive construction equipment by increasing its focus on core products for mature markets and systematically enlarging its offering of locally manufactured products for China and the Asian market.

Acceleration

The Group will continue to invest in targeted research and development to expand its service portfolio and reinforce its position as a technology leader in its core markets. Innovation hotspots like energy efficiency, alternative drive technologies, driver assistance systems and smart digital networking of products and services play a key role in creating even greater customer value. The Wacker Neuson Group is also developing new business models and driving the digitalization trend across its various target industries.

Excellence

Striving for even greater operational excellence, the Group continually optimizes its organization. Key success factors include streamlining its internal structures to speed up and improve its workflows, ensuring ongoing employee development, and fostering commitment, agility and teamwork.

STRATEGY 2022

Vision 2022
By the year 2022, the Wacker Neuson Group wants to be recognized as the most innovative trendsetter in the industry and be growing twice as fast as the market. The Group's core skills and strengths are its strong customer relationships, application-focused product development and the digitalization and networking of products and services. Backed by its values-based corporate culture, the Group aims to secure leading positions in its core markets.

The Wacker Neuson Group wants to be in the TOP 3 of the industry for each of its core products by 2022. A Group revenue target of well over EUR 2 billion has been set and the EBIT margin should ideally exceed 11 percent. The Group wants to bring its net working capital in relation to revenue below 30 percent, which should have a positive long-term effect on free cash flow.

Guidance

Revenue and profit growth expected in 2019
The global economy continues to grow although the pace of growth has slowed in recent months. The situation at the close of the year was impacted by high levels of uncertainty. Earlier forecasts issued by various entities were adjusted downward.

Risk factors here include the trade tensions between the US and China and the European Union, the timing and conditions of Brexit, the re-emergence of the European debt crisis and a more pronounced slowdown in growth in China. Developments in Syria and underlying tensions between the US and North Korea are further sources of uncertainty. Viewed as a whole, the risks described here pose a significant potential threat to the short-term development of the global economy.

Despite these risks and the temporary economic slowdown, the underlying trend towards compact equipment in construction and agriculture remains intact. The Group is benefiting here from global megatrends such as the world's growing population, urbanization and climate change, all of which are fueling long-term demand for compact and environmentally friendly machines.

At the start of 2019, the Wacker Neuson Group's key target markets were in good shape. The mood at international industry events such as the leading American concrete construction and masonry trade fair, World of Concrete, held in Las Vegas, was positive and the Group's order books are well filled.

Taking into consideration the general conditions described above and assuming that these will not have a significant negative impact on the global economy in 2019, the Executive Board expects revenue for fiscal 2019 to amount to between EUR 1,775 and EUR 1,850 million (2018: EUR 1,706.5 million). This corresponds to an increase of between 4 and 8 percent. Taking into consideration the planned fade-out of one of the Group's OEM partnerships (see → page 47), organic growth is expected to amount to between 7 and 12 percent. The EBIT margin is expected to lie between 9.5 and 10.2 percent (2018: 9.4 percent).

GUIDANCE

	2019e	2020e
Revenue	€ 1.775 to 1.850 bn	Further growth
EBIT margin	9.5% to 10.2%	Better
Investments	Approx. € 100 million	Adapted to market developments

Segment trends
For 2019, single-digit growth is expected in the core markets of Europe and the Americas, while a double-digit figure is predicted in the Asia-Pacific region. China's share of total revenue is set to increase due to the localization of production activities and the Group's plans to increase market penetration.

The Group predicts growth through 2019 for all three business segments (light equipment, compact equipment and services). Compact equipment is expected to continue developing at a dynamic pace.

Planned investments
The Group intends to continue investing in profitable projects and develop its affiliates further – across all regions and lines of business. For fiscal 2019, the figure earmarked for investments is approximately EUR 100 million (2018: EUR 73.3 million).[1] In addition to investments to replace existing equipment, this includes in particular investments to expand the European production facilities, which will help the Group lay the foundations for further growth.

Net working capital expressed as a percentage of revenue is expected to be slightly lower than the prior-year level at the close of 2019 (2018: 37.7 percent). Further information on selected initiatives aimed at reducing net working capital is available on → page 55.

The Group's strong financials and assets together with its strong market positions provide an ideal basis for winning market shares and ensuring further profitable growth over the coming years. The Group plans to maintain its current equity ratio of around 64 percent, which is high relative to industry peers. Net financial debt is relatively low, and the financial situation is correspondingly healthy.

It also aims to enter into further partnerships in the medium and long term, and is not ruling out the possibility of further acquisitions.

Outlook through 2020
Taking into consideration the conditions described above and assuming that these do not have any significant negative impact on the global economy, the Executive Board currently predicts revenue growth and a further profit growth for fiscal 2020.

[1] Investments refer to property, plant and equipment and intangible assets (this figure does not include investments in the Group's rental equipment).

Summary outlook

Global megatrends will provide opportunities for the Wacker Neuson Group's business model in the medium and long term. The Group aims to capitalize on these trends in a number of ways, including by focusing on developing its core markets, selectively expanding its international presence and offering a portfolio of innovative products and services. In the short term, however, certain risks to the development of the global economy may have a negative impact on investment activity in some of the Group's key target markets.

The Group expects strong performance in fiscal 2019 and fiscal 2020.

It is important that the Group's shareholders continue to share in its success. The company therefore aims to maintain its sound dividend policy and plans to make annual dividend payments to shareholders provided its projections are accurate.

Munich, March 11, 2019

Wacker Neuson SE, Munich

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

Consolidated Financial Statements

Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
Revenue	(1)	1,706.5	1,533.9
Cost of sales		-1,232.5	-1,097.4
Gross profit		**474.0**	**436.5**
Sales and service expenses		-219.7	-199.1
Research and development expenses		-35.9	-35.8
General administrative expenses		-72.8	-76.6
Other income	(2)	15.1	10.9
Other expenses	(4)	-1.0	-4.5
Profit before interest and tax (EBIT)		**159.7**	**131.4**
Income from the sale of a real estate company	(17)	54.8	–
Financial income	(5a)	8.0	7.7
Financial expenses	(5b)	-19.5	-13.7
Profit before tax (EBT)		**203.0**	**125.4**
Taxes on income	(6)	-58.4	-37.9
Profit for the period		**144.6**	**87.5**
Of which are attributable to:			
Shareholders in the parent company		144.6	87.5
Minority interests		–	–
		144.6	87.5
Earnings per share in € (diluted and undiluted)	**(7)**	**2.06**	**1.25**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017
Profit for the period		**144.6**	**87.5**
Other income			
Income to be recognized in the income statement for subsequent periods			
Exchange differences		6.7	-30.5
Cash flow hedges		-0.2	-0.3
Effect of taxes on income		-0.2	0.1
Income to be recognized in the income statement for subsequent periods		**6.3**	**-30.7**
Income not to be recognized in the income statement for subsequent periods			
Actuarial gains/losses from pension obligations		-1.6	0.9
Effect of taxes on income		0.5	-0.3
Income not to be recognized in the income statement for subsequent periods	**(18)**	**-1.1**	**0.6**
Other income after tax		**5.2**	**-30.1**
Total comprehensive income after tax		**149.8**	**57.4**
Of which are attributable to:			
Shareholders in the parent company		149.8	57.4
Minority interests		–	–
		149.8	**57.4**

Consolidated Balance Sheet

BALANCE AT DECEMBER 31

IN € MILLION

	Notes	Dec. 31, 2018	Dec. 31, 2017 adjusted
Assets			
Property, plant and equipment	(8)	294.6	292.0
Property held as financial investment	(9)	25.8	26.8
Goodwill	(10a)	237.8	237.4
Intangible assets	(10b)	143.5	125.6
Deferred tax assets	(6)	40.2	41.6
Other non-current financial assets	(11)	78.8	35.6
Other non-current non-financial assets	(11)	1.7	0.2
Total non-current assets		**822.4**	**759.2**
Rental equipment	(12)	149.4	119.5
Inventories	(13)	553.4	434.4
Trade receivables	(14)	303.3	235.1
Tax offsets		0.4	6.5
Other current financial assets	(15)	16.2	11.3
Other current non-financial assets	(15)	22.5	14.3
Cash and cash equivalents	(16)	43.8	27.3
Non-current assets held for sale	(17)	2.8	14.1
Total current assets		**1,091.8**	**862.5**
Total assets		**1,914.2**	**1,621.7**
Equity and liabilities			
Subscribed capital	(18)	70.1	70.1
Other reserves	(18)	587.5	582.3
Net profit/loss		563.8	461.3
Equity attributable to shareholders in the parent company		**1,221.4**	**1,113.7**
Minority interests		**–**	**–**
Total equity		**1,221.4**	**1,113.7**
Long-term financial borrowings	(21)	217.3	156.1
Deferred tax liabilities	(6)	34.6	32.5
Long-term provisions	**(19) (20)**	**58.2**	**59.1**
Total non-current liabilities		310.1	247.7
Trade payables	(22)	212.8	133.7
Short-term liabilities to financial institutions	(21)	33.8	20.3
Current portion of long-term borrowings	(21)	1.4	0.6
Short-term provisions	(20)	15.7	16.9
Tax liabilities		1.0	1.0
Other short-term financial liabilities	(23)	35.6	26.9
Other short-term non-financial liabilities	(23)	82.4	60.9
Total current liabilities		**382.7**	**260.3**
Total liabilities		**1,914.2**	**1,621.7**

A number of items on the consolidated balance sheet were adapted relative to the previous year due to changes in accounting and valuation methods, adjustments to accounting estimates and restatement of errors in connection with incidental acquisition costs for raw materials and supplies, statutory Swiss pension plans, accruals for outstanding invoices, finance leases, and prepaid customer bonuses. Refer to the note Changes in accounting under IFRS for further information. → page 103

Consolidated Statement of Changes in Equity

BALANCE AT DECEMBER 31

IN € MILLION

	Subscribed capital	Capital reserves	Exchange differences	Other neutral changes	Net profit/loss	Equity attributable to shareholders in the parent company	Minority interests	Total equity
Notes								
Balance at January 1, 2017 (adjusted)	**70.1**	**618.7**	**12.2**	**-18.5**	**403.5**	**1,086.0**	**5.4**	**1,091.4**
Profit for the period	–	–	–	–	87.5	87.5	–	87.5
Other income	–	–	-30.5	0.4	–	-30.1	–	-30.1
Total comprehensive income	**–**	**–**	**-30.5**	**0.4**	**87.5**	**57.4**	**–**	**57.4**
Dividends	–	–	–	–	-35.1	-35.1	–	-35.1
Reallocation of minority interests	–	–	–	–	5.4	5.4	-5.4	–
Balance at December 31, 2017	**70.1**	**618.7**	**-18.3**	**-18.1**	**461.3**	**1,113.7**	**–**	**1,113.7**
Balance at January 1, 2018	**70.1**	**618.7**	**-18.3**	**-18.1**	**461.3**	**1,113.7**	**–**	**1,113.7**
Profit for the period	–	–	–	–	144.6	144.6	–	144.6
Other income	–	–	6.7	-1.5	–	5.2	–	5.2
Total comprehensive income	**–**	**–**	**6.7**	**-1.5**	**144.6**	**149.8**	**–**	**149.8**
Dividends	–	–	–	–	-42.1	-42.1	–	-42.1
Reallocation of minority interests	–	–	–	–	–	–	–	–
Balance at December 31, 2018	**70.1**	**618.7**	**-11.6**	**-19.6**	**563.8**	**1,221.4**	**–**	**1,221.4**

Profit carried forward as part of net profit for the year was adjusted in 2017 due to changes in accounting and valuation methods under IAS 8, adjustments to accounting estimates and restatement of errors in connection with incidental acquisition costs for raw materials and supplies and the statutory Swiss pension plans, the profit carried forward as part of net profit for the year was adjusted for 2017. Refer to the note Changes in accounting under IFRS for further information. → page 103

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2018	Jan. 1 – Dec. 31, 2017 adjusted
EBT		**203.0**	**125.4**
Adjustments to reconcile profit before tax with gross cash flow:			
Depreciation and amortization of non-current assets		40.5	43.2
Unrealized foreign exchange gains/losses		-6.2	13.9
Financial result	(5)	11.5	6.0
Gains from the sale of intangible assets and property, plant and equipment		-4.3	-1.1
Income from the sale of a real estate company		-54.8	–
Changes in rental equipment, net		-28.2	-15.4
Changes in misc. assets		-53.2	-23.9
Changes in provisions		-4.0	3.6
Changes in misc. liabilities		17.7	13.8
Gross cash flow		**122.0**	**165.5**
Changes in inventories		-116.0	-11.8
Changes in trade receivables		-66.4	-32.7
Changes in trade payables		77.6	43.0
Changes in net working capital		**-104.8**	**-1.5**
Cash flow from operating activities before income tax paid		**17.2**	**164.0**
Income tax paid		-35.3	-26.0
Cash flow from operating activities		**-18.1**	**138.0**
Purchase of property, plant and equipment	(8)	-37.3	-29.5
Purchase of intangible assets	(10)	-36.0	-17.9
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale		28.5	8.4
Proceeds from the sale of a real estate company		60.0	–
Cash flow from investment activities		**15.2**	**-39.0**
Free cash flow		**-2.9**	**99.0**
Dividends	(18)	-42.1	-35.1
Cash receipts from short-term borrowings		–	57.4
Repayments from short-term borrowings		-15.9	-228.8
Cash receipts from long-term borrowings		81.4	124.9
Repayments from long-term borrowings		–	–
Interest paid		-7.4	-9.2
Interest received		3.9	2.6
Cash flow from financial activities		**19.9**	**-88.2**
Change in cash and cash equivalents before exchange rate effects		**17.0**	**10.8**
Effect of exchange rates on cash and cash equivalents		-0.5	-1.1
Change in cash and cash equivalents		**16.5**	**9.7**
Cash and cash equivalents at the beginning of the period	**(16)**	**27.3**	**17.6**
Cash and cash equivalents at the end of period	**(16)**	**43.8**	**27.3**

A number of items in the consolidated statement of cash flows were adapted relative to the previous year due to changes in accounting and valuation methods, adjustments to accounting estimates and restatement of errors in connection with incidental acquisition costs for raw materials and supplies, Swiss statutory pension plans, accruals for outstanding invoices, finance leases, and prepaid customer bonuses. Refer to the note Changes in accounting under IFRS for further information. → page 103

Consolidated Segmentation

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

Consolidated Segmentation is part of the Notes to the Consolidated Financial Statements (see Note 29).

SEGMENTATION (GEOGRAPHICAL SEGMENTS)

IN € MILLION

	Europe	Americas	Asia-Pacifiic	Consolida-tion	Group
2018					
Segment revenue					
Total revenue	2,159.5	872.5	90.6		3,122.6
Less intrasegment sales	-744.8	-443.0	-20.7		-1,208.5
	1,414.7	429.5	69.9		1,914.1
Intersegment sales	-165.8	-31.7	-10.1		-207.6
Revenue from external customers	**1,248.9**	**397.8**	**59.8**		**1,706.5**
EBIT	**175.6**	**-8.7**	**-5.0**	**-2.2**	**159.7**

	Europe	Americas	Asia-Pacifiic	Consolida-tion	Group
2017					
Segment revenue					
Total revenue	1,919.5	847.4	58.6		2,825.5
Less intrasegment sales	-667.8	-448.3	-3.5		-1,119.6
	1,251.7	399.1	55.1		1,705.9
Intersegment sales	-121.9	-41.6	-8.5		-172.0
Revenue from external customers	**1,129.8**	**357.5**	**46.6**		**1,533.9**
EBIT	**149.5**	**-1.2**	**-10.1**	**-6.8**	**131.4**

The consolidation effect recognized and not assigned to the segments mainly comprises the elimination of interim profit on inventories and rental equipment. The change compared with the previous year is a result of changes to the composition of inventory and changes to margins in intercompany transactions.

SEGMENTATION (BUSINESS SEGMENTS)

IN € MILLION

	2018	2017 adjusted
Segment revenue from external customers		
Light equipment	455.7	422.7
Compact equipment	920.9	808.6
Services	348.1	320.4
	1,724.7	1,551.7
Less cash discounts	-18.2	-17.8
Total	**1,706.5**	**1,533.9**

In fiscal 2017, the “cash discounts” item included financing components in the amount of EUR 8.9 million. In fiscal 2018, these were allocated to the compact equipment business segment in the amount of EUR 13.0 million. The prior year has been adjusted.

Revenue from services includes revenue from flexible rental solutions for equipment and accessories in the amount of EUR 154.0 million (previous year: EUR 138.4 million). The rental period is typically short term, averaging approximately 14 days.

Geographical areas

REVENUE ACCORDING TO COMPANY LOCATION

IN € MILLION

	2018	2017
Germany	658.7	606.4
USA	289.4	271.6
Austria	160.8	143.0
Other	597.6	512.9
Wacker Neuson overall	**1,706.5**	**1,533.9**

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

	2018	2017 adjusted
Germany	258.4	244.0
Austria	344.4	339.8
USA	54.7	50.8
Other	45.9	47.4
Wacker Neuson overall	**703.4**	**682.0**

The non-current assets reported here include property, plant and equipment, investment properties, goodwill, other intangible assets, and other non-current non-financial assets. In the current year, an error in connection with the prepaid bonuses to selected US dealers for the previous year was restated (see section “Changes in accounting and valuation methods, adjustments to accounting estimates and restatement of errors”).

Notes to the Consolidated Financial Statements

General information on the company

Wacker Neuson SE (also referred to as "the company" in the following) is a listed European stock corporation (Societas Europaea or SE) headquartered in Munich (Germany). It is entered in the Register of Companies at the Munich Local Court under HRB 177839.

Wacker Neuson shares have been listed since May 2007 on the regulated Prime Standard segment of the German stock exchange in Frankfurt. The company has been listed in the SDAX since September 2007.

General information on accounting standards

The following Consolidated Financial Statements for fiscal 2018 were prepared for the company in accordance with the International Accounting Standards (IAS) as approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) as interpreted by the IFRS Interpretation Committee (IFRS IC) as adopted by the EU, and in supplementary compliance with the provisions set forth in Section 315a (1) of the German Commercial Code (HGB). All valid and binding standards for fiscal 2018 have been applied.

The Consolidated Financial Statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, as well as the Notes to the Consolidated Financial Statements. In addition, a Group Management Report, which was combined with the Management Report of the company, was prepared in accordance with Section 315e HGB. As a rule, the Consolidated Financial Statements are prepared using the acquisition cost method. The exception to this is the recognition of derivatives and certain other financial instruments, which are always carried at fair value. The income statement is prepared in the "cost-of-sales" format. The Consolidated Financial Statements have been prepared in euros (EUR). Unless otherwise stated, all figures are rounded to the nearest million (€ M or EUR million).

Wacker Neuson SE's fiscal year corresponds to the calendar year. The Consolidated Financial Statements for fiscal 2018 (which include prior-year figures) were approved for publication by the Executive Board on March 11, 2019.

Changes in accounting under IFRS

Standards and interpretations applied for the first time in the fiscal year under review

The following standards, amendments to standards and interpretations are mandatory as of January 1, 2018.

Name	Description	Mandatory as of[1]
EU endorsement granted by date of approval for publication		
IFRS 9	Financial instruments (recognition, classification and measurement) and hedge accounting	Jan. 1, 2018
IFRS 15	Revenue from contracts with customers	Jan. 1, 2018
IFRS 15	Clarifications of IFRS 15: Revenue from contracts with customers	Jan. 1, 2018
IFRS 4	Amendments to IFRS 4: Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts"	Jan. 1, 2018
	Annual amendments (2014-2016)	January 1, 2017/2018

[1] For fiscal years that start on or after this date. First application in line with EU law.

The standards applicable for the first time in the fiscal year under review did not have any significant impact on the accounting and valuation methods used by the Group.

IFRS 9

In July 2014, the IASB published the final version of IFRS 9 "Financial instruments", which replaces IAS 39 "Financial instruments: Recognition and measurement" as well as all previous versions of IFRS 9. IFRS 9 consolidates the three project phases for the accounting of financial instruments: "Classification and measurement", "Impairment" and "Hedge accounting". IFRS 9 is effective for the first time for fiscal years beginning on or after January 1, 2018. With the exception of hedge accounting, the standard must be retrospectively applied. The provisions for hedge accounting must, in general, be applied prospectively with only a few exceptions.

Wacker Neuson has applied IFRS 9 for the first time to the fiscal year starting on January 1, 2018. Overall, there is no significant impact on the balance sheet or equity for the Consolidated Financial Statements through December 31, 2018.

(a) Classification and measurement

Application of the classification and measurement requirements of IFRS 9 has not had a material impact on the Group's balance sheet or Group equity. All financial assets held at fair value continue to be measured at fair value. In general, there are no material financial assets or liabilities that are held at fair value. However, listed shares that were originally recognized as available for sale and whose profit or loss were disclosed in other income are recognized at fair value through other income. This recognition increases the volatility of other comprehensive income disclosures. The Group holds investments in pension funds in the amount of EUR 1.6 million (December 31, 2017: EUR 1.6 million), and, since the current financial year, an equity investment in the amount of EUR 3.0 million. None of these are subject to material fluctuations.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Wacker Neuson Group is an international manufacturer of light and compact equipment. The company offers its customers a broad and deep portfolio of products, a wide range of services and a global spare parts service (see also Management Report → page 40ff.). Loans and trade receivables are held along with current and non-current financial receivables from our dealers as part of operational sales support (including extended payment periods, prepaid customer bonuses, preferential interest rates, finance leases) in order to collect contractual cash flows, which consist solely of principal and interest payments on the outstanding nominal amount. As such, the financial instruments listed here will continue to be recognized at amortized cost under IFRS 9.

(b) Impairment

Under IFRS 9, the Group's expected credit losses (ECLs) from all of its debt instruments (including non-current financial receivables from dealers), loans, trade receivables and capitalized lease receivables must be measured at an amount equal to either the 12-month ECL or the full lifetime ECL. The Group uses the simplified approach and recognizes the full lifetime ECL resulting from all the financial instruments mentioned above, which are measured at amortized cost. As the methodology used for the simplified approach under IFRS 9 is almost the same as the established method for determining impairment used in the previous year, this provision does not have any significant impact on the Group. For non-current financial receivables from dealers, the Group uses the full lifetime ECL as the expected credit loss. According to historical and current data, only minimal defaults have occurred or are to be expected. For prepaid bonuses to US dealers and bank balances, the Group applies the normal impairment model and defines 12-month ECL. For bank balances it is set off on the contractual term approx. 1 day. The resulting impairment amount could be neglected.

(c) Hedge accounting

The new hedge accounting model is less rule-based. This allows a wider range of hedging instruments and underlying transactions for hedge accounting. In accordance with the transitional provisions of IFRS 9, the Group is continuing to apply the IAS 39 regulations for hedge accounting to fiscal 2018 as a practical expedient. However, the Group does not expect the transition to IFRS 9 to have a material impact in this area with the exception of the amended/extended disclosures in the Notes.

IFRS 15

IFRS 15 was published in May 2014 and amended in April 2016. The standard introduced a five-step model framework for recognizing revenue from contracts with customers and replaced all previous regulations on revenue recognition as per IAS 11 and IAS 18. Under IFRS 15, revenue is recognized in the amount of the consideration to which an entity can expect to be entitled in exchange for transferring promised goods or services to a customer (the transaction price as defined in IFRS 15).

