Wacker Neuson Group

# H1/2023
# Half-year Report

# Figures at a glance

APRIL 1 THROUGH JUNE 30 AND JANUARY 1 THROUGH JUNE 30

IN € MILLION

| | Q2/23 | Q2/22 | Δ | H1/23 | H1/22 | Δ |
|---|---|---|---|---|---|---|
| **Key figures** | | | | | | |
| Revenue | 698.7 | 550.9 | 27% | 1,365.9 | 1,072.5 | 27% |
| by region | | | | | | |
| Europe | 519.5 | 414.7 | 25% | 1,023.5 | 826.3 | 24% |
| Americas | 158.1 | 112.0 | 41% | 300.7 | 202.8 | 48% |
| Asia-Pacific | 21.1 | 24.2 | -13% | 41.7 | 43.4 | -4% |
| by business segment[1] | | | | | | |
| Light equipment | 150.9 | 132.9 | 14% | 286.5 | 242.9 | 18% |
| Compact equipment | 434.7 | 313.1 | 39% | 850.8 | 618.8 | 37% |
| Services | 117.9 | 108.5 | 9% | 237.6 | 216.9 | 10% |
| EBITDA | 123.7 | 77.5 | 60% | 243.6 | 145.3 | 68% |
| Depreciation and amortization | 34.8 | 29.1 | 20% | 66.9 | 57.8 | 16% |
| EBIT | 88.9 | 48.4 | 84% | 176.7 | 87.5 | 102% |
| EBT | 87.7 | 51.1 | 72% | 172.9 | 90.2 | 92% |
| Profit for the period | 63.6 | 37.5 | 70% | 126.0 | 66.1 | 91% |
| R&D ratio (incl. capitalized expenses) as a % | 3.3 | 3.5 | -0.2PP | 3.3 | 3.6 | -0.3PP |
| | | | | | | |
| **Share** | | | | | | |
| Earnings per share in € | 0.94 | 0.55 | 71% | 1.85 | 0.97 | 91% |
| Dividends per share in €[2] | 1.00 | 0.90 | 11% | 1.00 | 0.90 | 11% |
| | | | | | | |
| **Key profit figures** | | | | | | |
| Gross profit margin as a % | 25.4 | 23.7 | 1.7PP | 25.2 | 23.4 | 1.8PP |
| EBITDA margin as a % | 17.7 | 14.1 | -2.3PP | 17.8 | 13.5 | 4.3PP |
| EBIT margin as a % | 12.7 | 8.8 | 3.9PP | 12.9 | 8.2 | 4.7PP |
| EBT margin as a % | 12.6 | 9.3 | 3.3PP | 12.7 | 8.4 | 4.3PP |
| | | | | | | |
| **Cash flow** | | | | | | |
| Cash flow from operating activities | 22.4 | -11.6 | 293% | 14.6 | -65.7 | 122% |
| Cash flow from investment activities[2] | -35.8 | 56.2 | -164% | -45.1 | 71.9 | -163% |
| Investments (property, plant and equipment, intangible assets) | 35.6 | 24.2 | 47% | 69.2 | 40.8 | 70% |
| Free cash flow[3] | -13.4 | 44.6 | -130% | -30.5 | 6.2 | -592% |
| Cash flow from financing activities | 10.2 | -85.0 | 112% | 7.6 | -237.0 | 103% |

| | Jun. 30, 2023 | Dec. 31, 2022 | Δ | Jun. 30, 2023 | Jun. 30, 2022 | Δ |
|---|---|---|---|---|---|---|
| **Key figures from the balance sheet** | | | | | | |
| Equity | 1,444.0 | 1,394.5 | 4% | 1,444.0 | 1,318.5 | 10% |
| Equity ratio as a % | 55.5 | 60.0 | -4.5PP | 55.5 | 59.3 | -3.8PP |
| Net financial debt | 352.9 | 234.5 | 50% | 352.9 | 211.1 | 67% |
| Gearing as a % | 24.4 | 16.8 | 7.6PP | 24.4 | 16.0 | 8.4PP |
| Net working capital | 883.6 | 718.9 | 23% | 883.6 | 673.9 | 31% |
| Net working capital as a % of annualized revenue for the quarter | 31.6 | 29.4 | 18.4PP | 31.6 | 30.6 | 1.0PP |
| Number of employees[4] | 6,608 | 6,301 | 5% | 6,608 | 5,803 | 14% |

1 Consolidated revenue before cash discounts.
2 Includes cash inflow from financial investments in the amount of EUR 130.0 million in H1/2022.
3 After inflows of EUR 130.0 million in H1/2022.
4 By number of jobs, the number of employees was converted to full-time equivalents. Excluding temporary employees. Published value in the 2022 half-year report including temporary employees: 6,329 as of June 30, 2022.

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.

# Content



Definitions and calculation methods of key figures and other terms used are described in more detail in the Annual Report 2022 starting on page 151.
In some cases, due to rounding differences, the totals of individual values may not exactly match the totals given. Similarly, the addition of percentages may not add up exactly to 100.0 percent. There may also be minor discrepancies between the figures in the Notes and those in the Management Report.


| **Felix Bietenbeck** | **Dr. Karl Tragl** | **Christoph Burkhard** | **Alexander Greschner** |
|---|---|---|---|
| Chief Operations Officer (COO)<br>Chief Technology Officer (CTO) | Chairman of the<br>Executive Board<br>Chief Executive Officer (CEO) | Chief Financial Officer (CFO) | Chief Sales Officer (CSO) |

## Ladies and Gentlemen,

the major political and global economic issues of 2022 have continued to dominate all our lives in the first half of the current year. The Ukraine war, strained supply chains, energy and commodity price developments, the interest rate environment and inflation in general are affecting our everyday business and private lives in many ways.

The best way to master challenging times like these is to focus on the essentials while remembering your roots. At Wacker Neuson, we can be proud this year to look back on 175 years of corporate history. On May 14, 1848, a foundation stone was laid for the Wacker Neuson Group. On this day, Johann Christian Wacker opened a blacksmith's workshop in Dresden. In the years and decades that followed, the company repeatedly revolutionized the construction and agricultural industries with numerous developments and solutions - and continues to do so today. Innovation has always been an integral part of our company's DNA and will remain so in the future.

But in 175 years, there have not only been successes to celebrate, but also a multitude of challenges to overcome. From political upheavals to wars, from economic recessions to depression. Over the decades, Wacker Neuson has systematically diversified its product portfolio and established a broad base of subsidiaries around the globe. As a result, we have repeatedly succeeded in over-coming crises and emerging from them stronger than before.

Also in the current environment, we are increasingly succeeding in coping with the numerous imponderables in our day-to-day business. Since the growth dip of the pandemic years, we are once again generating convincing growth quarter after quarter and increasing our efficiency. Compared to the previous year, we increased our revenue in the first half of 2023 by 27 percent to EUR 1,366 million. Our earnings before interest and taxes (EBIT) doubled to EUR 177 million in the same period against the backdrop of implemented price adjustments and efficiency enhancement measures, corresponding to an EBIT margin of 12.9 percent. At this point, however, it should also be pointed out once again that we achieved an extraordinary earnings effect of around EUR 15 million from the sale of non-current assets no longer required for operations, which was completed in January and had a positive impact on our EBIT.

Against the background of the positive business performance, we raised our guidance for the full year a few weeks ago - on July 13. Accordingly, we now expect revenue of between EUR 2,500 and 2,700 million, instead of between EUR 2,300 and 2,500 million as previously. We now expect EBIT margin to be in the range of 10.0 to 11.0 percent, having previously assumed a range of 9.5 to 10.5

percent. For capital expenditures, we now calculate EUR 140 million instead of EUR 120 million as previously. At the time of publication of our original forecast at the end of March, we still had to assume an increased risk of a significant deterioration in the economic environment for the second half of 2023. We came to this conclusion essentially on the basis of publications by leading economic institutes, even though at the same time the fundamental prospects for our company were to be assessed as consistently positive. It is true that the general economic situation for the remainder of the second half of 2023 can still be classified as difficult to predict and is subject to significant risk potential. Nevertheless, we are convinced that 2023 will be a successful year for Wacker Neuson despite a potentially more subdued economic development in the coming months.

And to ensure that this succeeds, our team of highly motivated and skilled employees makes sure of it. We would therefore like to take this opportunity to thank our entire team for the great work they do every day at Wacker Neuson. And of course, we would also like to thank you, our shareholders and business partners, for the trust you have placed in us. You are an important part of our team as well and we would be delighted to have you at our side in the future.

Best regards,

**The Executive Board team of Wacker Neuson SE**

# Interim Group Management Report 1st Half Year 2023

## Market and environment

**Development of the global economy**
The current global economic situation continues to be characterized by great uncertainty and instability, even though the markets are slowly recovering from the severe shocks of the Covid 19 pandemic and the ongoing war in Ukraine, and stable growth was initially assumed at the beginning of the reporting year. The leading economic research institutes see high risks in particular in high private and public debt levels in the economies, ongoing geopolitical tensions in the wake of the war in Ukraine, and due to monetary policy measures to curb inflation. Increasing geo-economic fragmentation poses further risks such as trade tensions, production losses, less direct investment and slowed innovation activities. Global economic growth is thus expected to slow further in the current fiscal year amid rising financial risks.[1] All key growth drivers including productivity, trade, labor and investment growth will weaken further, according to experts.[2]

Global supply chain difficulties are gradually fading and war-related distortions on the energy and food markets are easing. However, considerable price increases and a tightening of the inflation situation on the markets forced countries to take monetary policy measures in the form of interest rate hikes. As a result, the situation on the financial markets in particular remains tense and market participants are faced with more difficult financing conditions for investment and innovation. Financial institutions with high leverage and credit and interest rate risks are also struggling with the consequences. Downside risks remain, especially in financially weak developing and emerging economies. Despite the measures, the global inflation rate is falling more slowly than expected and 7.0 percent is forecast for the current fiscal year - compared with 8.7 percent in 2022. Experts see this as being due, among other things, to the shortage of skilled workers and the price pressures prevailing on the labor markets in some economies.[3]

The International Monetary Fund (IMF) estimates global economic growth for the current fiscal year 2023 at 2.8 percent (2022: 3.4 percent). For the industrialized countries, particularly the euro zone and the United Kingdom, the IMF forecasts slower growth of 1.3 percent (2022: 2.7 percent), which has thus fallen by more than half compared with the previous period and lags far behind the global average. This is expected to be accompanied by rising unemployment in these countries. Following low growth of 1.8 percent in the previous year, the IMF expects the German economy to contract slightly by -0.1 percent in 2023, and the United Kingdom by -0.3 percent. Growth in the US market is also predicted to decline by 1.6 percent (2022: 2.1 percent). In the emerging and developing countries, the IMF expects growth to remain almost unchanged at 3.9 percent (2022: 4.0 percent), with strong regional fluctuations. The largest growth markets were China (+5.2 percent), in particular due to the elimination of pandemic-related restrictions, and India (+5.9 percent).[4] The World Bank, on the other hand, expects the global economy to grow by a lower rate of 2.1 percent in the current fiscal year (2022: 3.1 percent) and the industrialized countries by 0.7 percent (2022: 2.6 percent). According to the World Bank, high growth rates of 4.0 percent (2022: 3.7 percent) are also expected for the emerging and developing countries, particularly for the markets of India (+6.3 percent) and China (+5.6 percent).[5]

Both the IMF and the World Bank argue that regulators and supervisors should take action to create global financial stability to intercept downward trends in a timely manner and minimize risks. Fiscal policy measures should be announced early to avoid adverse spillover effects in global financial markets. The risk of geo-economic fragmentation should also be further contained and joint steps taken to strengthen multilateral cooperation; not least to jointly tackle climate change, in terms of global pandemic preparedness and poverty reduction. In order to strengthen global economic growth in the long term, productivity-enhancing investments must be promoted, health systems strengthened, and policies that promote investment in digital technology and climate-related projects adopted.[6]

**Development of the construction machinery industry**
According to the latest data from the German Engineering Federation (VDMA)[7] , the global market situation in the first quarter of 2023 varied greatly from region to region. Globally, construction equipment sales fell by 2 percent compared to the previous year, driven in particular by the 48 percent slump in sales in China. The key markets for Wacker Neuson, North America and Europe, recorded year-on-year growth of 29 and 13 percent respectively, while sales figures in the German market rose by 12 percent. The highest growth rates were achieved in Africa (+58 percent) and the Middle East (+44 percent). The Indian market grew by 11 percent, whereas Latin America saw a 14 percent decline in sales in the first quarter of 2023.