Wacker Neuson has applied IFRS 15 for the first time to the fiscal year starting on January 1, 2018. The Group opted for the modified retrospective approach for the initial application of this new standard, availing of the practical expedient to only apply the standard retroactively to contracts that were not yet complete at the time of initial application. A contract was deemed to be not complete at January 1, 2018, if the Group had not transferred by that date all of the goods and services identified under previously existing contractual terms in respect of the consideration payable.

With the exception of the amendments to the accounting and valuation methods to be applied, the initial application of IFRS 15 did not result in any significant changes to previous practice at Wacker Neuson and had no material impact on Group profit. The recognition and disclosure requirements of IFRS 15 go much further than the provisions set down in previous standards. A detailed breakdown and categorization of revenue from contracts with customers can be found under Segmentation.

Standards and interpretations that have been published but not yet applied

The following accounting standards have been published but have not yet come into force, which is why there is no obligation to apply them yet. Should these accounting standards be endorsed by the European Union, it would, at the company's discretion, be generally possible to adopt them at an earlier date. At present, the Group aims to apply these standards as of the date on which they come into force.

Name	Description	Mandatory as of[1]
EU endorsement granted by date of approval for publication		
IFRS 9	Amendments to IFRS 9: Prepayment features with negative compensation	Jan. 1, 2019
IFRS 16	Leases	Jan. 1, 2019
IAS 28	Amendments to IAS 28: Long-term interests in associates and joint ventures	Jan. 1, 2019
IFRIC 23	Uncertainty over income tax treatments	Jan. 1, 2019
EU endorsement outstanding		
IAS 19	Amendments to IAS 19: Amendments regarding plan amendments, curtailments or settlements	Jan. 1, 2019
	Annual amendments (2015-2017)	Jan. 1, 2019
	Conceptual framework: Amendments to references to the conceptual framework in IFRS standards	Jan. 1, 2020
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8: Classification and measurement of share-based payment transactions	Jan. 1, 2020
IFRS 3	Amendments to IFRS 3: Amendments to clarify the definition of a business	Jan. 1, 2020
IFRS 17	Insurance contracts	Jan. 1, 2021

[1] For fiscal years that start on or after this date. First application in line with EU law provided already endorsed under EU law.

First-time application of the above-mentioned standards and interpretations is unlikely to substantially change the current accounting and valuation methods used by the Group, with the exception of the following amendments:

IFRS 16

IFRS 16 “Leases” replaces the previous standard for recognizing leases, IAS 17 “Leases”, and its accompanying interpretations. The standard is mandatory as of January 1, 2019.

IFRS 16 provides lessees with a uniform accounting model for the treatment of lease arrangements.

The new standard includes two recognition exemptions for lessees: leases of low-value assets and short-term leases (i.e. leases with a term of 12 months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group has opted for the modified retrospective approach for the adoption of IFRS 16. The equivalent figures from prior-year periods will not be adjusted. The Group will elect to apply the standard to arrangements that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to arrangements that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The carrying amount for all contracts is recognized as though the standard had been applied from the provision date.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and leasing arrangements for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

During 2018, the Group performed a detailed impact assessment of IFRS 16. In summary, the first-time application of IFRS 16 is expected to have the following effects: Right-of-use assets of around EUR 69.3 million and lease liabilities of around EUR 74.0 million are recognized in the balance sheet as of January 1, 2019. The equity ratio will decrease by around 2.6 percentage points as a result of this addition to the balance sheet.

With regard to future impacts on the income statement, Wacker Neuson SE should realize an improvement in profit before interest and tax (EBIT) due to the fact that – unlike the previous recognition of expenses for operating leases – the new standard will allow recognition of depreciation on right-of-use assets and interest expenses from the interest accrued on lease liabilities. At the current point in time, this change is expected to have a depreciation impact in the low double-digit million euro range and an EBIT effect in the low single-digit million euro range.

The change in the way expenses for operating leases are recognized would subsequently lead to an improvement in cash flow from operating activities and a reduction in cash flow from financing activities.

IFRIC 23

IFRIC 23, Uncertainty over Income Tax Treatments, was issued by the IASB in May 2017. The interpretation clarifies the requirements for the recognition and measurement of uncertain income tax items. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for reporting periods beginning on or after January 1, 2019. After examination of the tax matters, the Group does not expect the application of IFRIC 23 to have any material effect.

Changes to accounting and valuation methods, adjustments to accounting estimates and correction of errors:

Incidental acquisition costs for inventories

The decentralization of purchasing completed in fiscal 2018 and resulting improvement in cost transparency together with more in-depth analysis enabled certain incidental acquisition costs to be allocated. Due to this, a valuation change was made in line with IAS 8 when accounting for incidental acquisition costs for raw materials and supplies. This led to a retroactive increase in inventory for fiscal 2017, in the rounded amount of EUR 3.0 million. Along with the associated deferred tax effect of EUR 0.9 million, this was recognized under profit carried forward as part of net profit for the year in the amount of EUR 2.1 million. These adjustments have also been rounded to the same amount for the opening values as at January 1, 2017.

CONSOLIDATED BALANCE SHEET – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

in € million

	Dec. 31, 2018	Dec. 31, 2017 adjusted	Jan. 1, 2017 adjusted
Inventories	5.2	3.0	3.0
Net profit/loss	3.7	2.1	2.1
Deferred taxes	–	0.9	0.9

There were no changes to the consolidated income statement or statement of cash flows for the comparative period of January 1 through December 31, 2017, as the adjustments at December 31, 2017, and January 1, 2017, were only within the rounding range.

CONSOLIDATED INCOME STATEMENT – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

in € million

	2018	2017 adjusted	Jan. 1, 2017 adjusted
Cost of sales	2.2	–	–
Taxes on income	-0.6	–	–

CONSOLIDATED STATEMENT OF CASH FLOWS – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

in € million

	2018	2017 adjusted	Jan. 1, 2017 adjusted
Changes in inventories	-2.2	–	–

Outstanding invoices for inventories in transit

Following detailed analysis of the technical breakdown of accruals for outstanding invoices, individual items under “Other current financial liabilities” were reclassified as trade payables, since the latter are related to inventories in transit. This refers to the restatement of an error within the scope of IAS 8, so the figures for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED BALANCE SHEET – AMOUNTS OF THE CORRECTION

in € million

	Dec. 31, 2018	Dec. 31, 2017 adjusted	Jan. 1, 2017 adjusted
Trade payables	12.5	5.7	5.2
Other short-term financial liabilities	-12.5	-5.7	-5.2

CONSOLIDATED STATEMENT OF CASH FLOWS – AMOUNTS OF THE CORRECTION

in € million

	2018	2017 adjusted	Jan. 1, 2017 adjusted
Changes in misc. liabilities	-6.8	-0.5	–
Changes in trade payables	6.8	0.5	–

Swiss pension plans

Additionally, the balance sheet items “Net profit/loss”, “Deferred tax assets” and “Long-term provisions” were adjusted in connection with the Swiss pension plans under IAS 8. Wacker Neuson endorses the assessment by the EXPERTsuisse Committee for True and Fair View Accounting in this regard, treating the statutory Swiss pension plans as defined benefit plans within the scope of IAS 19. This refers to the restatement of an error within the scope of IAS 8, so the figures and notes for the previous year were adjusted accordingly. These changes had no material impact on key profit figures. The historical values were estimated on the basis of the best possible information available when the consolidated financial statements for 2018 were prepared. There were no significant changes in pension provisions between the balance sheet dates, as development of the estimated parameters was essentially unchanged. The values shown here consist of the net present value of obligations and plan assets.

CONSOLIDATED BALANCE SHEET – AMOUNTS OF THE CORRECTION

in € million

	Dec. 31, 2018	Dec. 31, 2017 adjusted	Jan. 1, 2017 adjusted
Deferred tax assets	1.1	1.1	1.1
Net profit/loss	-3.3	-3.3	-3.3
Long-term provisions	4.4	4.4	4.4

CONSOLIDATED STATEMENT OF CASH FLOWS – AMOUNTS OF THE CORRECTION

in € million

	2018	2017 adjusted	Jan. 1, 2017 adjusted
Changes in provisions	–	–	4.4

The following significant items in the Notes to the Consolidated Financial Statements have changed relative to the previous year's figures:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – AMOUNTS OF THE CORRECTION

in € million

	Dec. 31, 2018	Dec. 31, 2017 adjusted	Jan. 1, 2017 adjusted
Fair value of pension obligations, funded	15.4	15.4	15.4
Fair value of plan assets	11.0	11.0	11.0
Current service costs	0.6	0.6	0.6

The following significant parameters were used for the Swiss pension plans:

		2018	2017
Actuarial assumptions			
Discount rate	as a %	0.90	0.90
Salary trends	as a %	1.00	1.00
Retirement age	in years	64	64

Financing models in sales

Following a more in-depth analysis of the various forms of financing, the contractual conditions were categorized and reviewed worldwide in order to optimize existing financing structures within the Group. This resulted in the following individually described effects:

Leasing as sales support

The Group concludes sale-and-lease-back agreements with financial institutions under IAS 17, where the lease-back is to be classified as a finance lease due to the repurchase option. The contractual conditions are also passed on “as is” (also including the purchase option) to selected dealers. From the Group's perspective, this in turn leads to classification as a finance lease, so the asset is immediately derecognized from the head lease and a lease receivable is recognized at the same time. This sales-supporting measure gives the dealer access to favorable interest conditions. In the past, the model was simply stated as a pure rental, as it was only used to a limited extent. In the fiscal year under review, however, demand for this model has increased, so a change in disclosure is now required. This refers to restatement of an error within the scope of IAS 8, so the figures and notes for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED BALANCE SHEET – AMOUNTS OF THE CORRECTION

in € million

	Dec. 31, 2018	Dec. 31, 2017 adjusted	Jan. 1, 2017 adjusted
Other non-current financial assets	2.6	1.1	–
Other current financial assets	1.4	0.6	–
Long-term financial borrowings	2.6	1.1	–
Current portion of long-term borrowings	1.4	0.6	–

CONSOLIDATED STATEMENT OF CASH FLOWS – AMOUNTS OF THE CORRECTION

in € million

	2018	2017 adjusted	Jan. 1, 2017 adjusted
Changes in misc. assets	-2.3	-1.7	–
Changes in misc. liabilities	2.3	1.7	–

Sales support for US dealers

The Group pays a volume bonus in advance to various selected US dealers. This is offset against future receivables from the sale of goods. If the agreed sales targets are not met, there is a reimbursement claim for the portion not offset. On closer analysis of the conditions, the Group has come to the conclusion that this sales support measure is a financial asset, which was previously reported under non-financial assets. Consequently, the disclosure was adjusted this year and for previous years accordingly. This refers to restatement of an error within the scope of IAS 8, so the figures and notes for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED BALANCE SHEET – AMOUNTS OF THE CORRECTION

in € million

	Dec. 31, 2018	Dec. 31, 2017 adjusted	Jan. 1, 2017 adjusted
Other non-current financial assets	14.4	4.6	–
Other non-current non-financial assets	-14.4	-4.6	–
Other current financial assets	4.7	2.4	–
Other current non-financial assets	-4.7	-2.4	–

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION – AMOUNTS OF THE CORRECTION

in € million

	Dec. 31, 2018	Dec. 31, 2017 adjusted	Jan. 1, 2017 adjusted
USA	14.4	4.6	–

Cash discounts in segmentation

Financing components from various forms of financing were directly allocated from the cash discounts item to the compact equipment segment. This is a method change within the scope of IAS 8, so the figures and notes for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED SEGMENTATION – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

in € million

	2018	2017 adjusted	Jan. 1, 2017 adjusted
Compact equipment	-13.0	-8.9	–
Less cash discounts	13.0	8.9	–

Pension plans for the Executive Board
To better reflect the history of the Executive Board's development within the Group, the expected service lives of active Executive Board members were analyzed and reviewed more closely as actuarial assumptions in relation to the valuation of pension provisions. On this basis, an individual expected value for the expected length of service was used for each active member of the Executive Board. This is a change in estimates within the scope of IAS 8, so the adjustments have been recognized in the current period.

CONSOLIDATED BALANCE SHEET – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

in € million

	Dec. 31, 2018	Dec. 31, 2017 adjusted	Jan. 1, 2017 adjusted
Deferred tax assets	0.6	–	–
Other reserves	-1.4	–	–
Long-term provisions	2.0	–	–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

in € million

	2018	2017 adjusted	Jan. 1, 2017 adjusted
Remeasurement from defined benefit plans	-2.0	–	–
Income tax effect	0.6	–	–

Sale of Group real-estate company
For an improved and clearer presentation of the financial statements, the capital gain realized by the sale of a real estate company in the amount of EUR 54.8 million during the period under review was reported as a separate line in the income statement on grounds of its materiality. The separate line is placed under EBIT to enable a clearer comparison of the Group's operating results.

Closing date

The closing date for all Group members included in the Consolidated Financial Statements is December 31 of the respective year. The current accounting period is January 1, 2018 through December 31, 2018.

Consolidation structure → see page 109

In addition to the parent company, Wacker Neuson SE, the Consolidated Financial Statements as at December 31, 2018 include the following affiliates controlled by the Group. The Group is deemed to control a company if it carries the risks associated with or the rights to fluctuating returns on its shareholding in the company, and if it can also use its power of control over the company to influence these returns. Control is exercised through the following shareholdings:

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a % direct	Wacker Neuson SE shareholding as a % indirect	Equity in € million	Segment
	Germany							
1	Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen	PXX	Germany	100		43,551	Europe
2	Wacker Neuson PGM Verwaltungs GmbH	Reichertshofen	Other	Germany		100	33	Europe
3	Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich	SXX	Germany	100		41,396	Europe
4	Wacker Neuson SGM Verwaltungs GmbH	Munich	Other	Germany		100	32	Europe
5	Wacker Neuson Aftermarket & Services GmbH	Munich	Logistics	Germany	100		30,082	Europe
6	Wacker Neuson ImmoWest 2 GmbH	Munich	Other	Germany	100		20	Europe
7	Weidemann GmbH	Diemelsee-Flechtdorf	PXX	Germany	100		66,566	Europe
8	Kramer-Werke GmbH	Pfullendorf	PXX	Germany	5	90	74,498	Europe
								Europe
9	Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf	Other	Germany		95	7,120	Europe
10	Wacker Neuson Grundbesitz Verwaltungs GmbH	Pfullendorf	Other	Germany		95	27	Europe
11	Wacker Neuson Immobilien GmbH	Überlingen	Other	Germany		95	3,160	Europe
	Rest of Europe							
12	Wacker Neuson ApS	Karlslunde	SXX	Denmark	100		270	Europe
13	Wacker Neuson S.A.S.	Brie-Comte-Robert (near Paris)	SXX	France	100		6,098	Europe
14	Wacker Neuson Ltd.	Stafford (near Birmingham)	SXX	UK	100		10,094	Europe
15	Wacker Neuson srl con socio unico	San Giorgio	SXX	Italy	100		2,081	Europe
16	Wacker Neuson B.V.	Amersfoort	SXX	Netherlands	100		3,412	Europe
17	Wacker Neuson Belgium BVBA	Asse-Mollem	SXX	Belgium		100		Europe
18	Wacker Neuson AS	Hagan (near Oslo)	SXX	Norway	100		1,532	Europe
19	Wacker Neuson Beteiligungs GmbH	Hörsching (near Linz)	Holding	Austria	100		156,922	Europe
20	Wacker Neuson Linz GmbH	Hörsching (near Linz)	PXX	Austria		100	155,031	Europe
21	Wacker Neuson Kragujevac d.o.o.	Kragujevac	PXX	Serbia	100		2,735	Europe
22	Wacker Neuson Lapovo d.o.o.	Lapovo	Other	Serbia		100	1,467	Europe
23	Wacker Neuson GmbH	Vienna	SXX	Austria	100		13,747	Europe
24	Wacker Neuson Sp. z.o.o.	Jawczyce (near Warsaw)	SXX	Poland	100		7,708	Europe
25	Wacker Neuson GmbH	Moscow	SXX	Russia	100		1,690	Europe
26	Wacker Neuson AB	Arløv (near Malmö)	SXX	Sweden	100		3,205	Europe
27	Drillfix AG	Volketswil (near Zurich)	Other	Switzerland	100		236	Europe
28	Wacker Neuson AG	Volketswil (near Zurich)	SXX	Switzerland	100		26,446	Europe
29	Wacker Neuson, S.A.	Torrejón de Ardoz (near Madrid)	SXX	Spain	100		3,633	Europe
30	Wacker Neuson (Pty) Ltd.	Florida (near Johannesburg)	SXX	South Africa	100		2,033	Europe
31	Wacker Neuson s.r.o.	Prague	SXX	Czech Republic	100		4,085	Europe
32	Wacker Neuson s.r.o.	Lučenec	SXX	Slovakia	100		181	
33	Wacker Neuson Makina Limited Şirketi	Tuzla (near Istanbul)	SXX	Turkey	100		844	Europe
34	Wacker Neuson Kft.	Törökbálint (near Budapest)	SXX	Hungary	100		942	Europe
	Americas							
35	Wacker Neuson Máquinas Ltda.	Itatiba (near São Paulo)	SXX	Brazil	100		-2,655	Americas

36	Wacker Neuson Ltda.	Huechuraba (near Santiago)	SXX	Chile	100		2,929	Americas
37	Wacker Neuson Ltd.	Mississauga (near Toronto)	SXX	Canada	100		6,103	Americas
38	Wacker Neuson S.A. de C.V.	Mexico City	SXX	Mexico	100		2,503	Americas
39	Wacker Neuson Corporation	Menomonee Falls[2]	Holding	USA	100		124,131	Americas
40	Wacker Neuson Logistics Americas LLC	Menomonee Falls[2]	Logistics	USA		100	29,483	Americas
41	Wacker Neuson Production Americas LLC	Menomonee Falls[2]	PXX	USA		100	58,371	Americas
42	Wacker Neuson Sales Americas LLC	Menomonee Falls[2]	SXX	USA		100	25,422	Americas
43	Wacker Neuson Bogotá S.A.S.	Bogotá	SXX	Colombia	100		-1,219	Americas
44	Wacker Neuson Lima S.A.C.	Lima	SXX	Peru	99	1	933	Americas
	Asia-Pacific							
45	Wacker Neuson Pty Ltd.	Springvale (near Melbourne)	SXX	Australia	100		6,111	Asia-Pacific
46	Wacker Neuson Limited	Hong Kong	SXX	Hong Kong	100		1,312	Asia-Pacific
47	Wacker Neuson Machinery Trading (Shenzhen) Ltd. Co.	Shenzhen	SXX	China		100	–[3]	Asia-Pacific
48	Wacker Neuson Shanghai Ltd.	Shanghai	SXX	China	100		-3,318	Asia-Pacific
49	Wacker Neuson Machinery (China) Co., Ltd.	Pinghu	PXX	China	100		10,196	Asia-Pacific
50	Wacker Neuson (Singapore) PTE. LTD	Singapore	SXX	Singapore	100		1,163	Asia-Pacific
51	Wacker Neuson Equipment Private Ltd.	Bangalore	SXX	India	100		1,142	Asia-Pacific
52	Wacker Neuson Manila, Inc. i.L.	Dasmariñas (near Manila)	PXX	Philippines	100		7,691	Asia-Pacific
53	Wacker Neuson Holding Limited	Samutprakarn (near Bangkok)	Holding	Thailand	100		14	Asia-Pacific
54	Wacker Neuson Limited	Samutprakarn (near Bangkok)	SXX	Thailand		100	404	Asia-Pacific

[1] SXX = Sales location / PXX = production location / Other = generally refers to real estate companies or general partners (Komplementär) in KG companies.
[2] Near Milwaukee.
[3] Company equity is included in the equity of the parent company (no. 49).

In March 2018, the company Wacker Neuson Vertrieb Europa GmbH & Co. KG changed its legal form and name to become Wacker Neuson Aftermarket & Services GmbH. This transition was retroactively applied back to January 1, 2018.

In June 2018, the companies Wacker Neuson ImmoWest 3 GmbH, Wacker Neuson ImmoWest 4 GmbH and Wacker Neuson SEM Verwaltungs GmbH were merged and incorporated into Wacker Neuson Aftermarket & Services GmbH.

Also in June 2018, the company Wacker Neuson ImmoWest 1 GmbH was sold to ISARIA Wohnbau AG as part of a deal to sell a former industrial property. The sale was recognized de facto as the sale of the property belonging to the company. This generated positive profit before tax of EUR 54.8 million.

The company Wacker Neuson Grundbesitz Gutmadingen GmbH & Co. KG, Düsseldorf, was incorporated with Kramer-Werke GmbH, Pfullendorf.

In November 2017, Wacker Neuson SE, Munich, Germany, acquired a 100-percent share in KLC SERVIS s.r.o. in Lučenec, Slovakia, for the purchase price of EUR 1.2 million. Primarily, this entailed taking over inventories (EUR 0.2 million), rental equipment (EUR 0.6 million), trade receivables (EUR 0.1 million) and trade payables (EUR 0.9 million). There were no other significant assets or liabilities. Moreover, no further hidden assets or liabilities were identified. The purchase price allocation in accordance with IFRS 10 resulted in the recognition of a customer base amounting to EUR 1.2 million. This is reported under "Other intangible assets" and amortized on a straight-line basis over 10 years. In December 2017, the company was renamed Wacker Neuson s.r.o. The acquired company was included in the consolidation structure for the first time for fiscal 2018 due to its minor impact on the Group's assets, financials and earnings in fiscal 2017.

No acquisitions or disposals were made in fiscal 2018.

Wacker Neuson Belgium BVBA, Belgium, was founded on December 6, 2017 as a wholly owned affiliate of Wacker Neuson B.V., Netherlands. The company was not yet fully operational in fiscal 2018. The company was not included in the consolidation structure due to its limited significance.
The 100% interest in Wacker Neuson Kragujevac d.o.o. was sold by affiliate Wacker Neuson Linz GmbH, Austria, to holding company Wacker Neuson SE in fiscal 2018. Wacker Neuson Kragujevac d.o.o. is thus wholly and directly owned by holding company Wacker Neuson SE.

The Group does not hold any investments in associated companies or joint ventures that are recognized at equity on the balance sheet. Shares in the amount of EUR 3.0 million were purchased as an equity instrument in an unlisted company, which invests specifically in innovative start-ups. The purpose behind this was to gain access to new technologies. These shares are measured at fair value through profit or loss in accordance with IFRS 9. There were no impairment losses recognized in profit or loss for these investments in prior periods. There is no control in the sense of IFRS 10. The investments are reported under the balance sheet item "Other non-current financial assets".

Consolidation principles

The Consolidated Financial Statements are based on the annual financial statements of the domestic and foreign companies included in the Group, which were prepared in accordance with IFRS to the year ending December 31, 2018. The annual financial statements of these companies were prepared according to the uniform accounting and valuation methods applied by the Group.

Companies are consolidated using the acquisition method. For first-time consolidation of Group members, all identifiable assets, liabilities and contingent liabilities of the acquired companies are recognized at their fair values.

During initial consolidation of acquired companies that constitute a business, positive balances remain after reevaluation of all hidden assets and liabilities. These are capitalized as goodwill resulting from equity consolidation and are subject to an annual impairment test. To carry out the impairment test, this goodwill is allocated to the cash-generating units of the Group likely to benefit from the merger.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Group inventories, rental equipment and fixed assets are adjusted to reflect intra-Group profits and losses.

Consolidation transactions affecting income and consolidation transactions that do not affect income are subject to deferred tax.