According to statements by the industry association CECE[8] , the European construction equipment market developed relatively robustly in the first quarter, with a slight decline in sales of 0.5 percent, due to improved machine availability and the high order backlog within the industry. However, with considerable regional differences. In the three strongest markets in terms of sales, reflecting more than half of the European market volume, only Germany and the UK achieved positive growth rates, in contrast to France.

[1] Source: IMF, April 2023, World economic outlook; World Bank, June 2023, Global Economic Prospects.
[2] Source: World Bank, June 2023, Global Economic Prospects
[3] Source: IMF, April 2023, World economic outlook
[4] Source: IMF, April 2023, World economic outlook
[5] Source: World Bank, June 2023, Global Economic Prospects
[6] Source: IMF, April 2023, World economic outlook; World Bank, June 2023, Global Economic Prospects.
[7] Source: VDMA, June 2023, Economic Situation, Construction Equipment and Building Material Machinery
[8] Source: Committee For European Construction Equipment, May 2023, Quarterly Economic Bulletin, Brussels

In Southern Europe, Spain continued its growth trend, while the Italian market stagnated; Turkey almost doubled its sales figures. The Central and Eastern European countries, Russia, and the Nordic countries recorded significant declines in demand compared with the prior-year period.

At the end of the second quarter, the business climate in the European construction equipment sector reached a new low since fall 2022, according to data from the CECE, although the index is still in positive territory. Production capacity utilization has also declined in recent months and is now at a near-normal level in the second quarter.[1]

The market research institute Off-Highway Research[2] also anticipates a 7 percent decline in global sales figures for the current fiscal year, influenced primarily by weak sales figures on the Chinese market. In 2022, with existing supply chain difficulties in the global construction equipment market excluding China, a 7 percent increase in sales figures was still recorded. In China, however, sales slumped 39 percent in the previous year due to pandemic restrictions, payment defaults and setbacks in residential construction. However, despite the global economic slowdown, full order books mean that high sales volumes are still expected in the current fiscal year - with North America as the region with the highest sales.

**Development of the agricultural machinery industry**
The business climate index of the Confederation of European Agricultural Machinery Industries (CEMA)[3] reached its lowest level since its crash in June 2020 as a result of the COVID-19 pandemic at the end of the first half of the year. While there was a clear upward trend at the end of FY2022 with expected order growth and a recovery from the aftermath of the Ukraine war, the index fell from +30 points at the beginning of the year to +1 point in June, just barely in positive territory. In February, the index had peaked (+36 points) on the back of a positive order outlook and a marked easing on the supply side; supply bottlenecks were reflected in the all-time high for production duration at 6.9 months. At the beginning of the year, low inventories of new and used machinery were still below optimum levels in many European markets; these filled up visibly during the period under review, particularly in Poland and France. From March onwards, the business situation was continuously assessed less favorably due to expected declines in orders. According to CEMA, a flattening of momentum was observed above all in the major markets of France, Germany, Italy, Spain and Poland. Order backlogs reached their maximum and the production period decreased to 5.5 months.

## Latest developments in the first half of the year

**Annual General Meeting 2023**
On May 26, 2023, the Annual General Meeting of Wacker Neuson SE was held for the first time again as an attendance event, having been held in previous years as a purely virtual event without the physical presence of shareholders and their proxies (with the exception of the company's proxies) as part of pandemic legislation.

In total - similar to the previous year - votes were cast for around 82 percent of the capital stock. The shareholders approved the proposal of the Executive Board and Supervisory Board to increase the dividend for the past fiscal year to EUR 1.00 per dividend-bearing share.

The Annual General Meeting also ratified the actions of the Executive Board and Supervisory Board and approved the compensation report for fiscal 2022. Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich, was confirmed as auditor of the financial statements and consolidated financial statements for fiscal 2022. In addition, two amendments to the Articles of Association were adopted with reference to holding the Annual General Meetings in virtual form in the future.

**Publication of the "Strategy 2030"**
In mid-June 2023, the Wacker Neuson Group publicly unveiled its new corporate strategy. In this "Strategy 2030", the company expects to continue on its growth path of recent years and significantly increase revenue and earnings in the long term. Group revenue is expected to grow to EUR 4 billion by 2030, up from EUR 2.25 billion in fiscal 2022. In parallel, the EBIT margin is set to rise from 9.0 percent in 2022 to sustainably over 11 percent in the coming years. The targeted net working capital ratio of less than 30 percent strikes the right balance between operational resilience, taking into account difficult global supply chains, and generating free cash flow for sustainable growth.

The prospective expansion of Group revenue to EUR 4 billion is based on current market scenarios and a compound annual growth rate (CAGR) of 8 percent, which corresponds to the average growth of the company in recent years. Only organic growth drivers were included in the strategic scenarios. However, the company sees itself as well positioned for attractive acquisition opportunities in the coming years and will take advantage of these at any time.

The outlined increase in EBIT margin to over 11 percent is based, among other things, on the successful continuation of efficiency measures that have already led to a noticeable improvement in earnings margins in recent quarters. Accordingly, the aim is to be able to establish the EBIT margin level of 11 percent before 2030.

[1] Source: Committee For European Construction Equipment, Business Barometer June 2023, Brussels
[2] Source: Off-Highway Research, April 2023, Global Construction Equipment Markets
[3] Source: CEMA, Monthly "Business Barometer" December 2022 - June 2023. Index Scale: -100 to +100

THE "HOUSE OF STRATEGY" PROVIDES A FRAMEWORK FOR THE "STRATEGY 2030".


To structure the individual steps in the implementation of the new corporate strategy, it is based on ten strategic levers. They describe milestones of the growth prospects resulting from the market position, the innovative product portfolio, regional expansion opportunities, digitization and efficiency gains, but also from aspects of sustainability and the retention and further development of employees.

These ten levers of organic growth in the coming years include, for example, expanding the market position as a leading company in soil and concrete compaction (Light Equipment). By 2025, the main aim is to further expand market share in rammers, plates and trench rollers as well as in concrete compaction with internal and external vibrators. To achieve this, the Wacker Neuson Group is focusing on organic growth initiatives, the launch of new products, growth in the spare parts market, reducing production costs and gaining special customer benefits by aiming to establish a common standard for batteries in construction site operations with other major manufacturers ("Battery ONE").

Another lever is the "zero emission" product range, where the Wacker Neuson Group aims to expand its pioneering role in the development of zero-emission construction equipment to a triple-digit million figure by 2025. Furthermore, revenue generated by the Aftermarket & Services segment is set to increase significantly. In this context, growth in the spare parts and services business is expected to help boost the Group's overall profitability.

This improved penetration of the aftermarket is to be ensured by tailored measures in each individual relevant business unit. At regional level, strategic levers are aimed at further expansion in the Americas region. Here, Wacker Neuson is aiming to significantly expand the region's percentage share of Group revenue by 2030. The focus here is on creating a balanced sales channel mix between independent dealers, authorized dealers and key accounts, while simultaneously optimizing the product and production portfolio. In addition, the cooperation with John Deere in particular, with an OEM supply contract for mini and compact excavators, is expected to contribute to growth in the region once the ramp-up has been completed. The percentage of Group revenue accounted for by the Asia-Pacific region is also expected to increase significantly by 2030. Here, the company will continue on its already successful path and expand its product range adapted to the region. Despite intense competition in the local Chinese market itself, the Wacker Neuson Group benefits from the attractive cost structures of its production site in China. With the Chinese plant acting as a production hub for the region, the company is clearly benefiting from rising demand in technically less regulated markets such as Africa or Australia.

At the same time, the Wacker Neuson Group believes it is well positioned to achieve further efficiency gains in production. For example, a new, state-of-the-art steel construction plant was opened at the production site in Serbia in 2022 as the first expansion step and the next stage of expansion has already begun.

Furthermore, the business units are increasingly succeeding in coping with the problems of the current economic environment.

An integral part of the Strategy 2030 is also the company's sustainability strategy. To date, the Wacker Neuson Group has already taken numerous steps to significantly reduce the company's carbon footprint. By 2025, CO2 emissions (Scope 1 & 2) are to be cut by around 50 percent compared with 2019, for example by switching to green electricity, reducing internal fleet emissions and installing photovoltaic systems.

**Product highlights**

Wacker Neuson is one of the first manufacturers worldwide to offer a wide range of electrically powered compact equipment and light equipment. The product portfolio includes battery-powered rammers and vibratory plates for soil compaction, an internal vibrator backpack system for concrete compaction, tracked and wheeled dumpers, mini excavators, rollers and wheel loaders for construction and agriculture. In the first half of 2023, the existing portfolio was further developed and new solutions were added. Since spring 2023, Wacker Neuson has been offering a new track dumper for material handling: The smallest zero emission dumper from Wacker Neuson DT05e is ideal for maneuvering and working in tight spaces thanks to its compact dimensions. Another innovation is the first electrically powered rollers from Wacker Neuson: RD24e and RD28e. The rollers are powered by the proven lithium-ion battery that is also installed in the EZ17e excavator.

For the Wacker Neuson Group, the focus is on the entire zero-emission construction site, which includes not only the machines and equipment, but also the charging infrastructure, for example. One new solution for zero-emission construction sites is the Charging Box - a powerbank for the construction site. This mobile energy storage unit based on lithium-ion batteries enables a continuous energy supply.

In the field of wheel dumpers for material handling, Wacker Neuson optimized the Dual View range of dumpers. These feature an operating and seat console that can be rotated by 180 degrees, allowing the operator to always keep an eye on the work area. Now the machines are available with additional safety features, among other things: For example, the operator must be seated and wearing a seat belt to operate the machine. The Hill-Hold function ensures rollback on slopes as soon as the foot is taken off the gas pedal.

Thanks to its optimized design, the new version of the Zero Tail Excavator EZ26 from Wacker Neuson offers good all-round visibility combined with compact dimensions and high performance data. In addition, the low weight enables transport including attachments by car trailer.

In the area of digitalization, the mixed reality glasses "Smart Glasses" were introduced for service. When a customer needs help, the dealer's service technician, equipped with the Smart Glasses, can connect live with the experts and share his view of the machine or transfer the support screen to the glasses. With this augmented reality solution, the machine is back up and running in less time and at much lower cost.

In the first half of the year, the Kramer Group brand expanded its range of electrically powered machines to include a wheel loader and a telescopic handler. They operate without direct exhaust emissions and are very quiet, making them ideal for use in sensitive environments. The 5065e wheel loader for the construction industry and KL25.5e for agriculture are the successors to the successful model launched in 2016 and are equipped with a high-quality lithium-ion battery for a runtime of up to four hours without intermediate charging.

The second new zero emission model is the ultra-compact, electric telescopic handler 1445e for construction and KT144e for agriculture. Its lithium-ion battery combined with its compact dimensions - a height of less than two meters and a width of around 1.60 meters - make it very flexible to use.

The new electric yard tractor from the Weidemann Group brand won the German Innovation Award: With the German Innovation Award, the German Design Council honors products, technologies and services that take new, innovative directions. The 1190e impressed with innovative product features such as an intelligent heating and ventilation concept for operating a cab or configurable equipment to meet demand thanks to a choice of three different lithium-ion batteries.

In addition, the new T4512e electric telescopic handler, which will be launched in the second half of 2023, received the Equitana Innovation Silver Award 2023 in the Vehicles and Trailers category. Customers benefit from the machine's optimally tuned performance and the innovative battery management system, which, among other things, enables permanent monitoring of the battery's temperature.

## Earnings

**Revenue development**
Following excellent business development for the Wacker Neuson Group in fiscal 2022 as a whole, the positive trend continued in the first half of 2023. Demand for the company's products remained high in both the construction and agricultural sectors. Revenue increased by 27.4 percent to EUR 1,365.9 million (H1/2022: EUR 1,072.5 million). Adjusted for foreign exchange, growth amounted to 27.9 percent. Looking at the second quarter separately, the development was also better than in the immediately preceding quarter. Compared to the same period of the previous year, revenue also increased significantly by 26.8 percent to EUR 698.7 million (Q2/2022: EUR 550.9 million).

The clearly positive momentum in the Kramer and Weidemann compact equipment business for the agricultural sector also continued in the first half of 2023. Against the backdrop of sustained high demand, revenue in this product area increased by 51.9 percent to EUR 315.1 million (H1/2022: EUR 207.4 million) in a market environment that remained positive.

All major product groups again contributed to growth in products for the construction industry. While demand for wheel loaders and telehandlers in particular picked up significantly in the Europe region, demand for skid steers and soil compaction products in particular developed very positively in the Americas region.

In the "zero emission" product line, the range of electrically powered compact equipment and light equipment, there was a significant double-digit percentage increase in the comparison of the first half of 2022 and 2023. The second quarter in particular was characterized by a noticeably better performance than in the same period of the previous year.

Demand for rental machines remained at a high level. Following the reduced availability of new machines in fiscal 2022, the volume of rental machinery was expanded again in the first half of 2023. The service business and high-margin spare parts business also continued to contribute to growth in the services segment.

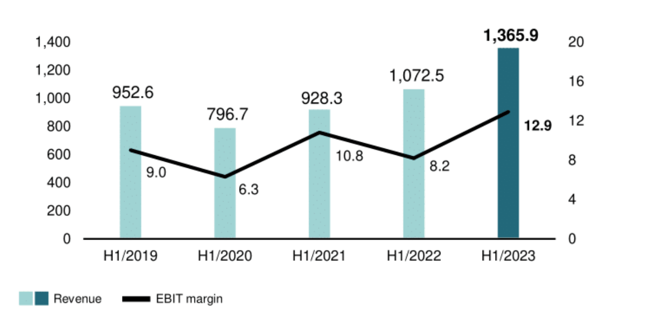
Following the strong rise in order intake in the previous year, the Wacker Neuson Group started the first half of the year with a robust order intake in all reporting regions, which weakened towards the end of the reporting period. From the high levels of the recent overheated demand situation, the expected slowdown became apparent. Accordingly, the order backlog also leveled off on a monthly basis with slight fluctuations at an overall level that is still above average. By regional comparison, demand in the Americas region was generally good, but more subdued recently. In Europe, too, the downward trend in order intake was clearly perceptible, but still at a good level overall. The same applies to the Asia-Pacific region, which was characterized by high demand in the Australian market, but also recently showed reduced demand momentum.

**Development of key earnings figures**
In the first half of 2023, the cost of sales increased by 24.3 percent to EUR 1,021.3 million (H1/2022: EUR 821.9 million), slightly less than proportionally to the development of revenue. Gross profit consequently amounted to EUR 344.6 million (H1/2022: EUR 250.6 million). The gross profit margin increased slightly year-on-year to 25.2 percent (H1/2022: 23.4 percent). In the second quarter, gross profit margin amounted to 25.4 percent (Q2/2022: 23.7 percent).

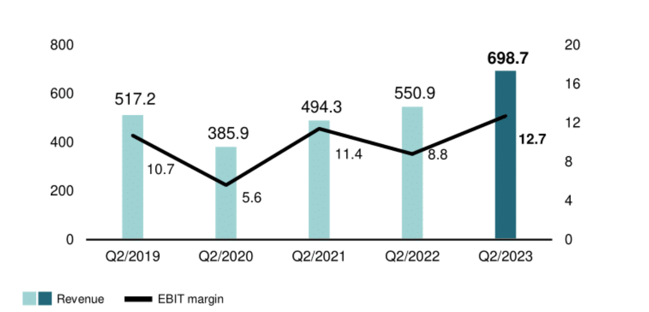
The development of the cost of sales was characterized by significantly higher volumes and the associated increased costs in production and logistics. Cost coverage in the production plants improved overall compared with the previous year, but continued to fluctuate significantly against the backdrop of the supply chain problems that continue to dominate. The recurring material bottlenecks led to rework and thus to the need for repeated handling of machines. This resulted in additional expense, which continued to put a strain on productivity in the mills.

**Development of operating costs**
While the cost of sales is directly related to the volume of revenue generated, operating costs are less variable in nature. In the first half of the year, total selling, research and development and administrative expenses rose by 20.0 percent to EUR 199.7 million (H1/2022: EUR 166.4 million). The share of revenue improved further to 14.6 percent (H1/2022: 15.5 percent).

**DEVELOPMENT OF REVENUE AND EBIT MARGIN**
**1ST HALF-YEAR 2019-2023**




**DEVELOPMENT OF REVENUE AND EBIT MARGIN**
**2ND QUARTER 2019-2023**



The individual cost items developed as follows in the first half of 2023:

Selling expenses in the first six months rose year-on-year by 16.6 percent to EUR 121,6 million (H1/2022: EUR 104.3 million). This was mainly due to higher personnel expenses, also influenced by collective pay increases and higher provisions for flexitime and vacation entitlements. Marketing, travel and logistics costs also increased. The ratio of selling expenses to revenue improved to 8.9 percent (H1/2022: 9.7 percent).

Research and development costs amounted to EUR 31.6 million (H1/2022: EUR 24.5 million) and thus increased almost proportionately to the higher level of revenue. Capitalized expenses totaled EUR 13.7 million (H1/2022: EUR 13.9 million). The research and development ratio as a percentage of revenue - including capitalized R&D expenses - was at 3.3 percent below the level of the previous year (H1/2022: 3.6 percent).

General and administrative expenses increased at a lower rate than revenue, by 23.7 percent to EUR 46.5 million (H1/2022: EUR 37.6 million). The relative share of administrative expenses of revenue improved accordingly to 3.4 percent (H1/2022: 3.5 percent).

The balance of the items other operating income and expenses increased in the first half of the year to EUR 31.8 million, significantly higher than in the previous year (H1/2022: EUR 3.3 million). The increase is mainly related to the sale of non-current assets no longer required for operations and to income from the sale of intangible assets.

Depreciation and amortization totaled EUR 66.9 million in the first six months, above the level of 2022 (H1/2021: EUR 57.7 million). Depreciation of property, plant and equipment and amortization of intangible assets in the first half of the year totaled EUR 40.7 million and EUR 21.4 million in the second quarter (H1/2022: EUR 34.5 million; Q2/2022: EUR 17.4 million). Depreciation of the Group's own rental portfolio was up on the previous year at EUR 26.2 million in the first half of the year and EUR 13.4 million in the second quarter (H1/2022: EUR 23.2 million; Q2/2022: EUR 11.7 million).

**Development of EBIT, financial result and profit for the period**

Earnings before interest and taxes (EBIT) increased significantly in the first half of the year by 101.9 percent to EUR 176.7 million (H1/2022: EUR 87.5 million). The EBIT margin also increased significantly to 12.9 percent (H1/2022: 8.2 percent). In the first quarter of 2023, a sale of non-current assets no longer required for operations also resulted in an extraordinary positive earnings effect of around EUR 15 million.

Following the significant increase in costs for raw materials, components, energy and freight in the previous year, the company was much more successful in adapting to the changed environment in the first half of 2023 and passing on increased costs in the form of price increases. Nevertheless, rework on machines caused by material bottlenecks continues to impact productivity at the plants.

Looking at the second quarter of 2023 separately, EBIT of EUR 88.9 million was also significantly higher than a year earlier (Q2/2022: EUR 48.4 million). The EBIT margin amounted to 12.7 percent, compared to 8.8 percent in the prior-year quarter.

The financial result in the reporting period amounted to EUR -3.8 million (H1/2022: EUR 2.7 million). Net interest expense included in the financial result amounted to EUR -4.3 million (H1/2022: EUR -4.8 million). Currency effects had a slightly positive impact in the reporting period.

Earnings before taxes (EBT) in the first half of the year amounted to EUR 172.9 million (H1/2022: EUR 90.2 million). In the second quarter, EBT amounted to EUR 87.7 million, compared to EUR 51.1 million in the previous year.

Tax expense in the first half of the year was EUR 46.9 million and EUR 24.1 million in the second quarter (H1/2022: EUR 24.1 million; Q2/2022: EUR 13.6 million). This corresponds to tax rates of 27.1 resp. 27.5 percent (H1/2022: 26.7 percent; Q2/2022: 26.6 percent).

The net profit for the period in the first half of the year amounted to EUR 126.0 million (H1/2022: EUR 66.1 million). This corresponds to earnings per share of EUR 1.85, based on 68,015,345 ordinary shares (H1/2022: EUR 0.97 based on 68,015,345 ordinary shares). Net income for the second quarter of 2023 amounted to EUR 63.6 million (Q2/2022: EUR 37.5 million), earnings per share - based on 68,015,345 ordinary shares - amounted to EUR 0.94 (Q2/2022: EUR 0.55 based on 68,015,345 ordinary shares).

## Net assets and financial position

**Net working capital**

The Group's strategic goal is to sustainably manage the net working capital ratio as a percentage of revenue[1] to a value of less than or equal to 30 percent. At the end of the first half of the year, as a result of the general supply chain problems and the associated need to increase inventories, the ratio was 31.6 percent[2] (June 30, 2022: 30.6 percent[2]). In absolute terms, net working capital amounted to EUR 883.6 million and was thus +31.1 percent and +22,9 percent above the figure for the previous year and the level at the beginning of the financial year (June 30, 2022: EUR 673.9 million; December 31, 2022: EUR 718.9 million). The individual components developed as follows:

Inventories of machinery, raw materials and supplies increased in the first six months by 15.3 percent to EUR 783.1 million (December 31, 2022: EUR 678.9 million). Compared to the level of the previous year, the increase was even more significant (June 30 2022: EUR 608.6 million). The reasons for this continue to lie in the supply chain situation, which is repeatedly characterized by interruptions. This is reflected on the one hand in the need for increased inventories of raw materials and components to ensure delivery capability, and on the other hand in a continued increase in inventories of work in progress. At the balance sheet date, inventories amounted to 137 days (June 30, 2022: 132 days).[3]

As a result of the significant revenue growth in the first half of the year, trade accounts receivable increased to EUR 405.0 million (December 31, 2022: EUR 301.3 million; June 30, 2022: EUR 321.5 million). The range of receivables was 53 days (June 30, 2022: 53 days).[4]

Due to the increased production volume, trade accounts payable were higher than the previous year at EUR 304.5 million at the end of the first half of the year (December 31, 2022: EUR 261.3 million; June 30, 2022: EUR 256.2 million). The range of liabilities was 53 days (June 30, 2022: 56 days).[5]

**Non-current assets**

Total non-current assets as of the reporting date amounted to EUR 1,284.7 million and were thus higher than the comparative figures for the previous year (December 31, 2022: EUR 1,182.7 million; June 30, 2022: EUR 1,114.5 million). The main reason for the increase was the significant increase in property, plant and equipment (June 30, 2023: EUR 516.0 million; December 31, 2022: EUR 452.8 million; June 30, 2022: EUR 414.7 million) and the rental portfolio (June 30, 2023: EUR 235.2 million; December 31, 2022: EUR 206.3 million; June 30, 2022: EUR 196.3 million).

The increase in property, plant and equipment mainly resulted from new construction and expansion measures at the production site in Serbia.

Deferred tax assets were significantly higher than in the previous year and slightly lower than at year-end 2022 (June 30, 2023: EUR 31.6 million; December 31, 2022: EUR 35.9 million; June 30, 2022: EUR 18.5 million).

**Current assets**

Current assets at the end of the first half of the year amounted to EUR 1,319.0 million (December 31, 2022: EUR 1,141.2 million; June 30, 2022: EUR 1,109.7 million). The main reason for the significant increase since the beginning of the year was a rise in inventories (June 30, 2023: EUR 783.1 million; December 31, 2022: EUR 678.9 million; June 30, 2022: EUR 608.6 million) and increased trade receivables (June 30, 2023: EUR 405.0 million; December 31, 2022: EUR 301.3 million; June 30, 2022: EUR 321.5 million). Cash and cash equivalents developed in the opposite direction (June 30, 2023: EUR 33.7 million; December 31, 2022: EUR 53.7 million; June 30, 2022: EUR 72.1 million) and assets held for sale (June 30, 2023: EUR 0.0 million; December 31, 2022: EUR 8.9 million; June 30, 2022: EUR 9.0 million). The latter were reduced by the sale of non-current assets no longer required for operations in January 2023.