Exchange differences

Transactions carried out in foreign currencies are recognized at the exchange rate applicable at the time of the transaction. Nominal assets and liabilities in foreign currencies are converted at the exchange rate effective at the balance sheet date. The resulting translation differences are recognized in the income statement. This excludes monetary items that are designated as part of the Group's net investment in a foreign operation. These are disclosed in other income until the disposal of the net investment.

The annual financial statements of consolidated Group members that are prepared in foreign currencies are translated into euros according to the concept of the functional currency. The functional currency is taken to refer to the relevant national currency, with the exception of the Philippines, Peru (US dollar) and Hungary (euro). Thus, assets and liabilities are translated at the spot rates of exchange effective at the balance sheet date, whereas income and expenses are translated at the average annual rates of exchange, provided that the exchange rates did not fluctuate strongly during the period under review.

Translation differences resulting from the conversion of foreign affiliate figures into the Group's currency, which arise from the application of different exchange rates for the balance sheets and income statements, are recognized in other income and recorded as a separate item of equity with no impact on the financial result.

The exchange rates of the main currencies relevant to the Group are as follows:

1 euro equals		2018	2017	2018	2017
		Annual average rates		Rates at balance sheet date[1]	
Australia	AUD	1.5787	1.4733	1.6220	1.5346
Brazil	BRL	4.2997	3.6064	4.4440	3.9729
Chile	CLP	755.4823	732.7855	793.4500	738.4300
China	CNY	7.8046	7.6287	7.8751	7.8044
Denmark	DKK	7.4525	7.4387	7.4673	7.4449
United Kingdom	GBP	0.8840	0.8765	0.8945	0.8872
Hong Kong	HKD	9.2753	8.8049	8.9675	9.3720
India	INR	80.7122	73.5188	79.7298	76.6055
Japan	JPY	130.5563	126.7047	125.8500	135.0100
Canada	CAD	1.5296	1.4649	1.5605	1.5039
Colombia	COP	3478.4766	3336.5934	3719.2000	3577.6000
Mexico	MXN	22.7005	21.3319	22.4921	23.6612
Norway	NOK	9.5873	9.3305	9.9483	9.8403
Peru	PEN	3.8833	3.6836	3.8704	3.8827
Philippines	PHP	62.2957	56.9734	60.1130	59.7950
Poland	PLN	4.2592	4.2564	4.3014	4.1770
Russia	RUB	73.8513	65.9227	79.7153	69.3920
Sweden	SEK	10.2560	9.6371	10.2548	9.8438
Switzerland	CHF	1.1565	1.1119	1.1269	1.1702
Serbia	RSD	118.1734	121.4168	118.3270	118.2770
Singapore	SGD	1.5941	1.5586	1.5591	1.6024
South Africa	ZAR	15.5678	15.0432	16.4594	14.8054
Thailand	THB	38.2107	38.2902	37.0520	39.1210
Czech Republic	CZK	25.6378	26.3253	25.7240	25.5350
Turkey	TRY	5.6736	4.1218	6.0588	4.5464
USA	USD	1.1836	1.1297	1.1450	1.1993

Rates at the balance sheet date: rates on the last working day of the year.

Accounting and valuation methods

Revenue and earnings recognition

Revenue is recognized when control over distinct goods or services is passed to the customer, i.e. when the customer has the ability to direct the use of the transferred goods or services and substantially obtains the remaining benefits from the asset. This presupposes that an agreement with enforceable rights and obligations has been concluded and, among other things, that receipt of the respective consideration is probable, taking into account the customer's credit rating. The revenue corresponds to the transaction price to which Wacker Neuson is likely to be entitled. Variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty associated with the variable consideration has been resolved.

Revenue from the sale of light and compact equipment
Revenue from the sale of light and compact equipment is recognized at the point when control is transferred to the purchaser, usually upon delivery of the goods. Invoices will be issued at that time, with payment terms usually stipulating payment within 30 days of the invoice date.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties). In determining the transaction price for the sale of light and compact equipment, the Group considers the effects of variable consideration, the existence of significant financing components, and, if applicable, any non-cash consideration and consideration payable to the customer.

(a) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of light and compact equipment grant customers a take-back and buy-back obligation on the part of Wacker Neuson, or volume rebates or discounts. These give rise to variable consideration.

- Takeback obligations
  Certain contracts provide a customer with the right to return goods at a predefined value. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. Based on its historical experience with such transactions, the Group considers the probability of its takeback obligations to be insignificant. Therefore, no refund liabilities or right-of-return assets are recorded. Information on this is provided in Note 26, “Other financial liabilities”.

- Volume and sales rebates
  The Group provides retrospective rebates to certain customers once the quantity of products purchased during the period exceeds a volume threshold or particular revenue level specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is thus primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

  In addition, the Group provides sales support to selected customers in the form of prepaid bonuses. These are classified as assets under the balance sheet items “Other non-current financial assets” and “Other current financial assets”.

- Discounts
  The Group grants certain customers discounts if payment is made within defined periods. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

(b) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Since such advance payments are very limited in scope, they are not reported separately as contract liabilities, but recognized under the balance sheet item “Other short-term non-financial liabilities”, as in previous years.

The Group offers customers financing services through financing partners. The interest payable to financing partners is deferred from revenue.

For contracts where the period between the transfer of the goods or services and the payment date exceeds twelve months and a significant benefit from the financing arrangement accrues to the customer or to Wacker Neuson, the consideration is adjusted by the time value of money. The Group otherwise waives the option to adjust under the practical expedients provided under IFRS 15.

Revenue from the sale of spare parts

Revenue from the sale of spare parts is recognized at the point when control is transferred to the purchaser, usually upon delivery of the goods. Invoices will be issued at that time, while payment terms usually provide for payment within 30 days of an invoice being issued. In determining the transaction price for the sale of spare parts, the Group considers the effects of variable considerations similar to the sale of light and compact equipment. Revenue from the sale of spare parts is reported under the services segment.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Refer to the “Other provisions” section for details of the accounting policy on warranty provisions.

In addition to fixing defects that existed at the time of sale, the Group provides extended warranties (contract liabilities). These service-type warranties are sold either separately or bundled together with the sale of light or compact equipment. Contracts for bundled sales of light or compact equipment and a service-type warranty comprise two performance obligations because the promises to transfer the light or compact equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty. Since such extended warranties are very limited in scope, they are not reported separately as contract liabilities, but recognized under the balance sheet item “Other short-term non-financial liabilities”, as in previous years.

Revenue from the rendering of services

Revenue from services is recognized on a straight-line basis over a specified period or – if the service is not provided on a straight-line basis – upon performance of the service. Invoices are issued in accordance with the terms of the agreement, with payment terms usually stipulating payment within 30 days of the invoice date. If a customer makes an advance payment for a service to be rendered in the future, this is generally to be reported as a contractual liability. Since such transactions are very limited in scope for the Group, they are not reported separately as contract liabilities, but recognized under the balance sheet item “Other short-term non-financial liabilities”, as in previous years.

Revenue from the rental of equipment and accessories
The Group recognizes revenue from the rental of equipment and accessories on a straight-line basis over the lease terms because the customer simultaneously receives and consumes the benefits provided by the Group. In determining the transaction price from the rental of equipment and accessories, the Group considers the effects of variable consideration similar to the sale of light and compact equipment. The average rental period is around 14 days. For reasons of materiality and given the very short periods of time involved, revenue of this nature does not differentiate between performance obligations that are satisfied 'at a point in time' and those that are satisfied 'over time'. Invoices are issued in accordance with the terms of the contract, with payment terms usually providing for payment within 30 days of an invoice being issued.

Realization of expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Interest expense is recognized on an accrual basis taking the outstanding principal of the loan and the applicable interest rate into account.

Determining fair value

The Group identifies and values certain financial instruments (such as derivatives, securities, investments and plan assets under IAS 19) at fair value at every closing date in line with applicable guidelines. Financial instruments are also recognized at fair value. Refer to item 27 "Additional information on financial instruments" in these Notes for additional information on fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the business transaction takes place

- on the principle market for the asset or liability
- or, in the absence of a principle market, on the most advantageous market for the asset or liability

The Group must have access to the principle market or the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Prices quoted in active markets (not adjusted)
- Level 2: Evaluation techniques where the lowest-level input significant to the fair value measurement is observable either directly or indirectly on the market
- Level 3: Evaluation techniques where the lowest-level input significant to the fair value measurement is not observable on the market

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The corporate functions responsible (e.g. Corporate Real Estate, Corporate Treasury) in consultation with the Board member responsible determine the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets. The engagement of external valuers is reviewed annually by the relevant corporate functions at the Group on the basis of observed market indicators to determine whether significant changes have occurred in the general conditions. An external valuer is engaged after consultation with and approval from the Board member responsible. Selection criteria include market knowledge, reputation, independence and compliance with professional standards. Valuers are normally rotated every three years. The corporate function managers and Board member responsible decide, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each individual case.

At each reporting date, the Group's corporate functions analyze the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the responsible corporate functions verify the major inputs applied in the latest valuation by aligning the information in the valuation computation with contracts and other relevant documents. The responsible corporate functions, in conjunction with the Group's external valuers, also compare the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. The valuation results are presented to the Audit Committee and the Group's auditors during the year. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Property, plant and equipment
Construction in progress is carried at cost, less any accumulated impairment losses. Plant and equipment is stated at cost, net of accumulated scheduled straight-line depreciation and accumulated impairment losses. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Financing costs are capitalized provided there is a qualified underlying asset.

Investment properties
Land and buildings held for the purpose of generating rental revenue are measured at amortized cost using the acquisition cost method. Straight-line depreciation is calculated using the pro rata temporis method.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated scheduled straight-line amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are tested for impairment at least once a year, either individually or at the cash-generating unit level. These intangible assets are not subject to scheduled amortization. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Financing costs are capitalized provided there is a qualified underlying asset.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

When the Group is the lessor
Leasing transactions regarding rental equipment in which the Group as the lessor transfers all material risks and rewards from the use of the leased object to the lessee are treated as finance leases according to IAS 17. In such cases, the lessee recognizes the leased object as an asset in the balance sheet and it is therefore not entered in the Group balance sheet. The assets from a finance lease are shown as receivables in the amount of the net investment value from the lease arrangement.

Leasing transactions regarding tangible assets and investment properties in which the Group as the lessor does not transfer all material risks and rewards are treated as operating leases according to IAS 17.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

When the Group is the lessee
Leasing transactions regarding tangible assets, vehicles, computer hardware and other office equipment in which the Group as the lessee bears all material risks and rewards from the use of the leased object are treated as finance leases according to IAS 17. In such cases, the lessee recognizes the leased object as an asset in the balance sheet and the payment obligation of future lease installments is disclosed as a liability item. Treatment as a finance lease leads to a depreciation expense determined by the useful life of the leased object and to a finance expense in the income statement.

All other leasing contracts are classified as operating leases. In such cases, the leasing installments or the rental payments are distributed on a straight-line basis over the duration of the leasing contract and shown directly as an expense in the income statement.

Rental
Rental equipment is carried at cost less accumulated scheduled straight-line depreciation and accumulated impairment losses. Rental equipment is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of rental equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Inventories
Inventories of work in process and finished products, as well as raw materials and supplies, are valued at their acquisition and manufacturing costs respectively, in accordance with IAS 2. To the extent that acquisition and manufacturing costs of inventories are above fair value, they are written down to the lower net realizable value at the balance sheet date. The net realizable value corresponds to the estimated realizable sales price under normal business conditions, less the estimated manufacturing and sales costs. If the net realizable value of formerly written-down inventories has increased, corresponding write-ups will be made.

In determining acquisition costs, incidental acquisition costs are added and rebates on purchase prices are deducted. Manufacturing costs include all expenses that are allocable either directly or indirectly to the manufacturing process.

Acquisition and manufacturing costs for inventories were, for the main part, determined on the basis of the FIFO method; in other words, on the assumption that those assets that were acquired first will be consumed first. The moving average cost method is also used to simplify valuation. The Group uses derivative financial instruments to hedge against currency risks arising from the purchase of inventories in foreign currencies (see "Derivative financial instruments" for details).

Financial instruments and hedging accounting

(a) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in the "Revenue and earnings recognition" section.

In order for a financial asset to be classified and measured at amortized cost or fair value through other income, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. It was subsequently applied retrospectively to financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other income with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through other income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

An outstanding receivable vis-à-vis a foreign business, the discontinuation of which is neither planned nor likely in the foreseeable future, corresponds largely to part of the net investment in this foreign business. Translation differences from this outstanding receivable that correspond to part of a net investment in a foreign business are initially recognized under other income and, in the event that the net investment is sold, will be reclassified from equity to the income statement.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost are as follows:

- Receivables (extended payment terms) from dealers: Extended payment terms with a maturity of more than 360 days are granted to selected dealers to support sales. These are reported in the balance sheet under "Other non-current financial assets", as long as the maturity remains more than 360 days. As soon as the maturity falls below 360 days, the current portion is reclassified to the balance sheet item "Trade receivables".
- Receivables from prepaid volume bonuses: Volume bonuses are paid in advance to selected US traders to assist them with market penetration and development. This enables the US dealers to operate with improved liquidity. This prepaid bonus may extend over several years. The non-current portion is included under the item "Other non-current financial assets". At the same time, the current portion is reported under "Other current financial assets".
- Trade receivables: Financial receivables without significant financing components from revenue and earnings recognition are reported under the item "Trade receivables".
- Cash and cash equivalents: These financial assets comprise cash on hand, checks and demand deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the financial statement at fair value with net changes in fair value recognized in the income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through other income. The Group has the following significant financial assets and liabilities, which are measured at fair value through profit or loss:

- Derivatives not treated according to hedge accounting criteria: Currency swaps are used by the Group to hedge the currency risk from loans issued internally by the holding company to its subsidiaries. The currency effects from the recognition of internal foreign currency loans in the balance sheet are recognized in the financial result. The measurement of derivatives at fair value through profit or loss also means that these valuation results are recognized in the financial result. Depending on the market value, the derivatives are reported in the balance sheet either under “Other current financial assets” or under “Other current financial liabilities”.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

The Group has the following significant financial assets and liabilities, which are measured at fair value through OCI:

- Investments in pension funds: The Group holds investments in pension funds to secure the pension claims of former Executive Board members. These are not defined as plan assets according to IAS 19 and are not offset against the provision for pensions. The pension fund investments are reported under “Other non-current financial assets”.
- Investment "SpeedInvest": As an equity instruments, shares were acquired in an unlisted company in the amount of EUR 3.0 million, which invests specifically in innovative start-ups. The purpose behind this was to gain access to new technologies.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated financial statement) when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ”pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

There are essentially no agreements for the transfer of rights to receive cash flows or pass through the received cash flows to a third party.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Expenses arising from the provision for expected credit losses are allocated to selling expenses.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Alongside trade receivables, the Group voluntarily applies a loss allowance based on lifetime ECLs as a simplified method to the following financial assets:

- Receivables (extended payment terms) from dealers
- Receivables from finance leases

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This reasonable expectation exists for the Group in the event that the customer files for insolvency.

(b) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, derivative financial instruments, and liabilities from finance leases.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognized in the income statement.

The category of financial liabilities held for trading mainly comprises:

- Derivatives not treated according to hedge accounting criteria: Currency swaps are used for loans issued internally by the holding company to its subsidiaries. The currency effects from the recognition of internal foreign currency loans in the balance sheet are recognized in the financial result. The measurement of derivatives at fair value through profit or loss also means that these valuation results are recognized in the financial result. Depending on the market value, the derivatives are reported in the balance sheet either under "Other current financial assets" or under "Other short-term financial liabilities".

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

(c) Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. These kinds of financial transactions are concluded centrally and always have a corresponding underlying transaction.

Derivative financial instruments are recognized at fair value when the contract is entered into and also when measured subsequent to initial recognition at the closing date.

Unless they are formally recognized under hedge accounting in line with IAS 39, derivative financial instruments are classified as assets or liabilities measured at fair value through profit or loss and valued at fair value through profit or loss when first recognized and also in subsequent periods. These are exclusively the currency swaps used to hedge the currency risk from loans issued internally by the holding company to its subsidiaries.

Within the framework of the Group's risk management strategy and initiatives, various derivatives are used for the economic hedging of risks. Foreign exchange swaps are used as part of intercompany financing operations. There is no designation within a hedging relationship, as the underlying transactions are eliminated as part of consolidation procedures and only the earnings effect from the FX valuation remains in the consolidated financial statements. The valuation result of the foreign exchange swaps is then also reported in the financial result and netted against the result from the FX valuation of the financing operations.

In addition, the Group uses FX forwards / forward exchange contracts to hedge mostly internal purchases of goods. These are formally classified as hedges (hedge accounting) on inception of the hedge transaction with the corresponding underlying transaction. The Group further verifies at the inception of a hedge and also thereafter on a continual basis whether or not the derivatives assigned to a hedge effectively compensate for the changes in cash flow of the underlying transactions. The FX forwards utilized by the Group within the framework of its risk management strategy are recognized as cash flow hedges, whereby the effective portion from changes in fair value are reported as equity. The hedge-ineffective portion is directly recognized in the consolidated income statement. The amounts accrued in equity are reported in the consolidated income statement in the same periods, as soon as the underlying transaction affects the consolidated income statement in parallel. After the underlying transaction has taken place, the valuation results recognized directly in equity are allocated to inventories and then affect the cost of sales when the corresponding products are sold. Starting from the day of underlying transaction, these derivatives are also treated as separate ones and any further revaluations are netted through profit or loss as netting of the foreign exchange valuation of the intercompany liability resulting from the originally hedged transaction.

In addition, in 2018 the Group entered into a payer swap contract for the first time in the United States due to the partially variable interest rate on a promissory note (Schuldschein). That swap contract is designated as a hedging instrument under a cash flow hedge with the variable interest rate part of the promissory note (Schuldschein). The effective portion of changes in the fair value of the hedging instruments is now recognized directly in equity. Recycling takes place periodically by offsetting the interest payments from the swap and the promissory note (Schuldschein).

Research and development
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for internal use or sale
- Its intention to complete and its ability and intention to use or sell the intangible asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated straight-line amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the development period, impairment indicators are tested annually and, if applicable, an impairment test performed.

Other non-financial assets
Other non-financial assets are principally recognized at their nominal values. Allowances are recognized in the full amount for other assets for which there is a high probability of default.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, checks and demand deposits. They belong to the "At amortized cost" category and have maturities of three months or less. Cash and cash equivalents are converted to the nominal value in euro. In the case of liquid funds, this corresponds to the fair value. Since cash and cash equivalents are only held by major international banks with good ratings, the Group considers the default risk to be very low here.

Government subsidies
Government subsidies are only recognized if there is reasonable assurance that the relevant criteria are fulfilled and the funding will be approved. Subsidies are recognized by reducing the book value of the asset. The subsidy is then recognized as income through a reduced write-down value over the duration of the depreciable asset's useful life.

Pensions and similar obligations
The Group holds defined benefit pension plans, primarily in Germany and Switzerland. Contributions are made to a separately managed fund for these. In addition, predominantly defined benefit pension plans are still held in the USA and Austria. Provisions for pensions and similar obligations from defined benefit plans are recognized following the Projected Unit Credit Method, taking into consideration future adjustments to remuneration payments and pensions in compliance with the regulations as set forth in IAS 19. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the financial statement with a corresponding debit or credit to retained earnings through other income in the period in which they occur. Remeasurements may not be reclassified to the income statement in subsequent periods.

Unvested past service costs are recognized in profit or loss at the earlier of the following points in time:

- The time at which the adjustment or curtailment of the plan takes effect
- The time at which the Group recognizes any costs related to the restructuring

Net interest is determined by applying the discount rate to the balance of the defined benefit plan. The Group recognizes the following amendments to defined benefit obligations in the income statement depending on the functional scope:

- Service costs, including current service costs, unvested past service costs
- Profits and losses from plan curtailments and extraordinary plan payments
- Net tax expense or income

Pension obligations in Germany are calculated using the demographic tables for 2018 G developed by Prof. Klaus Heubeck, taking biometric actuarial assumptions into account. Pension obligations abroad are calculated using accounting principles and parameters specific to the corresponding country.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the defined benefit obligation in the income statement, mainly under administrative and selling expenses (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Service costs for vested rights to future pension payments result from the changes in the present value of the obligation. The net interest is recognized in the financial result. Payments under defined contribution benefit plans are recognized directly as an expense.

Other provisions
Other provisions are recognized in accordance with IAS 37 when the Group has a present legal or constructive obligation as a result of a past event, which will probably result in an outflow of resources with economic benefits, the amount of which can be reliably estimated. Other provisions include allowances for all identifiable obligations. Valuation is based on estimations of the expected settlement amount on due consideration of all business circumstances. Provisions that are only due after one year and for which the payment amounts and due dates can be reliably estimated are measured at discounted present value. Provisions for assurance-type warranties are calculated on the basis of historical values, warranty lifetimes and product volumes. For the treatment of extended service-type warranties, refer to the notes on warranty obligations.

Other provisions are made for all identifiable risks as well as for all contingent liabilities in the amount that is expected to be incurred.

Taxes on income
Deferred and current tax is calculated in line with IAS 12.

Deferred tax assets and liabilities are recognized for temporary differences between carrying amounts and corresponding tax bases, for consolidation transactions recognized in the income statement and for tax loss carry-forwards.

Deferred tax assets on tax loss carry-forwards are only recognized if the associated reductions in tax are likely to become effective in the next five years (maximum) and can be applied in subsequent periods. Deferred tax was recognized for loss carry-forwards in the year under review.

Deferred tax is calculated at the tax rate applicable to the company in question that is valid or approved at the balance sheet date and which will then be valid when the reversal effects will probably be applied.

Changes to deferred tax in the balance sheet generally result in deferred tax expense or income. If any movements that necessitate a change in deferred tax are charged directly to equity, the resulting change to deferred tax is also recognized directly in equity.

Material discretionary decisions, estimates and assumptions

In preparing the Consolidated Financial Statements, it has been necessary to make estimates and assumptions which may influence the carrying amounts of assets and liabilities, income and expenses as well as contingent liabilities as recognized on the balance sheet. The following significant estimates and assumptions, together with the uncertainties associated with the accounting and valuation methods applied, are crucial in understanding the risks underlying financial reporting and the impact these estimates, assumptions and uncertainties could have on the Consolidated Financial Statements:

The value of goodwill and assets with an unlimited useful life (at least one impairment test per year)
The Group carries out an impairment test on goodwill, intangible assets of unlimited useful life and capitalized development costs once a year or more often if there is indication that an asset has been impaired. This involves making estimates regarding the forecast and discounting of future cash flows. In fiscal 2018, no indications of impairment were identified. For more information on the calculation of impairment, the assumptions indicating impairment and the sensitivity of these assumptions, refer to item 10 "Intangible assets" in these Notes.

Indications for impairment of tangible and intangible assets and development costs (impairment tests specific to events or circumstances)
At each closing date, the Group determines whether there are any grounds to assume that the book value of a tangible asset or an item under other intangible assets has been impaired. In fiscal 2018, the Group identified grounds for a significant impairment of intangible assets. Refer to item 10 "Intangible assets" in these Notes for more detailed information.

Taxes on income and earnings
At each closing date, the Group determines whether the probability of future tax benefits is sufficient to justify deferred tax assets. The recognized deferred tax assets may be lower if the estimates regarding scheduled taxable income and the tax benefits realizable through available tax strategies are lowered, or should changes to current tax legislation restrict the timeframe or feasibility of future tax benefits. Refer to item 6 "Taxes on income" in these Notes for more detailed information.

Tax items are calculated in line with local tax laws as applicable and the relevant administrative practices. Due to their complexity, they may be subject to differences in interpretation by tax-paying entities on the one hand, and by local fiscal authorities on the other. Different interpretations of tax laws may lead to retrospective tax payments for previous years; these are taken into consideration based on estimates made by the Group.

Employee benefits
Pensions and similar obligations are calculated in accordance with actuarial valuations. These valuations are based on a number of factors including statistical values in order to anticipate future events. These factors include actuarial assumptions such as the discount rate, expected salary increases and mortality rates. These actuarial assumptions can deviate considerably from the actual obligations as a result of changed market and economic conditions, resulting in a change in the associated future commitment.

For more detailed information on this and the sensitivity of observations, refer to item 19 "Provisions for pensions and similar obligations" in these Notes.

Legal risks
Legal risks result from legal action against Wacker Neuson SE or individual Group members. The outcome of these disputes could have a substantial impact on Group assets, financials and earnings. Company management regularly analyses the current information available about these cases and builds provisions to cover probable obligations. Assessments are performed by internal and external experts and lawyers. When reaching a decision on the need to recognize provisions, company management takes sufficient account of the probability of an unfavorable outcome and takes due care to estimate the amount of the obligation sufficiently reliably. For more information, refer to item 26, "Other financial liabilities" in these Notes.

Swiss pension plans
In determining the actuarial parameters for calculating the fair values of pension obligations and plan assets for both the fiscal year under review and the past, the Group has based its calculations as far as possible on internally and externally available information. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an "AA" rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the financial statement cannot be measured based on

quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Provisions for ECLs on financial assets
The Group uses a provision matrix to calculate ECLs for selected financial assets. These financial assets mainly comprise:

- Trade receivables
- Receivables (extended payment terms) from dealers
- Receivables from prepaid volume bonuses
- Receivables from finance leases

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (by criteria such as geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The provision matrix is based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

In a first step, historical default rates are used for receivables (extended payment terms) from dealers. In a second step, this empirical risk provisioning is adjusted for specific forward-looking factors such as country risk, bulk risk and collateral provided. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Development costs
The Group capitalizes the costs of product development projects and IT projects for process optimization in the various organizational areas, e.g. production, logistics, etc. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Explanatory comments on the income statement

1 – Revenue

Refer to the section on segmentation for the presentation and composition of revenue.

Further information within the framework of IFRS 15 is provided in the relevant notes on the items concerned.

2 – Other income

IN € MILLION

	2018	2017
Proceeds from sale of property, plant and equipment and asset held for sale	4.6	2.3
Rental income on investment properties	3.1	3.1
Offsetting of non-cash benefits	1.5	1.4
Income from the sale of scrap	1.4	0.9
Income from customer financing	0.9	–
Carry-forwards	0.5	0.5
Insurance reimbursements	0.4	0.3
Research bonus	0.2	–
Other income	2.5	2.4
Total	**15.1**	**10.9**

The EUR 2.3 million increase in proceeds from the sale of property, plant and equipment is primarily attributable to the “Gutmadingen” real estate sale, as well as to divestment of other land in Australia and Germany. Offsetting of non-cash benefits includes income from company cars. The carry-forwards item refers to income from costs invoiced to dealers and suppliers.

3 – Personnel expenses

Personnel expenses comprise the following:

IN € MILLION

	2018	2017
Wages and salaries	283.0	264.5
Social security contributions	62.8	58.5
Expenses for pensions	5.9	7.8
Total	**351.7**	**330.8**

The expenses for pensions include the expense for pension benefits without the interest portion of the additions to provisions for pensions, which is recognized in the financial result.

Wages and salaries include expenses for redundancy payments to the following extent:

IN € MILLION

	2018	2017
Redundancy payments	2.3	3.9

EUR 0.7 million (2017: EUR 0.6 million) of this is attributable to provisions for redundancy payments required by law for the sites in Austria.

The decrease relative to the previous year is primarily due to one-off effects from that year in the form of redundancy payments for the Executive Board in the amount of EUR 0.0 million (2017: EUR 1.6 million). Expenses for redundancy payments related to normal business operations in the amount of EUR 1.6 million (2017: EUR 1.6 million) are also included here.

The functional costs include the following personnel expenses:

- Cost of sales: EUR 124.7 million (2017: EUR 116.4 million)
- Selling expenses: EUR 143.1 million (2017: EUR 130.7 million)
- Research and development costs: EUR 36.0 million (2017: EUR 33.3 million)

General and administrative expenses: EUR 47.9 million (2017: EUR 50.5 million)

The average number of employees broken down according to fields of activity is as follows for the period under review (not including staff employed under leasing contracts):

	2018	2017
Production	2,203	2,077
Sales and service	2,025	1,948
Research and development	436	411
Administration	548	525
Total	**5,212**	**4,961**

4 – Other operating expenses

IN € MILLION

	2018	2017
Losses on the disposal of property, plant and equipment	0.4	1.3
Impairment loss on land	–	1.3
Land transfer tax	–	1.2
Other expenses	0.6	0.7
Total	**1.0**	**4.5**

As part of restructuring measures in Australia in the reference year 2017, the existing property there was put up for sale. Based on reliable information from initial negotiations at the time, the fair value of the share of real estate to be sold was measured at around EUR 1.3 million less than its book value at December 31, 2017.

Sales promotion measures were initiated at the end of 2017 as part of the marketing strategy for a property at the Munich site that is no longer required for operational purposes. To improve the prospects of sale, ownership of the site was transferred to another company in the Wacker Neuson Group in the reference year 2017. This resulted in a one-off effect in the form of land transfer tax amounting to EUR 1.2 million in the reference year 2017.

5 – Financial result

a) Financial income

IN € MILLION

	2018	2017
Interest and similar income	3.9	2.6
Unrealized gains from foreign exchange contracts	4.1	5.1
Total	**8.0**	**7.7**

The Group enters into external swap agreements to counter-finance foreign currency loans extended internally. The results of this included unrealized gains in the amount of EUR 1.2 million in the period under review (2017: EUR 5.1 million). This is offset by unrealized losses in the amount of EUR 2.7 million (2017: EUR 4.6 million) from internal foreign currency loans, which are hedged as the transaction underlying the swaps in line with the Group's risk management strategy. These hedged exchange losses in the amount of EUR 2.7 million (2017: EUR 4.6 million) are reported under financial expense.

b) Financial expense

IN € MILLION

	2018	2017
Interest and similar expense	8.5	7.3
Foreign exchange losses	9.2	5.7
Unrealized losses from foreign exchange contracts	1.8	0.7
Total	**19.5**	**13.7**

Interest and similar income was netted against interest and similar expense in the amount of EUR 1.2 million (2017: EUR 1.1 million) in the reporting year. For further information, refer to item 16 "Cash and cash equivalents" in these Notes. Exchange losses include EUR 2.7 million (2017: EUR 4.6 million) of unrealized losses from internal foreign currency loans; refer to section a) "Financial income" for more information.

The Group enters into external swap agreements to counter-finance foreign currency loans extended internally. The results of this included unrealized losses in the amount of EUR 0.9 million in the period under review (2017: EUR 0.5 million). This is offset by unrealized gains in the amount of EUR 0.9 million (2017: EUR 0.1 million) from internal foreign currency loans, which are hedged as the transaction underlying the swaps in line with the Group's risk management strategy.

6 – Taxes on income

Expense for taxes on income comprises the following:

IN € MILLION

	2018	2017
Current tax expense	54.6	38.7
Deferred tax expense	3.8	-0.8
Total	**58.4**	**37.9**

Actual taxes include adjustments of EUR 3.2 million as expense (2017: EUR 0.8 million income) for previous fiscal years.

In determining deferred taxes, a corporation tax rate of 15 percent and a solidarity surcharge of 5.5 percent were taken into account for domestic companies. Trade taxes were also taken into account at the relevant trade tax rate. In the case of foreign companies, the applicable or expected tax rates were used for each calculation.

Reconciliation of calculated tax to actual tax expense:

IN € MILLION

	2018	2017 adjusted
EBT	203.0	125.4
Tax at the applicable rate: 28,98%	58.8	36.3
(previous year: 28.98%)		
Variance in Group tax rates	-2.0	-7.5
Adjustments to actual income taxes paid in earlier years	3.2	-0.8
Tax effects of non-deductible expenses and tax-exempt income	-1.6	8.0
Tax rate changes	0.3	0.9
Other	-0.3	1.0
Total	**58.4**	**37.9**

Taxes on income are calculated by applying the Group's uniform tax rate of 28.98 percent (unchanged from the previous year) to profit before tax.

The item "Tax effects of non-deductible expenses and tax-exempt income" includes the tax on dividend pay-outs.

Deferred tax assets and liabilities are allocated to the following balance sheet items:

IN € MILLION	2018 Deferred tax assets	2018 Deferred tax liabilities	2017 adjusted Deferred tax assets	2017 adjusted Deferred tax liabilities
Recognition and valuation differences: intangible assets	–	32.4	–	30.6
Valuation differences: tangible assets and rental equipment	13.1	13.7	13.0	14.0
Valuation differences: inventories	14.0	1.8	13.1	2.0
Valuation differences: receivables	0.9	–	0.6	–
Valuation differences: assets held for sale	–	–	8.6	–
Valuation differences: provisions for pensions	11.3	0.4	8.2	-1.7
Valuation differences: liabilities	3.5	–	2.8	–
Loss carry-forwards	9.6	–	5.5	–
Other	7.0	5.5	4.8	2.6
Total	**59.4**	**53.8**	**56.6**	**47.5**
Net	**-19.2**	**-19.2**	**-15.0**	**-15.0**
Balance sheet item	**40.2**	**34.6**	**41.6**	**32.5**

Deferred tax recognized in the consolidated balance sheet aligns with the deferred tax recognized in the balance sheets of individual Group companies. Deferred tax assets and liabilities were netted at the level of the individual company as appropriate.

Deferred tax liabilities for intangible assets mainly result from the recognition of brand value in conjunction with the acquisition of Weidemann and Neuson Kramer.

Rental equipment and inventories include deferred taxes resulting from the evaluation of rental equipment and inventories at Group cost of goods manufactured.

Assets available for sale in the previous year included EUR 8.6 million in deferred tax assets resulting from Group-internal sales of the west site. Since the Group sold the real-estate company in 2018, the valuation no longer applies.

The previous year's figures for deferred tax assets on valuation differences in pension provisions increased by EUR 1.1 million. The previous year's figures for deferred tax liabilities on valuation differences in inventories increased by EUR 0.9 million. For details, refer to the information on changes in accounting and valuation methods, adjustments to accounting estimates and correction of errors starting on page 106.

Unused tax losses for which no deferred tax receivable was recognized in the balance sheet amount to EUR 33.1 million (2017: EUR 21.6 million).

With respect to deferred tax assets, EUR 9.6 million (2017: EUR 5.5 million) are allocable to individual companies which incurred losses in the current or prior reporting period. The reason for the capitalization is attributable to signs of an improvement in the earnings situation in coming years, which is to be expected as a result of appropriate management measures. Therefore it can be assumed that the companies will achieve taxable earnings in the future. The deferred tax expense as a result of a drop in deferred tax receivables amounts to EUR 1.6 million (2017: EUR 2.8 million).

Deferred taxes from pension obligations in the amount of EUR 7.7 million (2017: EUR 7.1 million) were recognized directly in equity. All other deferred tax was recognized in the income statement.

Deferred taxes on undistributed profits of affiliates were recognized only if distribution is planned based on the Group's internal regulations. Deferred tax liabilities of EUR 1.0 million (2017: EUR 1.8 million) were recognized on this. The amount available for distribution is EUR 82.9 million (2017: EUR 183.3 million).

7 – Earnings per share

	2018	2017
Earnings of the current year attributable to shareholders in € Million	144.6	87.5
Weighted average number of shares outstanding during current period	70.14	70.14
Undiluted earnings per share in €	**2.06**	**1.25**
Diluted earnings per share in €	**2.06**	**1.25**

According to IAS 33, earnings per share are calculated by dividing the total profit/loss for the year attributable to Wacker Neuson SE shareholders by the weighted average number of shares issued.

Explanatory comments on the balance sheet

8 – Property, plant and equipment

IN € MILLION

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/Assets under construction	Total
Acquisition costs					
Balance at January 1, 2018	311.3	132.6	93.6	8.5	546.0
Exchange rate differences	–	1.8	0.3	-0.5	1.6
Additions	10.6	7.9	11.6	7.2	37.3
Disposals	-8.7	-11.1	-9.8	–	-29.6
Transfers	3.5	0.6	1.5	-6.8	-1.2
Balance at December 31, 2018	**316.7**	**131.8**	**97.2**	**8.4**	**554.1**
Accumulated depreciation					
Balance at January 1, 2018	96.7	91.9	65.4	–	254.0
Exchange rate differences	0.6	1.4	0.2	0.1	2.3
Additions	8.0	9.1	8.4	–	25.5
Impairment	–	–	–	–	–
Disposals	-3.1	-10.6	-8.5	–	-22.2
Transfers	-0.3	–	–	–	-0.3
Balance at December 31, 2018	**101.9**	**91.9**	**65.6**	**0.1**	**259.5**
Book value at December 31, 2017	**214.6**	**40.7**	**28.2**	**8.5**	**292.0**
Book value at December 31, 2018	**214.8**	**39.9**	**31.6**	**8.3**	**294.6**
Useful life in years	16 – 50	1 – 10	1 – 15		

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/Assets under construction	Total
Acquisition costs					
Balance at January 1, 2017	342.5	149.1	95.2	7.7	594.5
Exchange rate differences	-7.1	-6.8	-2.3	–	-16.2
Additions	1.4	9.6	10.1	8.3	29.4
Disposals	-23.8	-20.2	-9.6	–	-53.6
Transfers	-1.7	0.9	0.2	-7.5	-8.1
Balance at December 31, 2017	**311.3**	**132.6**	**93.6**	**8.5**	**546.0**
Accumulated depreciation					
Balance at January 1, 2017	99.8	106.6	66.6	–	273.0
Exchange rate differences	-2.7	-5.4	-1.5	–	-9.6
Additions	7.9	9.1	8.4	–	25.4
Impairment	1.3	0.4	0.2	–	1.9
Disposals	-8.1	-18.8	-8.3	–	-35.2
Transfers	-1.5	–	–	–	-1.5
Balance at December 31, 2017	**96.7**	**91.9**	**65.4**	**–**	**254.0**
Book value at December 31, 2016	**242.7**	**42.5**	**28.6**	**7.7**	**321.5**
Book value at December 31, 2017	**214.6**	**40.7**	**28.2**	**8.5**	**292.0**
Useful life in years	16 – 50	1 – 10	1 – 15		

Land is considered to have an indefinite useful life. Amounts recognized for office and other equipment include the book values of finance lease contracts to a small extent (less than EUR 0.1 million). For further information on this, refer to item 26 “Other financial liabilities” in these Notes.

Total write-downs and impairment losses on property, plant and equipment, investment properties, intangible assets and rental equipment (see item 12 “Rental” in these Notes) reported in the Group income statement amounted to EUR 77.1 million (2017: EUR 75.8 million). EUR 57.5 million of this is attributable to manufacturing costs (2017: EUR 55.3 million), EUR 5.9 million to selling expenses (2017: EUR 5.9 million), EUR 2.2 million to research and development costs (2017: EUR 1.8 million), EUR 11.5 million to general administrative costs (2017: EUR 11.5 million) and EUR 0.0 million to other operating expenses (2017: EUR 1.3 million). Depreciation and amortization amounted to EUR 40.5 million excluding rental equipment (2017: EUR 43.2 million).

The higher disposals of land and buildings in the previous year mainly resulted from the change in reporting of non-current assets held for sale in the US, in Australia and at the Munich site. For more information, see item 17 in these Notes. In the US, this also affected equipment.

Overall, the amounts reported as reclassifications relate to values moved to “Investment properties”. For more information, see item 9 in these Notes. In terms of assets under construction, a production hall was completed and plants commissioned at the Reichertshofen site this year.

9 – Investment properties

The table below shows the development of investment properties held during the years 2017 and 2018:

IN € MILLION

	2018	2017
Acquisition costs		
Balance at January 1	42.7	37.0
Exchange rate differences	–	-0.1
Additions	–	–
Disposals	-5.6	-2.3
Transfers	1.3	8.1
Balance at December 31	**38.4**	**42.7**
Accumulated depreciation		
Balance at January 1	15.9	13.8
Exchange rate differences	–	–
Additions	0.6	0.7
Disposals	-4.2	-0.1
Transfers	0.3	1.5
Balance at December 31	**12.6**	**15.9**
Book value at January 1	**26.8**	**23.2**
Book value at December 31	**25.8**	**26.8**

The reclassifications in 2018 relate to real estate in Munich. This was previously held as property, plant and equipment but is now partly rented to third parties. In 2018, other building sections were added to those completed in 2017.

The disposals relate to real estate in Gotha and Gutmadingen.

PROPERTY

	Book value as per Dec. 31, 2018 in € million	Fair Value as per Dec. 31, 2018 in € million	Calculation method	Depreciation method	Useful life
Germany	25.7	40.3			
Munich	11.8	20.3	German income approach	straight-line	50 years
Überlingen	13.9	20.0	Survey/German income approach	straight-line	25 – 50 years
Spain	0.1	0.1	Survey/German income approach	straight-line	50 years
Total	**25.8**	**40.4**			

The earnings derived from investment properties are shown in the table below:

IN € MILLION

	2018	2017
Rental income	3.1	3.1
Depreciation and Impairment	-0.6	-0.7
Other expenses	-0.1	-0.2
Total	**2.4**	**2.2**

These figures are allocated to the European segment.

Investment properties include the land and buildings listed above, which have all been rented to third parties or are intended to be rented to third parties. The reported depreciation methods and useful lives only affect the buildings listed.

The evaluation methods applied are listed in the table above.

The key, unobservable inputs used to evaluate investment properties are as follows (measurement of fair value at hierarchy level 3):

The fair values of properties were determined in some cases by surveyors using the German income approach and discounted cash flow methods. These evaluations are based on standard land values, standard market rents, estimated running costs and estimated residual useful lives.

10 – Intangible assets

a) Goodwill

Goodwill developed as follows:

IN € MILLION

	2018	2017
Balance at January 1	237.4	238.6
Foreign currency fluctuations	0.4	-1.2
Balance at December 31	**237.8**	**237.4**

b) Other intangible assets

→ See table on page 127

The expected residual useful lives and residual book values of other intangible assets are as follows:

IN € MILLION

	Book value on Dec. 31, 2018	Book value on Dec. 31, 2017	Useful life
Brands	64.8	64.8	Indefinite
Customer base	1.2	0.2	2 – 10 years
Software development	10.2	8.2	1 – 8 years
Total	**76.2**	**73.2**	

Other intangible assets include EUR 22.0 million for the brand name “Weidemann” resulting from the acquisition of Weidemann GmbH in 2005. Due to the strong market position of Weidemann GmbH, the brand name and trademark are considered to have an indefinite useful life.

EUR 42.8 million was recognized for the brand name in connection with the merger with the Neuson Kramer Group. This is also considered to have an indefinite useful life due to the company’s strong market position. Wacker Neuson SE does not own the Neuson logo. This is owned by the PIN Private Trust (PIN Privatstiftung), which is part of the group founded by the Chairman of the Supervisory Board, Johann Neunteufel. Subject to certain guidelines, however, the company has an exclusive, irrevocable and unlimited free-of-charge license to use this brand in conjunction with the name “Wacker”.

The acquisition of KLC SERVIS s.r.o. resulted in a customer base amounting to EUR 1.2 million. This is amortized on a straight-line basis over 10 years.

Internally produced intangible assets refer to capitalized development costs. Software developments also refer to capitalized costs for software.

In fiscal 2018, an impairment test on internally produced intangible assets prompted by a change in circumstances indicated grounds for an impairment loss in the amount of EUR 0.1 million (2017: EUR 1.6 million). The impairment loss was recognized in the income statement under cost of sales and was allocated to the Europe segment.

The gains in intangible assets in progress mainly result from product developments and the capitalization of IT projects.

IN € MILLION

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2018	**28.2**	**79.7**	**55.3**	**23.0**	**186.2**
Exchange rate differences	0.4	-0.1	0.8	0.2	1.3
Change in consolidation structure	–	1.2	–	–	1.2
Additions	1.9	2.9	–	31.3	36.1
Disposals	-0.5	-0.3	-2.3	-5.7	-8.8
Transfers	–	1.0	11.1	-12.1	–
Balance at December 31, 2018	**30.0**	**84.4**	**64.9**	**36.7**	**216.0**
Accumulated depreciation					
Balance at January 1, 2018	21.1	6.3	32.5	0.7	60.6
Exchange rate differences	0.3	–	0.5	–	0.8
Change in consolidation structure	–	–	–	–	–
Additions	3.5	1.9	8.9	–	14.3
Impairment	–	–	0.1	–	0.1
Disposals	-0.4	–	-2.3	-0.6	-3.3
Transfers	–	–	–	–	–
Balance at December 31, 2018	**24.5**	**8.2**	**39.7**	**0.1**	**72.5**
Book value at December 31, 2017	**7.1**	**73.4**	**22.8**	**22.3**	**125.6**
Book value at December 31, 2018	**5.5**	**76.2**	**25.2**	**36.6**	**143.5**
Useful life in years	3 – 8	1 – 8	5 – 6		

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2017	29.6	83.5	68.1	1.0	182.2
Exchange rate differences	-1.3	-0.2	-2.6	-0.3	-4.4
Additions	2.4	1.0	1.1	13.4	17.9
Disposals	-2.5	-5.7	-1.3	–	-9.5
Transfers	–	1.1	-10.0	8.9	–
Balance at December 31, 2017	**28.2**	**79.7**	**55.3**	**23.0**	**186.2**
Accumulated depreciation					
Balance at January 1, 2017	21.2	10.4	25.7	–	57.3
Exchange rate differences	-0.9	-0.4	-1.1	–	-2.4
Additions	3.2	1.9	8.3	–	13.4
Impairment	–	–	1.0	0.6	1.6
Disposals	-2.4	-5.6	-1.3	–	-9.3
Transfers	–	–	-0.1	0.1	–
Balance at December 31, 2017	**21.1**	**6.3**	**32.5**	**0.7**	**60.6**
Book value at December 31, 2016	**8.4**	**73.1**	**42.4**	**1.0**	**124.9**
Book value at December 31, 2017	**7.1**	**73.4**	**22.8**	**22.3**	**125.6**
Useful life in years	3 – 8	1 – 8	5 – 6		

Intangible assets under development are evaluated for possible depreciation if there is evidence that the value of the intangible asset could have depreciated.

c) Impairment of goodwill and intangible assets with an unlimited useful life

The Group performed its annual impairment test in October. The Group considers the relationship between its market capitalization and its book value, among other factors, when checking for indications of impairment. As at December 31, 2018, the market capitalization of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segments.