**Non-current liabilities**

Non-current liabilities as of the reporting date of June 30, 2023 amounted to EUR 302.8 million, well below the figure at the end of 2022 (December 31, 2022: EUR 342.2 million; June 30, 2022: EUR 368.0 million). This was mainly due to the reclassification of a promissory note loan to current liabilities.

**NET WORKING CAPITAL**

IN € MILLION

| | 30.6.2023 | 31.12.2022 | Change | 30.6.2022 | Change |
|---|---|---|---|---|---|
| Inventories | 783.1 | 678.9 | 15% | 608.6 | 29% |
| + Trade receivables | 405.0 | 301.3 | 34% | 321.5 | 26% |
| - Trade payables | 304.5 | 261.3 | 17% | 256.2 | 19% |
| Net working capital | 883.6 | 718.9 | 23% | 673.9 | 31% |
| **Net working capital / annualized quarterly revenue** | **31.6%** | **31.9%** | **-0.3PP** | **30.6%** | **1.0PP** |

[1] During the year, the annualized revenue of the previous quarter is used as a basis.
[2] Values in each case at annualized revenue of the preceding quarter.
[3] Inventory days' supply = (inventory at interim balance sheet date/annualized cost of sales of the previous quarter)*365 days
[4] Days sales outstanding = (trade receivables at interim balance sheet date/annualized sales of the previous quarter)*365 days.
[5] Day payables outstanding = (trade payables at interim balance sheet date/annualized cost of sales of previous quarter)*365 days.

### Current liabilities

Current liabilities increased significantly at the end of the reporting period to EUR 856.9 million (December 31, 2022: EUR 587.2 million; June 30, 2022: EUR 537.7 million). The increase resulted mainly from the reclassification of a promissory note loan from non-current financial liabilities to current liabilities to financial institutions as described above. In addition, trade payables increased (June 30, 2023: EUR 304.5 million; December 31, 2022: EUR 261.3 million; June 30, 2022: EUR 256.2 million) (see development of net working capital → page 10).

### Balance sheet total and equity

At the end of the first half of the year, the balance sheet total amounted to EUR 2,603.7 million, higher than at the end of the year (December 31, 2022: EUR 2,323.9 million; June 30, 2022: EUR 2,224.2 million).

Group equity continued to rise at the end of the first half of the year to EUR 1,444.0 million (December 31, 2022: EUR 1,394.5 million; June 30, 2022: EUR 1,318.5 million). The equity ratio was 55.5 percent (December 31, 2022: 60.0 percent; June 30, 2022: 59.3 percent).

### Off-balance sheet assets and off-balance sheet financing instruments

In addition to the assets recognized in the consolidated balance sheet, the Group also uses assets not recognized in the balance sheet to a minor extent. These are mainly leased assets that are not capitalized in the lessee's balance sheet due to the short-term nature of the lease or the low valuation in accordance with IFRS 16. Within the framework of factoring programs, certain receivables are derecognized in full in accordance with IFRS 9 and recognized only at the amount of the continuing involvement.

### Net financial debt

Net financial debt[1] increased mainly as a result of the net working capital build-up and reached EUR 352.9 million (December 31, 2022: EUR 234.5 million; June 30, 2022: EUR 211.1 million). The gearing ratio[2] increased from 16.8 percent at the beginning of the year to 24.4 percent at the interim balance sheet date (June 30, 2022: 16.0 percent).

The continued good liquidity and financial position will enable the Group to continue to make important growth investments in the future and to actively shape technological change in the industry. The impeccable creditworthiness of the Group was once again confirmed by the Deutsche Bundesbank's confirmation of its eligibility as a central bank.

**NET FINANCIAL DEBT**
IN € MILLION

| | 30.6.2023 | 31.12.2022 | 30.6.2022 |
|---|---|---|---|
| Long-term financial Liabilities | 103.2 | 169.5 | 216.3 |
| Current liabilities vis-à-vis financial institutions | 283.2 | 117.9 | 66.1 |
| Short-term portion long-term Liabilities | 0.2 | 0.8 | 0.8 |
| Means of payment and Cash equivalents | 33.7 | 53.7 | 72.1 |
| Time deposits with a term < 1 year | - | - | - |
| **Net financial position Total** | **352.9** | **234.5** | **211.1** |
| **Gearing in %** | **24.4** | **16.8** | **16.0** |

### Cash flow from operating activities

Gross cash flow (cash flow from operating activities before investments in net working capital) showed a positive trend in both the first half of the year and the second quarter, amounting to EUR 200.2 million and EUR 109.3 million year-on-year (H1/2022: EUR 122.3 million; Q2/2022: EUR 62.4 million). The increase is mainly related to the positive operating business development of the company.

After investments in net working capital, cash flow from operating activities after income taxes paid in the first half of the year amounted to EUR 14.6 million, a noticeable improvement on the previous year (H1/2022: EUR -65.7 million). In the second quarter, the figure amounted to EUR 22.4 million (Q2/2022: EUR -11.6 million). The reason for the improvement was the improved gross cash flow.

**FINANCIAL POSITION**
IN € MILLION

| | Q2/2023 | Q2/2022 | H1/2023 | H1/2022 |
|---|---|---|---|---|
| Cash flow from operating activities | 22.4 | -11.6 | 14.6 | -65.7 |
| Cash flow from investment activities | -35.8 | 56.2 | -45.1 | 71.9 |
| **Free cash flow** | **-13.4** | **44.6** | **-30.5** | **6.2** |
| Cash flow from financing activities | 10.2 | -85.0 | 7.6 | -237.0 |
| Foreign currency effect on cash and cash equivalents | 1.8 | -3.0 | 2.9 | -3.4 |
| Change in scope of consolidation | - | 0.8 | - | 0.8 |
| **Change in cash and cash equivalents** | **-1.4** | **-42.6** | **-20.0** | **-233.4** |
| Cash and cash equivalents at the beginning of the period | 35.1 | 114.7 | 53.7 | 305.5 |
| **Cash and cash equivalents at the end of the period** | **33.7** | **72.1** | **33.7** | **72.1** |

[1] Net financial debt = non-current and current financial liabilities + current portion of non-current liabilities - cash and cash equivalents - fixed-term deposits with maturity < 1 year. The definition of net financial debt for the Wacker Neuson Group does not include lease liabilities in accordance with IFRS 16.
[2] Gearing = net financial debt/equity.

**Cash flow from investing activities**

Cash flow from investing activities in the first six months amounted to EUR -45.1 million (H1/2022: EUR 71.9 million). The previous year's figure includes inflows from fixed-term deposits amounting to EUR 130.0 million. This contrasts with inflows from the sale of non-current assets no longer required for operations in the first half of 2023. In the second quarter, the investment cash flow amounted to EUR -35.8 million (Q2/2022: EUR 56.2 million). In the previous year, this included the acquisition of the Enar Group and an effect from the reversal of a fixed-term deposit in the amount of EUR 100 million.

In addition to replacement investments, the Group also plans to invest in expansions to its European production network in fiscal year 2023. In the first half of 2023, the Group made investments totaling EUR 69.2 million, corresponding to 69.6 percent more than in the same period of the previous year (H1/2022: EUR 40.8 million). EUR 54.3 million was spent on property, plant and equipment (H1/2022: EUR 25.6 million). Capital expenditure on intangible assets amounted to EUR 14.9 million due to lower capitalization of IT and development projects (H1/2022: EUR 15.2 million).

**Free cash flow**

At EUR -30.5 million, free cash flow was significantly higher than in the previous year (H1 2022: EUR -123.8 million, before effects from the liquidation of a fixed-term deposit in the amount of EUR 130 million). In the second quarter, free cash flow amounted to EUR -13.4 million (Q2/2022: EUR 44.6 million).

**Cash flow from financing activities**

Cash flow from financing activities in the first half of the year amounted to EUR 7.6 million and was thus significantly higher than in the previous year (H1/2022: EUR -237.0 million). The previous year's figure was largely characterized by the repayment of promissory note loans. Against the background of the reclassification to current liabilities to financial institutions, there were inflows from current loans in the amount of EUR 139.6 million (see development of liabilities→ page 10ff). Furthermore, the dividend payment of EUR -68.0 million had a significant impact on the development (H1/2022: EUR -61.2 million). The Annual General Meeting followed the proposal of the Executive Board and Supervisory Board to increase the dividend for the past fiscal year from EUR 0.90 in the previous year to EUR 1.00 per dividend-bearing share

## Business performance Segments

The Wacker Neuson Group serves customers around the world with its broad product portfolio and wide range of services.

Segment reporting shows developments in the Europe (EMEA)[1], Americas and Asia-Pacific regions. The Group also reports revenue by Light Equipment, Compact Equipment and Services business segment.

**REVENUE DISTRIBUTION BY REGION H1/2023**

IN % (H1/2022)

| | |
|---|---|
| ■ | **74.9** Europe (77.0) |
| ■ | **22.0** Americas (18.9) |
| ■ | **3.1** Asia-Pacific (4.1) |

## Business performance in the Europe (EMEA), Americas and Asia-Pacific regions

**Europe region (EMEA)[1]**

Europe is by far the most important sales market for the Wacker Neuson Group. 74.9 percent of revenue was generated here in the first half of 2023 (H1/2022: 77.0 percent). At EUR 1,023.5 million, revenue was 23.9 percent above the previous year (H1/2022: EUR 826.3 million). In the second quarter of 2023, revenue in the region amounted to EUR 519.5 million (Q2/2022: EUR 414.7 million) - an increase of 25.3 percent compared to the prior-year quarter.

The operating result (EBIT)[2] in the first half of the year amounted to EUR 171.9 million, representing an increase of 90.3 percent compared to the previous year (H1/2022: EUR 81.6 million). Against the backdrop of the measures implemented in 2022, the company increasingly succeeded in passing on to customers the significant increases in the cost of raw materials, components, energy and freight. However, partial material bottlenecks and the resulting need for rework on the machines produced continued to impact productivity at the plants (see Results of Operations→ page 8).

In addition to the domestic German market, revenue growth was also driven by France, the major European construction equipment market. In addition, many Eastern European and Northern European countries also recorded double-digit growth rates. Following weaker development in Southern Europe in the previous year, there was a noticeable increase in demand in the first half of 2023. By contrast, the market in the United Kingdom, which was still characterized by double-digit growth rates in 2022, showed restrained development. On the product side, demand remained particularly high for wheel loaders and telehandlers.

Business with Kramer and Weidemann compact equipment for the agricultural sector continued to develop extremely dynamically in the first half of 2023. Having already achieved growth of 18.7 percent in this segment in 2022, the company increased revenue by a further 51.9 percent to EUR 315.1 million in the first half of 2023 in a market environment that remained positive (H1/2022: EUR 207.4 million). The market for agricultural machinery continues to be characterized by a generally high propensity to invest among farmers. As a result, the Wacker Neuson Group continued to benefit from strong demand in its three core markets of Germany, the UK and France.

**Americas region**

Revenue in the Americas region increased in the first half of the year by 48.3 percent to EUR 300.7 million (H1/2022: EUR 202.8 million). The region's share of total revenue increased accordingly to 22.0 percent (H1/2022: 18.9 percent). Against the background of the development of the US dollar exchange rate against the euro in the first half of the year, the trend was similar: adjusted for exchange rate effects, the increase in revenue amounted to 48.5 percent. In the second quarter, revenue increased by 41.2 percent to EUR 158.1 million (Q2/2022: EUR 112.0 million). Adjusted for foreign exchange, growth amounted to 45.4 percent.

Demand in the North American market continued to develop very positively across all sales channels. There was strong end-customer demand for new equipment and rental machines from Wacker Neuson dealers, independent dealers and key accounts. As part of the ongoing diversification of its sales strategy, Wacker Neuson continued to attract new authorized dealers in North America in the first half of 2023. In addition to the US, the Canadian market also continued to record significant growth. The Mexican market also showed encouraging development, with growth rates well into double digits.

**REVENUE AND EBIT DEVELOPMENT IN THE REGIONS**

IN € MILLION

| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Europe | | America's | | Asia Pacific | | Consolidation | | Group | |
| **H1** | | | | | | | | | | |
| Revenue | 1,023.5 | 826.3 | 300.7 | 202.8 | 41.7 | 43.4 | | | 1,365.9 | 1,072.5 |
| EBIT | 171.9 | 81.6 | 36.5 | 6.0 | 2.6 | 3.7 | -34.3 | -3.8 | 176.7 | 87.5 |
| | | | | | | | | | | |
| **Q2** | | | | | | | | | | |
| Revenue | 519.5 | 414.7 | 158.1 | 112.0 | 21.1 | 24.2 | | | 698.7 | 550.9 |
| EBIT | 86.0 | 44.6 | 18.2 | 4.8 | 1.2 | 2.3 | -16.5 | -3.3 | 88.9 | 48,4 |

[1] Including Turkey, Russia, Africa, Middle East. The Europe segment includes the Enar Group in full.
[2] Before consolidation.

The operating result (EBIT)[1] of the Americas region in the first half of the year was EUR 36.5 million (H1/2022: EUR 6.0 million), representing an increase of 508.3 percent.

**Asia-Pacific region**

In the Asia-Pacific region, revenue in the first half of the year increased by 3.9 percent to EUR 41.7 million (H1/2022: EUR 43.4 million). Adjusted for foreign exchange, a slight increase of 1.2 percent was recorded. Consequently, the region's share of total revenue was 3.1 percent (H1/2022: 4.0 percent). In the second quarter, revenue development in the region was -12.8 percent, with revenue reaching EUR 21.1 million (Q2/2022: EUR 24.2 million). Adjusted for foreign exchange, revenue developed by -5.0 percent.

As in the past, development in the region in the first half of 2023 was clearly characterized by double-digit growth rates in the Australian market. The company's strategy of consistently expanding the dealer network and adapting the product portfolio to local needs continues to be successful here. Independent rental companies remain the focus of sales activities. Australia again made a major contribution to the positive earnings trend in the region. The operating result (EBIT)[1] of the Asia-Pacific reporting region amounted to EUR 2.6 million (H1/2022: EUR 3.7 million).

The other markets in the region, China and Southeast Asia, which in total contribute significantly less revenue than the Australian market, declined in the first half of 2023. The Group increasingly sells the machines produced at the Chinese plant in less regulated export markets such as Africa and South America, for example, which is why the production location in China continues to prove very advantageous at Group level.

**Effects from consolidation**

Interim profits of EUR -34.3 million were eliminated in the first half of the year (H1/2022: EUR -3.8 million). These mainly resulted from higher inventories at the sales companies and, to a lesser extent, from the expansion of the Group's own rental portfolio.

## Business performance of the Light Equipment, Compact Equipment and Services business segments

REVENUE DISTRIBUTION BY BUSINESS SEGMENT[1] H1/2023
IN % (H1/2022)

| | |
|---|---|
| **20.8** Light equipment (22.5) | |
| **61.9** Compact equipment (57.4) | |
| **17.3** Services (20.1) | |

[1] Consolidated revenue before cash discounts.

**Revenue development Light Equipment**

The Light Equipment business segment covers the Wacker Neuson Group's activities in the concrete technology, compaction technology and construction site technology business fields.

In the first half of the year, revenue[2] increased by 17.9 percent to EUR 286.5 million (H1/2022: EUR 242.9 million); adjusted for foreign exchange, growth amounted to 18.9 percent. The business segment's share of total revenue declined slightly to 20.8 percent (H1/2022: 22.5 percent).

In the second quarter, growth was 13.5 percent, with revenue reaching EUR 150.9 million (Q2/2022: EUR 132.9 million). Adjusted for foreign exchange, revenue increased by 16.4 percent.

The company's products in the field of soil compaction technology remain in great demand on the market. Demand for rammers and rollers in particular therefore continued to rise. But also demand in the area of concrete compaction and for construction site equipment remains at a good level. The latter continues to enjoy rising demand, particularly in the North American market.

REVENUE BY BUSINESS SEGMENT
IN € MILLION

| | Q2/2023 | Q2/2022 | Change | H1/2023 | H1/2022 | Change |
|---|---|---|---|---|---|---|
| **Revenue with third parties** | | | | | | |
| Light Equipment | 150.9 | 132.9 | 13.5% | 286.5 | 242.9 | 17.9% |
| Compact Equipment | 434.7 | 313.1 | 38.8% | 850.8 | 618.8 | 37.5% |
| Services | 117.9 | 108.5 | 8.7% | 237.6 | 216.9 | 9.5% |
| | **703.5** | **554.5** | **26.9%** | **1,374.9** | **1,078.6** | **27.5%** |
| Less cash discounts | -4.8 | -3.6 | 33.3% | -9,0 | -6.1 | 47.5% |
| **Total** | **698.7** | **550.9** | **26.8%** | **1,365,9** | **1,072.5** | **27.4%** |

[1] Before consolidation.

2 Before cash disocunts.

**Revenue development Compact Equipment**

The Compact Equipment business area comprises compact machines weighing up to 15 tons for construction and agriculture as well as for gardening and landscaping, industry, recycling companies, and municipalities. The range includes excavators, wheel loaders, tele wheel loaders, skid steer loaders, telehandlers, wheel and track dumpers, and backhoe loaders. In the Compact Equipment business, financing programs for customers remain a key success factor. The Wacker Neuson Group is becoming increasingly international in its approach and works with strong, independent financing partners.

Against the backdrop of a continuing good to very good demand situation in the construction and agricultural sectors, revenue[1] in the Compact Equipment segment recorded significant growth in the first half of the year of 37.5 percent to EUR 850.8 million (H1/2022: EUR 618.8 million). The share of Compact Equipment of total revenue[1] in the period under review was 61.9 percent (H1/2022: 57.4 percent). In the second quarter of 2023, segment revenue[1] increased by 38.8 percent to EUR 434.7 million (Q2/2022: EUR 313.1 million); adjusted for foreign exchange, this represents an increase of 40.1 percent.

In the construction industry, the Group recorded growth across all major product groups. Of particular note was the continued rise in demand for wheel loaders and, above all, a significant increase in demand for excavators, also driven by new product launches on the market. While demand for telehandlers was also high in Europe, demand for skis steers in particular continued to grow in the North American market.

Business with Compact Equipment for the Kramer and Weidemann brands for the agricultural sector continued to develop very dynamically in the first half of 2023. Having already achieved growth of 18.7 percent in this area in 2022, the company increased revenue by a further 51.9 percent to EUR 315.1 million in the first half of 2023 in a market environment that remained positive (H1/2022: EUR 207.4 million). The market for agricultural machinery continues to be characterized by a generally high propensity to invest among farmers. Accordingly, the Wacker Neuson Group benefited from sustained high demand in its three core markets of Germany, the UK and France. The share of total revenue generated by the agricultural machinery business[1] rose to 23.1 percent (H1/2022: 19.2 percent).

**Revenue development Services**

Customer-focused service with intensive and individual support is of great importance to the Wacker Neuson Group. In addition to selling new equipment, the Group offers comprehensive services for its products. These include the business fields of repair, service and spare parts, used equipment, financing, telematics solutions, e-business and, in some European markets, flexible rental solutions. In addition, the Services business segment also includes the sale of machines from third-party suppliers to a limited extent, including for example the resale of trade-ins.

Demand for rental machines continued to develop positively in the first half of 2023, while machine availability in the rental fleet was increased again following stronger sales in the previous year. In addition, the service business with services such as maintenance and repair, as well as the high-margin spare parts business, also showed good growth in the first six months. In order to further optimize global spare parts availability and offer its customers even better service, the Wacker Neuson Group is building a new logistics center with a total of 55,000 square meters of warehouse space near Koblenz, Germany, which will serve as a central European location for future-proof spare parts supply. Construction work is expected to be completed during the current fiscal year, with leasing and commissioning scheduled for 2024.

Revenue[1] of Services increased in the first half of 2023 by 9.5 percent to EUR 237.6 million (H1/2022: EUR 216.9 million). After adjusting for foreign exchange, revenue increased by 9.3 percent. Due to the strong performance of the Light and Compact Equipment business segments, the share of total revenue accounted for by Services[1] decreased further to 17.3 percent (H1/2022: 20.1 percent).

In the second quarter, segment revenue[1] increased by 8.7 percent compared to the previous year to EUR 117.9 million (Q2/2022: EUR 108.5 million), currency-adjusted growth amounted to 9.0 percent.

[1] Before Cash Discounts.

## Other factors relevant to results

**Development of the number of employees**
The number of employees increased by a further 4.9 percent in the first half of 2023 compared with the end of 2022 to 6,608 (December 31, 2022: 6,301 employees). Compared to June 30, 2022, the increase amounts to 13.9 percent (June 30, 2022: 5,803 employees, 6,329 employees including temporary workers). The increase in the number of employees related to both production and administration. [1]

## Changes in the opportunity and risk situation

Compared with the opportunity and risk situation presented in the Annual Report 2022, there has been a decrease in the level of risk for the current reporting period. The decrease is mainly due to the reduction and inclusion of material availability risks and risks from material price and energy cost increases in the financial planning in the first half of 2023. Overall, the level of risk at the end of the first half of 2023 is 23 percent lower than at the end of fiscal 2022. There have been significant changes in the following risk categories compared with the end of 2022:

- Operating risks -40%
- Legal and regulatory risks +46%

**Operational risks**
The risks arising from a shortage of materials and increases in material and energy costs caused by shortages on the procurement markets and continuing supply chain interruptions have decreased in the current reporting period on the one hand and have been processed in the current financial planning on the other. By contrast, demand-related market risks in particular have increased.

**Financial risks | Legal and regulatory risks**
Risks from tax audits may have negative consequences for the company's earnings as a result of the additional tax claims that may arise. The risk recognized for this in the 2022 Annual Report was reassessed in the reporting period and divided into a concrete and a latent risk. The risk increased by a total of 38 percent compared with year-end 2022. A corresponding provision was recognized for the concrete risk. In addition, the risk of a sanction-related shutdown of the subsidiary in Russia has increased from the company's perspective.

Risks that remained essentially unchanged in the reporting period are presented in the Annual Report 2022 on pages 61 to 65. In the opinion of management, there are currently no further risks of material significance for the Group. In the Company's assessment, no individual risk exceeds 10 percent of forecast Group EBIT in terms of its expected loss value.

Business opportunities are described in the Annual Report 2022 on page 65 and also in the Outlook section of this interim management report below.

## Outlook

**Current business situation still classified as good; future prospects remain strained due to existing market uncertainties and decline in orders**

Following the relatively robust development in the first quarter of 2023, experts from the industry association CECE expect the market and order situation to deteriorate in the remaining fiscal year, although the current high level of sales means that there is no need to speak of a crisis on the European construction equipment market. On the European market, after a long period of upturn, stagnating sales growth and falling order intake are expected for the remainder of the fiscal year due to the easing of the supply chain situation and the high order backlog.[2] While order intake in Europe was significantly below the previous year's level in June 2023, the non-European order situation also shows a slight decline. Nevertheless, the current business situation is still largely rated as good or satisfactory by industry representatives, although these deteriorated in the course of the second quarter. Despite declining expectations, North America is rated as the most attractive market; in Europe, the Spanish market is predicted to have the best prospects. [3]

In its long-term forecasts, the CECE differentiates between market segments. For example, high interest rates and financing costs will have a negative impact on the housing and gardening sectors in particular, thus adversely affecting sales of construction equipment and compact earthmoving and compaction machinery. By contrast, the CECE sees stable development for infrastructure projects, which could further boost demand for construction equipment. Despite the possible slight weakening of the market in the 2023 reporting year, the CECE sees a positive trend for the coming fiscal year.[4]

According to a study conducted by the German Engineering Federation (VDMA)[5], a majority of industry representatives surveyed expect nominal sales growth of between 5 and 10 percent for the light equipment and machinery segment in the current reporting year 2023, while nominal sales growth for the machinery and plant engineering sector is estimated by the majority at up to 10 percent. In an industry outlook, the association points to potential downside risks such as the still existing weaknesses in supply chains, geopolitical uncertainties due to the Ukraine war, financial risks due to further interest rate hikes, high debt levels of countries and difficulties in housing construction. However, positive trends can also be observed in the industry. For example, at the end of the first half of 2023, there are no large-scale order cancellations, civil engineering continues to benefit from economic stimulus programs, and infrastructure investments are being promoted by the energy transition.