The goodwill and indefinite-lived Weidemann and Neuson brands obtained through mergers were allocated for impairment testing to the following cash-generating units within the Americas or European segments:

- Weidemann GmbH (Germany)
- Wacker Neuson Production Americas LLC (subgroup/USA)
- Wacker Neuson Beteiligungs GmbH (subgroup/Austria)

The pro-rata book values break down as follows:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017
Wacker Neuson Production Americas LLC (subgroup/USA)		
Book value of goodwill	9.2	8.8
Weidemann GmbH		
Book value of goodwill	24.2	24.2
Book value of the indefinite-lived brand	22.0	22.0
Wacker Neuson Beteiligungs GmbH (subgroup/Austria)		
Book value of goodwill	204.4	204.4
Book value of the indefinite-lived brand	42.8	42.8
Book value of goodwill	**237.8**	**237.4**
Book value of the indefinite-lived brand	**64.8**	**64.8**

With the exception of the year when they were first recognized in the balance sheet, the carrying amounts of goodwill and indefinite-lived brands are verified during the annual impairment test or subjected to an additional impairment test if there are indications of asset impairment. For this purpose, the book value is compared with the “fair value less cost to sell”. The “fair value less cost to sell” is determined using the discounted cash flow method (measurement of fair value at hierarchy level 3). Future cash flows are discounted to the respective reporting date. Value is impaired if “fair value less cost to sell” is lower than the book value.

Cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria)
Cash flow projections are based on financial plans approved by management for a period of three years (until 2021). The discount rate after tax applied to the cash flow projections is 7.96 percent (2017: 7.75 percent). Cash flows beyond the three-year period are extrapolated using a 5.0 percent growth rate (2017: 5.0 percent) for a further four years (until 2025). This growth rate exceeds the average growth forecast for the industry. However, the cash-generating unit has already achieved above-average growth in the past. The management expects this trend to continue. It was concluded that the fair value less cost to sell did not exceed the book value.

Cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA)
Cash flow projections are based on financial plans approved by management for a period of five years (until 2023). The discount rate after tax applied to the cash flow projections is 9.30 percent (2017: 7.75 percent). Cash flows beyond the five-year period are extrapolated using a 5.0 percent growth rate (2017: 5.0 percent) for a further two years (until 2025). Despite losses in the past, management anticipates rising positive cash flows, as negative one-off effects have increasingly placed an burden on the results of the cash-generating unit in recent fiscal years. Adjusted for these one-off effects, positive results would already have been achieved in recent years. Management expects that the completed restructuring activity, which among other things has significantly reduced vertical integration, and the modification of plant and distribution logistics, which has contributed to reduced complexity, will contribute to a sustained rise in profitability. The Group also made significant progress in expanding its North American dealer network. In line with its strategy for the region, the Group is focusing on developing anchor dealers who will then support multiple sales and service stations. These exclusive, highly qualified sales partners not only sell equipment but also rent machines and offer a range of services. This reduces the overall number of dealers while at the same time expanding the Group’s reach in the region. It was concluded that the fair value less cost to sell did not exceed the book value.

Key assumptions used in calculating fair value less cost to sell and sensitivity to changes in assumptions
The calculation of fair value less cost to sell is based on assumptions, which in turn are dependent on the following uncertain estimates:

- Free cash flow
- Discount rates
- Growth rate used to extrapolate cash flows beyond the forecast period
- Perpetual annuity

Free cash flow after tax: Free cash flow is calculated based on a detailed planning phase from 2019 to 2025. Growth rates for the cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria) are determined for the first three budget years (until 2021) based on market conditions, taking past values into account. The growth rate for the cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) is determined for the first five years based on market conditions, taking past values into account. These estimates took into account the fact that the free cash flows of cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) had been burdened by one-off effects in recent years. Thanks to initiated and implemented countermeasures, management expects that such negative one-off effects will not lead to any further impairment. Higher growth rates than the forecast average growth for the industry result from above-average growth already achieved by the cash-generating units in the past.

A 10.00 percent decrease in operating free cash flows would only result in an impairment for the cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) if the discount rate rose by 0.50 percent at the same time. Otherwise, a 10.00 percent decrease in operating free cash flows would not result in an impairment for any cash-generating unit.

Discount rates: These reflect management’s assessment of the risks associated with cash-generating units. In addition to a risk-free interest rate, a risk-weighted rate is also taken into account. The weighted average cost of capital (WACC) after tax is applied at a rate of 7.96 percent for the two cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria), and at 9.30 percent for the unit Wacker Neuson Production Americas LLC (subgroup/USA) (2017: uniform rate of 7.75 percent).

A rise in the discount rate after tax to 10.30 percent (i.e. +1.00 percent) would only result in an impairment for the cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) if the perpetual annuity were to decline to 0.00 percent (i.e. -2.00 percent) at the same time. Otherwise, a 1 percent increase in the discount rate would not result in an impairment for any cash-generating unit.

Growth rate estimates: Management and affiliates estimate growth rates based on local market dynamics. Various scenarios with annual EBIT growth of between 5 and 10 percent were created to extrapolate cash flows beyond the forecast period for the three cash-generating units Weidemann GmbH, Wacker Neuson Production Americas LLC (subgroup/USA) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria). A negative scenario with EBIT growth of just 2 percent from 2021 onwards (subgroup/USA: 2024 onwards) was also calculated for the three cash-generating units.

A negative scenario with just 2 percent EBIT growth would only result in an impairment for the cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) if the perpetual annuity were to decline by 1.00 percent to 1.00 percent at the same time and the discount rate were to rise by 1.00 percent to 10.30 percent. Otherwise, none of the calculated scenarios would result in an impairment.

Perpetual annuity: A growth rate of 2.00 percent has been projected for perpetual annuity (2017: 2.00 percent).

Reducing the perpetual annuity to 0.00 percent would only result in an impairment for the cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) if the discount rate were to rise to 10.30 percent at the same time. Otherwise, reducing the perpetual annuity to 0.00 percent would not result in an impairment for any cash-generating unit.

Overall, the Group does not anticipate any impairment for the cash-generating units, even in the context of sensitivity to changes, since several factors would have to take place simultaneously in each case. The Group considers the probability of this to be low.

11 – Other non-current assets

Other non-current assets are composed of the following items:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Non-current trade receivables	47.8	25.6
Prepaid volume bonuses to US dealers	14.4	4.6
Non-current receivables from finance lease	10.1	1.1
Investment in "SpeedInvest"	3.0	–
Investment securities	1.6	1.6
Misc. other non-current financial assets	1.9	2.7
Other non-current financial assets	**78.8**	**35.6**
Other non-current non-financial assets	**1.7**	**0.2**
Total	**80.5**	**35.8**

Non-current trade receivables largely resulted from sales promotion activities in the US and account for the increase relative to the previous year. Delivered products are subject to retention of title and personal sureties. In the period under review, EUR 1.0 million (2017: EUR 0.0 million) was recognized in the selling expenses as provision for non-current trade receivables and allocated to the Americas segment. All non-current trade receivable were not overdue.

The increase in non-current receivables from finance leases primarily results from finance leases with a wholesaler in Australia.

Prepaid volume bonuses to US dealers have risen due to sales support measures in the USA and are to be amortized over future sales.

Non-current trade receivables, non-current finance lease receivables and prepaid volume bonuses to US dealers include a financing component that will generate interest income.

The investments consist of shares in the amount of EUR 3.0 million in a company that invests specifically in innovative start-ups. This investment is allocated to the category "Financial assets designated at fair value through OCI (equity instruments)". Refer to item 27 "Additional information on financial instruments" in these Notes for additional information on fair value.

12 – Rental

IN € MILLION

	2018	2017
Acquisition costs		
Balance at January 1	180.3	162.8
Exchange rate differences	1.9	-3.9
Change in consolidation structure	0.6	–
Additions	92.6	71.7
Disposals	56.9	50.3
Transfers	–	–
Balance at December 31	**218.5**	**180.3**
Accumulated depreciation		
Balance at January 1	60.8	56.4
Exchange rate differences	0.6	-1.5
Change in consolidation structure	0.1	–
Additions	36.6	32.6
Disposals	29.0	26.7
Transfers	–	–
Balance at December 31	**69.1**	**60.8**
Book value at January 1	**119.5**	**106.4**
Book value at December 31	**149.4**	**119.5**
Useful life in years	2 – 3	2 – 3

The EUR 0.6 million change in consolidation structure is due to the acquisition of KLC SERVIS s.r.o. (whose name and legal form changed to Wacker Neuson s.r.o.) and its incorporation in the consolidation structure in 2018.

13 – Inventories

IN € MILLION

	Gross value	Allowance	Net value Dec. 31, 2018
Raw materials and supplies	141.1	-1.6	139.5
Work in progress	36.2	–	36.2
Finished goods	387.9	-10.2	377.7
Total	**565.2**	**-11.8**	**553.4**

adjusted	Gross value	Allowance	Net value Dec. 31, 2017 adjusted
Raw materials and supplies	93.8	-3.7	90.1
Work in progress	23.7	–	23.7
Finished goods	329.9	-9.3	320.6
Total	**447.4**	**-13.0**	**434.4**

The increase in inventories is attributable to the following effects: Bottlenecks in the supply chain caused delays in production processes, which meant that production and sales activities were no longer aligned. Despite the challenging situation, the Group decided not to forego any production slots wherever possible to prevent any further disruption to productivity at the factories and to ensure it remains well placed to meet demand in 2019. This resulted in increased numbers of finished products at the closing date. In many cases, the lack of material also meant that machines could not be completed for customer orders, with a resultant increase in work in process. Levels of raw materials and supplies were pushed up further by a more conservative inventory strategy in this area as well as targeted efforts to increase stocks of pre-buy engines as a result of the new EU Stage V emissions standards coming into force (see also Combined Management Report → page 54).

An expense of EUR 1,150.9 million (2017: EUR 1,024.7 million) was recorded under acquisition and manufacturing costs for inventories sold in the fiscal year.

Raw materials and supplies, work in process and finished products were valued at their acquisition or manufacturing cost or at the lower net realizable value. The associated impairment losses decreased by EUR 1.2 million compared with the previous year (2017: increase of EUR 3.7 million). Value adjustments for the current year do not include any one-off effects. The previous year included one-off effects in the amount of EUR 2.0 million resulting from the sale of old inventory as well as impairment losses in the amount of EUR 0.6 million resulting from restructuring measures.

Similar to 2017, no inventories were pledged as collateral for liabilities during the period under review

14 – Trade receivables

Trade receivables have the following components:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017
Trade receivables at nominal value	314.3	244.2
Less allowance	-11.0	-9.1
Total	**303.3**	**235.1**

The increase in receivables reflects the improved earnings situation.

As of December 31, 2018, trade receivables and allowances for doubtful accounts were broken down as follows:

IN € MILLION

	Nominal value Dec. 31, 2018	Allowance Dec. 31, 2018
Not overdue	243.9	–
Overdue <30 days	36.6	0.2
Overdue 30 – 90 days	12.9	0.8
Overdue >90 days	20.9	10.0
Total	**314.3**	**11.0**

IN MIO. €

	Nominal value Dec. 31, 2017	Allowance Dec. 31, 2017
Not overdue	189.3	–
Overdue <30 days	25.4	0.4
Overdue 30 – 90 days	12.8	0.6
Overdue >90 days	16.7	8.1
Gesamt	**244.2**	**9.1**

Allowances for doubtful accounts developed as follows:

IN € MILLION

	2018	2017
Balance at January 1	9.1	9.0
Exchange rate differences	-0.3	-0.4
Additions	2.7	3.8
Amount used for write-offs	-0.5	-0.7
Reversals	–	-2.6
Balance at December 31, 2018	**11.0**	**9.1**

Trade receivables are non-interest bearing and are mainly on terms of up to 30 days. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The Group regards the concentration of risk with regard to trade receivables as low since a large number of its customers are distributed across different countries, specialize in different industries and operate on largely unconnected markets.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Expected credit default rate in %

	Dec. 31, 2018	Dec. 31, 2017
Not overdue	0%	0%
Overdue <30 days	1%	2%
Overdue 30 – 90 days	6%	5%
Overdue >90 days	48%	49%
Total	**3%**	**4%**

The main reason for significantly higher allowance for 90 days past due category is the individual review of dealers in China which had financial difficulties already in the previous year. In line with this, shown above allowances for doubtful accounts are not representative of the total portfolio.

The fair value is a reasonable approximation of the book value since all receivables are due within less than one year.

15 – Other current assets

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Prepaid volume bonuses to US dealers	4.7	2.5
Receivables from finance leases	2.8	0.6
Positive fair value from derivatives	2.3	4.8
Loans	0.8	0.3
Receivables from customers	0.7	0.4
Misc. other current financial assets	4.9	2.7
Other current financial assets	**16.2**	**11.3**
Sales tax	12.5	6.4
Advance payments	8.2	5.8
Advances to employees	0.2	0.2
Misc. other current non-financial assets	1.6	1.9
Other current non-financial assets	**22.5**	**14.3**
Total	**38.7**	**25.6**

The fair value of remaining current financial assets is a reasonable approximation of the book value since all items have a maturity of less than one year.

Other current assets include the current portion of finance lease receivables in the amount of EUR 2.8 million (2017: EUR 0.6 million). This, in turn, includes lease receivables from a sales support measure amounting to EUR 1.4 million (2017: EUR 0.6 million).

The non-current portion of finance lease receivables is reported under the item “Other non-current financial assets” and amounted to EUR 10.1 million (2017: EUR 1.1 million).

The future minimum lease payments break down as follows:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Within one year	2.8	0.6
Between one and five years	10.7	1.2
After more than five years	–	–
Total	**13.5**	**1.8**

The following table shows the reconciliation of future minimum lease payments to gross and net investment in leases and to the present value of future minimum lease payments:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Future minimum lease payments	13.5	1.8
plus: Non-guaranteed residual value	–	–
Gross investment in leases	13.5	1.8
less: Unrealized finance income	-0.6	-0.1
Net investment in leases	12.9	1.7
less: Allowance for doubtful accounts	–	–
less: Present value of non-guaranteed residual value	–	–
Present value of future minimum lease payments	**12.9**	**1.7**

The present value of future minimum lease payments was due as follows:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Within one year	2.8	0.6
Between one and five years	10.1	1.1
After more than five years	–	–
Total	**12.9**	**1.7**

Investments in finance leases resulted primarily from the leasing business with construction equipment.

Refer to item 24 “Derivative financial instruments” in these Notes for more information about the positive fair value of foreign exchange forward contracts.

The advance payments mainly relate to other services to be deferred in the ordinary course of business. The increase was primarily due to advance payments in connection with the bauma trade fair, which takes place every three years.

16 – Cash and cash equivalents

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017
Petty cash	41.9	25.1
Bank balances	1.7	2.1
Cash deposits	0.2	0.1
Total	**43.8**	**27.3**

Daily cash balances held with banks bear interest at variable interest rates. Depending on the company's liquidity requirements, surplus cash and cash equivalents are set up as short-term, term accounts running from one day to three months. The term accounts yield interest at the agreed prevailing rates.

Petty cash in the amount of EUR 103.2 million (including cash pool current account balances) (2017: EUR 88.2 million) was netted against cash pool current account liabilities amounting to EUR 88.3 million (2017: EUR 63.1 million), as a netting (offset) option was agreed with the cash pool bank. Current account balances at December 31, 2018 amounted to EUR 41.9 million (2017: EUR 25.1 million) after netting.

17 – Non-current assets held for sale

A tract of developed land and the associated building in Norton Shores, USA, with a book value of EUR 5.5 million was sold in fiscal 2018. This entailed a loss of EUR 0.1 million on the book value.

Additionally, a plot of land in Melbourne, Australia, with a book value of EUR 6.9 million was sold in the first quarter of 2018. This represented a gain of EUR 0.1 million on the book value.

In June 2018, Wacker Neuson SE sold a real-estate company in Munich-Milbertshofen along with an industrial property that was no longer required (book value EUR 1.7 million). The sale generated EUR 54.8 million in profit before tax.

The building in Manila, Philippines, which was previously reported under property, plant and equipment, was reclassified as a "non-current asset held for sale" in fiscal 2018 with a book value of EUR 2.8 million. The Group no longer requires this plant in the Philippines following capacity optimization efforts. The sale is expected to take place during the fourth quarter of 2019.

18 – Equity

As in the previous year, subscribed capital amounted to EUR 70.1 million and is divided into 70,140,000 individual no-par-value registered shares, each representing a proportionate amount of the share capital of EUR 1.00. The share capital was fully paid in at the closing date of the Consolidated Financial Statements.

Other reserves are as follows:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017
Capital reserves	618.7	618.7
Exchange rate differences	-11.6	-18.3
Other changes without effect	-19.6	-18.1
Total	**587.5**	**582.3**

The capital reserves primarily result from share premiums in connection with the IPO and the merger with Wacker Neuson Beteiligungs GmbH (formerly Neuson Kramer Baumaschinen AG).

The reserve for exchange differences includes gains and losses from translating the annual financial statements of consolidated affiliates that are prepared in foreign currencies according to the concept of the functional currency to be recognized in equity with no impact on the financial result. As in the previous year, a foreign currency loan in US dollars to a foreign business operation was classified as part of a net investment in fiscal 2018. The associated currency translation differences are recognized in the reserve for exchange rate differences. The large change relative to the previous year is mainly due to the movement of the USD rate. → page 111

Other neutral changes include reserves for the recognition of gains and losses from reevaluations of pensions and similar obligations, primarily actuarial gains and losses as well as results recognized in equity in connection with reporting of hedge accounting.

The company did not hold any treasury shares at December 31, 2018, nor at any point during the 2018 fiscal year or the previous year.

In 2018, the Group paid out EUR 42.08 million in dividends (EUR 0.60 per share). In 2017, the Group paid out EUR 35.1 million in dividends (EUR 0.50 per share). In 2019, the dividend payout proposal for fiscal 2018 amounts to EUR 42.08 million (EUR 0.60 per share). Proposed dividend payouts for no-par-value shares that require AGM approval were not recognized as a liability at December 31. Refer to the statement of changes in equity for further details on equity. In addition, the Executive Board and the Supervisory Board will propose a special dividend in the amount of EUR 0.50 per share. This will allow shareholders to share in the success of the Group's operational business and in the one-off income from the sale of a real-estate company held by the Group.

Authorized Capital 2018

At the AGM on May 30, 2017, the Executive Board was authorized to increase the company's share capital by May 29, 2022, subject to the approval of the Supervisory Board, by issuing up to 17,535,000 new, registered shares against cash contributions and/or contributions in kind, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000.00 (Authorized Capital 2017).

Treasury shares

In a further resolution passed at the AGM on May 30, 2017, the Executive Board is authorized, subject to the prior approval of the Supervisory Board, to acquire 7,014,000 treasury shares via the stock exchange by May 29, 2027. This acquisition may also be performed by one of the Group members or by third parties acting on or for its or their account. In so doing, the shares acquired as a result of this authorization together with other shares in the company that it has already acquired and still holds may not at any time correspond to more than 10 percent of the existing share capital. Shares must not be purchased for the purpose of trading company shares on the stock exchange.

Rights, preferential rights and restrictions on shares

There are pool agreements between some shareholders and companies of the Wacker family on the one hand, and companies and shareholders of the Neunteufel family on the other, which essentially regulate the exercise of voting and petition rights at the AGM and restrict the transfer of shares. A pool agreement also exists between a shareholder of the Neunteufel family and Mr. Martin Lehner that permits the Neunteufel family shareholder to exercise the voting rights attributable to Mr. Martin Lehner's shares. For detailed information, refer to the Management Report "Restrictions affecting voting rights or the transfer of shares".

19 – Provisions for pensions and similar obligations

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Provisions for pension obligations	52.3	52.9
Provisions for other obligations to employees	–	0.1
Total	**52.3**	**53.0**

Within the Group, there are different types of retirement benefit schemes worldwide for old age and surviving dependents' pensions. Most of the schemes provide for the payment of fixed lump-sum amounts. The others are defined retirement plans with a pension paid from retirement until death. The amounts to be paid are based on the ranking of the employee concerned (with respect to both salary and hierarchy) as well as their years of service to the company.

At the parent company, pension commitments due to enter into effect as of retirement age are primarily in place for Executive Board members, as well as for former executives and Executive Board members.

The foreign affiliate in Switzerland has statutory pension plans in place in accordance with the Federal Law on Occupational Old Age, Survivors' and Invalidity Pensions (BVG), which are accounted for as defined benefit plans according to IAS 19. These defined benefit plans are financed by liability insurance. In such cases, the individual company makes contributions to the relevant pension insurance schemes due to legal requirements. Although future pension benefits are generally dependent on the contributions saved, including interest, the guarantees contained in the pension law leave a residual risk for the individual company. With regard to the restatement of errors for the reference year due to the Swiss pension plans, we refer to the separate section "Changes in accounting and valuation methods, adjustments to accounting estimates and correction of errors" on the changes in accounting under IFRS. All tables within this section, ""Provisions for pensions and similar obligations", have been adjusted for comparison purposes in line with IAS 8.

For the remaining domestic and foreign companies, the schemes partly provide for a lump-sum payment which is based on the salary at retirement age multiplied by a factor based on years of service with the company, and partly for pension payments from retirement until death based on earnings for employees who fulfil the time-of-service requirements, which differ from country to country.

The defined benefit plans are partly financed by liability insurance. There are also pension commitments that are not financed by liability insurance or funds, where the Group pledges to make future payments when the pension payouts are due. This primarily refers to pension commitments governed by the legal framework of individual countries (adjustments to pensions, for example).

Foreign affiliates also have defined contribution plans. In such cases, the individual company makes contributions to the relevant pension insurance schemes either because of legal requirements or contractual agreements. There is no further obligation for the company beyond these payments. The periodic contributions are recognized as an expense under profit before interest and tax (EBIT) in the respective year.

The actuarial valuation is essentially based on the following assumptions, with the exception of the Swiss pension plans (see separate statement):

		2018	2017
Actuarial assumptions[1]			
Discount rate	as a %	1.87	1.79
Salary trends	as a %	0.57	0.56
Pension trends	as a %	1.80	1.79
Retirement age	in years	62	64

Weighted average of the individual benefit schemes

The actuarial valuation for the Swiss pension plans is essentially based on the following assumptions:

		2018	2017
Actuarial assumptions			
Discount rate	as a %	0.90	0.90
Salary trends	as a %	1.00	1.00
Retirement age	in years	64	64

Pension obligations are distributed as follows:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Fair value of pension obligations, funded	49.2	47.2
Fair value of plan assets	-24.8	-22.8
Shortfall in pension obligations, funded	**24.4**	**24.4**
Fair value of pension obligations, not funded	27.9	28.6
Shortfall in all pension obligations	**52.3**	**53.0**
Pension obligations	**52.3**	**53.0**

The changes in the present value of pension obligations and in plan assets are as follows:

IN € MILLION

	2018	2017 adjusted
Changes in the present value of pension obligations		
Balance at January 1	75.8	75.1
Current service costs	1.3	1.5
Interest expense	1.1	1.0
New valuations:		
Actuarial gains/losses		
- from changes to demographic assumptions	0.7	-0.1
- from changes to financial assumptions	1.0	-1.9
Experience adjustments	-0.7	–
Changes in exchange rate	0.2	0.5
Paid benefits	-2.3	-2.2
Past service cost	–	1.9
Balance at December 31	**77.1**	**75.8**

IN € MILLION

	2018	2017 adjusted
Changes in fair value of plan assets		
Balance at January 1	22.8	21.3
Interest income	0.2	0.2
Changes in exchange rate	–	-0.1
New valuations:		
From changes to financial assumptions	0.1	0.1
Experience adjustments	-0.1	-0.1
Employer's contributions	2.1	1.7
Payouts	-0.3	-0.3
Balance at December 31	**24.8**	**22.8**

Unvested past service costs in the amount of EUR 1.9 million resulting from the reorganization of the Executive Board are recognized as a one-off effect in the reference year 2017.