Market research firm Off-Highway forecasts a 7 percent decline in sales for the global construction equipment market in fiscal 2023, led in particular by weaknesses in the Chinese market with an expected 18 percent drop in sales.

[1] The employee figures are not based on the number of persons actually employed, but on the full-time equivalent positions, excluding temporary staff.
[2] Source: Committee For European Construction Equipment, May 2023, Quarterly Economic Bulletin
[3] Source: Committee For European Construction Equipment, Business Barometer June 2023
[4] Source: Committee For European Construction Equipment, May 2023, Quarterly Economic Bulletin
[5] Source: VDMA, June 2023, Economic Situation, Construction Equipment and Building Material Machinery

For Western Europe, Off-Highway estimates the construction equipment market to be stable in the coming years despite the slight decline in sales volumes (-2 percent in 2023), which is attributed among other things to the current peak in equipment sales and strong infrastructure markets. In North America, very high sales volumes lead to a positive assessment and sales well into the third quarter of the current reporting year, despite the slight 1 percent decline in sales. Only the Japanese and Indian markets are expected to see an increase in sales in 2023. Globally, Off-Highway expects positive growth again for the first time in fiscal 2026. Although order volumes are at a historically good level, the markets are subject to major uncertainties such as the Ukraine war and risks of high inflation and rising interest rates. In terms of product lifecycles, the markets are also predominantly home to young construction equipment, which may have an unfavorable impact on sales potential in the future. Demographic factors such as a shortage of skilled workers are cited as positive, long-term growth drivers for increased machine use.[1]

The ifo Institute indicates a bleak outlook for the German economy, due in particular to weaknesses in industry. The ifo Business Climate Index for the main construction industry fell continuously in the first half of 2023 and the outlook for the coming months of the approximately 900 industry representatives surveyed is also consistently negative.[2] While the current business situation was still rated as positive in February and March in particular, the assessments turned negative from May onwards. The average order backlog at the end of the 1st half of the year is four months, and average capacity utilization is 74.9 percent, with a downward trend. [3]

**Declining future expectations in the agricultural machinery sector**

At the end of the first half of the year, the business climate index of the umbrella organization of the European agricultural machinery industry (CEMA) has reached its low point and is still just in positive territory. For the full 2023 financial year, industry representatives still expect a slight increase in sales due to the reduction of high order backlogs, but experts have revised their future expectations downward. In the tractor and agricultural equipment segments in particular, the index has fallen into negative territory. From a regional perspective, positive sales expectations are expressed for major markets such as France and Germany, while the market outlook for Italy and Poland is gloomy.[4]

According to the German Farmers' Association[5], at the beginning of the year under review the situation of German agriculture was again rated somewhat more positively compared to the prevailing pessimism in previous periods, justified among other things by government relief on energy prices and increased producer prices, which are nevertheless to be classified as volatile. A slight increase in planned investments is planned in particular for renewable energies and land purchases, while the volume of investments in machinery, equipment and farm buildings is seen as tending to stagnate. The fairly subdued outlook for the future is most positive in the area of arable farms, partly in view of the global supply situation, which has been exacerbated by the Ukraine war, and a potential revival of arable set-aside.

**Guidance for fiscal 2023**

In the first half of the year, the Wacker Neuson Group started the year with a robust order intake in all reporting regions, which weakened towards the end of the period under review. The order backlog remains at a high level. However, the biggest challenge in the second half of the year is the global macroeconomic situation. A large proportion of market participants and the majority of economic forecasts are predicting an economic slowdown or even recession in the second half of the year. At the same time, the general supply chain situation remains challenging overall and price pressure is increasing on both the purchasing and sales sides. The guidance revised by the Executive Board on July 13 reflects the positive business performance in the first half of the year and at the same time takes into account a possible economic slowdown in the further course of the year. Accordingly, the Executive Board now expects revenue of between EUR 2,500 and 2,700 million (previous guidance: EUR 2,300 to 2,500 million) with an EBIT margin of between 10.0 and 11.0 percent (previous guidance: 9.5 to 10.5 percent). This includes an exceptional earnings effect of around EUR 15 million from the sale of non-current assets no longer required for operations. Investments in property, plant and equipment and intangible assets are now forecast at around EUR 140 million in fiscal 2023 (previous guidance: around EUR 120 million)[6].

With regard to the net working capital ratio (net working capital as a percentage of revenue), the Executive Board continues to expect a figure of around 30 percent (December 31, 2022: 31.9 percent), in line with the strategic objective.

**Outlook into the year 2024**

Taking into account the prevailing conditions and the opportunities and risks facing the Wacker Neuson Group, and assuming that the global economy does not slide into recession and develops in a fundamentally positive manner, the Executive Board currently expects revenue to grow in 2024 while profitability remains stable or increases slightly.

Munich, August 1, 2023

Wacker Neuson SE, Munich

The Executive Board

| | |
|---|---|
| Dr. Karl Tragl<br>Chief Executive Officer (CEO) | Felix Bietenbeck<br>Chief Operations Officer (COO)<br>Chief Technology Officer (CTO) |
| Christoph Burkhard<br>Chief Financial Officer (CFO) | Alexander Greschner<br>Chief Sales Officer (CSO) |

[1] Source: Off-Highway Research, April 2023, Global Construction Equipment Markets
[2] Source: ifo Institute, June 2023, ifo Business Climate Germany. Business climate as mean value from expert reports on current business situation and expectations for the next six months.
[3] Source: ifo Institute, ifo Economic Perspectives June 2023
[4] Source: CEMA, Monthly "Business Barometer" June 2023
[5] Source: German Farmers' Association, Economic Barometer Agriculture, January 2023
[6] Investments in property, plant and equipment and intangible assets. Investments in the Group's own rental portfolio, shareholdings and financial assets are not included.

# Consolidated Income Statement

JANUARY 1 THROUGH JUNE 30

IN € MILLION

| | Q2/23 | Q2/22 | H1/23 | H1/22 |
|---|---|---|---|---|
| Revenue | 698.7 | 550.9 | 1,365.9 | 1,072.5 |
| Cost of sales | -521.4 | -420.1 | -1,021.3 | -821.9 |
| **Gross profit** | **177.3** | **130.8** | **344.6** | **250.6** |
| | | | | |
| Sales and service expenses | -61.2 | -53.5 | -121.6 | -104.3 |
| Research and development expenses | -16.8 | -11.8 | -31.6 | -24.5 |
| General administrative expenses | -23.8 | -19.2 | -46.5 | -37.6 |
| Other income | 14.3 | 2.5 | 33.0 | 4.8 |
| Other expenses | -0.9 | -0.4 | -1.2 | -1.5 |
| **Earnings before interest and tax (EBIT)** | **88.9** | **48.4** | **176.7** | **87.5** |
| | | | | |
| Financial income* | 7.7 | 11.7 | 18.8 | 23.9 |
| Financial expenses* | -8.9 | -9.0 | -22.6 | -21.2 |
| **Earnings before tax (EBT)** | **87.7** | **51.1** | **172.9** | **90.2** |
| | | | | |
| Taxes on income | -24.1 | -13.6 | -46.9 | -24.1 |
| **Profit for the period** | **63.6** | **37.5** | **126.0** | **66.1** |
| | | | | |
| Of which are attributable to: | | | | |
| Shareholders in the parent company | 63.6 | 37.5 | 126.0 | 66.1 |
| | | | | |
| **Earnings per share in € (diluted and undiluted)[1]** | **0.94** | **0.55** | **1.85** | **0.97** |

[1] Refer to the information in the Selected Explanatory Notes.
*Foreign exchange gains and losses are recognized as gross figures under financial income and financial expenses from the end of the 2022 fiscal year (previously: netted). Values for H1 2022 have been adjusted accordingly. Refer to item 5, “Financial result”, in the notes to the Consolidated Financial Statements in the 2022 Annual Report for further information.

# Consolidated Statement of Comprehensive Income

JANUARY 1 THROUGH JUNE 30

| IN € MILLION | Q2/23 | Q2/22 | H1/23 | H1/22 |
|---|---|---|---|---|
| **Profit for the period** | **63.6** | **37.5** | **126.0** | **66.1** |
| | | | | |
| **Other income** | | | | |
| | | | | |
| Income to be recognized in the income statement for subsequent periods | | | | |
| Exchange differences | -0.9 | 9.6 | -4.4 | 13.4 |
| Cash flow hedges | -2.2 | -0.5 | -4.1 | 0.4 |
| **Income to be recognized in the income statement for subsequent periods** | **-3.1** | **9.1** | **-8.5** | **13.8** |
| | | | | |
| Income not to be recognized in the income statement for subsequent periods | | | | |
| Actuarial gains/losses from pension obligations | – | 11.7 | – | 18.0 |
| Effect of taxes on income | – | -2.8 | – | -4.4 |
| **Income not to be recognized in the income statement for subsequent periods** | **–** | **8.9** | **–** | **13.6** |
| | | | | |
| **Other comprehensive income after tax** | **-3.1** | **18.0** | **-8.5** | **27.4** |
| **Total comprehensive income after tax** | **60.5** | **55.5** | **117.5** | **93.5** |
| | | | | |
| Of which are attributable to: | | | | |
| Shareholders in the parent company | 60.5 | 55.5 | 117.5 | 93.5 |

# Consolidated Balance Sheet

AS AT JUNE 30

IN € MILLION

| | Jun. 30, 2023 | Dec. 31, 2022 | Jun. 30, 2022 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 516.0 | 452.8 | 414.7 |
| Property held as financial investment | 29.6 | 26.0 | 24.0 |
| Goodwill | 232.5 | 232.5 | 229.8 |
| Other intangible assets | 212.6 | 211.0 | 207.2 |
| Investments | 4.5 | 4.7 | 3.8 |
| Deferred tax assets | 31.6 | 35.9 | 18.5 |
| Non-current financial assets | 22.7 | 13.5 | 20.2 |
| Rental equipment* | 235.2 | 206.3 | 196.3 |
| **Total non-current assets** | **1,284.7** | **1,182.7** | **1,114.5** |
| Inventories | 783.1 | 678.9 | 608.6 |
| Trade receivables | 405.0 | 301.3 | 321.5 |
| Tax offsets | 14.9 | 25.7 | 31.9 |
| Other current financial assets | 40.8 | 41.3 | 32.0 |
| Other current non-financial assets | 41.5 | 31.4 | 34.6 |
| Cash and cash equivalents | 33.7 | 53.7 | 72.1 |
| Non-current assets held for sale | – | 8.9 | 9.0 |
| **Total current assets** | **1,319.0** | **1,141.2** | **1,109.7** |
| | | | |
| **Total assets** | **2,603.7** | **2,323.9** | **2,224.2** |
| | | | |
| **Equity and liabilities** | | | |
| Subscribed capital | 70.1 | 70.1 | 70.1 |
| Other reserves | 605.5 | 614.0 | 614.5 |
| Net profit/loss | 821.4 | 763.4 | 686.9 |
| Treasury shares | -53.0 | -53.0 | -53.0 |
| **Equity** | **1,444.0** | **1,394.5** | **1,318.5** |
| Long-term financial borrowings | 103.2 | 169.5 | 216.3 |
| Long-term lease liabilities | 80.7 | 54.6 | 46.3 |
| Deferred tax liabilities | 61.3 | 61.6 | 52.4 |
| Provisions for pensions and similar obligations | 36.1 | 37.6 | 35.3 |
| Long-term provisions | 9.7 | 8.7 | 9.4 |
| Long-term contract liabilities | 11.8 | 10.2 | 8.3 |
| **Total non-current liabilities** | **302.8** | **342.2** | **368.0** |
| Trade payables | 304.5 | 261.3 | 256.2 |
| Short-term liabilities to financial institutions | 283.2 | 117.9 | 66.1 |
| Current portion of long-term borrowings | 0.2 | 0.8 | 0.8 |
| Short-term lease liabilities | 27.5 | 22.6 | 22.0 |
| Short-term provisions | 22.9 | 20.9 | 21.3 |
| Short-term contract liabilities | 8.4 | 7.2 | 4.5 |
| Income tax liabilities | 27.0 | 12.0 | 23.2 |
| Other current financial liabilities | 103.5 | 85.3 | 78.1 |
| Other current non-financial liabilities | 79.7 | 59.2 | 65.5 |
| **Total current liabilities** | **856.9** | **587.2** | **537.7** |
| | | | |
| **Total liabilities** | **2,603.7** | **2,323.9** | **2,224.2** |

*At the end of fiscal 2022, rental equipment was reported under non-current assets for the first time. H1 2022 values have been adjusted (for further details, refer to the “Changes to accounting and valuation methods” section of the Notes to the Consolidated Financial Statements in the 2022 Annual Report).