Plan assets include pension liability insurance for German life insurance schemes where future payments are pledged in favor of the entitled recipient. Pension liability insurance schemes are not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 13.8 million (2017: EUR 11.9 million). Pension liability insurance is also held for Swiss life insurance schemes where future payments are pledged in favor of the entitled recipient. The Swiss pension liability insurance scheme is not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 11.0 million (2017: EUR 11.0 million).

The average duration of the defined benefit plan obligation at the end of the reporting period is 16.4 years (2017: 16.6 years).

The investment strategy for plan assets, primarily German and Swiss pension liability insurance, is designed to achieve a sufficient return on investment in connection with contributions with a view to managing the financing risk from pension obligations appropriately. The actual contributions may differ from the investment strategy as a result of changing economic conditions.

Pension expenses are as follows:

IN € MILLION

	2018	2017 adjusted
Current service costs	1.3	1.5
Interest expense for pension obligations	1.1	1.0
Net interest	-0.2	-0.2
Past service cost	–	1.9
Total pension expense from defined benefit schemes	**2.2**	**4.2**
Total pension expense from defined contribution schemes	**0.1**	**0.2**
Total contributions to statutory pension insurance schemes	**21.8**	**20.4**
Total pension expense	**24.1**	**24.8**

Interest expense ensuing from pension obligations is recognized in the financial result. The remaining pension expense is part of personnel costs shown in the appropriate functional line of the income statement.

The valuation date for the current value of fund assets and the present value of obligations is December 31 for each year. The base value for the calculation of unaccrued interest concerning pension obligations is the present value of obligations as at January 1. The base value for the anticipated return on fund assets is the current value as at January 1. Transfers during the year are accounted for on a pro-rata basis.

The contributions expected to be made to German fund assets in 2019 amount to EUR 2.1 million (2017: EUR 1.4 million).

The following overview shows the projected pension pay-outs for the next five years:

IN € MILLION

Due in 2019	2.2
Due in 2020	2.3
Due in 2021	2.0
Due in 2022	2.3
Due in 2022	2.6

The following overview shows the sensitivity of key actuarial assumptions:

IN € MILLION

	as a %	Sensitivity	Increase in valuation parameters	Decrease in valuation parameters
Discount rate	1.79	+/- 1,00 %	-8.5	10.8
Salary trends	0.56	+/- 0,50 %	0.1	-0.1
Pension trends	1.79	+/- 0,50 %	3.9	-3.6

The sensitivity analysis shows how the value of pension obligations would develop if individual actuarial assumptions changed. The sensitivity is determined solely on the basis of the projected unit credit method. This involves determining and displaying the impact of a change to individual actuarial assumptions, while all other assumptions remain unchanged.

The following risks arise for the Group from pension commitments:

- A reduction in the discount rate results in a rise in pension obligations.
- An increase in life expectancy results in a rise in pension obligations.

The following table shows the effects of a one percentage point increase or reduction in assumed healthcare costs:

IN € MILLION	Additions	Reversals
2018		
Effect on the present value of pension obligations	0.1	-0.1
2017		
Effect on the present value of pension obligations	0.4	-0.3

The present value of obligations as well as pension pay-outs and reevaluations are distributed as follows across pension obligations and healthcare contributions:

IN € MILLION	2018	2017 adjusted
Provisions for pensions recorded in the balance sheet		
Pension obligations	51.4	51.6
Healthcare	0.9	1.4
Total	**52.3**	**53.0**
Pension expenses listed under EBIT		
Pension obligations	1.3	1.5
Healthcare	–	–
Total	**1.3**	**1.5**
New valuations		
Pension obligations	0.8	-1.9
Healthcare	-0.4	-0.2
Total	**0.4**	**-2.1**

20 – Other provisions

IN € MILLION	Balance at Jan. 1, 2018	Currency conversion	Utilization	Additions	Reversals	Balance at Dec. 31, 2018
Provisions						
Warranties	12.4	0.1	-3.8	4.1	-0.9	11.9
Obligations towards employees	6.4	-0.1	-2.2	3.0	-0.2	6.9
Legal and consulting fees	0.2	–	-0.1	–	–	0.1
Litigation costs	0.6	–	-0.2	0.3	-0.3	0.4
Other provisions	3.4	–	-2.0	1.5	-0.6	2.3
Total	**23.0**	**–**	**-8.3**	**8.9**	**-2.0**	**21.6**

IN € MILLION	Balance at Jan. 1, 2017	Currency conversion	Utilization	Additions	Reversals	Balance at Dec. 31, 2017
Provisions						
Warranties	11.8	-0.3	-4.6	7.9	-2.4	12.4
Obligations towards employees	6.9	–	-2.3	2.2	-0.4	6.4
Legal and consulting fees	0.3	–	-0.2	0.1	–	0.2
Litigation costs	0.4	–	–	0.3	-0.1	0.6
Other provisions	0.9	-0.2	-0.5	3.4	-0.2	3.4
Total	**20.3**	**-0.5**	**-7.6**	**13.9**	**-3.1**	**23.0**

An interest effect of less than EUR 0.1 million was recognized in the provisions for 2018 (2017: EUR 0.1 million). The reduction in other provisions is mainly attributable to the use of provisions for restructuring measures in the US amounting to EUR 1.4 million.

The due dates of the above provisions are distributed as follows:

IN € MILLION

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at Dec. 31, 2018
Provisions			
Warranties	10.7	1.2	11.9
Obligations towards employees	3.6	3.3	6.9
Legal and consulting fees	0.1	–	0.1
Litigation costs	0.2	0.2	0.4
Other provisions	1.3	1.0	2.3
Total	**15.9**	**5.7**	**21.6**

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at December 31, 2017
Provisions			
Warranties	11.1	1.3	12.4
Obligations towards employees	2.8	3.6	6.4
Legal and consulting fees	0.2	–	0.2
Litigation costs	0.3	0.2	0.5
Other provisions	2.6	0.9	3.5
Total	**17.0**	**6.0**	**23.0**

Company obligations from employee work accounts are offset against securities classified as assets, which are created in order to secure these claims. Obligations from employee work accounts came to EUR 6.4 million (2017: EUR 5.6 million). The cost of acquiring the securities amounts to EUR 5.0 million (2017: EUR 5.1 million) and the fair value at December 31, 2018 was EUR 6.4 million (2017: EUR 5.6 million), of which EUR 6.4 million is offset (2017: EUR 5.6 million).

21 – Financial liabilities

Financial liabilities comprise the following amounts, recognized under the balance sheet items “Long-term financial borrowings”: EUR 217.3 million (2017: EUR 156.1 million), “Short-term liabilities to financial institutions”: EUR 33.8 million (2017: EUR 20.3 million) and “Current portion of long-term borrowings”: EUR 1.4 million (2017: EUR 0.6 million).

Long-term financial borrowings include non-current liabilities from finance leases in the amount of EUR 2.6 million (2017: EUR 1.1 million).

The book values of financial liabilities developed as follows:

IN € MILLION

	Dec. 31, 2018	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	2.8	2.2	0.6	–
Schuldschein loan agreements	243.6	31.6	192.4	19.6
Investment in „SpeedInvest“	2.1	–	2.1	–
Liabilities from finance leases	4.0	1.4	2.6	–
Total	**252.5**	**35.2**	**197.7**	**19.6**

IN € MILLION

	Dec. 31, 2017 adjusted	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	20.3	20.3	–	–
Schuldschein loan agreements	155.0	–	155.0	–
Liabilities from finance leases	1.7	0.6	1.1	–
Total	**177.0**	**20.9**	**156.1**	**–**

The following table shows the remaining contractual periods of the financial liabilities at December 31, 2018, together with the estimated interest payments. These are undiscounted gross amounts which include the estimated interest payments.

IN € MILLION

	Dec. 31, 2018	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	2.8	2.2	0.6	–
Schuldschein loan agreements	265.5	37.1	207.7	20.7
Outstanding payment for investment in „SpeedInvest“	2.1	–	2.1	–
Liabilities from finance leases	4.2	1.4	2.8	–
Total	**274.6**	**40.7**	**213.2**	**20.7**

	Dec. 31, 2017adjusted	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	20.3	20.3	–	–
Schuldschein loan agreements	161.5	–	161.5	–
Liabilities from finance leases	1.8	0.6	1.2	–
Total	**183.6**	**20.9**	**162.7**	**–**

Borrowings from banks

Borrowings from banks include the following items:

BORROWINGS FROM BANKS

	Dec. 31, 2018 IN € MILLION	Interest rate as a percentage	Interest rate type	Due dates
Kontokorrenkredit in USD	1.9	1.2 – 4.0	fixed	< 1 year
Loans in Brazilian reals	0.9	4.0	variable	< 1 year
Total	**2.8**	-		

	Dec. 31, 2017 IN € MILLION	Interest rate as a percentage	Interest rate type	Due dates
Money market loans in USD	19.9	1.2 – 4.0	fixed	< 1 year
Subtotal on fixed interest rate loans	**19.9**			
Loans in Brazilian reals	0.4	4.0	variable	< 1 year
Subtotal on variable interest rate loans	**0.4**			
Total	20.3			

Refer to item 31 “Risk management” in these Notes for information on the sensitivity of interest risks associated with variable interest borrowings.

The following table lists the assured credit lines that were not utilized by Wacker Neuson SE:

IN € MILLION	2018
First credit line EUR	15.0
Second credit line BRL	0.4
Third credit line USD	20.8
Fourth credit line EUR	10.0
Fifth credit line EUR	0.3
Sixth credit line EUR	20.0
Seventh credit line EUR	25.0
Eighth credit line EUR	10.0
Ninth credit line EUR	25.0
Tenth credit line EUR	75.0
Eleventh credit line EUR	20.0
Twelfth credit line EUR	65.0
Thirteenth credit line EUR	40.0
Fourteenth credit line EUR	20.0
Fifteenth credit line ZAR	0.1
Sixteenth credit line EUR	15.0
Seventeenth credit line TRY	0.1
Eighteenth credit line EUR	35.0
Nineteenth credit line JPY	0.1
Twentieth credit line EUR	0.1
Total	**396.9**

IN € MILLION	2017
First credit line EUR/USD	30.0
Second credit line EUR/USD (3 mo. Euribor + 0,5%)	70.0
Third credit line USD	20.1
Fourth credit line EUR	65.0
Fifth credit line EUR	44.5
Sixth credit line EUR	35.7
Seventh credit line EUR	40.0
Eighth credit line EUR	20.0
Ninth credit line EUR	10.0
Tenth credit line EUR	15.0
Eleventh credit line EUR	7.5
Twelfth credit line BRL	2.3
Thirteenth credit line TRY	0.1
Fourteenth credit line BRL	1.8
Fifteenth credit line EUR	0.3
Sixteenth credit line CLP	15.0
Seventeenth credit line EUR	20.0
Eighteenth credit line EUR	35.0
Nineteenth credit line ZAR	–
Total	**432.3**

The book values of borrowings from banks with variable and fixed interest rates were reported in the following currencies (equivalent in euros):

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
USD (USA)	1.9	19.9
BRL (Brazil)	0.9	0.4
Total	**2.8**	**20.3**

The fair value for the promissory notes (Schuldschein) in euros and US dollars amounted to EUR 245.0 million at December 31, 2018 (2017: EUR 156.2 million) (measurement of fair value at hierarchy level 3). All other fair values of financial liabilities largely correspond to the book values.

Schuldschein loan agreement

One tranche of a Schuldschein loan agreement was issued in fiscal 2012 and another in fiscal 2017:

	Dec. 31, 2018 Re-payment amount	Dec. 31, 2018 Transac-tion fees	Dec. 31, 2018 Total nominal value	Dec. 31, 2018 Inter-est rate as a %	Due date
Schuldschein loan agreement in € – Tranche I	125.0	0.1	124.9	0.69	February 2022
Schuldschein loan agreement in €– Tranche II	30.0	–	30.0	3.66	February 2019
Total, € MILLION	155.0	0.1	154.9		
Schuldschein loan agreement in USD – Tranche I	77.5	0.1	77.4	3.97	March 2023
Schuldschein loan agreement in USD – Tranche II	22.5	–	22.5	4.24	March 2023
Total, USD MILLION	100.0	0.1	99.9		

Liquid funds payable from the promissory note Schuldschein loan agreement in euros refer to annual interest through 2022 on the first tranche in the amount of EUR 0.9 million and a repayment of EUR 125.0 million to be made on February 28, 2022. For the second tranche, annual interest payments in the amount of EUR 1.1 million are to be made through 2019 and a repayment in the amount of EUR 30.0 million is due on February 27, 2019.

Liquid funds payable from the Schuldschein loan agreement in US dollars refer to annual interest through 2023 on the first tranche in the amount of USD 3.1 million and a repayment of USD 77.5 million to be made on March 3, 2023. For the second tranche, annual interest payments in the amount of USD 1.0 million are to be made through 2025 and a repayment in the amount of USD 22.5 million is due on March 3, 2025.

Tranche I of the Schuldscheindarlehen loan agreement in US dollars contains nominal value of USD 25.0 million, bearing under the variable interest rate of 3 months US dollar LIBOR plus a bank margin of 1.25 percent.

Tranche II of the Schuldscheindarlehen loan agreement in US dollars contains nominal value of USD 15.0 million, bearing under the variable interest rate of 3 months US dollar LIBOR plus a bank margin of 1.45 percent.

Variable interest rates for both tranches of the Schuldscheindarlehen loan agreement in US dollar are hedged with the interest rate swap.

Financial covenants

Financial covenants exist for the following financial instrument of Wacker Neuson SE:

Promissory note (Schuldschein)
The promissory note (Schuldschein) issued in 2012 and due in 2018, in the amount of EUR 30,0 million, is subject to financial covenants customary in the market, for example, cross default, negative pledge and change of control clauses. A minimum Group equity ratio[1] of 30 percent has been agreed as a binding financial covenant. The covenants were observed in the fiscal year under review.

There are no covenants or collateral for the other promissory notes (Schuldschein).

[1] Group equity ratio. Ratio of equity before minority interests to total capital.

22 – Trade payables

As of December 31, 2018, trade payables (at book value) were broken down as follows:

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Trade payables	**212.8**	**133.7**
Book value due < 30 days	156.3	100.3
Book value due 30 – 90 days	54.7	33.0
Book value due > 90 days	1.8	0.4

Interest does not accrue on trade payables. The increase in trade payables is due in part to the higher business volume and rise in inventories. The recognized carrying amount of trade payables corresponds to fair values due to the short term to maturity.

23 – Other current liabilities

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Other accruals/deferrals	26.1	26.7
Liabilities to customers	4.0	3.5
Misc. other current financial liabilities	3.0	1.3
Derivatives	2.5	1.2
Other current financial liabilities	**35.6**	**32.7**
Tax accruals/deferrals and tax liabilities	31.9	17.3
Personnel accruals/deferrals	29.8	26.6
Sales tax liabilities	13.9	11.2
Advance payments received	3.0	2.9
Other	3.8	2.9
Other current non-financial liabilities	**82.4**	**60.9**
Total	**118.0**	**93.6**

The other accruals/deferrals mainly consist of outstanding invoices.

The increase in tax accruals/deferrals and tax liabilities is due in particular to higher income tax provisions recognized in view of the positive profit situation.

The advance payments received represent contract liabilities, which will be recognized as revenue in the future. Due to materiality, these are not shown as a separate item under “Contract liabilities”, but as “Other current liabilities”. The advance payments received and recognized in the previous year were recognized in full as revenue in fiscal 2018.

The other current accruals mainly relate to contract liabilities from extended guarantees, which are to be recognized as revenue in subsequent fiscal years. Due to materiality, these are not shown as a separate item under “Contract liabilities”.

The fair values of current financial liabilities are reasonable approximations of the book values.

24 – Derivative financial instruments

The Group uses FX forwards / forward currency contracts (currency derivatives) and interest rate swaps. Refer to item 27 “Additional information on financial instruments” on page 142 et seq. for the accounting treatment

The nominal amounts and fair values of derivative financial instruments (interest rate swap and currency hedges) are recognized as follows as at December 31, 2018, and December 31, 2017:

IN € MILLION

	Dec. 31, 2018 Nominal value	Dec. 31, 2018 Market value	Dec. 31, 2017 Nominal value	Dec. 31, 2017 Market value
Assets				
Currency hedges	89.1	2.3	85.7	4.8
Total	**89.1**	**2.3**	**85.7**	**4.8**
Liabilities				
Currency hedges	135.5	1.9	42.6	1.2
Interest swap	35.0	0.4	–	–
Total	**170.5**	**2.3**	**42.6**	**1.2**

Refer to item 27 “Additional information on financial instruments” in these Notes for information regarding net profits and losses from these financial instruments.

IN € MILLION

	Up to 1 year	1 to 5 years	Over 5 years
Assets			
Currency hedges	89.1	–	–
Total	**89.1**	**–**	**–**
Liabilities			
Currency hedges	135.5	–	–
Interest swap	35.0	35.0	35.0
Total	**170.5**	**35.0**	**35.0**

There is no significant exposure to credit risks since all derivative contracts were entered into with banks that have a top credit rating.

Other information

25 – Contingent liabilities

Contingent liabilities, on the one hand, represent possible obligations that may be incurred depending on the occurrence of a future event or events which are of an uncertain nature and not wholly within the control of the company. On the other hand, contingent liabilities represent present obligations for which payment is not probable or the amount of the obligation cannot be determined with sufficient reliability.

The Group has undersigned the following guarantees:

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017
Guarantees	1.3	5.9

These include rental guarantees and a guarantee in the amount of EUR 0.0 million (2017: EUR 4.1 million) arising from a contract with the city of Munich to develop a property. The elimination of the guarantee is due to the sale of the real-estate company in fiscal 2018.

26 – Other financial liabilities

a) Obligations for equipment rental and service

The terms of the obligations for rental equipment and service contracts are as follows:

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017 adjusted
Obligations due within 1 year	19.6	16.3
Obligations due in 1 to 5 years	37.0	27.5
Obligations due in more than 5 years	12.7	6.9
Total	**69.3**	**50.7**

These include obligations for non-cancellable rental and service contracts with a term of one year or less in the amount of EUR 15.8 million (2017: EUR 9.9 million), with a term of between one and five years in the amount of EUR 26.5 million (2017: EUR 24.0 million) and with a term of over five years in the amount of EUR 7.5 million (2017: EUR 6.8 million).

Following detailed analysis in connection with the Group-wide project for initial application of IFRS 16, rental and service contracts were adjusted by EUR 4.6 million as at December 31, 2017 (of which EUR 3.3 million is attributable to obligations for non-cancellable rental and service contracts).

The increase in obligations for rental and service contracts by EUR 18.6 million to EUR 69.3 million is mainly due to reassessment of the renewal and termination options of some existing lease agreements, as well as to newly concluded agreements.

b) Lease obligations

Finance lease obligations

When the Group is the lessee
The Group recognizes assets of less than EUR 0.1 million in connection with finance lease obligations.

In the context of sale-and-lease-back transactions in France, which led to a finance lease, Wacker Neuson equipment was sold to a bank and leased back again. The same equipment was subsequently rented to customers under identical conditions. As a result, a finance lease receivable and a finance lease liability of the same amount were recognized. For further information on this, refer to items 11 “Other non-current assets”, 15 “Other current assets” and 21 “Financial liabilities” in these Notes.

When the Group is the lessor
To the extent that a Group member acts as a lessor, the leased equipment is recognized in the balance sheet and reported as receivables in the amount of the net investment in the lease.

In fiscal 2018, the Group had finance lease arrangements with a wholesaler in Australia and with customers in France as a result of sale-and-lease-back transactions.

For further information on this, refer to items 11 “Other non-current assets”, 15 “Other current assets” and 21 “Financial liabilities” in these Notes.

Operating leases

When the Group is the lessee
To the extent that a Group member acts as a lessee, the lease payments are recognized as an expense over the term of the lease on a straight-line basis. This essentially refers to leased vehicles, computer hardware and other office equipment.

Outstanding commitments for future minimum lease payments under non-cancellable operating leases can be seen in the following table:

2018

IN € MILLION

	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	5.6	7.2	0.2	13.0

2017

IN € MILLION

	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	5.6	4.5	0.2	10.3

In 2018, EUR 6.4 million (2017: EUR 6.0 million) was expensed from operating lease agreements.

When the Group is the lessor

The Group has concluded lease agreements with its customers for the commercial rental of its equipment. These agreements can be cancelled at any time and as such it is not possible to specify minimum lease payments. During the period under review, indirect lease payments amounting to EUR 0.9 million (2017: EUR 0.9 million) were recorded as income.

For information about investment properties, refer to item 9 "Investment properties" in these Notes.

c) Obligations resulting from investment decisions / takeback and purchase commitment obligations

Financial obligations ensuing from construction and investment projects amounting to EUR 1.0 million (2017: EUR 2.8 million) and from takeback obligations amounting to EUR 62.3 million (2017: EUR 48.8 million) have been recognized. Based on historical experience and on the current market situation the Group considers the probability of its takeback obligations to be insignificant. Therefore, no refund liabilities or right-of-return assets are recorded.

In addition, unconditional purchase commitments amounting to EUR 244.5 million (2017: EUR 155.5 million) are in place.

d) Legal proceedings and court cases

In the course of its normal activities, the company is exposed to judicial and extrajudicial proceedings from time to time. The outcome of these proceedings often depends on an uncertain future event and cannot be predicted with certainty. The Group is involved in a number of individual cases where the outcomes are considered to be insignificant.

27 – Additional information on financial instruments

The book and fair values of financial assets and liabilities are presented in the following table, which also shows how the individual items are categorized:

IN € MILLION

	2018 Fair value	2018 Book value	Measured at fair value recognized through profit or loss	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Assets						
Other non-current financial assets	78.8	78.8	–	4.6	64.1	10.1
Trade receivables	303.3	303.3	–	–	303.3	–
Other current financial assets	16.2	16.2	1.3	1.0	11.1	2.8
Cash and cash equivalents	43.8	43.8	–	–	43.6	0.2

IN € MILLION

	2018 Fair value	2018 Book value	Measured at fair value recognized through profit or loss	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Liabilities						
Long-term financial borrowings	219.2	217.3	–	–	214.7	2.6
Trade payables	212.8	212.8	–	–	212.8	–
Short-term borrowings from banks	33.8	33.8	–	–	33.8	–
Current portion of long-term borrowings	1.4	1.4	–	–	–	1.4
Other short-term financial borrowings	35.6	35.6	1.1	1.4	33.1	–

Effective January 1, 2018, as a result of adopting IFRS 9 for the first time, the Group reclassified the previous valuation category “Held for sale” as “Measured at fair value with changes recognized in equity”, the previous category “Loans and receivables” as “At amortized cost”, and the previous category “Held for trading” as “Measured at fair value through profit or loss”. The prior-year figures at December 31, 2017, shown in the following correspond to the figures in the specified categories reclassified at January 1, 2018. Thus there is no changeover effect.

IN € MILLION

	2017 Fair value	2017 Book value	Measured at fair value recognized through profit or loss	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Assets (adjusted)						
Other non-current financial assets	35.6	35.6	–	1.6	32.9	1.1
Trade receivables	235.1	235.1	–	–	235.1	–
Other current financial assets	11.3	11.3	4.8	–	5.9	0.6
Cash and cash equivalents	27.3	27.3	–	–	27.2	0.1

IN € MILLION

	2017 Fair value	2017 Book value	Measured at fair value recognized through profit or loss	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Liabilities (adjusted)						
Long-term financial borrowings	157.3	156.1	–	–	155.0	1.1
Trade payables	133.7	133.7	–	–	133.7	–
Short-term borrowings from banks	20.3	20.3	–	–	20.3	–
Current portion of long-term borrowings	0.6	0.6	–	–	–	0.6
Other short-term financial borrowings	26.9	26.9	1.2	–	25.7	–

The following table shows the net profits and losses from financial instruments based on valuation categories. It does not include any effects on income resulting from finance leases as these are not allocated to any valuation categories defined in IFRS 9. Similarly, interest and dividends have not been recognized on the net profits and losses from financial instruments.

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017
At amortized cost	3.0	1.6
Measured at fair value recognized through profit or loss	1.8	4.4
Financial liabilities measured at amortized cost	-1.5	-3.8

The net gain/loss in the receivables valued “At amortized cost” results from provision for expected losses on trade receivables.

The gains and losses from adjustments to the fair value of derivatives that do not meet hedge accounting criteria are included in the category “Measured at fair value through profit or loss”.

Total interest income (EUR 0.2 million; 2017: EUR 0.1 million) and total interest expense (EUR 5.9 million; 2017: EUR 4.9 million) were recognized for financial assets and liabilities (calculated using the effective interest method) that were not measured at fair value through profit or loss.

Financial instruments in the form of foreign currency trade receivables and payables are valued at the relevant spot rates applicable on the balance sheet dates. This resulted in expense in the amount of EUR 0.1 million (2017: EUR 2.0 million), which is reported in the financial results.

The Group uses derivative financial instruments, such as forward currency contracts, currency swaps and interest rate swaps, to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at the date on which a derivative contract is entered into, as subsequently measured, at fair value. The Group uses currency swaps to hedge currency risks from loans issued internally by the holding company to its affiliates. The Group does not apply hedge accounting within the scope of IAS 39 to this area, as the effects from the hedging relationship are recognized through profit or loss in the financial result. In the period under review, financial assets in the amount of EUR 1.3 million (2017: EUR 4.8 million) were recognized from positive market values. For negative market values, the Group recognized a financial liability in the amount of EUR 1.1 million (2017: EUR 0.9 million).

An interest rate swap was also concluded in 2018 to hedge the interest rate risk from the variable tranche of the promissory note (Schuldschein) in US dollars. The Group uses cash flow hedging accounting in accordance with IAS 39 for this purpose. This results in a financial liability of EUR 0.4 million (2017: EUR 0.0 million) at fair value.

In addition, the Group uses forward currency contracts to hedge the currency risk arising from future purchase transactions in foreign currencies. The Group uses cash flow hedging accounting in accordance with IAS 39 for this purpose. In this context, EUR 0.3 million (2017: EUR 0.3 million) is recognized directly in equity.

The table below shows the financial instruments subsequently measured at fair value. Refer to the section on accounting and valuation methods for information on how fair value is categorized (into hierarchical levels) in accordance with IFRS 13.

The methods and assumptions used to determine the fair values were as follows:

IN € MILLION

	Level 1	Level 2	Level 3	Dec. 31, 2018
Financial assets categorized “measured at fair value recognized through profit or loss”				
Non-hedged derivatives	–	1.3	–	1.3
Hedged derivatives	–	1.0	–	1.0
Financial assets categorized “measured at fair value recognized in equity”				
Securities	1.6	–	–	1.6
Investment "SpeedInvest"	–	–	3.0	3.0
Financial liabilities categorized “measured at fair value recognized through profit or loss”				
Non-hedged derivatives	–	1.1	–	1.1
Hedged derivatives	–	1.4	–	1.4

IN € MILLION

	Level 1	Level 2	Level 3	Dec. 31, 2017
Financial assets categorized “measured at fair value recognized through profit or loss”				
Non-hedged derivatives	–	4.8	–	4.8
Financial assets categorized “measured at fair value recognized in equity”				
Securities	1.6	–	–	1.6
Financial liabilities categorized “measured at fair value recognized through profit or loss”				
Non-hedged derivatives	–	0.9	–	0.9
Hedged derivatives	–	0.3	–	0.3

Long-term fixed and variable rate receivables/borrowings are evaluated by the Group based on parameters including interest rates, country- specific risk factors, the creditworthiness of individual customers and the risk characteristics of the financed project. Based on this evaluation, allowances for doubtful accounts are made to account for the expected losses from these receivables. As of December 31, 2018, the book values of these receivables, less allowances for doubtful accounts, corresponded approximately to their calculated fair values.

The fair value of financial assets measured at “fair value with changes recognized in equity” is derived from quoted prices on active markets for pension funds. The investment in SpeedInvest in the form of unlisted shares is allocated to Level 3 - Valuation hierarchy. The fair values of unlisted shares were determined using the discounted cash flow method. The valuation requires certain assumptions by the external portfolio management regarding the input factors of the model. These include forecasted cash flows, the discount rate, the default risk and the volatility. The probability of occurrence of the different estimates within a range may be reasonably assessed and will be used by external portfolio management in the measurement of the fair value of these unlisted equity instruments

The Group concludes derivative financial instruments with various counterparties, principally financial institutions with a high credit rating. Derivatives valued by applying an evaluation process with inputs observable on the market primarily include forward exchange contracts. The most frequently used evaluation methods include forward price models using present value calculations. The models incorporate various inputs including the credit standing of the business partner, spot exchange rates, futures rates and forward exchange rates.

The fair values of the Group’s interest-bearing loans are determined using the discounted cash flow method. The discount rate used reflects the borrowing rate of the issuer at the close of the period under review. The Group’s own risk of non-performance was classified as low at December 31, 2018.

28 – Events since the balance sheet date

Right in the first quarter of fiscal 2018, the Group placed a promissory note (Schuldschein) in the amount of USD 100 million and concluded long-term, bilateral credit agreements with three banks, thus stabilizing its financing structure well into the future. Due to rapid and accelerated growth, additional financing is needed to also financially secure the Wacker Neu-son Group’s growth strategy in the medium term. The Group is therefore planning to place an additional promissory note (Schuldschein) in the coming weeks in the amount of approximately EUR 125 million. This will also be used to refinance the EUR 30 million promissory note (Schuldschein) placed in 2012 that fell due in February 2019.

Wacker Neuson Machinery Trading (Pinghu) Co., Ltd., China, was founded on January 16, 2019 as a wholly owned affiliate of Wacker Neuson Machinery (China) Co., Ltd., China.

On January 23, 2019, Lightning Rod Investments, LLC, USA, was founded as a wholly owned affiliate of Wacker Neuson Corporation, USA.

On February 15, 2019, Lightning Rod Investments, LLC, USA, acquired a minority 5.40 percent stake by way of a capital increase in Franklin Equipment, LLC, USA – one of US dealers headquartered in Groveport, Ohio, USA – and contributed USD 10 million for this purpose.

No other events occurred after the end of reporting period which could have a material impact on the future business development of the Wacker Neuson Group.

29 – Segmentation

Division and determination of operating segments

The internal organizational structure and management structure as well as the internal reports to the Executive Board and Supervisory Board, which are based on geographical segments, form the basis for determining the operating segments of the company. For information regarding geographical segmentation of affiliates, refer to the section on consolidation structure (see the general information on accounting standards / consolidation structure). According to this structure, the affiliates are geographically grouped into regional markets (Europe, Americas and Asia-Pacific). Turkey, Russia and South Africa are included in the Europe segment. Reporting is also carried out internally according to business segments. This exclusively deals with revenue. Company management will therefore continue to focus on geographical segments. In the period under review, no segmentation changes were made.

Products and services of operating segments

The products and services offered by the geographical operating segments can be divided into light equipment, compact equipment and services.

The light equipment business segment covers the manufacture and sale of light equipment in the three business fields of concrete technology, compaction and worksite technology.

The compact equipment business segment focuses on the manufacture and sale of compact equipment.

The services business segment houses the company's activities in the spare parts, maintenance and used equipment business fields.

Segment valuation methods

The intrasegment business transactions that were reported under EBIT for the individual segments are listed in the consolidation column. Non-current assets are reported according to key countries.

Segment valuation methods are based on the valuation methods used in internal reporting. Internal reporting is carried out exclusively in line with the valid IFRS standards as applicable.

Transactions between the individual Group segments are based on prices that also apply to third-party transactions.

Reporting format

Segmentation is presented in the Notes to the Consolidated Financial Statements on → page 101 of this Annual Report.

Segment revenue and segment earnings, expressed as EBIT, are derived from internal reporting. Figures from the individual companies are added together to reach this EBIT figure. As the holding company, Wacker Neuson SE is allocated to the Europe segment. Expenses for the corporate services it provides are allocated in full to the individual regional reportable segments.

The consolidation column reflects the elimination of transactions affecting income that took place between operating segments. This primarily refers to the consolidation of intercompany profits and losses from the sale of goods.

Revenue from external customers, categorized according to products and services, are recognized at company level. In addition, revenue and non-current assets are reported according to key countries. No individual customer accounted for more than 10 percent of Group revenue.

30 – Cash flow statement

The cash flow statement is prepared in accordance with IAS 7. It reports cash flows resulting from operating activities, from investing activities and from financing activities. Insofar as changes in cash and cash equivalents are due to foreign exchange rate fluctuations, these are reported separately. The determination of cash flow from operating activities was derived using the indirect method.

Current liquid funds comprise cash and cash equivalents that are as reported on the balance sheet. Short-term borrowings from banks in the notional Group cash pool were offset against cash and cash equivalents.

Refer to item 16 in these Notes to see the breakdown of current liquid funds.

IAS 7.18 allows entities to report cash flows from operating activities using either the direct or indirect method. The Group presents its cash flows using the indirect method.

“Cash flow from investment activities” comprises the cash outlay for tangible and intangible assets less divestments.

“Cash flow from financing activities” contains payments received from shareholders, including interest paid, as well as payments made to them. It also contains payments resulting from the borrowing and repayment of debt. Additionally, this item includes interest received, arising primarily from financing measures for the expansion of sales activities.

Refer to the consolidated cash flow statement for information regarding the change to liabilities from financing activities based on cash flows. In the current financial year 2018 EUR 2.6 million (2017: EUR 0.0 million) was recognized as financial liabilities in connection with investment in SpeedInvest. In addition, translation differences amounted to EUR 6.6 million (2017: EUR 1,6 million) and resulted from the translation of foreign affiliates into the Group currency recognized in other comprehensive income. The EUR 6.6 million relate mainly to translation of Schuldscheindarlehen loan agreement in US dollars. No other matters have come to the Group's attention that would have led to a change in liabilities from financing activities.

31 – Risk management

Capital management

A key aim of the Group's capital management policy is to maintain a high equity ratio to support its business activities.

The Group actively controls and modifies its capital structure in line with changing market dynamics. The goal of the capital management policy is to secure the Group's business and investment activities in the long term. To maintain a suitable capital structure, the Group can propose changes to dividend payments to shareholders or issue new shares. As at December 31, 2018 and December 31, 2017 respectively, no changes were made to objectives, guidelines or procedures within the framework of the capital structure control policy. The Group monitors its capital using net financial debt resulting from current net financial liabilities and non-current financial liabilities as an indicator.

The minimum capital requirements for equity stipulated under German stock legislation have been fulfilled. Equity is subject to an external minimum capital requirement of 30 percent due to the promissory note (Schuldschein) in the amount of EUR 30.0 million, which is due for repayment in February 2019. For further information, refer to item 21 "Financial liabilities" in these Notes.

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017 adjusted
Current financial liabilities	35.2	20.9
Short-term financial liabilities	33.8	20.3
Current portion of long-term financial liabilities	1.4	0.6
Non-current financial liabilities (excl. provisions)	217.3	156.1
Total equity before minority interests	1,221.4	1,113.7
Total capitalization	**1,473.9**	**1,290.7**

IN € MILLION	Dec. 31, 2018	Dec. 31, 2017 adjusted
Current net financial liabilities	**-8.6**	**-6.4**
Short-term liabilities	35.2	20.9
plus liquid funds	-43.8	-27.3
Net financial debt	**208.7**	**149.7**
Current net financial liabilities	-8.6	-6.4
plus non-current financial liabilities	217.3	156.1

Financial risk factors

Due to the global scope of its operations, the Group is exposed to various financial risks, including foreign currency risks, credit risks, liquidity risks and interest rate risks. The comprehensive risk management policy of the Group is focused on the unpredictability of developments in financial markets and aims to minimize any potential negative impact on the Group's financial position. It is a general policy of the company to reduce these risks by systematic financial management. In particular, the Group employs selective derivative financial instruments to hedge against certain risks.

The Group finance department is responsible for risk management in accordance with the rules and guidelines approved by the Executive Board. It identifies, evaluates and hedges against financial risks in close cooperation with the operating units of the Group. The Executive Board sets guidelines for risk management as well as fixed policies for specific areas of risk. These include dealing with foreign currency risks, interest rate risks and credit risks.

The guidelines also specify how derivative and other financial instruments and liquidity surpluses are to be used.

Currency risks

Currency risks arise from expected future transactions, assets and liabilities reported in the balance sheet, as well as from net investments in a currency that diverges from the functional currency. Exchange risks are naturally hedged by offsetting receivables against payables in a given currency.

If the USD/EUR exchange rate increased or decreased by 5 percent, changes in the financial assets and liabilities reported in the balance sheet in US dollars would have the following impact on profit before tax and equity:

	2018	2017
USD currency trends as a %	+5.00/-5.00	+5.00/-5.00
Impact on profit before tax (EBT) in € K	1.5/-1.6	0.8/-1.1
Impact on equity in € K	-1.0/1.2	-1.6/1.6

Group profit was hardly affected by significant exchange rate fluctuations relevant to the international flow of goods due to natural currency hedging, primarily with regard to the euro/US dollar. In 2018, the average EUR/USD exchange rate was EUR 1 to USD 1.18 (2017: EUR 1 to USD 1.13).

The Group is also subject to currency risks from individual transactions resulting from purchases and sales executed by a Group member in a currency other than the functional currency.

Credit risks

The Group is not exposed to any material credit risks (default risks). Contracts for derivative financial instruments and financial transactions are concluded only with financial institutions with a high credit rating in order to keep the risk of default by the contracting party as low as possible. The book value of financial assets recognized in the Consolidated Financial Statements represents the maximum default risk. For further information on the book value of financial assets, refer to item 27 "Additional information on financial instruments" in these Notes.

Continued weakness on construction and financial markets in some countries may present certain Group customers with financial difficulties, possibly culminating in insolvency. This would lead to a rise in accounts receivable and a subsequent increased risk of default. The Group is counteracting the risk of changes in individual customers' payment patterns through its active accounts receivable management policy, partner "health checks" and tools such as credit hedging. These amount for EUR 509.0 million and reimburse approx. EUR 22.5 million of the nominal value in case of default.

Interest rate risks

Interest rate risks are caused by market fluctuations in interest rates. On the one hand, they impact the amount of interest payments for which the Group is liable. On the other hand, they influence the fair value of financial instruments.

The following balance sheet items include variable-interest cash and cash equivalents, and liabilities which are subject to interest rate risks.

IN € MILLION

	Dec. 31, 2018	Dec. 31, 2017 adjusted
Cash and cash equivalents	43.8	27.3
Long-term financial borrowings	217.3	156.1
Short-term financial borrowings	33.8	20.3
Current portion of long-term borrowings	1.4	0.6
	296.3	**204.3**

The following table shows how changes in interest rates that could be reasonably expected would impact the Group's earnings before tax based on the impact this would have on variable interest rate loans and balances.

The fixed-interest promissory note (Schuldschein) was not included when calculating the impact on earnings. For more information, see item 21 "Financial liabilities" in these Notes.

The effects on Group earnings before tax also reflect the impact on equity.

IN € MILLION

	2018	2017
Increase in interest rates of 0.2%	-0.4	-0.4
Decrease in interest rates of 0.2%	0.4	0.4

From the valuation of interest rate swap for hedging of variable part of Schuldscheindarlehen loan agreement in US dollars losses in the amount of EUR 0.4 million (2017: EUR 0.0 million) recognized directly in equity. If the 3 months US dollar LIBOR changes by +/- 0.5 percentage points, an additional effect of +/- EUR 0.7 million would result in other comprehensive income.

Liquidity risks

Liquidity risks involve the availability of funds needed to meet payment obligations on time. The company is assured of a supply of liquid funds at all times by the lines of credit it is not currently using. Liquidity is managed by the Group's treasury department via a Group-wide cash pool system. Refer to item 21 "Financial liabilities" in these Notes for further information, also on existing credit lines and financial covenants.

32 – Executive bodies

Executive Board

In the year under review, the Executive Board comprised the following three members:

- Martin Lehner, CEO, responsible for procurement, production, technology, quality, strategy, investor relations, corporate communication, sustainability, compliance, HR and legal matters
- Wilfried Trepels, responsible for finance, IT, auditing and real estate
- Alexander Greschner, responsible for sales, logistics, service and marketing

The members of the Executive Board do not have any additional Supervisory Board positions or seats on comparable supervisory committees for German or foreign commercial companies outside of the Wacker Neuson Group.

Supervisory Board

The following are members of the Supervisory Board of Wacker Neuson SE or were Supervisory Board members during the year under review:

- Johann Neunteufel, engineer, Chairman of the PIN Private Trust (PIN Privatstiftung), Linz, Austria; Chairman of the Supervisory Board
- Christian Kekelj, Chairman of the Central Works Council, Chairman of the Munich Works Council, Oberschleissheim, Germany
- Kurt Helletzgruber, Board member of the PIN PrivateTrust (PIN Privatstiftung), Linz, Austria
- Matthias Schüppen, attorney at law, auditor, tax advisor and partner at the Graf Kanitz, Schüppen & Partner law firm, Stuttgart, Germany
- Elvis Schwarzmair, Chairman of the Reichertshofen Works Council, Chairman of the Group Works Council and SE Works Council, Rohrbach, Germany
- Ralph Wacker, civil engineer and managing partner of wacker+mattner GmbH, Munich, Germany; Deputy Chairman of the Supervisory Board

In accordance with the Articles of Incorporation, the terms of office of the Supervisory Board members listed above will run until the close of the AGM that tables a resolution to formally approve the actions taken by Wacker Neuson SE in fiscal 2019. The terms may be no longer than six years.

The following members of the Supervisory Board have additional supervisory board positions or seats on comparable supervisory committees for German or foreign companies:

- Johann Neunteufel, Chairman of the Supervisory Board of Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz, Austria
- Matthias Schüppen, Chairman of the Supervisory Board of ACCERA AG, Mannheim, Germany

For information on the remuneration of the Executive Board and Supervisory Board, as well as remuneration of former Board members, refer to item 33 "Related party disclosures" in these Notes.

33 – Related party disclosures

For the Group, related party disclosures within the meaning of IAS 24 generally refers to shareholders and entities over which shareholders have control or significant influence (sister companies, members of the Executive Board and members of the Supervisory Board).

Key trade relations with related parties during the period under review were as follows:

IN € MILLION

	Current receivables due Dec. 31, 2018	Current payables due Dec. 31, 2018	Expenses for business transactions 2018	Income from business transactions 2018
Relations with shareholders	–	0.1	0.9	0.1
Relations with sister companies	0.1	0.2	1.1	0.2
Total	**0.1**	**0.3**	**2.0**	**0.3**

IN € MILLION

	Current receivables due Dec. 31, 2017	Current payables due Dec. 31, 2017	Expenses for business transactions 2017	Income from business transactions 2017
Relations with shareholders	–	–	0.6	0.7
Relations with sister companies	–	–	0.7	0.2
Total	**–**	**–**	**1.3**	**0.9**

Relations with shareholders resulted mainly from goods and services traded with a shareholder; namely Wacker Werke GmbH, a competence center for concrete compaction. The goods and services delivered to this shareholder were valued at EUR 0.1 million (2017: EUR 0.6 million). These were counterbalanced with goods and services received from the shareholder to the value of EUR 0.9 million (2017: EUR 0.7 million). The goods and services were traded under the terms customary in the market, as agreed with third parties.

Relations with sister companies and entities over which shareholders have control or significant influence result mainly from the delivery of products and services and from rental arrangements between affiliates and entities over which shareholders have control or significant influence. The goods and services were traded under the terms customary in the market, as agreed with third parties.

Total remuneration for the Executive Board in the fiscal year under review amounted to EUR 3.2 million (2017: EUR 4.7 million). The reference year 2017 includes one-off effects in the amount of EUR 0.4 million for reorganization of the Executive Board. Furthermore, post-employment benefits and termination benefits were paid to former Executive Board members in the amount of EUR 2.7 million as a one-off effect in fiscal 2017. Total remuneration for the Supervisory Board amounted to EUR 0.5 million (2017: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed in line with Section 286 (5) sentence 1, Section 314 (3) sentence 1 and Section 315a (1) HGB to refrain from itemizing this information in accordance with Section 285 no. 9a sentences 5-8 and Section 314 (1) no. 6a sentences 5-8 HGB in conjunction with Section 315a (1) HGB. At the closing date, short-term payables to the Executive Board were outstanding in the amount of EUR 2.0 million (2017: EUR 2.1 million), as well as other long-term payables in the amount of EUR 1.0 million (2017: EUR 0.5 million).

Retirement commitments were agreed upon for members of the Executive Board. The value of pension obligations at the end of the fiscal year amounted to EUR 7.1 million (2017: EUR 5.5 million). The increase in the present value of pension obligations (addition) amounted to EUR 1.6 million (2017: addition of EUR 1.0 million). The present value of pension obligations corresponds to obligations before netting with plan assets and before any possible actuarial gains or losses that have not yet been recognized. For more detailed information, refer to item 19 “Provisions for pensions and similar obligations” in these Notes.

Pension agreements are also in place for former members of the Executive Board. The value of these pension obligations at the end of the fiscal year came to EUR 34.5 million (2017: EUR 34.0 million). In the period under review, a total of EUR 1.1 million (2017: EUR 1.1 million) was paid to former Executive Board members.

34 – Auditor's fee

The fee for the auditor and associated companies is disclosed as an expense in fiscal 2018 and is broken down as follows:

IN € MILLION

	2018 Auditor and associated companies	2018 Of which auditor	2017 Auditor and associated companies	2017 Of which auditor
Auditing services	1.2	0.6	1.2	0.5
Other approval and assessment services	-	-	-	-
Tax consultation services	0.4	0.4	0.3	0.2
Other services	–	–	–	–

35 – Declaration regarding the German Corporate Governance Code

The Executive Board and Supervisory Board have issued a declaration stating which recommendations of the Government Commission on the German Corporate Governance Code have been and are being adopted. The declaration can be downloaded at any time from the Group website at → www.wackerneusongroup.com.

36 – Availing of exemption provisions according to Section 264 (3) and/or Section 264b HGB

The following fully consolidated domestic affiliates avail of the exemptions set down in Section 264 (3) HGB and/or Section 264b HGB for fiscal 2018:

Company Name	City
Kramer-Werke GmbH	Pfullendorf
Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf
Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen
Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich
Wacker Neuson Aftermarket & Services GmbH	Munich
Weidemann GmbH	Diemelsee-Flechtdorf
Wacker Neuson Immobilien GmbH	Überlingen

Munich, March 11, 2019

Wacker Neuson SE

The Executive Board

Martin Lehner
CEO

Wilfried Trepels
CFO

Alexander Greschner
CSO

Responsibility Statement by Management

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Wacker Neuson Group, and the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Wacker Neuson Group respectively the parent company Wacker Neuson SE, together with a description of the principal opportunities and risks associated with the expected development of the Wacker Neuson Group respectively the parent company Wacker Neuson SE.”