# Consolidated Statement of Changes in Equity

AS AT JUNE 30

IN € MILLION

| | Subscri-bed capital | Capital reserves | Exchange diffe-rences | Other neutral changes | Net profit/loss | Treasury shares | Equity at-tributable to share-holders in the parent company |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2022** | **70.1** | **618.7** | **-4.8** | **-26.8** | **682.0** | **-53.0** | **1,286.2** |
| Profit for the period | – | – | – | – | 66.1 | – | 66.1 |
| Other income | – | – | 13.4 | 14.0 | – | – | 27.4 |
| **Total comprehensive income** | **–** | **–** | **13.4** | **14.0** | **66.1** | **–** | **93.5** |
| Dividends | – | – | – | – | -61.2 | – | -61.2 |
| **Balance at June 30, 2022** | **70.1** | **618.7** | **8.6** | **-12.8** | **686.9** | **-53.0** | **1,318.5** |
| **Balance at January 1, 2023** | **70.1** | **618.7** | **6.3** | **-11.0** | **763.4** | **-53.0** | **1,394.5** |
| Profit for the period | – | – | – | – | 126.0 | – | 126.0 |
| Other income | – | – | -4.4 | -4.1 | | – | -8.5 |
| **Total comprehensive income** | **–** | **–** | **-4.4** | **-4.1** | **126.0** | **–** | **117.5** |
| Dividends | – | – | – | – | -68.0 | – | -68.0 |
| **Balance at June 30, 2023** | **70.1** | **618.7** | **1.9** | **-15.1** | **821.4** | **-53.0** | **1,444.0** |

# Consolidated Cash Flow Statement

JANUARY 1 THROUGH JUNE 30

IN € MILLION

| | Q2/23 | Q2/22 | H1/23 | H1/22 |
|---|---|---|---|---|
| **EBT** | **87.7** | **51.1** | **172.9** | **90.2** |
| **Adjustments to reconcile profit before tax with gross cash flows** | | | | |
| Depreciation, amortization and impairment of non-current assets | 21.4 | 17.4 | 40.7 | 34.5 |
| Unrealized foreign exchange gains/losses | -2.3 | 6.1 | -1.9 | 8.4 |
| Financial result | 1.2 | -2.7 | 3.8 | -2.7 |
| Gains from the sale of intangible assets and property, plant and equipment | – | – | -15.7 | -0.1 |
| Changes in rental equipment, net | -18.9 | -7.8 | -27.5 | -3.3 |
| Changes in misc. assets | -8.6 | -5.9 | -23.2 | -11.6 |
| Changes in provisions | 2.3 | 0.7 | 1.7 | -1.3 |
| Changes in misc. liabilities | 26.5 | 3.5 | 49.4 | 8.2 |
| **Gross cash flow** | **109.3** | **62.4** | **200.2** | **122.3** |
| Changes in inventories | -40.2 | -47.3 | -108.6 | -96.7 |
| Changes in trade receivables | -27.0 | -19.0 | -104.8 | -73.2 |
| Changes in trade payables | -12.7 | 7.5 | 44.8 | 18.8 |
| **Changes in net working capital** | **-79.9** | **-58.8** | **-168.6** | **-151.1** |
| **Cash flow from operating activities before income tax paid** | **29.4** | **3.6** | **31.6** | **-28.8** |
| Income tax paid | -7.0 | -15.2 | -17.0 | -36.9 |
| **Cash flow from operating activities** | **22.4** | **-11.6** | **14.6** | **-65.7** |
| Purchase of property, plant and equipment | -29.3 | -15.8 | -54.3 | -25.6 |
| Purchase of intangible assets | -6.3 | -8.4 | -14.9 | -15.2 |
| Purchase of investments | – | – | -0.5 | – |
| Cash outflows for additions to the consolidation structure | – | -20.0 | – | -20.0 |
| Cash outflows for loan to at-equity investment | -0.6 | – | -0.6 | – |
| Cash inflow from financial investments | – | 100.0 | – | 130.0 |
| Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale | 0.4 | 0.4 | 25.2 | 0.6 |
| Proceeds from disposals from the consolidation group | – | – | – | 2.1 |
| **Cash flow from investment activities** | **-35.8** | **56.2** | **-45.1** | **71.9** |
| **Free cash flow** | **-13.4** | **44.6** | **-30.5** | **6.2** |
| Dividends | -68.0 | -61.2 | -68.0 | -61.2 |
| Cash receipts from short-term borrowings | 86.3 | -17.4 | 139.6 | 0.3 |
| Repayments from short-term borrowings | – | – | -48.9 | -125.0 |
| Repayments from long-term borrowings | – | – | – | -35.6 |
| Repayments from lease liabilities | -4.7 | -4.6 | -10.1 | -10.8 |
| Interest paid | -4.1 | -2.0 | -6.7 | -5.0 |
| Interest received | 0.7 | 0.2 | 1.7 | 0.3 |
| **Cash flow from financial activities** | **10.2** | **-85.0** | **7.6** | **-237.0** |
| **Change in cash and cash equivalents before effect of exchange rates and changes in consolidation group** | **-3.2** | **-40.4** | **-22.9** | **-230.8** |
| Effect of exchange rates on cash and cash equivalents | 1.8 | -3.0 | 2.9 | -3.4 |
| Change in consolidation group | – | 0.8 | – | 0.8 |
| **Change in cash and cash equivalents** | **-1.4** | **-42.6** | **-20.0** | **-233.4** |
| **Cash and cash equivalents at the beginning of the period** | **35.1** | **114.7** | **53.7** | **305.5** |
| **Cash and cash equivalents at the end of period** | **33.7** | **72.1** | **33.7** | **72.1** |

# Consolidated Segmentation

JANUARY 1 THROUGH JUNE 30

Consolidated Segmentation is part of the notes to the Consolidated Financial Statements.

**SEGMENTATION (GEOGRAPHICAL SEGMENTS)**

IN € MILLION

| | Europe | Americas | Asia-Pacific | Consolida-tion | Group |
|---|---|---|---|---|---|
| **H1/23** | | | | | |
| **Segment revenue** | | | | | |
| Total revenue | 1,709.5 | 354.1 | 64.0 | | 2,127.6 |
| Less intrasegment sales | -573.7 | -34.5 | -14.2 | | -622.4 |
| | 1,135.8 | 319.6 | 49.8 | | 1,505.2 |
| Intersegment sales | -112.3 | -18.9 | -8.1 | | -139.3 |
| **Revenue from external customers** | **1,023.5** | **300.7** | **41.7** | | **1,365.9** |
| | | | | | |
| **EBIT** | **171.9** | **36.5** | **2.6** | **-34.3** | **176.7** |

| | Europe | Americas | Asia-Pacific | Consolida-tion | Group |
|---|---|---|---|---|---|
| **H1/22** | | | | | |
| **Segment revenue** | | | | | |
| Total revenue | 1,301.9 | 234.5 | 64.3 | | 1,600.7 |
| Less intrasegment sales | -404.3 | -23.7 | -13.9 | | -441.9 |
| | 897.6 | 210.8 | 50.4 | | 1,158.8 |
| Intersegment sales | -71.3 | -8.0 | -7.0 | | -86.3 |
| **Revenue from external customers** | **826.3** | **202.8** | **43.4** | | **1,072.5** |
| | | | | | |
| **EBIT** | **81.6** | **6.0** | **3.7** | **-3.8** | **87.5** |

The consolidation effect recognized and not assigned to the segments mainly comprises the elimination of interim profit on inventories and rental equipment.

**SEGMENTATION (BUSINESS SEGMENTS)**

IN € MILLION

| | H1/23 | H1/22 |
|---|---|---|
| **Segment revenue from external customers** | | |
| Light equipment | 286.5 | 242.9 |
| Compact equipment | 850.8 | 618.8 |
| Services | 237.6 | 216.9 |
| | 1,374.9 | 1,078.6 |
| Less cash discounts | -9.0 | -6.1 |
| **Total** | **1,365.9** | **1,072.5** |

## Geographical areas

### REVENUE ACCORDING TO COMPANY LOCATION

IN € MILLION

| | H1/23 | H1/22 |
|---|---|---|
| Germany | 652.7 | 489.8 |
| USA | 218.5 | 144.4 |
| Austria | 78.2 | 77.5 |
| Other | 416.5 | 360.8 |
| **Wacker Neuson overall** | **1,365.9** | **1,072.5** |

### NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

| | H1/23 | H1/22 |
|---|---|---|
| Germany | 576.9 | 487.6 |
| Austria | 412.9 | 390.3 |
| USA | 39.3 | 41.2 |
| Other | 196.7 | 153.0 |
| **Wacker Neuson overall** | **1,225.9** | **1,072.0** |

As of the end of fiscal 2022, rental equipment was reported under non-current assets (previously: reported under current assets). Values for H1 2022 have been adjusted accordingly. Refer to item 12, “Rental equipment”, in the Notes to the Consolidated Financial Statements in the 2022 Annual Report for further information.

The non-current assets reported here include property, plant and equipment, investment properties, goodwill, other intangible assets, rental equipment and other non-current assets that are not classified as financial instruments.

# Selected Explanatory Notes to the Condensed Interim Financial Statements for H1 2023

## Accounting principles

The condensed Wacker Neuson SE Interim Consolidated Financial Statements to June 30, 2023, were prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations as valid on January 1, 2023, and adopted in the EU. The statements adhere to International Accounting Standard (IAS) 34 for condensed statements.

All interim financial statements of the domestic and foreign companies included in the consolidated statements were prepared according to the standardized Wacker Neuson SE accounting principles and valuation methods.

As an information instrument, this interim report builds on the Consolidated Financial Statements. We therefore refer to the Notes to the Consolidated Financial Statements of December 31, 2022. The comments there also apply to the quarterly and half-year statements for fiscal 2023, unless explicitly stated otherwise.

The general accounting principles, valuation methods and estimates used for the fiscal 2022 consolidated statements have also been applied to these interim financial statements.

The Interim Financial Statements for H1 2023 were not subject to any audit review.

The condensed Consolidated Financial Statements were approved for publication by way of a resolution passed by the Executive Board on August 1, 2023.

### Standards to be applied for the first time in the fiscal year

The following standards, amendments to standards and interpretations are mandatory as of January 1, 2023:

| Name | Description | Mandatory[1] |
|---|---|---|
| **EU endorsement issued by date of release for publication** | | |
| IFRS 17 | Insurance Contracts | Jan. 1, 2023 |
| IFRS 17 | Amendments to IFRS 17, Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information | Jan. 1, 2023 |
| IAS 1 | Disclosure of Accounting Policies | Jan. 1, 2023 |
| IAS 8 | Definition of Accounting Estimates | Jan. 1, 2023 |
| IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction | Jan. 1, 2023 |

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

| Name | Description | Mandatory |
|---|---|---|
| **EU endorsement still outstanding** | | |
| IAS 12 | Amendments to IAS 12, Income Taxes: International Tax Reform – Pillar Two Model Rules | Jan. 1, 2023 |

In May 2023, the IASB published an amendment to IAS 12. The amendment relates to a temporary exception from the requirement to account for deferred taxes arising from the implementation of Pillar Two Model Rules. This exception applies immediately after publication. Furthermore, specific disclosure requirements have been defined for affected entities. These are mandatory for the first time in annual reporting periods beginning on or after January 1, 2023. The Group is currently engaging with these amendments.

Initial application of the amendments to the IFRS standards above did not have a material impact on the accounting and valuation methods used by the Group.