Munich, March 11, 2019

Wacker Neuson SE, Munich

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

Independent Auditor's Report

To Wacker Neuson SE

Report on the audit of the Consolidated Financial Statements and Group Management Report

Audit opinion

We have audited the Consolidated Financial Statements of Wacker Neuson SE, Munich, Germany, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from January 1, 2018 through December 31, 2018, the consolidated balance sheet as at December 31, 2018, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2018 through December 31, 2018, along with the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. We also audited the Group Management Report of Wacker Neuson SE, which has been consolidated with the Management Report of Wacker Neuson SE, for the fiscal year from January 1, 2018 through December 31, 2018.

In our opinion, based on the findings of our audit:

- The accompanying Consolidated Financial Statements comply in all material respects with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the additional requirements under German law pursuant to Section 315e (1) of the German Commercial Code (HGB). In accordance with these requirements, the Consolidated Financial Statements give a true and fair view of the net assets and financial position of the Group as at December 31, 2018, as well as of the results of its operations for the fiscal year from January 1, 2018 through December 31, 2018.

- The accompanying Group Management Report as a whole provides a suitable view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations regarding the Consolidated Financial Statements or the Group Management Report.

Basis for audit opinion

We conducted our audit of the Consolidated Financial Statements and Group Management Report in accordance with Section 317 HGB and with EU Regulation no. 537/2014 (hereinafter "EU Audit Regulation"), in compliance with the generally accepted German standards for the audit of financial statements promulgated by Germany's Institut der Wirtschaftsprüfer (Institute of Public Auditors; IDW). Our responsibilities under these regulations and standards are further described in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and Group Management Report" section of our auditor's report. We are independent of Group companies in accordance with European legislation and German commercial and professional regulations and we have fulfilled our other German auditing responsibilities in line with these requirements. Pursuant to Article 10 (2) (f) of the EU Audit Regulation, we additionally declare that we have provided no prohibited non-audit services under Article 5 (1), EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements and on the Group Management Report.

Key audit matters relating to the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the fiscal year from January 1, 2018 through December 31, 2018. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is a description of the key audit matters in our view:

1. Revenue recognition and deferral

Reasons for identification as key audit matter: The Group generates revenue from the sale of light and compact construction equipment, including used equipment, from equipment rentals within Europe and from the supply of spare parts and repair services. Distribution takes place either in the form of direct sales or through sales partners, in particular dealers, rental companies and strategic partners with whom cooperation agreements are established. Due to the wide range of products and diverse sales channels and service offerings, including a variety of guarantee periods, customer financing and customer bonus models, there is a risk of inaccurately recognized revenue in relation to the amount of sales revenue recorded and time of recognition. Sales revenue is also a key performance indicator. Against this backdrop, revenue recognition and deferral was one of the most significant matters within our audit.

Auditing procedure: We assessed whether the Group's accounting policies with regard to revenue recognition and deferral provide a suitable basis for preparing the Consolidated Financial Statements in compliance with IFRS principles. We examined the revenue recognition and deferral processes and tested the effectiveness of the implemented controls in terms of accurate revenue recognition and deferral. We performed analytical audit procedures, in particular a comparison of monthly sales revenue and gross margins with figures from the corresponding periods of the previous year. To assess revenue recognition and deferrals appropriate to the period under review, we compared sales revenues recorded during the year and at year-end with invoices and delivery documents on a sample basis. We have also reviewed the disclosures in the Notes to the Consolidated Financial Statements in line with IFRS 15 to verify that they are complete. Our audit procedures did not lead to any reservations regarding revenue recognition or deferral.

Reference to related information: With regard to the accounting and valuation principles applied to revenue recognition and deferral, we refer to the information provided within the Notes to the Consolidated Financial Statements in the section "Accounting and valuation methods – realization of revenue, income and expenses" as well as to item 1, "Revenue".

2. Recognition and measurement of uncertain tax positions

Reasons for identification as key audit matter: The recognition and measurement of uncertain tax positions was one of the most significant matters within our audit, as it requires a high degree of discretionary decisions, estimates and assumptions on the part of Management.

Auditing procedure: In collaboration with internal tax specialists, we examined the processes in place for identifying, recognizing and measuring the Group's tax positions. Within the scope of our audit procedures with regard to uncertain tax positions, we assessed whether Management's evaluation of the tax effects of significant business transactions that might result in uncertain tax positions or have an impact on the recognition and measurement of existing uncertain tax positions is in accordance with tax law and the applicable jurisdiction. In order to assess the recognition and measurement of uncertain tax positions, we also considered the opinions of external experts on individual matters. Our audit procedures did not lead to any reservations regarding the recognition and measurement of uncertain tax positions.

Reference to related information: With regard to the accounting and valuation principles applied to the recognition and measurement of uncertain tax positions, we refer to the information provided within the Notes to the Consolidated Financial Statements under "Accounting and valuation methods" in the section "Material discretionary decisions, estimates and assumptions", "Taxes on income and earnings", as well as to item 6, "Taxes on income" and item 23, "Other current liabilities".

Other information
The Supervisory Board is responsible for the Supervisory Board report. Management is otherwise responsible for the rest of the other information. The other information consists of the following elements intended for the Annual Report: "Figures at a glance", "To our shareholders", "Our share in 2018", declaration on corporate governance, corporate governance report, ten-year comparison, responsibility statement by Management and report by the Supervisory Board. We received a copy of this other information before issuing this audit report.

Our opinion on the Consolidated Financial Statements and on the Group Management Report does not cover the other information. Accordingly, we do not express an opinion or give any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information:

- Is materially inconsistent with the Consolidated Financial Statements, with the Group Management Report or with our knowledge obtained during the audit
- Otherwise appears to be materially misstated

Management and Supervisory Board responsibilities for the Consolidated Financial Statements and Group Management Report

Management is responsible for the preparation of the Consolidated Financial Statements in accordance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB in all material respects and for ensuring that the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Additionally, Management is responsible for the internal controls it has determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, Management is responsible for assessing the Group's ability to continue as a going concern. It also has a responsibility to disclose, as applicable, matters related to the Group's ability to continue as a going concern. It is Management's responsibility to apply the going concern basis of accounting unless Management intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Furthermore, Management is responsible for the preparation of a Group Management Report that as a whole provides a suitable view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Management is also responsible for the provisions and measures (systems) it has deemed necessary to enable the preparation of a Group Management Report in accordance with the applicable requirements under German law and to ensure sufficient appropriate evidence can be supplied for the statements contained in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and Group Management Report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, either due to fraud or error, and whether the Group Management Report as a whole provides a suitable view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements and with the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development; as well as to issue an auditor's report that includes our opinion on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and with the EU Audit Regulation, in compliance with the generally accepted German standards for the audit of financial statements promulgated by the IDW, will always detect a material misstatement if it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of the target audience taken on the basis of these Consolidated Financial Statements or Group Management Report.

We exercise due professional judgment and discretion, and maintain an appropriate level of professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement – whether due to fraud or error – in Consolidated Financial Statements and Group Management Report, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of the internal control system relevant to auditing the Consolidated Financial Statements and of the provisions and measures relevant to auditing the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's application of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and Group Management Report or, if such disclosures are inadequate, to modify our relevant audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and determine whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial accounting information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.

- Evaluate alignment between the Group Management Report and the Consolidated Financial Statements, as well as its compliance with legislation and its presentation of the Group's situation.

- Perform audit procedures in relation to the forward-looking statements expressed by Management in the Group Management Report. In particular, based on sufficient appropriate audit evidence, we trace the significant assumptions underlying the forward-looking statements by Management and evaluate the appropriate derivation of the forward-looking statements from these assumptions. However, we do not provide a separate audit opinion on the forward-looking statements or underlying assumptions. There remains a significant and unavoidable risk that future events may differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant requirements regarding independence, and discuss with them all relationships and other matters that may reasonably be thought have an impact on our independence, along with any related safeguards in this respect.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in auditing the Consolidated Financial Statements for the current reporting period and therefore constitute key audit matters. We describe these matters in our auditor's report unless laws or other regulations preclude public disclosure of the matter in question.

Other legal and regulatory requirements

Further disclosures under Article 10, EU Audit Regulation
We were elected as the official auditor of the Group by the Annual General Meeting on May 30, 2018. We were appointed by the Supervisory Board on May 30, 2018. We have been engaged as the official auditor for Wacker Neuson SE and the Group since fiscal 2012 without interruption.

We declare that the opinions contained in this auditor's report are consistent with the additional report to the Audit Committee under Article 11, EU Audit Regulation (auditor's report).

In addition to auditing the financial statements for the Group companies, we performed the following services not disclosed in the Consolidated Financial Statements or Group Management Report: voluntary auditing of financial statements as well as other confirmation services in connection with the review of the non-financial Group statement.

Responsible auditor

The public auditor responsible for this audit is Peter von Wachter.

Munich, March 11, 2019

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Keller	von Wachter
Wirtschaftsprüfer (Public Auditor)	Wirtschaftsprüfer (Public Auditor)

Technical Glossary

C

Compact equipment
Group's strategic business segment. Compact equipment covers machinery weighing up to 15 tons, particularly wheel loaders and telescopic wheel loaders, skid-steer loaders, four-wheel and track dumpers, telescopic handlers as well as mobile and compact excavators.

Compaction
Group's business field in the light equipment segment. Equipment in this field is used for compacting soil and asphalt during the construction of trenches, roads, paths, foundations and industrial buildings. It includes products such as rammers, vibratory plates and rollers.

Concrete technology
Group's business field in the light equipment segment. The equipment is used to compact concrete when laying concrete walls, ceilings and floors and includes internal and external vibrators as well as trowels for applying a smooth finish to concrete surfaces.

D

dual power
This dual drive system for compact excavators enables conventional diesel-powered excavators to be operated in zero-emissions mode simply by connecting an external electro-hydraulic unit to the excavator's undercarriage.

Dumpers
Track- or wheel-based machines in the compact equipment segment primarily used for transporting backfill material.

E

ECO
Seal awarded by Wacker Neuson to products and solutions that are particularly environmentally friendly (ECOlogy) and cost efficient (ECOnomy).

H

Heavy equipment
Large construction machinery defined by the company as having a total weight of over fifteen tons, typically transported to construction sites for specific projects and operated by specially trained users.

Hoftrac®
Compact wheel loaders made primarily for stable/barn and yard work in the agricultural sector. Their compact footprint makes them highly maneuverable and ideal for indoor work. Hoftrac® loaders are significantly narrower and more compact than conventional wheel loaders and have a smaller turning radius.

Hydronic heaters
Mobile heating equipment to thaw frozen ground, heat buildings and cure concrete at sub-zero conditions, making construction work less dependent on weather conditions (for example in regions with long winters such as Canada, Alaska, Russia and Scandinavia).

I

Internal vibrators
Used for concrete compaction, mainly on construction sites. These vibrators comprise eccentric weights driven by an electrical motor, which are encased in a water-tight steel tube so that they can be submerged in fresh concrete.

L

Light equipment
Group's strategic business segment. It covers predominantly handheld, remote control or ride-on equipment weighing up to 3 tons in the strategic business fields of concrete technology, compaction and worksite technology.

R

Rammers
First developed in the 1930s by the Wacker Neuson, this pioneering product is used in soil and asphalt compaction, particularly in small spaces and even narrow trenches.

S

Skid steer loaders
Small loaders with four wheel drive steering or rubber tracks. They offer excellent maneuverability thanks to their skid steering system. They can also be equipped with a wide range of attachments, making them a flexible option for a wide range of jobs.

S

Skid steer loaders
Small loaders with four wheel drive steering or rubber tracks. They offer excellent maneuverability thanks to their skid steering system. They can also be equipped with a wide range of attachments, making them a flexible option for a wide range of jobs.

T

Telescopic handlers
Like wheel loaders, these compact machines are ideal for the construction and agricultural sectors. Telescopic handlers, however, feature a detached cabin and support very high lifting heights despite their compact dimensions. The telescopic arm on the tail provides these machines with a strong lever effect.

Trowels
Trowels are used to smooth concrete surfaces, in particular freshly poured concrete, for example, in industrial buildings.

V

Vibratory plate
Soil and asphalt compaction devices, mainly used to precompact foundation soil and compact paving stones. They travel forwards and backwards, and can also be equipped with remote control technology.

W

Wheel loaders
Articulated and all-wheel drive wheel loaders are extreme versatile machines. Thanks to a broad range of attachments and technologies, they are the perfect choice for a host of jobs, including transporting and stacking material.

Worksite technology
Group’s business field in the light equipment segment. Equipment in this field is used for compacting soil and asphalt during the construction of trenches, roads, paths, foundations and industrial buildings. It includes products such as rammers, vibratory plates and rollers.

Z

Zero emission
A range of electrically powered light and compact equipment ideal in particular for use on indoor construction sites and in areas sensitive to noise and emissions – such as residential zones, schools or hospitals. Zero emission products are particularly effective at protecting both users and the environment.

Zero-tail excavators
The housing of zero-tail excavators does not protrude over the tracks when the superstructure rotates (360°). Zero-tail excavators can be used directly next to walls as they will not cause any damage when rotating.

Financial Glossary

C

Capital employed
Invested capital: Capital employed represents the interest-bearing capital tied up in and required by the Group to function.

Cash flow
Refers to a company's ability to finance itself, calculated by the excess of cash revenues over cash outlays in a given period of time (not including non-cash expenses/income).

Cash flow from financing activities
Cash balance resulting from changes to financial liabilities, the issue of shares, cash inflow from disposal of treasury shares/cash outflow from the acquisition of treasury shares and dividend payments.

Cash flow from investment activities
Cash balance resulting from the acquisition of financial, tangible or intangible assets and the disposal of financial, tangible or intangible assets.

Cash flow from operating activities
Cash flow generated from operating activities.

Corporate governance
Sound and responsible management and control of a company with the aim of creating long-term value.

D

Deferred taxes
Differences between the tax base and the carrying amounts in the IFRS accounts in order to disclose tax expense and tax entitlement (actual and deferred) according to IFRS.

Derivatives
Financial instruments, such as futures and options, that derive their value from the value of other financial instruments or an underlying asset.

Discounted cash flow (DCF) method
Valuation method used to estimate the market value by discounting a company's future cash flows to their present value.

E

EBIT (margin)
The earnings (profit) before interest and taxes (EBIT) margin is the ratio of EBIT to revenue.

EBITDA (margin)
Earnings (profit) before interest, taxes, depreciation and amortization (EBITDA) indicate a company's operational profitability. The EBITDA margin is the ratio of EBITDA to revenue.

EBT
Earnings (profit) before taxes.

Equity ratio
Ratio of equity before minority interests to total capital; indicates the financial stability of a company.

Earnings per share (EPS)
EPS is defined as Group net profit for the year divided by the number of shares.

F

Free cash flow
Free cash flow refers to the amount of cash readily available to a company.

G

Gearing
Net financial debt as a percentage of equity.

Goodwill
When a company purchases another company for a price that is higher than the fair value (book value) of all assets and liabilities, the difference is recorded as goodwill.

Gross profit margin
Gross profit margin is a measure of operational efficiency, expressing the relationship between gross profit and sales revenue or the percentage by which sales exceed cost of sales.

H

Hedge
Provides protection against risks arising from unfavorable exchange rate fluctuations and changes to raw materials and other prices.

I

Impairment test
Intangible assets are subject to an annual impairment test. This involves comparing the book value with the fair value less costs to sell. The fair value less costs to sell is calculated using the discounted cash flow method. Future cash flows are discounted to the respective reporting date. The asset is deemed impaired if the fair value less costs to sell is lower than the carry value.

IFRS (IAS)
Internationally recognized and applied accounting standards devised by the International Accounting Standards Board (IASB) in an effort to harmonize accounting standards and principles worldwide.

K

Key Performance Indicators (KPI)
KPIs are used to define company targets and measure the extent to which a company is achieving its goals.

N

Net working capital
The difference between a company's current (i.e. within a year) liquid assets and current liabilities. It is thus the part of current assets that is not reserved to meet short-term borrowings and can therefore be used in procurement, production and sales processes.
Net working capital = total inventory plus trade receivables minus trade payables.

Net working capital to revenue
Return on capital employed to generate revenue.
(Average) net working capital to revenue = relationship between (average) net working capital and revenue.
The average is calculated by adding the opening and closing balances, and dividing this figure by two.

NOPLAT
Net operating profit less adjusted taxes (NOPLAT) refers to earnings before interest and taxes (EBIT) minus adjusted taxes. NOPLAT shows the annual profit a company would achieve if it were financed purely from equity.
NOPLAT = EBIT less (EBIT x corporate tax ratio)

P

Peer group
Companies active in the same or similar branch or industry.

Promissory note (Schuldschein)
Promissory notes (Schuldschein) are bilateral loan agreements unique to the German market. They represent a source of capital market financing similar to bond or syndicated loan financing for issuers with long-term funding needs. Promissory notes (Schuldschein) are typically senior unsecured instruments that pay a fixed or a variable coupon. Unlike bonds, Promissory notes (Schuldschein) are not securities but bilateral, unregistered, (usually) unrated and unlisted loan agreements sold directly to institutional investors. Promissory notes (Schuldschein) are not exchange traded.

R

Return on sales (ROS)
The ratio between profit for the period after minority interests and revenue.

ROCE I (Return on Capital Employed)
ROCE I indicates the efficiency and profit generating ability of capital expenditure (before tax) within a company.
ROCE I = EBIT ratio in relation to average capital employed as a %

ROCE II (Return on Capital Employed)
ROCE II shows how much return a company realizes on the capital it invests after tax.
ROCE II = NOPLAT in relation to average capital employed as a %

S

Swap
An agreement between two parties to exchange cash flows at a future point in time. The agreement also defines how the payments are calculated and when they are to be made.

10-Year Comparison

IN € MILLION

	2018	2017	2016	2015	2014	2013
Revenue	1,706.5	1,533.9	1,361.4	1,375.3	1,284.3	1,159.5
Revenue Europe	1,248.9	1,129.8	1,020.7	979.3	921.7	826.2
Revenue Americas	397.8	357.5	291.9	348.5	323.7	297.2
Revenue Asia-Pacific	59.8	46.6	48.9	47.5	38.9	36.1
EBITDA	236.8	207.2	158.1	170.1	190.5	153.4
Depreciation and amortization[1]	40.5	43.2	40.7	38.8	34.2	34.2
Of which one-off impairment write-ups/write-downs from impairment	–	–	–	–	–	–
EBIT[2]	159.7	131.4	88.8	102.4	130.4	94.7
EBT[3]	203.0	125.4	81.4	97.5	130.1	88.0
Net Profit	144.6	87.5	57.2	66.7	92.1	61.5
Number of employees[4]	6,190	5,546	5,181	5,005	4,990	4,438
R&D ratio (incl. capitalized expenses) as a %	3.2	3.2	3.5	3.2	3.2	3.1
Share						
Earnings per share in €	2.06	1.25	0.81	0.94	1.30	0.87
Dividends per share in € (in brackets: special dividend)[5]	0.60 (0.50)	0.60	0.50	0.50	0.50	0.40
Book value at Dec. 31 in €	17.41	15.88	15.50	15.17	14.42	13.34
Closing price at Dec. 31 in €	16.52	30.08	15.42	14.23	16.96	11.49
Market capitalization at Dec. 31	1,158.7	2,109.5	1,081.6	998.1	1,189.2	805.6
Key profit figures						
Gross profit margin as a %[6]	27.8	28.5	27.6	28.0	29.7	30.4
EBITDA margin as a %	13.9	13.5	11.6	12.4	14.8	13.2
EBIT margin as a %	9.4	8.6	6.5	7.4	10.2	8.2
Net return on sales (ROS) as a %	8.5	5.7	4.2	4.8	7.2	5.3
Key figures from the balance sheet						
Balance sheet total	1,914.2	1,621.7	1,580.8	1,552.2	1,447.6	1,322.4
Equity	1,221.4	1,113.7	1,092.5	1,069.1	1,016.2	939.3
Equity ratio as a %	63.8	68.7	69.1	68.9	70.2	71.0
Net financial debt	208.7	149.7	205.8	199.1	179.5	177.2
Net financial debt/EBITDA	0.9	0.7	1.3	1.2	0.9	1.2
Gearing as a %	17.1	13.4	18.8	18.6	17.7	18.9
Net Working capital	643.9	535.8	569.3	574.5	532.1	453.1
Net working capital as a % of revenue	37.7	34.9	41.8	41.8	41.4	39.1
Capital Employed	1,428.9	1,302.5	1,355.6	1,330.5	1,249.2	852.7
ROCE I as a %	11.2	10.1	6.6	7.7	10.4	11.1
ROCE II as a %	8.0	7.0	4.6	5.3	7.4	7.8
Cash flow						
Cash flow from operating activities	-18.1	138.0	79.4	78.5	63.5	85.4
Cash flow from investment activities	15.2	-39.0	-44.0	-54.8	-36.0	-23.8
Investments[1]	73.3	47.4	48.5	60.0	41.0	34.7
Free cash flow	-2.9	99.0	35.4	23.7	27.5	61.6

[1] Based on property, plant and equipment and intangible assets. Since 2013, the Group's own rental equipment is not included here.
[2] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017 (previously recognized under
[3] 2018: Includes a one-off profit of EUR 54.8 million from the sale of a real estate company belonging to the Group.
[4] Since 2012 incl. temporary workers.
[5] At the AGM on May 29, 2019, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2018 as well as an additional special dividend in the amount of EUR 0.50 per share in
[6] Since 2010, expenses for service technicians are reported in the income statement under cost of sales (instead of sales and service expenses).

2012	2011	2010	2009
1,091.7	991.6	757.9	597.0
776.4	723.9	558.6	465.7
276.2	231.0	168.1	103.1
39.1	36.7	31.2	28.2
141.7	162.6	77.8	27.2
56.8	38.8	41.1	140.3
-0.8	10.8	–	-100.3
84.9	123.8	36.7	-113.1
77.8	120.3	32.7	-115.6
54.7	86.4	24.6	-109.9
4,342	3,514	3,142	3,059
3.1	3.1	3.3	4.0
0.77	1.22	0.34	-1.57
0.30	0.50	0.17	–
13.04	12.84	11.84	11.25
10.35	9.55	13.00	8.20
725.9	669.8	911.8	575.1
30.4	32.6	31.6	30.8
13.0	16.4	10.3	4.6
7.8	12.5	4.8	-18.9
5.0	8.7	3.2	-18.4
1,344.8	1,214.3	1,030.2	971.7
918.2	904.0	833.0	791.5
68.3	74.4	80.9	81.5
214.2	90.4	13.7	-24.9
1.5	0.6	0.2	-0.9
23.3	10.0	1.6	-3.1
456.8	370.5	269.3	217.9
41.8	37.4	35.5	36.5
866.1	721.1	572.8	489.8
9.8	17.2	6.4	-2.4
7.6	12.5	5.2	-1.9
13.6	43.6	44.9	138.3
-99.9	-105.5	-85.2	-38.1
104.0	114.0	85.0	43.4
-86.3	-61.9	-38.8	100.6

cost of sales as well as other income/expenses). Values since 2014 are adjusted.

connection with the sale of a Group real estate company.

Publishing Details/ Financial Calendar

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Financial Calendar

March 14, 2019	Publication of Annual Report 2018, Press conference on financial results, Munich
May 7, 2019	Publication of Q1 report 2019
May 29, 2019	AGM, Munich
August 6, 2019	Publication of half-year report 2019
November 7, 2019	Publication of Q3 report 2019

Disclaimer

This report contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of Wacker Neuson SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside the Company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. The Company neither plans nor undertakes to update any forward-looking statements.

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