**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 |
|---|---|---|
| **EU endorsement still outstanding** | | |
| IFRS 16 | Amendments to IFRS 16, Leases: Lease Liability in a Sale and Leaseback | Jan. 1, 2024 |
| IAS 1 | Amendments to IAS 1: Classification of Liabilities as Current or Non-current | Jan. 1, 2024 |
| IAS 7 / IFRS 7 | Amendments to IAS 7, Statement of Cash Flows, and IFRS 7, Financial Instruments: Disclosures (Supplier Finance Arrangements) | Jan. 1, 2024 |

With regard to amendments published in the previous year, we refer to the Notes to the Consolidated Financial Statements of December 31, 2022.

In May 2023, the IASB published amendments to IAS 7 and IFRS 7. These introduce additional disclosure requirements for the notes to financial statements to enhance the transparency of reverse factoring arrangements in relation to an entity's liabilities and cash flows. The amendments are mandatory for fiscal years beginning on or after

January 1, 2024. The Group will engage with these amendments in a timely manner.

## Material discretionary decisions, estimates and assumptions

In preparing the Interim 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 circumstances giving rise to estimates, discretionary decisions and assumptions remain unchanged from those underlying the Consolidated Financial Statements for fiscal 2022. We therefore refer here to the 2022 Annual Report, page 102 ff. The following nevertheless provides details of selected discretionary decisions, estimates and assumptions:

(a) Material discretionary decisions

**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, they are 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 high degree of judgment on the part of management 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 values of financial instruments.

The fair value of pension funds "measured at fair value through other comprehensive income" is derived from quoted prices on active markets. The investments in pension funds are reported in the "Investments" balance sheet line.

The Group has minority shareholdings in the form of non-listed shares, which are allocated to level 3 of the fair value hierarchy. Level 3 involves a valuation technique for which the lowest-level input that is significant to the fair value measurement as a whole is not observable on the market.

The fair values in level 3 were determined using the discounted cash flow model. The valuation requires internal management to make certain assumptions regarding inputs to the model, including forecast cash flows, the discount rate, the default risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in internal management's estimate of fair value for these non-listed equity investments.

(b) Estimates and assumptions

**Changes in accounting estimates**

There have not been any changes in accounting estimates in fiscal 2023 to date.

**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 reduced, or should changes to current tax legislation restrict the time frame or feasibility of future tax benefits. There were no indications for reassessment of the feasibility of future tax benefits for the recognition of deferred tax assets.

**Value of goodwill and assets with an indefinite useful life (at least one impairment test per year)**

The Group carries out an impairment test on goodwill and intangible assets of indefinite useful life once a year. No indications of impairment were identified during the year within these intangible assets.

**ECL allowances for financial assets**

The Group uses a provision matrix to calculate estimated credit losses (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 as a lessor

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by criteria such as geography, 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 then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (such as gross domestic product) are expected to deteriorate over the next year, potentially resulting in 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. The analysis undertaken did not result in any material changes for H1 2023.

## Legal changes to company structure

Wacker Neuson Limited i.L. in Hong Kong was liquidated at the start of the 2023 fiscal year. No other changes were made to the consolidation structure.

## Seasonal fluctuations

Revenue in the construction and agricultural industries is dependent on many seasonal factors. The annual analysis of the distribution of consolidated revenue over the year clearly shows that seasonal fluctuations can have an impact on Group business.

Viewed as a percentage, the quarterly distribution of consolidated revenue from fiscal 2020 through 2022 was as follows:

AS A %

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Q1 | 23 | 23 | 25 |
| Q2 | 24 | 26 | 24 |
| Q3 | 25 | 25 | 24 |
| Q4 | 27 | 26 | 27 |

## Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing the consolidated earnings by the average number of shares. There was no share dilution effect in the period under review. A share buyback program began in April 2021 and was successfully concluded in November 2021. There were no further share buybacks in fiscal 2022 or the first half of 2023. In the comparative periods shown below, earnings per share were calculated on the basis of an average number of shares in circulation of 68,015,345.

IN € MILLION

| | 2023 | 2022 |
|---|---|---|
| **Q2** | | |
| Quarterly earnings attributable to shareholders in € million | 63.6 | 37.5 |
| Weighted average number of ordinary shares in circulation during the period in thousands | 68,015 | 68,015 |
| Earnings per share in € | 0.94 | 0.55 |
| **H1** | | |
| Quarterly earnings attributable to shareholders in € million | 126.0 | 66.1 |
| Weighted average number of ordinary shares in circulation during the period in thousands | 68,015 | 68,015 |
| Earnings per share in € | 1.85 | 0.97 |

## Information on financial instruments

The book values and fair values of financial assets and liabilities are presented in the following table:

IN € MILLION

| | Jun. 30, 2023 Fair value | Jun. 30, 2023 Book value |
|---|---|---|
| **Assets** | | |
| Investments | 4.5 | 4.5 |
| Non-current financial assets | 22.7 | 22.7 |
| Trade receivables | 405.0 | 405.0 |
| Other current financial assets | 40.8 | 40.8 |
| Cash and cash equivalents | 33.7 | 33.7 |
| | | |
| **Liabilities** | | |
| Long-term financial borrowings | 97.2 | 103.2 |
| Trade payables | 304.5 | 304.5 |
| Short-term liabilities to financial institutions | 281.0 | 283.2 |
| Current portion of long-term borrowings | 0.2 | 0.2 |
| Other short-term financial liabilities | 103.5 | 103.5 |

Upon initial recognition, the Group can elect to irrevocably classify equity investments it holds in other companies as equity instruments measured at fair value through other comprehensive income if they meet the definition of equity under IAS 32, Financial Instruments: Presentation, and are not held for trading.

- Investments in pension funds: The Group holds investments in pension funds in the amount of EUR 1.4 million (December 31, 2022: EUR 1.4 million) to secure the pension entitlements of former Executive Board members. These are not defined as plan assets in accordance with IAS 19 and are not netted against provisions for pensions. The pension fund investments are reported under “Other non-current financial assets”. Their fair value is calculated using prices listed on active markets for identical financial assets (level 1 evaluation). Investments in pension funds are measured at fair value through other comprehensive income.

- Minority shareholding in Austria: The Group holds shares in an unlisted company in the amount of EUR 3.7 million (December 31, 2022: EUR 4.4 million), which invests specifically in innovative start-ups. The aim of this investment is to give the Group access to new technologies. The minority shareholding in Austria is recognized under the “Investments” item. The minority shareholding is measured at fair value recognized in the income statement.

## Information on revenue

The following table shows revenue generated by the company from contracts with customers and other revenue sources according to product group and site:

IN € MILLION

| | H1/2023 | H2/2022 |
|---|---|---|
| **Geographical segments** | | |
| Europe | 1,023.5 | 826.3 |
| Americas | 300.7 | 202.8 |
| Asia-Pacific | 41.7 | 43.4 |
| **Total revenue** | **1,365.9** | **1,072.5** |
| | | |
| **Business segments** | | |
| Light equipment | 286.5 | 242.9 |
| Compact equipment | 850.8 | 618.8 |
| Services | 237.6 | 216.9 |
| Less cash discounts | -9.0 | -6.1 |
| **Total revenue** | **1,365.9** | **1,072.5** |
| | | |
| **Source of revenue:** | | |
| Revenue from contracts with customers | 1,271.4 | 981.7 |
| Other revenue | 94.5 | 90.8 |
| **Total revenue** | **1,365.9** | **1,072.5** |

Other revenue mainly includes revenue from flexible rental solutions for equipment and accessories in accordance with IFRS 16, as well as revenue from dealer and customer financing in accordance with IFRS 9. Revenue in the Services segment includes revenue from flexible rental solutions for equipment and accessories in the amount of EUR 93.8 million (H1/2022: EUR 90.6 million). The rental period is generally short term, averaging approximately 18 days. Approximately EUR 0.7 million from dealer and customer financing was recognized for the first half of 2023 (H1/2022: EUR 0.2 million).

## Related party disclosures

For the Group, “related parties” within the meaning of IAS 24: Related Party Disclosures generally refers to shareholders, entities over which shareholders have control or significant influence (sister companies), non-consolidated companies, members of the Executive Board, members of the Supervisory Board and a pension fund. The type and scope of transactions conducted with related parties are comparable to the previous year. Please refer to the 2022 Annual Report for more information.

## Important events

The following important events occurred during the period under review:

- The Annual General Meeting (AGM) of Wacker Neuson SE took place on May 26, 2023, with shareholders or their proxy holders in attendance (with the exception of the proxies appointed by the company).
- The dividend proposed by the Executive Board and Supervisory Board in the amount of EUR 1.00 per share for fiscal 2022 was approved by shareholders. EUR 68.0 million was thus distributed to the shareholders.
- Non-current financial liabilities amounted to EUR 103.2 million as at June 30, 2023 (December 31, 2022: EUR 169.5 million). As of December 31, 2022, the Group recognized promissory notes (Schuldschein) in the amount of EUR 157.0 million under non-current financial liabilities. Due to the term involved (maturing in May 2024), EUR 70.0 million was reclassified to current financial liabilities in the 2023 fiscal year. In addition, a promissory note (Schuldschein) in the amount of USD 52.5 million was repaid as scheduled in March 2023. This was reported under short-term liabilities to financial institutions as of December 31, 2022. A further regular repayment in the amount of EUR 50.0 million is scheduled for August 2023.
- The asset-backed securities transactions (ABS program) developed as follows in 2023:

IN € MILLION

| | Jun. 30, 2023 | Dec. 31, 2022 |
|---|---|---|
| **Transferred assets** | | |
| End of contractual terms in year | 2024 | 2024 |
| Contractual maximum volume in USD | 200.0 | 200.0 |
| Sold receivables volume on balance sheet date | 156.4 | 116.5 |
| Range of sold receivables volume in year under review | 156.4 | 116.5 |
| | | |
| **Continuing involvement** | | |
| Maximum credit risk (before credit insurance) | 27.9 | 20.8 |
| Total carrying amount of transferred receivables | 156.4 | 116.5 |
| Book value of assets still carried | 27.9 | 20.8 |
| Book value of associated liability | 27.9 | 20.8 |
| Fair value of the financial guarantee | 0.7 | 0.5 |

Please refer to page 8 ff. in the Interim Group Management Report of June 30, 2023, for further information and explanatory comments on events that could have a substantial impact on profit, financials and assets.

## Events since the interim statements

There have been no further events since the end of the reporting period that could have a significant impact on the future business development of the Wacker Neuson Group.

Munich, August 1, 2023

Wacker Neuson SE, Munich, Germany

The Executive Board

| | |
|---|---|
| Dr. Karl Tragl<br>Chief Executive Officer (CEO)<br>Chairman of the Executive Board | Felix Bietenbeck<br>Chief Operations Officer (COO)<br>Chief Technology Officer (CTO) |
| Christoph Burkhard<br>Chief Financial Officer (CFO) | Alexander Greschner<br>Chief Sales Officer (CSO) |

# Assurance of the legal representatives

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year."

Munich, August 1, 2023

Wacker Neuson SE, Munich

The Executive Board

| | |
|---|---|
| Dr. Karl Tragl<br>Chief Executive Officer (CEO) | Felix Bietenbeck<br>Chief Operations Officer (COO)<br>Chief Technology Officer (CTO) |
| Christoph Burkhard<br>Chief Financial Officer (CFO) | Alexander Greschner<br>Chief Sales Officer (CSO) |

# Imprint/Financial Calendar

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## Imprint

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## Financial calendar 2023

| | |
|---|---|
| September 18 | Twelfth German Corporate Conference, Berenberg / Goldman Sachs |
| November 9 | Publication of Nine-month Report 2023 |

## Disclaimer

This report contains forward-looking statements that are based on the current assumptions and estimates of the corporate management of Wacker Neuson SE. Forward-looking statements are identified by the use of words such as expect, intend, plan, anticipate, assume, believe, estimate and similar formulations. These statements are not to be understood as guarantees that these expectations will prove to be correct. Future developments and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks, uncertainties and other factors. Various of these factors, which are described in publications, in particular but not limited to the company's risk report, are beyond the company's control and cannot be accurately estimated in advance, such as the future economic environment, the behavior of competitors and other market participants, and the future legal or regulatory framework. If these risks or uncertainties materialize, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. The Company does not intend or assume any obligation to update any forward-looking statements beyond what is required by law.



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